Fauquier County
Water and Sanitation Authority

Warrenton, Virginia

Comprehensive Annual Financial Report

YEARS ENDED
JUNE 30, 2013 AND 2012

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
Years Ended June 30, 2013 and 2012

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, 2013 and 2012

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Comprehensive Annual Financial Report
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OFFICERS AND BOARD MEMBERS

L. Paul Blackmer, Jr. – Chairperson
Raymond E. Graham – Vice Chairperson
Earl H. Douple, Jr. – Secretary/Treasurer
Maureen S. Riordan, Esquire,
Michael J. Focazio

AUDIT COMMITTEE

L. Paul Blackmer, Jr.
Maureen S. Riordan, Esquire

SENIOR MANAGEMENT

Phillip Farley, 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 12, 2013

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report for the Fauquier County Water and Sanitation Authority (the Authority) for the year ended June 30, 2013 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.

GAAP 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 and reincorporated in 1975. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for providing a comprehensive county-wide water and sewer system.

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 located in a growing county with a current estimated population of approximately 66,000 and expected to exceed 68,400 by the year 2014 and 74,000 by the year 2018. The Authority's major customers are well-established entities comprised of single and multi-family housing developments, county schools, 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 2013, the Authority's customer base increased by 152 accounts to 9,723, or 1.59 % above the fiscal year 2012.

Employment within the service area is well diversified. In according with Virginia Employment Commission as of December 31, 2012, the total civilian labor force in Fauquier County was 36,702, of which 34,940 were employed and 1,762 were unemployed, resulting in an unemployment rate of 4.8 %.

In August 2011, the Commonwealth experienced an earthquake. The Authority has suffered damage to its water distribution system in the Bealeton and New Baltimore Service Districts. The Authority has obtained a construction loan of $4,000,000 in FY2013 to repair and upgrade the damaged water systems.

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, assurance regarding: (1) the safeguarding of assets against the loss from unauthorized use or disposition; and (2) the reliability of financial records used to preparing 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 required estimates and judgments made by management. Management reviews internal controls on a continuing basis.

The Authority prepares an annual budget for current expenses and capital outlays. The proposed budget is prepared 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 as a whole. Controlling all expenses at different levels strengthens overall budgetary and management controls.

Relevant Financial Policies

Investments are made according to 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 on the nutrient quality of wastewater entering the Chesapeake Bay's tributaries. The effective date is December 31, 2010. The Authority is in the early stages of implementing a two phase plan to meet these regulatory requirements. In the first phase, contracts were awarded in early 2009 to have the upgrades necessary to achieve compliance with regulations. Our engineering firms have estimated the cost for the two wastewater treatment plants at $8 million. 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 FY2013 was $1.1 million. This amount will be reduced by FY2024 to the amount of $208 thousand. 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. The Authority will begin soliciting bids in FY2022 for the second phase of upgrades of the two wastewater treatment plants to meet the nutrient requirements. The estimated cost of this phase of upgrades is $30 million.

The water distribution systems for all Service District need upgrading and new infrastructure at an estimated cost of $8 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, 2013 have been audited by Robinson, Farmer, Cox Associates a firm of licensed certified public accountants. The fiscal year 2013 Independent Auditors' Report is located 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, 2012. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order 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 only. We believe our current comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to 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,

