

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

**Comprehensive Annual  
Financial Report**



**YEARS ENDED  
JUNE 30, 2017 AND 2016**



**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**WARRENTON, VIRGINIA**

Comprehensive Annual Financial Report  
Years Ended June 30, 2017 and 2016

**Prepared by:**

---

William Skinker  
Associate General Manager and Chief Financial Officer



---

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Comprehensive Annual Financial Report Years Ended June 30, 2017 and 2016

---

### Table of Contents

	<u>Page</u>
<b><u>Introductory Section</u></b>	
Title Page	i
Table of Contents	iii-iv
Authority Officials	v
Letter of Transmittal	vii-ix
Organizational Chart	xi
Certificate of Achievement for Excellence in Financial Reporting	xiii
<b><u>Financial Section</u></b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-11
<b><u>Basic Financial Statements</u></b>	
Statements of Net Position	15-16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Notes to Financial Statements	19-50
<b><u>Required Supplementary Information</u></b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	53
Schedule of Employer Contributions	54
Notes to Required Supplementary Information	55

---

---

---

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Comprehensive Annual Financial Report Years Ended June 30, 2017 and 2016

---

---

### Table of Contents

	<u>Page</u>
 <b><u>Statistical Section</u></b>	
Table 1 Net Position by Component	59
Table 2 Changes in Net Position	60-61
Table 3 Schedule of Revenues	62
Table 4 Schedule of Rates	63
Table 5 Schedule of New Connections	64
Table 6 Schedule of Water Processed and Wastewater Treated	65
Table 7 Schedule of Operating Expenses	66
Table 8 Outstanding Debt by Type	67
Table 9 Revenue Bond Coverage	68
Table 10 Demographic and Economic Statistics	69
Table 11 Principal Employers	70
Table 12 Operating and Capital Indicators	71
Table 13 Principal Water and Sewer Customers	72-73
 <b><u>Compliance Section</u></b>	
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 <i>Government Auditing Standards</i>	75-76

---

---

## **OFFICERS AND BOARD MEMBERS**

Raymond E. Graham – Chairperson  
L. Paul Blackmer, Jr. – Vice Chairperson  
William G. Downey – Secretary/Treasurer  
Steven G. Cosby  
Michael J. Focazio

## **AUDIT COMMITTEE**

L. Paul Blackmer, Jr.  
Michael J. Focazio

## **SENIOR MANAGEMENT**

Larry Hughes, Interim General Manager  
William Skinker, Associate General Manager and Chief Financial Officer  
Cheryl St. Amant, Associate General Manager of Operations





FAUQUIER COUNTY

**WATER & SANITATION AUTHORITY**

7172 Kennedy Road • Vint Hill Farms

Warrenton, Virginia 20187-3907

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



September 28, 2017

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, 2017 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 the data and the completeness and fairness of the 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, 2017.

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 (the County) 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 sewer 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 General Manager, who is responsible for the daily management of the Authority.

*Economic  
Conditions and  
Outlook*

The County is located approximately 40 miles southwest of Washington, D.C. The service area of the Authority is traversed by several highways providing access to the metropolitan area and surrounding jurisdictions. The Authority is in a growing county with a current estimated population of approximately 69,069. This is expected to exceed 70,000 by the year 2018 and 74,118 by the year 2020. The Authority's major customers are well-established entities comprised of single and multi-family housing developments, county schools, a federal complex and shopping centers.

The local economy, like the national economy, has improved from the prior year. The Authority's customer base continues to grow each year. In fiscal year 2017, the Authority's customer base increased by 391 accounts to 10,516 or 3.9%.

Employment within the service area is well diversified. Per the Virginia Employment Commission, as of July 15, 2017, the total civilian labor force in Fauquier County was 37,208, of which 35,906 are employed and 1,302 unemployed, resulting in an unemployment rate of 3.5 %.

The Authority obtained two loans in FY 2017. One loan refunded a construction loan issued in FY2012 for the Bealeton Water Treatment Facility. The other loan was issued to construct and equip a new 750,000 water storage tank and to develop three wells as well as pay cost of issuance in connection with these two loans. The total of the revenue bonds is \$9.1 million.

The Authority has adopted a 5-year capital budget that will be used to increase water sources, storage, and treatment facilities, at an estimated cost of \$16 million.

*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 continuing 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 office is responsible for general Authority costs, as well as monitoring expenses by function for the Authority. Controlling all expenses at different levels strengthens overall budgetary and management controls.

*Relevant  
Financial  
Policies*

Investments are made per a formal Investment Policy that seeks 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 have 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 was completed in FY 2012. These upgrades will allow credit trading of nutrients between the plants to assist in meeting the regulatory requirements. The Authority estimates that this process will give a ten to fifteen-year window before starting the major upgrades required in phase two.

Debt service in FY2017 was \$1.7 million. This amount will be reduced by FY2030 to \$919,000. With these facts in mind, the Authority's management developed the two-stage plan to produce the best effect on user rates to cover new debt service. When necessary, the Authority will begin soliciting bids for the second phase of upgrades of the two wastewater treatment plants, Remington and Marshall, to meet the nutrient requirements. The estimated cost of this phase of upgrades is \$30 million.

The capital improvement program includes future upgrades to the water distribution systems for new sources, treatment and storage at an estimated cost of \$16 million.

*Independent  
Audit*

The Virginia State Code requires that an annual audit be performed. The Authority's financial statements for the year ended June 30, 2017 have been audited by Robinson, Farmer, Cox Associates, an independent firm of licensed certified public accountants. The fiscal year 2017 Independent Auditors' Report is in the financial section of this report.

*Awards*

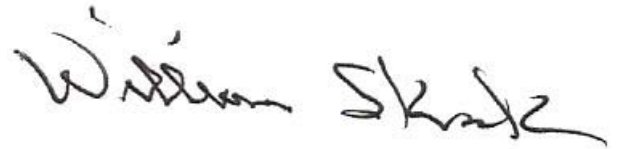
The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fauquier County Water & Sanitation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This is a prestigious national 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. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe 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 another Certificate.

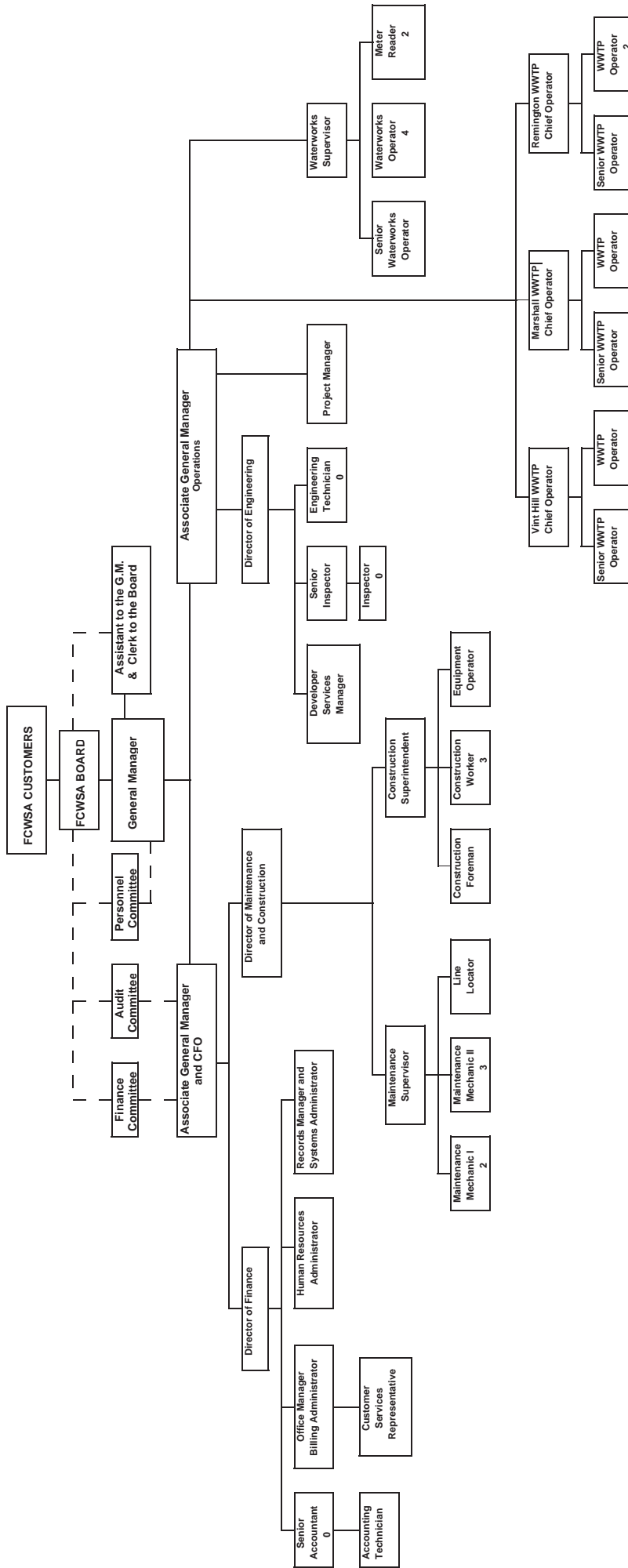
*Acknowledgments* The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Finance staff of the Authority. All members of the division have my sincere appreciation for their contributions to the preparation of this report. I would also like to thank the General Manager 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 black ink, appearing to read "William Skinker". The signature is fluid and cursive, with the first name "William" written in a larger, more prominent script than the last name "Skinker".