William Skinker
Associate General Manager and Chief Financial Officer

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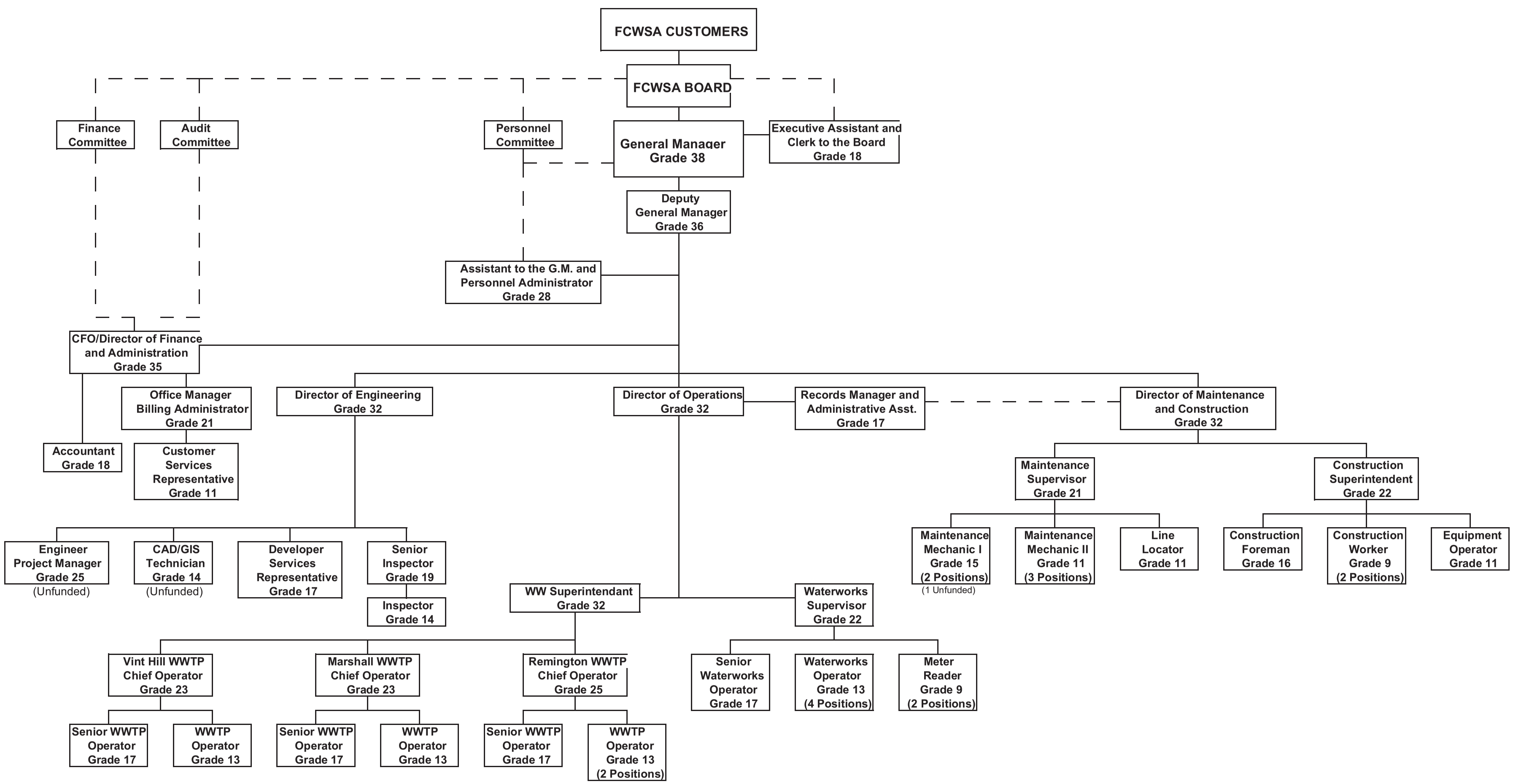
FCWSA ORGANIZATION



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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fauquier County Water & Sanitation Authority Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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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 the Fauquier County Water and Sanitation Authority as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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, 2013 and 2012, 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.

Emphasis of Matter

As described in Note 14 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 3-9 and schedule of pension funding progress 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 August 29, 2013, 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
August 29, 2013

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, 2013. Due to the current economic conditions, 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

- Total net position increased by $1,729,503 to $59,434,425.
- Total revenues including capital contributions and expenses were $10,649,941 and $8,920,438, respectively.
- Operating revenues increased by 3.0% to $7.4 million. Operating expenses increased 10.8% to $8.4 million.
- Construction was completed on several Repair and Replacement (R&R) projects at a cost of $507,972. Also, completed R&R maintenance projects at a cost of $242,000.
- Two infrastructure projects were completed in the service districts of Paris and Catlett at a cost of $497,017.
- Two new water projects were initiated at a cost of $4 million.
- Three loans were consolidated reducing the interest rates to 2.02% from a range of 3.12% to 4.52%.
- 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 six 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 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 all of the Authority's assets and liabilities using accrual based accounting. It provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and flexibility of the Authority. All current and prior year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the performance of the Authority's operations over the past year and 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