William Skinker  
Associate General Manager and Chief Financial Officer

# FCWSA ORGANIZATION







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, 2016**

Executive Director/CEO





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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, 2017 and 2016, 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 respective financial position of the business-type activities of the Fauquier County Water and Sanitation Authority, as of June 30, 2017 and 2016, and the respective 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 3-11 and schedules related to pension on page 53-55 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 September 8, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fauquier County Water and Sanitation Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

September 8, 2017

## **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, 2017. The Authority has set its primary budget focus on maintaining customer service and the infrastructure of the organization. Due to the increasing demand for water, the Authority is planning to upgrade and expand our water systems. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- In FY17, the Authority completed borrowings to refund the construction loan used to build the Bealton Water Treatment Facility and a new revenue bond to develop water storage, and well sources for a total of \$9.1 million or 71.1% increase in debt.
- Construction was completed on several Capital Improvement Program (CIP) projects at a cost of \$1,116,243 and work in process (WIP) of \$1,225,809. In addition, Replacement and renewal maintenance projects were completed at a cost of \$1.1 million.
- The FY17 Replacement and renewal budget was increased by \$700,000 to cover unfunded projects.
- In FY17, the Schoolhouse Road waterline replacement project in the Bealeton Service District was completed at a cost of \$829,671.
- In FY17, the rehabilitation of Mosby Well in the New Baltimore Service District was completed at a cost of \$286,573.
- Total net position increased by \$3.2 million to \$76.2 million.
- Total revenues including capital contributions were \$13.8 million and expenses were \$10.7 million.
- Operating revenues increased by \$1.7 million to \$9.8 million. Operating expenses increased \$0.7 million to \$10.5 million.
- The Authority has received unqualified audit opinions for over thirty years and has received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for the past ten 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 organization chart. The Financial Section includes the Independent Auditors’ Report, Management Discussion and Analysis, 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 accrual based 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

## **OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)**

performance of the Authority's operations over the past year. It 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 to 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 Authority and whether or not 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 FY2017, due primarily to a combination of operating revenue due to a rate study, availability revenues and the controlling of expenses, as described in the following sections of this report.

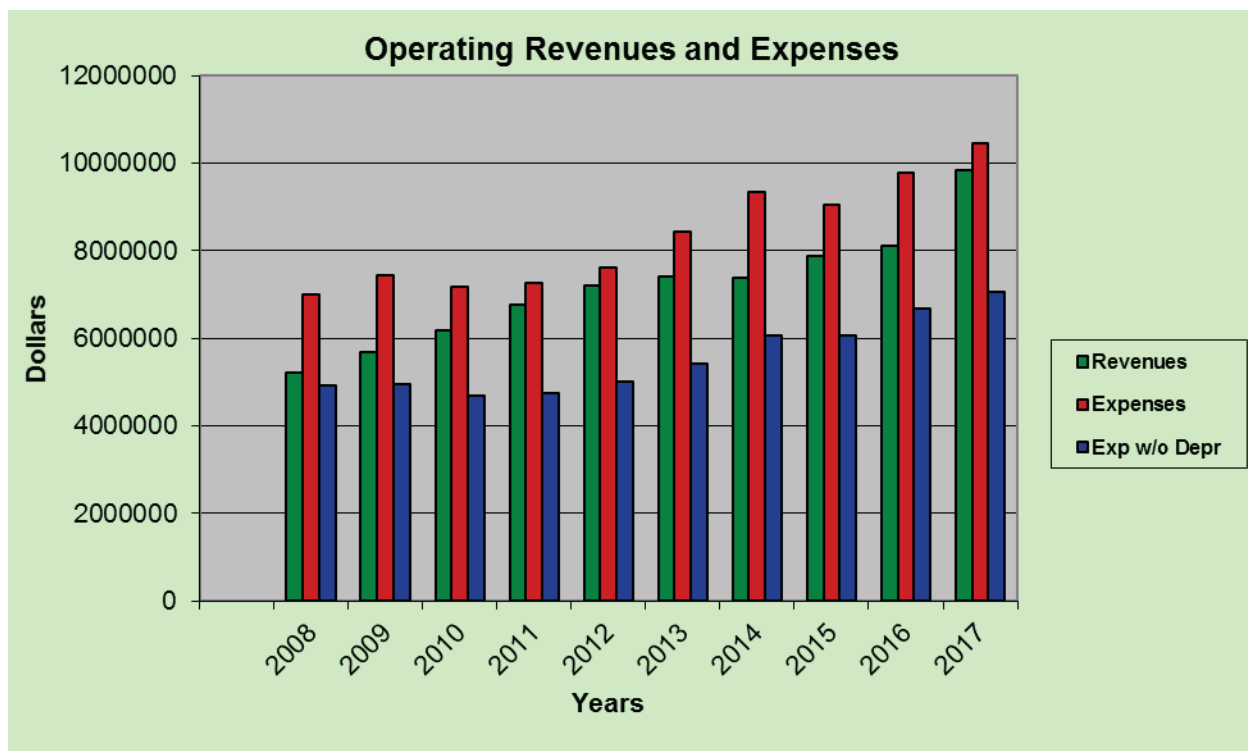
**Net Position and Liabilities** -The Authority's **total net position** increased in FY2017 by \$3.2 million or 4.4% compared to FY2016. FY2016 was \$4.9 million or 7.3% compared to FY2015, as restated. FY2015 increased by \$2.5 million or 3.8% compared to FY2014. A significant portion of this increase was due to capital contributions of \$1.7, \$4.7, and \$1.9 million in FY2017, FY2016, and FY2015, respectively. In FY2017 the **total liabilities** increased by \$6.7 million or 67.2% increase. Most of the increase is from the borrowing for refunding of a construction loan and new revenue bond. In FY2016 the liabilities increased by \$0.73 million or 7.9% compared to FY 2015. This increase is due to additional draws on a construction loan. Total liabilities decreased by \$0.51 million during FY2015 due to debt service payments and decreases in other liabilities. The following table depicts the Authority's assets and liabilities as of June 30, 2017, 2016, and 2015:

	<b>Net Position</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Assets:			
Current and other assets	\$ 18,569,897	\$ 8,995,473	\$ 9,396,499
Capital assets	<u>73,722,199</u>	<u>73,928,285</u>	<u>68,140,805</u>
Total assets	\$ 92,292,096	\$ 82,923,758	\$ 77,537,304
Deferred outflows of resources	<u>538,263</u>	<u>209,539</u>	<u>93,060</u>
Total assets and deferred outflows of resources	<u>\$ 92,830,359</u>	<u>\$ 83,133,297</u>	<u>\$ 77,630,364</u>
Liabilities:			
Noncurrent liabilities	\$ 14,510,919	\$ 8,224,587	\$ 7,393,288
Other liabilities	<u>2,097,792</u>	<u>1,707,554</u>	<u>1,810,121</u>
Total liabilities	\$ 16,608,711	\$ 9,932,141	\$ 9,203,409
Deferred inflows of resources	<u>\$ 23,430</u>	<u>\$ 181,253</u>	<u>\$ 385,186</u>
Net position:			
Net investment in capital assets	\$ 64,975,346	\$ 65,023,527	\$ 60,030,622
Restricted	468,724	-	-
Unrestricted	<u>11,222,872</u>	<u>7,996,376</u>	<u>8,011,147</u>
Total net position	\$ 76,198,218	\$ 73,019,903	\$ 68,041,769
Total liabilities, deferred inflows of resources and net position	<u>\$ 92,830,359</u>	<u>\$ 83,133,297</u>	<u>\$ 77,630,364</u>

## FINANCIAL ANALYSIS: (CONTINUED)

**Operating Income** – In FY2017 the **Operating Revenues** were \$9.8 million or an increase of 21.2% over FY2016. The increase is the result of a rate study completed in late FY2016. In FY2016, Operating Revenues were \$8.1 million, an increase of 3% over FY2015. Operating revenues totaled \$7.9 million in FY2015, an increase of 6.5% over FY2014. In FY2017, FY2016 and FY2015, the rates and fees increase produced additional operating revenues. In FY2017, the **Operating expenses** increased to \$10.5 million or 6.9%. Operating Expenses for FY2016 increased to \$9.8 million or 8.2%. In FY2015, expenses decreased to \$9.0 million or a decrease of 3.3%. FY2017 and FY2016 saw an increase in personnel cost, legal, maintenance and depreciation expenses. A significant portion of the decrease in FY2015 was due to a reduced depreciation expense from assets completing their useful life and other decreases in operating expenses.

Also, the FY2016 expenses increase was from salaries, developers' agreements, Replacement & Renewal(R&R) expenses and depreciation. The FY2017, FY2016 and FY2015 increases were influenced by growth of the customer base, utilities, chemicals, maintenance and depreciation. Depreciation expense represents 32%, 32%, and 33.0%, of operating expense in FY2017, FY2016 and FY2015, respectively. The following chart depicts **Operating Revenues** 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)**

Following no user rates changes in FY2015, the Authority increased user rates in FY2016. The Authority awarded a user rate study in FY2016. Per the recommendation of the study FY2017 users' rates were increased. There were Capital Improvement, Replacement & Renewal project and operating expenses that made it necessary to increase the user rates. However, in recognition of the trend towards shortfalls between the Authority's Operating Revenues and Operating Expenses, which is further compounded by significant increases in operating expenses such as chemicals, utilities, repairs, Replacement & Renewal projects and debt service resulting from new regulatory requirements, in addition to the planned capital investments, the Authority's Board anticipates further rate increases. These additional rate adjustments will further strengthen and match the Authority's Operating Revenues and Operating Expenses, (Net Operating Income (Loss)) as seen on the Statement of Revenue, Expenses, and Changes in Net Position.

The following table is a comparison of operating revenues, operating expenses, non-operating revenues and expenses, net income and capital contributions for the years ending June 30, 2017, 2016, and 2015.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating revenues:</b>			
Water service	\$ 4,351,789	\$ 3,438,450	\$ 3,519,398
Sewer service	4,515,284	3,874,505	3,524,999
Late charges	163,712	129,880	151,975
Other operating revenues	807,853	672,158	679,187
Total operating revenues	<u>\$ 9,838,638</u>	<u>\$ 8,114,993</u>	<u>\$ 7,875,559</u>
<b>Operating expenses:</b>			
Salaries	\$ 3,135,875	\$ 2,848,966	\$ 2,622,093
Fringe benefits	984,579	1,138,118	882,093
General and administrative	584,324	556,190	477,316
Operations and maintenance	2,359,475	2,128,639	2,082,445
Depreciation expense	3,393,628	3,113,765	2,982,641
Total operating expenses	<u>\$ 10,457,881</u>	<u>\$ 9,785,678</u>	<u>\$ 9,046,588</u>
<b>Net operating income (loss)</b>	<u>\$ (619,243)</u>	<u>\$ (1,670,685)</u>	<u>\$ (1,171,029)</u>
<b>Nonoperating revenue and expenses:</b>			
Availability fees	\$ 2,295,031	\$ 2,095,670	\$ 1,952,908
Interest earned	81,424	31,869	40,078
Interest expense	(250,894)	(168,652)	(188,494)
Net nonoperating revenue	<u>\$ 2,125,561</u>	<u>\$ 1,958,887</u>	<u>\$ 1,804,492</u>
Net income (loss) before capital contributions	\$ 1,506,318	288,202	633,463
<b>Capital Contributions</b>	<u>1,671,997</u>	<u>4,689,932</u>	<u>1,868,668</u>
Change in net position	<u>\$ 3,178,315</u>	<u>\$ 4,978,134</u>	<u>\$ 2,502,131</u>
<b>Net position, at beginning of year</b>	<u>73,019,903</u>	<u>68,041,769</u>	<u>65,539,638</u>
<b>Net position, at end of year</b>	<u><u>\$ 76,198,218</u></u>	<u><u>\$ 73,019,903</u></u>	<u><u>\$ 68,041,769</u></u>

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

**Capital Assets** - The increase in capital assets for FY2017 is the result of a CIP and Replacement and renewal projects having been completed and placed into service, and contributed capital of infrastructure. The detail of these major capital asset additions is as follows:

Mosby Woods well rehabilitation	\$ 286,573
Schoolhouse road project	829,671
Contributed capital	1,171,997 *
Vehicles	75,977
Other projects	751,689
Total capital asset additions	<u>\$ 3,115,907</u>

\* Fauquier County contributed \$500,000 towards the Opal Water System project, however only \$31,276 was expended during the year on this on-going project.