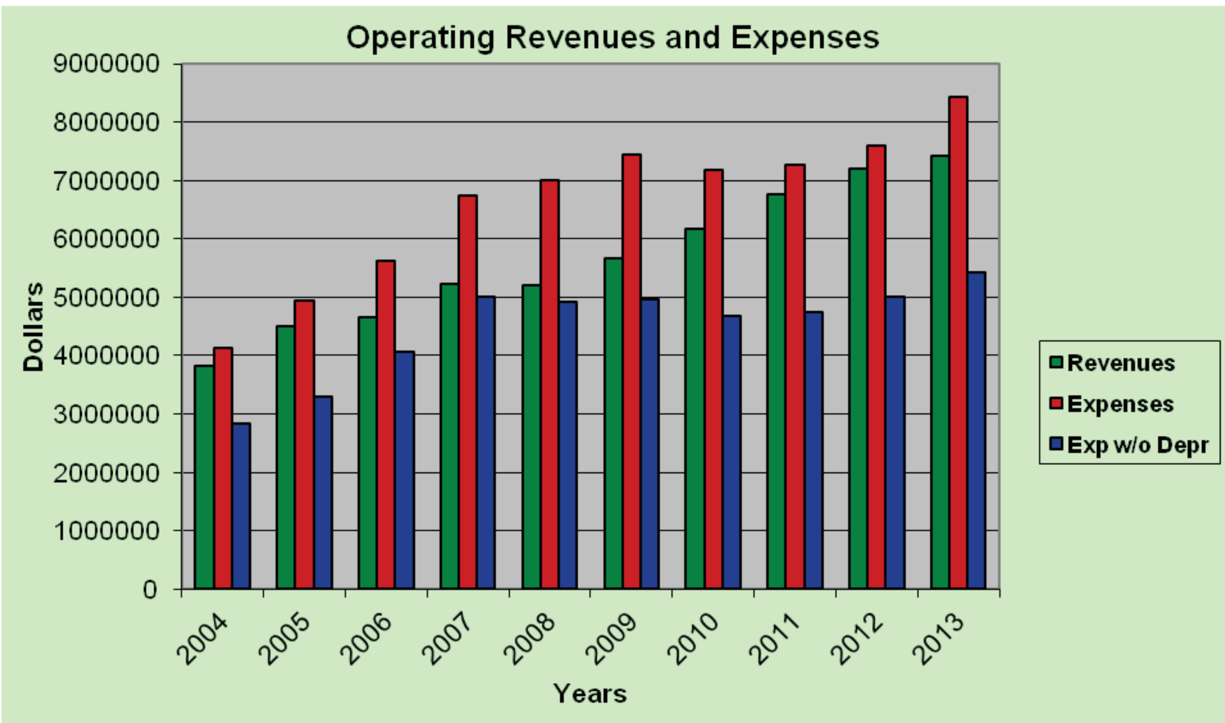
The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved over the year. These reports help determine the financial health of the Authority and whether or not the Authority's 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 FY2013, due primarily to a combination of 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 FY 2013 by $1.7 million or 2.5% compared to FY2012's $1.3 million or 2.3%, compared to $1.4 million and 2.6% during FY2011. A significant portion of this increase was due to capital contributions of $2.0, $1.4, and $1.7 million in FY2013, FY2012, and FY2011 respectively. Total liabilities decreased by $741,284 during FY2013, $1,368,800 during FY2012, and $986,128 during FY2011. The decrease in FY2013 is due to maturing of a VRA loan and debt service payments. In FY2012, the decrease was due to the completion of the upgrades of the wastewater treatment plant (WWTP) and maturing of some notes payable, and the FY2011 decrease was due to construction on the three WWTPs are nearing completion. The following table depicts the Authority's assets and liabilities as of June 30, 2013, 2012, and 2011:

	Net Position		
	2013	**2012**	**2011**
Current and other assets	$ 8,365,306	$ 7,765,774	$ 7,732,095
Capital assets	63,869,523	63,403,986	63,495,779
Total assets	$ 72,234,829	$ 71,169,760	$ 71,227,874
Non-current liabilities	$ 9,343,926	$ 11,940,244	$ 13,060,240
Other liabilities	3,389,628	1,534,594	1,783,398
Total liabilities	$ 12,733,554	$ 13,474,838	$ 14,843,638
Deferred inflows	$ 66,850	$ -	$ -
Net position:			
Invested in capital assets	$ 54,323,804	$ 53,333,168	$ 53,412,822
Restricted	-	31,915	445,567
Unrestricted	5,110,621	4,339,839	2,525,847
Total net position	$ 59,434,425	$ 57,694,922	$ 56,384,236

FINANCIAL ANALYSIS: (Continued)