The largest construction-in-progress projects as of June 30, 2017, were:

New Baltimore water tank	\$ 248,566
Inflow & infiltration projects	474,436
Well projects	202,265

The following table shows capital asset balances for the fiscal years ending June 30, 2017, 2016, and 2015:

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 651,060	\$ 651,060	\$ 651,060
Construction in progress	1,225,809	1,147,619	1,624,258
Structures and improvements	54,465,503	53,773,398	51,916,817
Infrastructure	53,545,285	51,458,242	44,260,250
Vehicles	1,126,480	1,050,503	973,091
Machinery and equipment	<u>13,585,131</u>	<u>13,895,843</u>	<u>13,641,017</u>
Total property & equipment	\$ 124,599,268	\$ 121,976,665	\$ 113,066,493
Less: accumulated depreciation	<u>50,877,069</u>	<u>48,048,380</u>	<u>44,925,688</u>
Net property & equipment	<u>\$ 73,722,199</u>	<u>\$ 73,928,285</u>	<u>\$ 68,140,805</u>

## **CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)**

**Cash Balances** – The Authority's Board and Management determined that a multi-year rate setting will provide the Authority's customers a basis for future user rate adjustments. According to Commonwealth of Virginia's code, an increase in the user rate from the published and approved rates will require an advertisement of new rates. Also, it was determined that a portion of the water and sewer availability fees would be set aside to cover future CIP and Replacement and renewal 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 following is the projected ending cash balances for the next five years:

<b>Cash Balance:</b>	<b><u>Operations</u></b>	<b><u>Restricted for Capital</u></b>
FY2018	\$ 8,871,429	716,953
FY2019	8,573,097	1,256,619
FY2020	8,401,880	1,886,230
FY2021	7,810,947	2,605,785
FY2022	7,531,603	3,325,340

These projected cash flow balances are presuming an economic recovery in future years, including availability fee revenues. In addition, the Authority may approve cash funding for some CIP and Replacement and renewal projects which will affect the cash balances.

### **Capital Projects**

Below is a summary schedule of our planned capital projects (CIP) and Replacement and renewal for the next five years:

<b>Five Year Capital Improvement Program (FY 18 - 22)</b>						
<b>FY 2018 Approved Budget</b>						
<b>Project</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>5 YR Totals</b>
New Baltimore supply - wells	\$ -	\$ 100,000	\$ -	\$ 2,596,872	\$ -	\$ 2,696,872
New Baltimore storage - tanks	350,000	563,000	-	-	-	913,000
New Baltimore treatment	-	1,586,028	100,000	-	-	1,686,028
Bealeton Supply - wells	-	-	-	2,842,000	-	2,842,000
Marshall Supply - wells	1,531,000	867,000	-	-	-	2,398,000
Water reuse - SCADA control	250,000	-	-	-	-	250,000
The Plains - treatment	-	-	250,000	-	-	250,000
Bethel treatment	-	-	300,000	-	-	300,000
Botha treatment	-	-	-	300,000	-	300,000
Exploratory and others	200,000	200,000	200,000	200,000	200,000	1,000,000
<i>Total</i>	<u>\$ 2,331,000</u>	<u>\$ 3,316,028</u>	<u>\$ 850,000</u>	<u>\$ 5,938,872</u>	<u>\$ 200,000</u>	<u>\$ 12,635,900</u>



## **CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)**

### **Capital Projects: (Continued)**

Five Year Replacement and Renewal Program (FY 18 - 22) FY 2018 Approved Budget						
Project	FY2018	FY2019	FY2020	FY2021	FY2022	5 YR Totals
<b>GENERAL</b>						
Intergrated water plan	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000
SCADA communication maintenance	50,000	50,000	50,000	50,000	50,000	250,000
Generator replacement	71,970	60,000	60,000	60,000	60,000	311,970
Arc Flash analysis	50,000	-	-	-	-	50,000
Road maintenance - gravel, seal pave	-	20,000	20,000	20,000	20,000	80,000
<b>WATER SYSTEMS</b>						
<b>New Baltimore</b>						
Marstella water system	-	248,866	352,656	680,993	680,993	1,963,508
Rock Spring water system	-	237,045	233,385	298,524	359,222	1,128,176
Grapewood pressure relief work	-	-	-	503,812	113,657	617,469
Millwood rehabilitation, value intersection work	-	-	100,000	-	-	100,000
High rock rehabilitation	-	40,000	-	-	-	40,000
<b>Marshall</b>						
Piedmont well house repair project	100,000	-	-	-	-	100,000
<b>Green Meadows</b>						
Electrical upgrade	-	60,000	-	-	-	60,000
<b>Waterloo</b>						
Rehabilitation, redrill, tie in well #4	-	440,000	-	-	-	440,000
<b>Systemwide Work</b>						
Water loss study	-	40,000	-	-	-	40,000
Meter testing & calibration services	50,000	50,000	50,000	50,000	50,000	250,000
Repair well houses & upgrading controls	20,000	34,692	20,000	20,000	20,000	114,692
Water system - Hydrotank replacement projects	60,000	60,000	60,000	60,000	60,000	300,000
Protect roofover control panels	20,000	-	-	-	-	20,000
Upgrade water meters with radio read	70,000	70,000	70,000	70,000	70,000	350,000
Water tank maintenance	105,000	105,000	105,000	105,000	105,000	525,000
Utility services main valve exercise program	100,000	-	-	-	-	100,000
Fire hydrant testing program	-	108,000	-	-	-	108,000
Treatment media exchange	50,000	50,000	50,000	50,000	50,000	250,000
Water systems major replacements	61,800	63,654	65,564	67,531	69,556	328,105

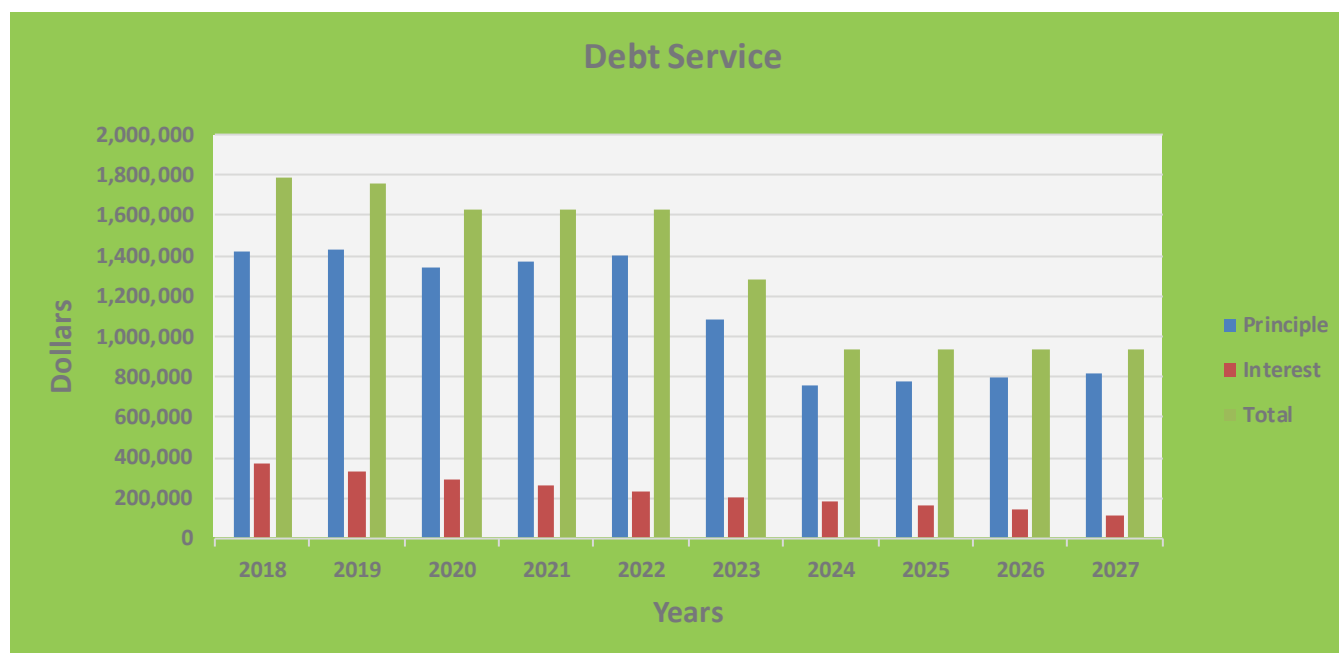
## **CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)**