Operating Income - Operating Revenues totaled $7.4 million in FY2013, an increase of 3.0% over FY2012. In FY2012, revenue totaled $7.2 million, an increase of 6.5% over FY2011. In FY2011, revenue totaled $6.8 million, an increase of 9.3% over FY2010. In FY2013, there was a normal growth factor. The increase in the rates and fees was a primary factor for the increase in Operating Revenues during FY2012 and FY2011. Operating Expenses totaled $8.4 million in FY2013 which is an increase of 10.8%, and FY2012 Expense of $7.6 million was an increase of 4.6% over FY2011. A significant portion of the increase in FY2013 and FY2012 Operating Expense is from depreciation expenses, which represents 35.6% and 34.2% of the Operating Expenses, respectively. Also, the FY2013 expense increase was due to salaries and benefits (1.3%), maintenance (3.0%), and depreciation (5.3%). Both the FY2013 and FY2012 increases were influenced by growth of the customer base, high fuel costs, utilities, chemical costs, maintenance on water tanks and depreciation. 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 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.

The Authority has seen the affects of the increase in the rates and fees set in FY2012 and FY2011. In FY2013 there were no rate or fee increases. However, in recognition of the trend towards shortfalls between the Authority's Operating Revenues and Operating Expenses, which is being further compounded by significant increases in operating expenses such as chemicals, utilities and fuel and the increases in our debt service resulting from having to comply with new regulatory requirements, the Authority's Board anticipates further rate increases in the future. These additional rate increases will further strengthen the Authority's Operating Revenues and Operating Expenses.

FINANCIAL ANALYSIS: (Continued)

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, 2013, 2012, and 2011

	2013	2012	2011
Operating revenues:			
Water service	$ 3,278,523	$ 3,110,188	$ 3,150,219
Sewer service	3,202,582	3,178,717	3,132,887
Late charges	147,231	171,640	147,980
Other operating revenues	784,518	736,376	324,252
Total operating revenues	$ 7,412,854	$ 7,196,921	$ 6,755,338
Operating expenses:			
Salaries	$ 2,338,834	$ 2,308,237	$ 2,172,426
Fringe benefits	926,274	847,748	786,446
General and administrative	388,643	428,523	400,838
Operations and maintenance	1,768,958	1,419,252	1,388,206
Depreciation expense	3,002,676	2,599,488	2,521,187
Total operating expenses	$ 8,425,385	$ 7,603,248	$ 7,269,103
Net operating income (loss)	$ (1,012,531)	$ (406,327)	$ (513,765)
Non-operating revenue and expenses:			
Availability fees	$ 1,168,821	$ 603,542	$ 520,656
Interest earned	26,253	32,346	34,240
Interest expense	(495,053)	(331,064)	(370,451)
Net nonoperating revenue	$ 700,021	$ 304,824	$ 184,445
Net income (loss) before capital contributions	$ (312,510)	(101,503)	(329,320)
Capital Contributions	2,042,013	1,422,189	1,730,322
Change in net assets	$ 1,729,503	$ 1,320,686	$ 1,401,002
Net position, at beginning of year	57,704,922	56,384,236	54,983,234
Net position, at end of year	$ 59,434,425	$ 57,704,922	$ 56,384,236

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets - The increase in capital assets for FY2013 is the result of a CIP project having been completed and placed into service, and contributed capital of infrastructure. The detail of these major capital asset additions is as follows:

Paris water lines	$	160,456
Catlett saddle/service		336,561
Contributed capital		2,042,015
Vehicles		98,337
New Servers		25,995
Other R&R projects		116,595

The largest constructions-in-progress projects as of June 30, 2013 were:

Bealeton Water Treatment Plant	$	281,479
New Baltimore H wells		274,074

The following table shows capital asset balances for the fiscal years ending June 30, 2013, 2012, and 2011:

		2013		**2012**		**2011**
Land	$	614,625	$	614,625	$	614,625
Construction in progress		1,178,205		475,750		8,417,393
Structures and improvements		48,405,568		48,288,973		39,695,299
Infrastructure		38,367,534		35,828,502		34,065,951
Vehicles		1,048,040		961,203		907,224
Machinery and equipment		13,623,690		13,556,291		13,495,106
Total property & equipment	$	103,237,662	$	99,725,344	$	97,195,598
Less: depreciation		39,368,139		36,321,358		33,699,819
Net property & equipment	$	63,869,523	$	63,403,986	$	63,495,779

Additional information on the capital assets can be reviewed in Note 7.

Cash Balances – The Authority Board and Management are setting rates on an annual basis and have determined that a multi-year rate setting is not in the best interests of its customers. By analyzing rates on 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:

FY2014	$	5,082,642
FY2015		5,070,425
FY2016		5,085,167
FY2017		5,114,370
FY2018		5,108,979

These projected cash flow balances are presuming an economic recovery in future years including availability fee revenues.

CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)

Capital Projects

Below is a summary schedule of our planned capital projects and replacement and renewals for the next five years:

FAUQUIER COUNTY WATER & SANITATION AUTHORITY
Five Years Capital Improvement Program
FY2014 Approved Budget

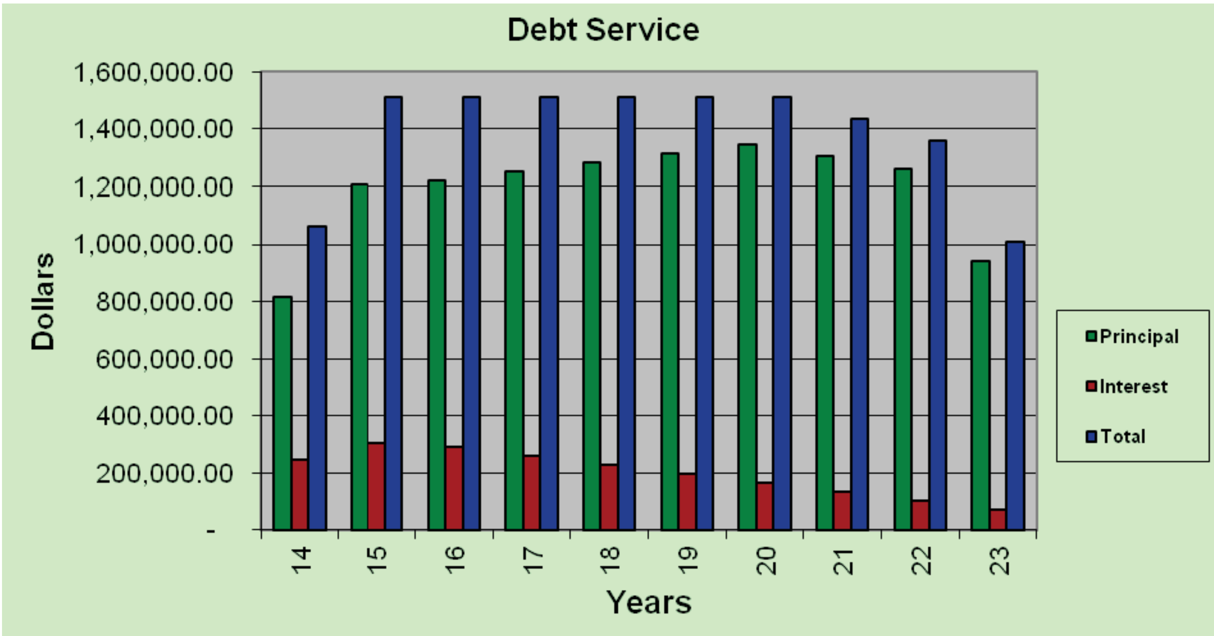
Project:	FY2014	FY2015	FY2016	FY2017	FY2018	5 YR Totals
Northern Sport Complex	$ 418,780	$ -	$ -	$ -	$ -	$ 418,780
General - water - new service water meters	10,000	5,000	5,000	5,000	5,000	30,000
PER for location of water tank in New Baltimore	60,000	951,500	-	-	-	1,011,500
E-6, E-7 wells	-	-	-	857,655	-	857,655
Hydrogeological studies:						
New Baltimore	100,000	-	-	-	-	100,000
Marshall	-	100,000	-	-	-	100,000
Remington	-	-	100,000	110,000	225,000	435,000
Turnbull	-	-	100,000	-	-	100,000
Paris	-	-	100,000	-	-	100,000
Utility master plan	-	46,800	-	-	-	46,800
Treatment - New Baltimore	-	-	100,000	650,000	2,000,000	2,750,000
Treatment - Turnbull	-	-	300,000	-	-	300,000
A-1, A-3 Wells	-	-	-	-	850,000	850,000
Midland / Bealeton sewer	-	-	6,900,000	-	-	6,900,000
Salem Wells 3 & 4	-	800,000	-	-	-	800,000
Route 16 / 66 treatment increase	-	-	-	-	300,000	300,000
Opal water system phase 1	-	-	-	1,300,000	1,000,000	2,300,000
Storage Tank	-	60,000	747,500	-	-	807,500
Total projects	$ 588,780	$ 1,963,300	$ 8,352,500	$ 2,922,655	$ 4,380,000	$ 18,207,235
Project Funding:						
Cash Funded	$ 70,000	$ 51,800	$ 5,000	$ 5,000	$ 5,000	$ 136,800
Authority Debt Funded	-	951,500	300,000	-	-	1,251,500
County Funded	100,000	100,000	7,100,000	1,510,000	1,225,000	10,035,000
Developer Funded	418,780	860,000	847,500	1,507,655	3,150,000	6,783,935
Total project funding	$ 588,780	$ 1,963,300	$ 8,252,500	$ 3,022,655	$ 4,380,000	$ 18,207,235