### **Capital Projects: (Continued)**

Five Year Replacement and Renewal Program (FY 18 - 22) FY 2018 Approved Budget						
Project	FY2018	FY2019	FY2020	FY2021	FY2022	5 YR Totals
<b>WASTEWATER SYSTEMS</b>						
<b>Remington WWTP</b>						
I&I pipe replacement program	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,500,000
Replace centrifuge	-	-	453,873	46,127	-	500,000
Filter feed pump	30,000	-	-	-	-	30,000
Blower rebuild	25,000	-	-	-	-	25,000
Replace grit classifier	30,000	-	-	-	-	30,000
Asphalt roads	60,000	-	-	-	-	60,000
Reppie septic side, valve, diffusers	8,000	-	-	-	-	8,000
SCADA software upgrage	100,000	-	-	-	-	100,000
Digester and sludge holding tank crack repair	44,000	-	-	-	-	44,000
Reactor tracks	16,000	-	-	-	-	16,000
Sludge bay extend	300,000	-	-	-	-	300,000
<b>Vint Hill WWTP</b>						
Replace belt press	-	500,000	-	-	-	500,000
Effluent pump	55,900	-	-	-	-	55,900
Influent pump	19,690	-	-	-	-	19,690
Install influent magmeter/wetwell bypass	50,000	-	-	-	-	50,000
Headworkswalkway, microstrainer, grit classifier	100,000	-	-	-	-	100,000
Protective roof over rmethanol	5,000	-	-	-	-	5,000
SCADA remote pump stations	100,000	-	-	-	-	100,000
Sand filter structure	18,000	-	-	-	-	18,000
<b>Marshall WWTP</b>						
I&I pipe replacement program	200,000	500,000	500,000	500,000	500,000	2,200,000
Microstrainer rebuild	20,000	-	-	-	-	20,000
Well house fencing	-	-	15,280	15,280	-	30,560
Influent flow meter	5,530	-	-	-	-	5,530
Close in shop	20,000	-	-	-	-	20,000
Effluent pump driver	5,000	-	-	-	-	5,000
LS I improvements	-	-	-	-	50,000	50,000
Railroad crossing at Rt 55	150,000	-	-	-	-	150,000
<b>Systemwide Work</b>						
Lift station improvements	-	10,000	-	-	-	10,000
Lift station pump replacements	-	75,000	-	-	-	75,000
Wastewater systems major replacements	61,800	63,654	65,564	67,531	69,556	328,105
<i>Total replacement and renewal program</i>	<u>\$ 2,832,690</u>	<u>\$ 3,485,911</u>	<u>\$ 2,871,322</u>	<u>\$ 3,264,798</u>	<u>\$ 2,927,984</u>	<u>\$ 15,382,705</u>
<b>PROJECT FUNDING</b>						
Cash funded	\$ 750,000	\$ 750,000	\$ 1,000,000	\$ 1,000,000	\$ 617,770	\$ 4,117,770
Cash funded - not identified	-	-	-	-	382,230	382,230
Not funded	2,082,690	2,735,911	1,871,321	2,264,798	1,927,984	10,882,705
<i>Total</i>	<u>\$ 2,832,690</u>	<u>\$ 3,485,911</u>	<u>\$ 2,871,321</u>	<u>\$ 3,264,798</u>	<u>\$ 2,927,984</u>	<u>\$ 15,382,705</u>

**Long-Term Debt** - The Authority's outstanding debt as of June 30, 2017 consists of six revenue bonds (see Note 7 to the financial statements for additional details). The Authority approved the issuance of a refunding bond in the amount of \$2,350,262 to convert the construction loan used for construction of the Bealeton Water Treatment Facility to a permanent loan. In addition, another revenue bond was issued in the amount of \$6,800,000 to cover CIP projects for water storage, water sources and to pay various issuance costs. The following graph provides the detail of principal and interest amounts that are due each year over the next ten years.

## **CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)**



More detailed information on the Authority's long-term liabilities is presented in Note 7.

### **ECONOMIC FACTORS**

In FY2017, the Authority's non-cash revenue from developer contribution was \$1.2 million. The Authority received contributions of infrastructure from the New Baltimore and Bealeton Service District. Also, the County contributed \$0.5 million to explore water source and storage in the Opal area. Although availability fee revenue is comparable to the previous years, the Authority has had years in the past that generated higher fees. In FY2017, FY2016 and FY2015, availability fee revenues were \$2.3 million, \$2.1 million and \$2.0 respectively. The Authority experienced comparative growth during FY2017, FY2016 and FY2015. As such, revenues will continue to be forecasted in a conservative manner. In addition, the Authority will continue to monitor its operational and capital requirements to ensure that water and sewer services will meet customer needs.

The Authority's rates, fees and other charges are structured to produce sufficient revenue to service debt and to meet all operational expenses. While user rates met these goals in FY2017, the effects of 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 in the user rates probable over the next several fiscal years.

### **REQUEST FOR INFORMATION**

This 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 Authority at 540-349-2092 or to our administrative office located at 7172 Kennedy Road, Vint Hill Farms, Warrenton, VA 20187-3907.

This page intentionally left blank.

## Basic Financial Statements

This page intentionally left blank.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position  
At June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 9,731,893	\$ 7,378,764
Accounts receivable (net of allowance for doubtful accounts)	1,340,205	1,140,943
Due from other governments	147,022	136,101
Performance bond	-	25,000
Prepaid items	<u>252,480</u>	<u>154,215</u>
<b>Total current assets</b>	<b>\$ <u>11,471,600</u></b>	<b>\$ <u>8,835,023</u></b>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash and cash equivalents:		
Security deposits and construction meter deposits	\$ 172,250	\$ 160,450
Opal water system	468,724	-
Unexpended bond proceeds	<u>6,457,323</u>	<u>-</u>
<b>Total restricted assets</b>	<b>\$ <u>7,098,297</u></b>	<b>\$ <u>160,450</u></b>
<b>Capital Assets:</b>		
Capital assets not being depreciated:		
Land	\$ 651,060	\$ 651,060
Construction in progress	1,225,809	1,147,619
Capital assets being depreciated:		
Structures and improvements	54,465,503	53,773,398
Infrastructure	53,545,285	51,458,242
Vehicles	1,126,480	1,050,503
Machinery and equipment	13,585,131	13,895,843
Accumulated depreciation	<u>(50,877,069)</u>	<u>(48,048,380)</u>
Net capital assets	<b>\$ <u>73,722,199</u></b>	<b>\$ <u>73,928,285</u></b>
<b>Total noncurrent assets</b>	<b>\$ <u>80,820,496</u></b>	<b>\$ <u>74,088,735</u></b>
<b>Total assets</b>	<b>\$ <u>92,292,096</u></b>	<b>\$ <u>82,923,758</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contribution subsequent to measurement date	\$ 129,619	\$ 145,955
Pension differences between projected and actual earnings on plan investments	161,384	-
Pension differences between expected and actual experience	<u>247,260</u>	<u>63,584</u>
<b>Total deferred outflows of resources</b>	<b>\$ <u>538,263</u></b>	<b>\$ <u>209,539</u></b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ <u><u>92,830,359</u></u></b>	<b>\$ <u><u>83,133,297</u></u></b>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Statements of Net Position

At June 30, 2017 and 2016 (Continued)

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 419,229	\$ 590,244
Accrued interest	58,458	39,748
Revenue bonds - current portion	1,418,375	892,390
Compensated absences - current portion	29,480	24,722
Liabilities payable from Restricted Assets:		
Security deposits and construction meter deposits	<u>172,250</u>	<u>160,450</u>
<b>Total current liabilities</b>	<u>\$ 2,097,792</u>	<u>\$ 1,707,554</u>
<b>Noncurrent Liabilities:</b>		
Revenue bonds - less current portion	\$ 13,762,371	\$ 7,980,075
Net pension liability	483,230	22,012
Compensated absences-less current portion	<u>265,318</u>	<u>222,500</u>
<b>Total noncurrent liabilities</b>	<u>\$ 14,510,919</u>	<u>\$ 8,224,587</u>
<b>Total liabilities</b>	<u>\$ 16,608,711</u>	<u>\$ 9,932,141</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	\$ 23,430	\$ 32,293
Items related to measurement of net pension liability	<u>-</u>	<u>148,960</u>
<b>Total deferred inflows of resources</b>	<u>\$ 23,430</u>	<u>\$ 181,253</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 64,975,346	\$ 65,023,527
Restricted:		
Opal water system	468,724	-
Unrestricted	<u>10,754,148</u>	<u>7,996,376</u>
<b>Total net position</b>	<u>\$ 76,198,218</u>	<u>\$ 73,019,903</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><u>\$ 92,830,359</u></u>	<u><u>\$ 83,133,297</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating revenues:</b>		
Water service	\$ 4,351,789	\$ 3,438,450
Sewer service	4,515,284	3,874,505
Septic service	387,223	337,780
Late charges	163,712	129,880
Other operating revenues	420,630	334,378
Total operating revenues	\$ <u>9,838,638</u>	\$ <u>8,114,993</u>
<b>Operating expenses:</b>		
Salaries	\$ 3,135,875	\$ 2,848,966
Fringe benefits	984,579	1,138,118
General and administrative	584,324	556,190
Operations and maintenance	2,359,475	2,128,639
Depreciation expense	3,393,628	3,113,765
Total operating expenses	\$ <u>10,457,881</u>	\$ <u>9,785,678</u>
<b>Net operating income (loss)</b>	\$ <u>(619,243)</u>	\$ <u>(1,670,685)</u>
<b>Nonoperating revenue (expenses):</b>		
Availability fees	\$ 2,295,031	\$ 2,095,670
Interest income	81,424	31,869
Interest expense	(250,894)	(168,652)
Net nonoperating revenue (expenses)	\$ <u>2,125,561</u>	\$ <u>1,958,887</u>
Net income (loss) before capital contributions	\$ 1,506,318	\$ 288,202
<b>Capital Contributions</b>	<u>1,671,997</u>	<u>4,689,932</u>
Change in net position	\$ 3,178,315	\$ 4,978,134
<b>Net position, beginning of year</b>	<u>73,019,903</u>	<u>68,041,769</u>
<b>Net position, end of year</b>	\$ <u><u>76,198,218</u></u>	\$ <u><u>73,019,903</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 9,640,255	\$ 8,091,115
Payments to suppliers for goods and services	(3,213,079)	(2,818,041)
Payments to employees for services	(4,184,496)	(4,137,053)
Net cash provided by (used for) operating activities	\$ <u>2,242,680</u>	\$ <u>1,136,021</u>
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	\$ (1,900,699)	\$ (4,220,240)
Interest payments	(260,741)	(156,748)
Principal payments on long-term debt	(3,224,688)	(871,633)
Capital contributions	500,000	-
Proceeds from long-term debt issued	9,532,969	1,676,416
Proceeds from availability fees	2,295,031	2,095,670
Net cash (used for) capital and related financing activities	\$ <u>6,941,872</u>	\$ <u>(1,476,535)</u>
Cash flows from noncapital financing activities:		
Performance bond	\$ <u>25,000</u>	\$ <u>(25,000)</u>
Cash flows from investing activities:		
Interest income	\$ <u>81,424</u>	\$ <u>31,869</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,290,976	\$ (333,645)
Cash and cash equivalents at beginning of year	<u>7,539,214</u>	<u>7,872,859</u>
Cash and cash equivalents at end of year	\$ <u><u>16,830,190</u></u>	\$ <u><u>7,539,214</u></u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operating activities	\$ (619,243)	\$ (1,670,685)
Adjustment to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation expense	3,393,628	3,113,765
Increase / Decrease in:		
Accounts receivables	(199,262)	(37,625)
Due from other governments	(10,921)	(3,928)
Prepaid items	(98,265)	5,862
Compensated absences	(47,576)	(28,069)
Pension deferred outflows of resources	(328,724)	(78,259)
Pension deferred inflows of resources	(148,960)	(193,725)
Net pension liability / asset	461,218	150,084
Accounts payable	(171,015)	(139,074)
Security deposits	11,800	17,675
Net cash provided by (used for) operating activities	\$ <u><u>2,242,680</u></u>	\$ <u><u>1,136,021</u></u>
Noncash Investing, Capital and Financing Activities		
Contributions of capital assets	\$ <u>1,171,997</u>	\$ <u>4,689,932</u>
Capitalized depreciation on self-constructed assets	\$ <u>6,555</u>	\$ <u>8,927</u>
Reconciliation of Cash:		
Cash and cash equivalents	\$ 9,731,893	\$ 7,378,764
Restricted cash and cash equivalents	7,098,297	160,450
Total	\$ <u><u>16,830,190</u></u>	\$ <u><u>7,539,214</u></u>