Long-Term Debt - The Authority's outstanding debt as of June 30, 2013 consists of four notes, see details in Note 8 to the financial statements. The Authority has committed to two projects; a new well and water distribution system in New Baltimore Service District and a water treatment plant in the Bealeton Service District and has a construction loan in the amount of $4 million.

CAPITAL ASSETS AND LONG TERM DEBT: (CONTINUED)

Capital Projects: (Continued)

The graph below provides the detail of how much principal and interest are due each year over the next ten years.



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

ECONOMIC FACTORS

In FY2013 the Authority's revenue from availability fees increased by $565,279 over the prior year. The Authority projects limited growth during FY2014. In addition, the Authority will continue to monitor its operational and capital requirements in order 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 FY2013, 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 our 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.

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Basic Financial Statements

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statement of Net Position
At June 30, 2013 and 2012

		2013		2012
ASSETS				
Current Assets:				
Cash and cash equivalents	$	5,082,642	$	3,714,719
Accounts receivable (net of allowance for doubtful accounts)		1,016,190		1,071,440
Due from other governments		180,264		523,107
Note receivable		1,825,000		-
Prepaid expenses		147,639		132,938
Total current assets	$	8,251,735	$	5,442,204
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents:				
Security deposits	$	104,150	$	91,900
Vint Hill wastewater treatment plant		-		31,915
Broken Hills W/S		-		223,689
Marshall wastewater treatment plant		-		65,087
Remington wastewater treatment plant (held by others)		-		75,979
Other Asset:				
Performance bond		9,421		10,000
Total restricted assets	$	113,571	$	498,570
Other Asset:				
Note receivable	$	-	$	1,825,000
Capital Assets:				
Capital assets not being depreciated:				
Land	$	614,625	$	614,625
Construction in progress		1,178,205		475,750
Capital assets being depreciated:				
Structures and improvements		48,405,568		48,288,973
Infrastructure		38,367,534		35,828,502
Vehicles		1,048,040		961,203
Machinery and equipment		13,623,690		13,556,291
Accumulated depreciation		(39,368,139)		(36,321,358)
Net capital assets	$	63,869,523	$	63,403,986
Total noncurrent assets	$	63,983,094	$	65,727,556
Total Assets	$	72,234,829	$	71,169,760

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statement of Net Position
At June 30, 2013 and 2012 (Continued)

	2013	2012
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 463,676	$ 343,024
Accrued interest	62,854	85,910
Unearned revenue	1,825,000	-
Revenue bonds - current portion	903,869	984,692
Compensated absences - current portion	20,658	19,068
Liabilities payable from Restricted Assets:		
Performance bonds	9,421	10,000
Security deposits	104,150	91,900
Total current liabilities	$ 3,389,628	$ 1,534,594
Noncurrent Liabilities:		
Revenue bonds - less current portion	$ 8,641,850	$ 9,450,881
Note payable	516,150	516,150
Unearned revenue	-	1,825,000
Compensated absences-less current portion	185,926	148,213
Total noncurrent liabilities	$ 9,343,926	$ 11,940,244
Total liabilities	$ 12,733,554	$ 13,474,838
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	$ 66,850	$ -
NET POSITION		
Net investment in capital assets	$ 54,323,804	$ 53,333,168
Restricted:		
Vint Hill wastewater treatment plant	-	31,915
Unrestricted	5,110,621	4,339,839
Total net position	$ 59,434,425	$ 57,704,922
Total Liabilities, deferred inflows and net position	$ 72,234,829	$ 71,179,760