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, 2017 and 2016

---

## 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
- Notes to Required Supplementary Information

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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, 2017 and 2016 (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 fiscal year and \$10,830 was capitalized in the prior year. Depreciation expense totaled \$3,400,183 for the year ended June 30, 2017 and \$3,122,692 for the year ended June 30, 2016. A portion of depreciation expense, \$6,555 was capitalized as part of self-constructed assets for the year ended June 30, 2017 and \$8,927 for the year ended June 30, 2016.

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 \$72,421 at June 30, 2017 and \$86,454 for the year ended June 30, 2016.
- 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.

### 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.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

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

---

### **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 restated to conform to current year classifications.

### **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 several items that qualifies for reporting in this category, one is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. Remaining items consist of: pension difference between projected and actual earnings on plan investments and pension differences between expected and actual experience. For more detailed information on these items, reference the pension note.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

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

---

### M. Deferred Outflows/Inflows of Resources: (Continued)

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 two types of items that qualify for reporting in this category. One is the deferred amount on refunding debt and certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

### N. Pensions

For purposes of measuring the net pension liability, 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.

### O. Upcoming Pronouncements

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

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

---

### O. Upcoming Pronouncements: (Continued)

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2017 and 2016 (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, 2017 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.

<b>Authority's Rated Debt Investments' Values</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings AAAm</b>
Local Government Investment Pool	\$ 3,242,335
Virginia State Non-Arbitrage Program	6,464,636
Total	<u><u>\$ 9,706,971</u></u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

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

### External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. Government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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 is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. 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.

<b>Investment Maturities (in years)</b>		
<b>Investment type</b>	<b>Fair Value</b>	<b>Less than 1 yr</b>
Local Government Investment Pool	\$ 3,242,335	\$ 3,242,335
Virginia State Non-Arbitrage Program	6,464,636	6,464,636
Total	<u>\$ 9,706,971</u>	<u>\$ 9,706,971</u>

## NOTE 4—RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2017 and 2016 consist of the following:

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
Restricted Assets:		
Security deposits and construction meter deposits	\$ 172,250	\$ 160,450
Opal water system	468,724	-
Unexpended bond proceeds	<u>6,457,323</u>	<u>-</u>
Total restricted assets	\$ 7,098,297	\$ 160,450
Restricted net position:		
Less:		
Security deposits and construction meter deposits	(172,250)	(160,450)
Unexpended bond proceeds	<u>(6,457,323)</u>	<u>-</u>
Total restricted net position	<u>\$ 468,724</u>	<u>\$ -</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 5—DUE TO/FROM OTHER GOVERNMENTS:

At June 30, 2017 and 2016, respectively, the Authority has receivables from other governments as follows:

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
Fauquier County	\$ 147,022	\$ 136,101
Total	<u>\$ 147,022</u>	<u>\$ 136,101</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, 2017:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
Capital assets, not being depreciated:				
Land	\$ 651,060	\$ -	\$ -	\$ 651,060
Construction in progress	<u>1,147,619</u>	<u>1,194,433</u>	<u>1,116,243</u>	<u>1,225,809</u>
Total capital assets not being depreciated	<u>\$ 1,798,679</u>	<u>\$ 1,194,433</u>	<u>\$ 1,116,243</u>	<u>\$ 1,876,869</u>
Capital assets being depreciated:				
Structures and improvements	\$ 53,773,398	\$ 692,105	\$ -	\$ 54,465,503
Infrastructure	51,458,242	2,087,043	-	53,545,285
Vehicles	1,050,503	75,977	-	1,126,480
Machinery and equipment	<u>13,895,843</u>	<u>260,782</u>	<u>571,494</u>	<u>13,585,131</u>
Total capital assets being depreciated	<u>\$ 120,177,986</u>	<u>\$ 3,115,907</u>	<u>\$ 571,494</u>	<u>\$ 122,722,399</u>
Accumulated depreciation:				
Structures and improvements	\$ 20,686,561	\$ 1,872,194	\$ -	\$ 22,558,755
Infrastructure	13,857,441	1,050,306	-	14,907,747
Vehicles	815,196	49,238	-	864,434
Machinery and equipment	<u>12,689,182</u>	<u>428,445</u>	<u>571,494</u>	<u>12,546,133</u>
Total accumulated depreciation	<u>\$ 48,048,380</u>	<u>\$ 3,400,183</u>	<u>\$ 571,494</u>	<u>\$ 50,877,069</u>
Total capital assets being depreciated, net	<u>\$ 72,129,606</u>	<u>\$ (284,276)</u>	<u>\$ -</u>	<u>\$ 71,845,330</u>
Business-type activities capital assets, net	<u>\$ 73,928,285</u>	<u>\$ 910,157</u>	<u>\$ 1,116,243</u>	<u>\$ 73,722,199</u>

Depreciation expense for the year ended June 30, 2017 totaled \$3,400,183.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 651,060	\$ -	\$ -	\$ 651,060
Construction in progress	1,624,258	3,724,847	4,201,486	1,147,619
Total capital assets not being depreciated	\$ 2,275,318	\$ 3,724,847	\$ 4,201,486	\$ 1,798,679
Capital assets being depreciated:				
Structures and improvements	\$ 51,916,817	\$ 1,856,581	\$ -	\$ 53,773,398
Infrastructure	44,260,250	7,197,992	-	51,458,242
Vehicles	973,091	77,412	-	1,050,503
Machinery and equipment	13,641,017	254,826	-	13,895,843
Total capital assets being depreciated	\$ 110,791,175	\$ 9,386,811	\$ -	\$ 120,177,986
Accumulated depreciation:				
Structures and improvements	\$ 18,906,896	\$ 1,779,665	\$ -	\$ 20,686,561
Infrastructure	12,952,088	905,353	-	13,857,441
Vehicles	788,936	26,260	-	815,196
Machinery and equipment	12,277,768	411,414	-	12,689,182
Total accumulated depreciation	\$ 44,925,688	\$ 3,122,692	\$ -	\$ 48,048,380
Total capital assets being depreciated, net	\$ 65,865,487	\$ 6,264,119	\$ -	\$ 72,129,606
Business-type activities capital assets, net	\$ 68,140,805	\$ 9,988,966	\$ 4,201,486	\$ 73,928,285

Depreciation expense for the year ended June 30, 2016 totaled \$3,122,692.

Computation of net investment in capital assets:

	Balance June 30, 2017	Balance June 30, 2016
Net capital assets	\$ 73,722,199	\$ 73,928,285
Revenue bonds	(15,180,746)	(8,872,465)
Debt proceeds received but unexpended on capital assets	6,457,323	-
Deferred amount on refunding	(23,430)	(32,293)
Net investment in capital assets	\$ 64,975,346	\$ 65,023,527

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of capital project activity for the fiscal year ending June 30, 2017 and 2016:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
New Baltimore Water Tank	\$ 103,954	\$ 144,612	\$ -	\$ 248,566
I & I Remington and Marshall	196,049	278,387	-	474,436
Schoolhouse road project	568,910	260,761	829,671	-
Miscellaneous projects	<u>278,706</u>	<u>510,673</u>	<u>286,572</u>	<u>502,807</u>
Total construction in progress	<u>\$ 1,147,619</u>	<u>\$ 1,194,433</u>	<u>\$ 1,116,243</u>	<u>\$ 1,225,809</u>

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
Bealeton Water Treatment Plant	\$ 1,242,758	\$ 2,297,615	\$ 3,540,373	\$ -
New Baltimore zone wells	51,480	517,430	-	568,910
I & I Remington and Marshall	-	196,049	-	196,049
New Baltimore Water Tank	-	103,954	-	103,954
Miscellaneous projects	<u>381,500</u>	<u>51,321</u>	<u>154,115</u>	<u>278,706</u>
Total construction in progress	<u>\$ 1,675,738</u>	<u>\$ 3,166,369</u>	<u>\$ 3,694,488</u>	<u>\$ 1,147,619</u>

## NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2017 and 2016:

<b>Description</b>	<b>Beginning Balance July 1, 2016</b>	<b>Issuances/ Additions</b>	<b>Retirements/ Deletions</b>	<b>Ending Balance June 30, 2017</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 8,872,465	\$ 9,532,969	\$ 3,224,688	\$ 15,180,746	\$ 1,418,375
Net pension liability	22,012	871,606	410,388	483,230	-
Compensated absences	<u>247,222</u>	<u>84,874</u>	<u>37,298</u>	<u>294,798</u>	<u>29,480</u>
Total	<u>\$ 9,141,699</u>	<u>\$ 10,489,449</u>	<u>\$ 3,672,374</u>	<u>\$ 15,958,774</u>	<u>\$ 1,447,855</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements

As of June 30, 2017 and 2016 (Continued)

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Description	Beginning Balance July 1, 2015	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2016	Due Within One Year
Revenue Bonds	\$ 8,067,682	\$ 1,676,416	\$ 871,633	\$ 8,872,465	\$ 892,390
Net pension liability	(128,072)	674,538	524,454	22,012	-
Compensated absences	219,153	38,485	10,416	247,222	24,722
Total	<u>\$ 8,158,763</u>	<u>\$ 2,389,439</u>	<u>\$ 1,406,503</u>	<u>\$ 9,141,699</u>	<u>\$ 917,112</u>

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 1,418,375	\$ 367,543
2019	1,433,461	329,044
2020	1,339,109	295,404
2021	1,370,741	263,772
2022	1,403,136	231,377
2023	1,083,787	199,134
2024	753,936	177,396
2025	773,383	157,948
2026	793,333	137,998
2027	813,798	117,534
2028	834,791	96,540
2029	856,327	75,005
2030	878,418	52,913
2031	705,133	31,575
2032	<u>723,018</u>	<u>12,930</u>
Total	<u>\$ 15,180,746</u>	<u>\$ 2,546,112</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
<b>Revenue Bonds:</b>		
\$5,870,600 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of \$162,320, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 2.02% .	\$ 3,371,772	\$ 3,945,678
\$4,000,000 revenue bonds, issued November 16, 2012, amount advanced through June 30, 2013, interest payable at 3.38%.	-	1,949,592
\$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 2.02% .	269,502	313,364
Revenue bonds, issued September 20, 2010 payable in 20 semi-annual installments of \$76,051 through September 1, 2020, interest at 3.12%.	270,038	410,421
\$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 2.5173% .	2,350,262	-
\$6,800,000 revenue refunding 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 2.5173% .	6,800,000	-
Revenue bonds, issued July 9, 2009 payable in 35 semiannual installments of \$103,810 through September 1, 2019, final payment of \$83,981 due March 1, 2030, interest at 3.55%.	<u>2,119,172</u>	<u>2,253,410</u>
<b>Total Revenue bonds</b>	\$ 15,180,746	\$ 8,872,465
<b>Other Obligations:</b>		
<b>Net Pension Liability</b>	483,230	22,012
<b>Compensated absences</b>	<u>294,798</u>	<u>247,222</u>
<b>Total long-term obligations</b>	<u>\$ 15,958,774</u>	<u>\$ 9,141,699</u>



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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. No benefits or pay are received for unused sick leave upon termination. The Authority has outstanding accrued vacation pay at June 30 in the amount of \$294,798 for fiscal year ended June 30, 2017 and \$247,222 for fiscal year ended June 30, 2016.

## NOTE 9—LITIGATION:

---

At June 30, 2017 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:

---

The Authority has the following commitments outstanding at June 30, 2017.

<u>Projects</u>	<u>Contract Amount</u>	<u>Expenses to Date</u>	<u>Balance</u>
Caldwell Tanks Inc.	\$ <u>1,079,000</u>	\$ <u>97,110</u>	\$ <u>981,890</u>
Total	\$ <u><u>1,079,000</u></u>	\$ <u><u>97,110</u></u>	\$ <u><u>981,890</u></u>

## NOTE 11—PENSION PLAN:

---

All full-time, salaried permanent employees of the Authority are automatically covered by 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, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

### *Plan Description*

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is 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.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is 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.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p><b>Vesting (Cont.)</b>  <b><u>Defined Contributions Component: (Cont.)</u></b>  Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### *Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

## NOTE 11—PENSION PLAN: (CONTINUED)

---

### *Plan Description (Continued)*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

### *Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	1
Non-vested inactive members	10
Inactive members active elsewhere in VRS	11
Total inactive members	<u>22</u>
Active members	<u>41</u>
Total covered employees	<u><u>74</u></u>

### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 4.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$129,619 and \$145,955 for the years ended June 30, 2017 and June 30, 2016, respectively.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

NOTE 11–PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

The Authority’s net pension liability (asset) was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

- Largest 10 – Non-LEOS:
  - Pre-Retirement:
    - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years
  - Post-Retirement:
    - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
  - Post-Disablement:
    - RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

## FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

### NOTE 11—PENSION PLAN: (CONTINUED)

---

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

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

### *Discount Rate*

The discount rate used to measure the total pension asset was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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, 2015	\$ 6,034,187	\$ 6,012,175	\$ 22,012
Changes for the year:			
Service cost	\$ 210,790	\$ -	\$ 210,790
Interest	411,798	-	411,798
Differences between expected and actual experience	245,293	-	245,293
Contributions - employer	-	141,775	(141,775)
Contributions - employee	-	162,447	(162,447)
Net investment income	-	106,166	(106,166)
Benefit payments, including refunds of employee contributions	(302,722)	(302,722)	-
Administrative expenses	-	(3,680)	3,680
Other changes	-	(45)	45
Net changes	\$ 565,159	\$ 103,941	\$ 461,218
Balances at June 30, 2016	\$ 6,599,346	\$ 6,116,116	\$ 483,230



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

## NOTE 11—PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension 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		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Liability (Asset)	1,542,879	483,230	(376,175)

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

For the year ended June 30, 2017, the Authority recognized pension expense of \$108,973. At June 30, 2017, 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	\$ 247,260	\$ -
Net difference between projected and actual earnings on pension plan investments	161,384	-
Employer contributions subsequent to the measurement date	129,619	-
Total	\$ 538,263	\$ -

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2017 and 2016 (Continued)

---

## NOTE 11—PENSION PLAN: (CONTINUED)

---

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

\$129,619 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 of the Net Pension Liability in the fiscal year ended June 30, 2018. 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>		
---------------------------	--	--

2018	\$	65,881
2019		65,880
2020		151,554
2021		111,881
2022		13,448
Thereafter		-

## NOTE 12—RISK MANAGEMENT:

---

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries insurance.

The Authority is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays Virginia Municipal Group 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 continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

## Required Supplementary Information

This page intentionally left blank.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Years Ended June 30, 2017 and 2016

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 210,790	\$ 210,819	\$ 233,185
Interest	411,798	381,354	351,577
Difference between expected and actual experience	245,293	78,832	-
Benefit payments, including refunds of employee contributions	(302,722)	(169,477)	(149,264)
<b>Net change in total pension liability</b>	<b>\$ 565,159</b>	<b>\$ 501,528</b>	<b>\$ 435,498</b>
<b>Total pension liability - beginning</b>	<b>6,034,187</b>	<b>5,532,659</b>	<b>5,097,161</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,599,346</b>	<b>\$ 6,034,187</b>	<b>\$ 5,532,659</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 141,775	\$ 131,280	\$ 166,227
Contributions - employee	162,447	128,938	121,744
Net investment income	106,166	264,236	766,252
Benefit payments, including refunds of employee contributions	(302,722)	(169,477)	(149,264)
Administrative expense	(3,680)	(3,477)	(3,968)
Other	(245)	(56)	41
<b>Net change in plan fiduciary net position</b>	<b>\$ 103,741</b>	<b>\$ 351,444</b>	<b>\$ 901,032</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,012,175</b>	<b>5,660,731</b>	<b>4,759,699</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,115,916</b>	<b>\$ 6,012,175</b>	<b>\$ 5,660,731</b>
<b>Political subdivision's net pension (liability) asset - ending (a) - (b)</b>	<b>\$ 483,430</b>	<b>\$ 22,012</b>	<b>\$ (128,072)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>92.67%</b>	<b>99.64%</b>	<b>102.31%</b>
<b>Covered payroll</b>	<b>\$ 2,728,127</b>	<b>\$ 2,495,933</b>	<b>\$ 2,386,659</b>
<b>Political subdivision's net pension (asset) liability as a percentage of covered payroll</b>	<b>17.72%</b>	<b>0.88%</b>	<b>-5.37%</b>

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Employer Contributions  
Years Ended June 30, 2017 and 2016

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)		
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%
2010	91,519	91,519	-	2,184,230	4.19%
2009	91,424	91,424	-	2,181,950	4.19%
2008	96,124	96,124	-	2,112,622	4.55%

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  
For the Year Ended June 30, 2017

---

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

This page intentionally left blank.



## 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

13

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

This page intentionally left blank.

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**
**Table 1**

Net Position by Component  
Last Ten years

	<b>Fiscal Years</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net position:					
Net Investment in capital assets	\$ 64,975,346	\$ 65,023,527	\$ 60,030,622	\$ 58,184,968	\$ 54,323,804
Restricted	468,724	-	-	111,972	-
Unrestricted	<u>10,754,148</u>	<u>7,996,376</u>	<u>8,011,147</u>	<u>7,413,933</u>	<u>5,110,621</u>
Total net position	<u>\$ 76,198,218</u>	<u>\$ 73,019,903</u>	<u>\$ 68,041,769</u>	<u>\$ 65,710,873</u>	<u>\$ 59,434,425</u>

	<b>Fiscal Years</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net position:					
Net Investment in capital assets	\$ 53,333,168	\$ 53,412,822	\$ 52,245,846	\$ 45,261,874	\$ 43,108,473
Restricted	31,915	445,567	982,474	1,720,280	541,456
Unrestricted	<u>4,339,839</u>	<u>2,525,847</u>	<u>1,328,083</u>	<u>769,515</u>	<u>3,752,435</u>
Total net position	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>	<u>\$ 54,556,403</u>	<u>\$ 47,751,669</u>	<u>\$ 47,402,364</u>

Source: Fauquier County Water and Sanitation Authority

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Changes in Net Position Last Ten Years

	2017	2016	2015
Operating revenues:			
Water service	\$ 4,351,789	\$ 3,438,450	\$ 3,519,398
Sewer service	4,515,284	3,874,505	3,524,999
Septic service	387,223	337,780	295,896
Late charges	163,712	129,880	151,975
Other operating revenues	420,630	334,378	383,291
Total operating revenues	<u>\$ 9,838,638</u>	<u>\$ 8,114,993</u>	<u>\$ 7,875,559</u>
Operating expenses:			
Salaries	\$ 3,135,875	\$ 2,848,966	\$ 2,622,093
Fringe benefits	984,579	1,138,118	882,093
General and administrative	584,324	556,190	477,316
Operations and maintenance	2,359,475	2,128,639	2,082,445
Depreciation expense	3,393,628	3,113,765	2,982,641
Total operating expenses	<u>\$ 10,457,881</u>	<u>\$ 9,785,678</u>	<u>\$ 9,046,588</u>
Net operating income (loss)	<u>\$ (619,243)</u>	<u>\$ (1,670,685)</u>	<u>\$ (1,171,029)</u>
Nonoperating revenue (expenses):			
Availability fees	\$ 2,295,031	\$ 2,095,670	\$ 1,952,908
Interest earned	81,424	31,869	40,078
Interest expense	(250,894)	(168,652)	(188,494)
Net nonoperating revenue (expenses)	<u>\$ 2,125,561</u>	<u>\$ 1,958,887</u>	<u>\$ 1,804,492</u>
Net income (loss) before capital contributions	\$ 1,506,318	\$ 288,202	\$ 633,463
Capital Contributions	<u>1,671,997</u>	<u>4,689,932</u>	<u>1,868,668</u>
Change in net position	\$ 3,178,315	\$ 4,978,134	\$ 2,502,131
Net position, at beginning of year	<u>73,019,903</u>	<u>68,041,769</u>	<u>65,539,638</u>
Net position, at end of year	<u><u>\$ 76,198,218</u></u>	<u><u>\$ 73,019,903</u></u>	<u><u>\$ 68,041,769</u></u>

Source: Fauquier County Water and Sanitation Authority.

Table 2

2014	2013	2012	2011	2010	2009	2008
\$ 3,290,504	\$ 3,278,523	\$ 3,110,188	\$ 3,150,219	\$ 2,807,897	\$ 3,031,716	\$ 2,695,893
3,390,211	3,202,582	3,178,717	3,132,887	2,807,471	2,054,634	2,070,737
222,908	490,042	468,705	176,063	87,990	75,858	74,006
161,898	147,231	171,640	147,980	129,235	117,598	115,791
328,601	294,476	267,671	148,189	347,874	395,890	248,329
<u>\$ 7,394,122</u>	<u>\$ 7,412,854</u>	<u>\$ 7,196,921</u>	<u>\$ 6,755,338</u>	<u>\$ 6,180,467</u>	<u>\$ 5,675,696</u>	<u>\$ 5,204,756</u>
\$ 2,515,181	\$ 2,338,834	\$ 2,308,237	\$ 2,172,426	\$ 2,163,497	\$ 2,204,681	\$ 2,200,437
829,358	926,274	847,748	786,446	748,240	818,458	742,049
537,264	388,643	428,523	400,482	406,526	376,598	541,741
2,192,251	1,768,958	1,419,252	1,388,562	1,366,460	1,564,933	1,446,519
3,276,736	3,002,676	2,599,488	2,521,187	2,485,492	2,486,274	2,068,985
<u>\$ 9,350,790</u>	<u>\$ 8,425,385</u>	<u>\$ 7,603,248</u>	<u>\$ 7,269,103</u>	<u>\$ 7,170,215</u>	<u>\$ 7,450,944</u>	<u>\$ 6,999,731</u>
<u>\$ (1,956,668)</u>	<u>\$ (1,012,531)</u>	<u>\$ (406,327)</u>	<u>\$ (513,765)</u>	<u>\$ (989,748)</u>	<u>\$ (1,775,248)</u>	<u>\$ (1,794,975)</u>
\$ 3,687,466	\$ 1,168,821	\$ 603,542	\$ 520,656	\$ 316,255	\$ 331,482	\$ 1,137,703
32,504	26,253	32,346	34,240	26,370	60,748	197,179
(219,958)	(495,053)	(331,064)	(370,451)	(339,834)	(336,501)	(239,161)
<u>\$ 3,500,012</u>	<u>\$ 700,021</u>	<u>\$ 304,824</u>	<u>\$ 184,445</u>	<u>\$ 2,791</u>	<u>\$ 55,729</u>	<u>\$ 1,095,721</u>
\$ 1,543,344	\$ (312,510)	\$ (101,503)	\$ (329,320)	\$ (986,957)	\$ (1,719,519)	\$ (699,254)
<u>4,733,104</u>	<u>2,042,013</u>	<u>1,422,189</u>	<u>1,730,322</u>	<u>7,791,691</u>	<u>2,068,824</u>	<u>2,739,155</u>
\$ 6,276,448	\$ 1,729,503	\$ 1,320,686	\$ 1,401,002	\$ 6,804,734	\$ 349,305	\$ 2,039,901
<u>59,434,425</u>	<u>57,704,922</u>	<u>56,384,236</u>	<u>54,983,234</u>	<u>47,751,669</u>	<u>47,402,364</u>	<u>45,362,463</u>
<u>\$ 65,710,873</u>	<u>\$ 59,434,425</u>	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>	<u>\$ 54,556,403</u>	<u>\$ 47,751,669</u>	<u>\$ 47,402,364</u>

Schedule of Revenues  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Water Service</b>	<b>Sewer Service</b>	<b>Availability Fees</b>	<b>Other Revenues</b>	<b>Total</b>
2008	\$ 2,695,893	\$ 2,070,737	\$ 1,137,703	\$ 438,126	\$ 6,342,459
2009	3,031,716	2,054,634	331,482	589,346	6,007,178
2010	2,807,897	2,807,471	316,255	591,469	6,523,092
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

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates  
Last Ten Years

<b>Fiscal Year</b>	<b>Water Usage Fee (1)</b>	<b>Water Base Service Fees</b>	<b>Sewer Usage Fee (2)</b>	<b>Sewer Base Service Fees</b>
2008	\$ 2.76	\$ 14.88	\$ 5.11	\$ 14.10
2009	2.93	15.77	5.42	14.96
2010	3.05	16.41	6.02	16.60
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	4.35	27.39	9.07	27.67

(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
2008	122	5,417	2.25%	144	3,618	3.98%
2009	50	5,467	0.93%	35	3,653	0.97%
2010	45	5,512	0.82%	52	3,705	1.40%
2011	76	5,588	1.38%	46	3,761	1.24%
2012	129	5,717	2.30%	93	3,854	2.47%
2013	73	5,790	1.28%	79	3,933	2.05%
2014	225	6,015	5.34%	122	4,055	2.28%
2015	96	* 5,626	1.71%	48	4,024	1.19%
2016	150	5,906	2.54%	116	4,219	2.75%
2017	201	6,107	3.40%	190	4,409	4.50%

Source: Fauquier County Water and Sanitation Authority connection records

\*Excluding Vint Hill subdivision customer 355



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

<b>Calendar Year</b>	<b>Water Processed</b>	<b>Wastewater Treated</b>
2007	580,000,000	343,000,000
2008	477,000,000	401,000,000
2009	458,000,000	450,000,000
2010	480,000,000	449,000,000
2011	473,000,000	504,000,000
2012	489,000,000	433,000,000
2013	489,000,000	519,000,000
2014	507,000,000	517,000,000
2015	529,000,000	513,000,000
2016	595,000,000	485,000,000

Source: Fauquier County Water and Sanitation Authority

Schedule of Operating Expenses  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Salaries</b>	<b>Fringe Benefits</b>	<b>General &amp; Administrative</b>	<b>Operations &amp; Maintenance</b>	<b>Depreciation Expense</b>	<b>Total</b>
2008	\$ 2,200,437	\$ 742,049	\$ 541,741	\$ 1,446,519	\$ 2,068,985	\$ 6,999,731
2009	2,204,681	818,458	376,598	1,564,933	2,486,274	7,450,944
2010	2,163,497	748,240	406,526	1,366,460	2,485,492	7,170,215
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

Source: Fauquier County Water and Sanitation Authority

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

	<b>Fiscal Year</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Note Payable - Brookside	\$ -	\$ -	\$ -	\$ -	\$ 516,150
Revenue Refunding Bond 2017	2,350,262	-	-	-	-
Revenue Refunding Bond 2017	6,800,000	-	-	-	-
Revenue Bond 7-9-2009	2,119,172	2,253,410	2,384,070	2,507,394	2,622,917
Revenue Bond 9-20-10	270,038	410,421	546,525	678,480	806,412
Revenue Bond 11-16-2012	-	1,949,592	273,176	80,341	80,341
Revenue Refunding Bond 2012	3,371,772	3,945,678	4,508,136	5,059,374	5,599,617
Revenue Refunding Bond 2012	269,502	313,364	355,775	396,782	436,432
Total outstanding debt	\$ 15,180,746	\$ 8,872,465	\$ 8,067,682	\$ 8,722,371	\$ 10,061,869
Debt per capita (1)	\$ 442	\$ 281	\$ 280	\$ 289	\$ 345

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Notes Payable VHEDA	\$ -	\$ 938,800	\$ 938,800	\$ 938,800	\$ 938,800
Note Payable - Brookside	516,150	525,450	525,450	525,450	525,450
Notes Payable Opal system	-	451,831	451,831	451,831	451,831
VRA Water Revenue Bond	455,811	491,089	519,019	545,486	2,025,000
VRA Water Revenue Bond	1,575,992	1,704,310	1,811,460	1,914,426	-
VRA Water Revenue Bond	1,246,396	1,326,713	1,404,247	1,478,391	-
Revenue Bond 2010	2,735,447	2,903,781	2,903,781	-	-
Revenue Bond 2011	3,113,956	3,417,208	-	-	-
Revenue Bond 2011	1,127,971	1,242,201	-	-	-
Virginia Water Facility Bond	180,000	350,000	515,000	675,000	825,000
Virginia Water Facility Bond	-	-	4,090,499	4,764,896	5,419,486
Total outstanding debt	\$ 10,951,723	\$ 13,351,383	\$ 13,160,087	\$ 11,294,280	\$ 10,185,567
Debt per capita	\$ 382	\$ 476	\$ 476	\$ 413	\$ 398

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
2008	\$ 6,539,638	\$ 4,930,746	\$ 1,608,892	\$ 780,406	\$ 239,161	\$ 1,019,567	1.58
2009	** 8,125,920	4,964,670	3,161,250	981,307	336,501	1,317,808	2.40
2010	6,523,092	4,684,723	1,838,369	1,037,974	339,834	1,377,808	1.33
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	882,390	260,741	1,143,131	4.51

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.

\*\* In FY09, FCWSA received a \$2,057,994 WQIF award associated with capital improvement made to the Vint Hill WWTP funded by cash proffer by a developer. The award was included in FY09 Gross Revenue.

Source: Fauquier County Water and Sanitation Authority

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Year</b>	<b>Estimated Population (1)</b>	<b>Personal Income (expressed in thousands) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (3)</b>	<b>County Civilian Labor Force (3)</b>	<b>At-Place Employment Annual Average (3)</b>	<b>School Enrollment (4)</b>
2008	27,051	\$ 3,402,174	\$ 50,597	3.6%	38,808	21,864	11,046
2009	27,289	3,320,398	48,822	5.7%	38,306	20,117	11,104
2010	27,645	3,364,254	51,454	5.6%	36,952	20,133	11,271
2011	28,047	3,426,035	52,399	5.0%	37,311	20,762	11,223
2012	28,713	3,594,251	54,400	4.8%	37,599	20,815	11,221
2013	29,169	3,818,298	56,814	4.8%	36,702	20,268	10,750
2014	28,266	4,230,159	61,962	4.5%	37,131	21,081	11,084
2015	28,581	4,249,353	61,780	3.5%	37,223	22,043	11,055
2016	31,554	*	*	3.4%	36,209	21,363	11,287
2017	34,314	*	*	3.5%	37,208	*	11,267

Sources: (1) Fauquier County Water and Sanitation Authority  
 (2) Bureau of Economic Analysis, calendar year data.  
 (3) Virginia Employment Commission, calendar year data.  
 (4) Fauquier County Schools

\* Unavailable

Principal Employers  
Current Year and Nine Years Ago

Employer	2017		2008	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1,000 and over	1	1,000 and over
Fauquier Health	2	500 to 999		
Fauquier Hospital		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	500 to 999
Wal Mart	5	100 to 249	5	250 to 499
Pearson Government Solutions Inc	6	100 to 249		
Town of Warrenton	7	100 to 249	7	100 to 249
Food Lion	8	100 to 249	6	100 to 249
Oak Springs Nursing Home	9	100 to 249		
Lord Fairfax Community College	10	100 to 249		
Warrenton Overlook Health & Rehab Center			8	100 to 249
Airlie Foundation			9	100 to 249
The Fauquier Bank			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators  
Last Ten Fiscal Years

	<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>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>Water System:</b>										
Number of water systems	16	16	16	16	14	14	14	14	14	14
Number of service connections	6107	5906	5,756	6,015	5,772	5,717	5,588	5,467	5,467	5,417
Miles of water mains	142	142	141	127	100	100	100	100	100	100
Daily average consumption per MGD	1.63	1.49	1.38	1.365	1.34	1.323	1.455	1.455	1.455	1.455
Average daily water distributed per MGD	1.63	1.49	1.38	1.365	1.34	1.323	1.455	1.455	1.455	1.455
Storage capacity in million gallons	5.154	5.154	5.154	5.154	5.154	5.154	5.154	5.154	1.911	1.911
<b>Sewerage System:</b>										
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Number of pump stations	14	14	14	14	13	13	16	16	16	16
Number of service connections	4409	4219	4,103	4,055	3,412	3,854	3,761	3,653	3,653	3,618
Miles of sanitary sewer mains	91	91	91	91	82	82	82	82	82	82
Daily average treatment per MGD	1.328	1.492	1.254	1.365	1.319	1.289	1.289	0.939	0.939	0.939
Design capacity of treatment plants per MGD	3.59	3.59	3.59	3.59	3.59	3.236	3.236	2.886	2.886	2.886
<b>Number of Full-Time Employees:</b>	47	46	46	42	44	44	44	45	45	44

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers  
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY 2017		FY 2016		FY 2015	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
FEDERAL AVIATION ADM	Federal FFA building	13,657	2.30%	2,470	0.47%	3,646	0.72%
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	11,667	1.96%	12,252	2.32%	9,946	1.96%
CEDAR LEE CONDO ASSOCIATES	Apartments	6,960	1.17%	2,880	0.54%	3,562	0.70%
CHUCK DAVIS	ODEC	6,683	1.12%	8,900	1.68%	3,765	0.74%
ASPEN SOUTH	Apartments	5,826	0.98%	3,191	0.60%	3,165	0.62%
SUFFIELD MEADOW CONDO	Condos	5,577	0.94%	12,605	2.38%	2,485	0.49%
BROOKSIDE HOA	Homeowners Association	4,313	0.72%	1,047	0.20%		
NORTH FORTY ASPEN PLUS	Apartments	3,757	0.63%	1,754	0.33%	1,730	0.34%
WAVERLY STATION	Apartments	3,273	0.55%	1,422	0.27%	1,520	0.30%
VAN MANAGEMENT INC	Marshall McDonalds	2,022	0.34%			1,030	0.20%
BEALETON VILLAGE CENTER LLC	Shopping Center					794	0.16%
WAKEFIELD SCHOOL	Private School					772	0.15%
CEDAR LEE CONDO ASSOCIATES	Apartments			2,880	0.54%	3,562	0.70%
ASPEN CLUB APTS/NORTH 40	Apartments			1,080	0.20%	1,879	0.37%
R. B. DRUMHELLER INC.	Bealeton McDonalds					790	0.16%
Total		63,735	10.71%	48,011	9.08%	35,000	6.90%
Total Water System Annual Consumption		595,000		529,000		507,000	

Principal Users of the Sewer System	Principal Business	000/gals	System	000/gals	System	000/gals	System
FEDERAL AVIATION ADM	Federal FFA building	13,657	2.82%	2,470	0.48%	3,646	0.71%
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	9,632	1.99%	12,835	2.50%	9,885	1.91%
CEDAR LEE CONDO ASSOCIATES	Condos	6,960	1.44%	2,880	0.56%	3,562	0.69%
ASPEN SOUTH	Apartments	5,826	1.20%	3,191	0.62%	3,165	0.61%
BROOKSIDE HOA	Homeowners Association	4,313	0.89%	1,047	0.20%		
NORTH FORTY ASPEN PLUS	Apartments	3,757	0.77%	1,754	0.34%	1,730	0.33%
WAVERLY STATION	Apartments	3,273	0.67%	1,422	0.28%	1,520	0.29%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	2,227	0.46%	2,285	0.45%	2,095	0.41%
VAN MANAGEMENT INC	Marshall McDonalds	2,022	0.42%			1,030	0.20%
BEALETON VILLAGE CENTER LLC	Shopping Center	1,981	0.41%			794	0.15%
OPAL OIL, INC.	Quarles Q Stop					1,474	0.29%
BLUE RIDGE CHRISTIAN HOME	Nursing Home					1,271	0.25%
ASPEN CLUB APTS/NORTH 40	Apartments			1,080	0.21%	1,879	0.36%
R. B. DRUMHELLER INC.	Bealeton McDonalds					790	0.15%
WAKEFIELD SCHOOL	Private School					772	0.15%
CHUCK DAVIS	ODEC			8,900	1.73%	1,970	0.38%
Total		53,648	11.06%	35,394	6.90%	31,937	6.18%
Total Sewer System Annual Flow		485,000		513,000		517,000	



Table 13

FY 2014		FY 2013		FY 2012		FY 2011		FY 2010		FY 2009		FY 2008	
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
3,911	0.83%	3,661	0.77%	4,487	0.95%	4,643	0.97%	2,552	0.53%	2,778	0.58%	2,730	0.47%
10,696	2.26%	9,684	2.05%	13,035	2.76%	17,338	3.61%	11,394	2.37%	10,569	2.22%	8,090	1.39%
		1,840	0.39%	526				488	0.10%	1,350	0.28%	999	0.17%
9,029	1.91%	299	0.06%	1,931	0.41%	957	0.20%	361	0.08%			887	0.15%
3,223	0.68%	3,168	0.67%	2,963	0.63%	3,348	0.70%	2,939	0.61%	2,505	0.53%	3,678	0.63%
3,480	0.74%	3,193	0.68%	773	0.16%					573	0.12%	873	0.15%
1,520	0.32%	1,402	0.30%	4,900	1.04%	1,649	0.34%	1,479	0.31%	1,483	0.31%	1,660	0.29%
1,507	0.32%	1,055	0.22%	717	0.15%			910	0.19%	1,130	0.24%		
1,234	0.26%			1,280	0.27%	1,462	0.30%	1,224	0.26%	1,025	0.21%	1,233	0.21%
		6,667	1.41%	1,377	0.29%	1,012	0.21%						
		448	0.09%	586	0.12%		0.00%	871	0.19%	752	0.19%	1,314	0.38%
		1,840	0.39%	526				488	0.10%	1,350	0.28%	999	0.17%
2,347	0.50%	2,753	0.58%	2,084	0.44%	3,231	0.67%	2,717	0.57%	3,141	0.66%	3,633	0.63%
852	0.18%												
33,888	7.17%	32,349	6.83%	30,698	6.27%	28,997	6.04%	22,871	4.78%	23,878	5.04%	23,366	4.19%
489,000		489,000		473,000		480,000		458,000		477,000		580,000	
000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System
3,911	0.78%	3,660	0.73%	4,487	0.89%	4,643	1.03%	2,552	0.57%	2,778	0.69%	2,730	0.80%
10,025	1.99%	8,397	1.67%	12,837	2.55%	15,024	3.35%	10,090	2.25%	11,041	2.75%	8,716	2.54%
		1,840	0.37%	526	0.10%	1,515	0.34%	488	0.11%	1,350	0.34%	999	0.29%
3,223	0.64%	3,168	0.63%	2,963	0.59%	3,343	0.74%	2,457	0.55%	2,841	0.71%	3,678	1.07%
1,520	0.30%	1,402	0.28%	4,900	0.97%	1,649	0.37%	1,479	0.33%	1,483	0.37%	1,660	0.48%
1,507	0.30%	1,055	0.21%	717	0.14%		0.00%	910	0.20%	1,130	0.28%	159	0.05%
2,190	0.43%	1,978	0.39%	1,875	0.37%	1,929	0.43%	1,811	0.40%	1,708	0.43%	1,937	0.56%
1,234	0.24%	1,084	0.22%	1,280	0.25%	1,482	0.33%	1,224	0.27%	1,025	0.26%	1,233	0.36%
		6,667	1.41%	1,377	0.29%	1,012	0.21%						
1,461	0.29%												
		930	0.18%	1,026	0.20%	1,212	0.27%						
2,347	0.47%	2,753	0.55%	2,084	0.41%	3,231	0.72%	2,717	0.61%	3,141	0.78%	3,633	1.06%
852	0.18%												
		448	0.09%	586	0.12%		0.00%	871	0.19%	752	0.19%	1,314	0.38%
9,029	1.79%	359	0.07%	3,880	0.77%	2,993	0.67%	2,939	0.65%	2,846	0.71%	2,022	0.59%
21,160	4.19%	27,074	5.37%	37,161	7.36%	37,021	8.25%	27,538	6.13%	30,095	7.50%	28,081	8.19%
519,000		433,000		504,000		449,000		450,000		401,000		343,000	

This page intentionally left blank.

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated September 8, 2017.

### **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

September 8, 2017