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, 2013 and 2012

		2013		2012
Operating revenues:				
Water service	$	3,278,523	$	3,110,188
Sewer service		3,202,582		3,178,717
Septic service		490,042		468,705
Late charges		147,231		171,640
Other operating revenues		294,476		267,671
Total operating revenues	$	7,412,854	$	7,196,921
Operating expenses:				
Salaries	$	2,338,834	$	2,308,237
Fringe benefits		926,274		847,748
General and administrative		388,643		428,523
Operations and maintenance		1,768,958		1,419,252
Depreciation expense		3,002,676		2,599,488
Total operating expenses	$	8,425,385	$	7,603,248
Net operating income (loss)	$	(1,012,531)	$	(406,327)
Non-operating revenue (expenses):				
Availability fees	$	1,168,821	$	603,542
Interest earned		26,253		32,346
Interest expense		(495,053)		(331,064)
Net nonoperating revenue (expenses)	$	700,021	$	304,824
Net income (loss) before capital contributions	$	(312,510)	$	(101,503)
Capital Contributions		2,042,013		1,422,189
Change in net position	$	1,729,503	$	1,320,686
Net position, beginning of year		57,704,922		56,384,236
Net position, end of year	$	59,434,425	$	57,704,922

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, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from customers and users	$ 8,164,539	$ 6,983,644
Payments to suppliers for goods and services	(2,051,650)	(1,788,356)
Payments to employees for services	(3,304,411)	(3,164,904)
Net cash provided by (used for) operating activities	$ 2,808,478	$ 2,030,384
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	$ (1,466,512)	$ (2,666,795)
Capital contributions from developers and other governments	-	1,080,847
Interest payments	(437,768)	(454,370)
Principal payments on long-term debt	(1,105,769)	(999,729)
Proceeds from availability fees	1,168,821	603,542
Net cash (used for) capital and related financing activities	$ (1,841,228)	$ (2,436,505)
Cash flows from noncapital and related financing activities:		
Performance bond	$ (579)	$ (65,000)
Cash flows from investing activities:		
Interest earned	$ 26,253	$ 32,346
Net increase (decrease) in cash and cash equivalents	$ 992,924	$ (438,775)
Cash and cash equivalents at beginning of year	4,203,289	4,642,064
Cash and cash equivalents at end of year	$ 5,196,213	$ 4,203,289
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operations	$ (1,012,531)	$ (406,327)
Adjustment to reconcile net income to net cash provided by (used for) operating activities:		
Changes in operating accounts:		
Depreciation expense	3,002,676	2,599,488
Increase / Decrease in:		
Receivables	55,250	(75,303)
Due from other governments	684,185	(146,374)
Prepaid expenses	(14,701)	25,565
Compensated absenses	(39,303)	10,403
Accounts payable and accrued liabilities	132,902	22,932
Net cash provided by (used for) operating activities	$ 2,808,478	$ 2,030,384
Noncash Investing, Capital and Financing Activities		
Contributions of capital assets	$ 2,042,013	$ 894,116
Capitalized depreciation on self-constructed assets	$ 22,054	$ 22,054
Reconciliation of Cash:		
Cash and cash equivalents	$ 5,082,642	$ 3,714,719
Restricted cash and cash equivalents	113,571	488,570
Total	$ 5,196,213	$ 4,203,289

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

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 15.2-5100et. 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 Funding Progress for Defined Benefit Pension Plan

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 non-operating 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 non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

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

Certain proceeds of the Authority's revenue bonds are classified as restricted assets on the balance sheet 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. 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 fair market value at the date of donation.

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.

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

E. Capital Assets: (Continued)

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. There was no interest capitalized to construction projects during the current fiscal year. Depreciation expense totaled $3,046,781 for the year ended June 30, 2013 and $2,621,539 for the year ended June 30, 2012. A portion of depreciation expense, $44,105 was capitalized as part of self-constructed assets for the year ended June 30, 2013 and $22,051 for the year ended June 30, 2012.

Property and equipment is being depreciated using the straight line method over the following estimated useful lives:

Assets	Years
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 $72,086 at June 30, 2013 and $63,333 for the year ended June 30, 2012.

- 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.

H. Net Position

Net position is the difference between assets and liabilities. 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.

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

I. Compensated Absences

The Authority accrues compensated absences (annual and sick leave benefits) when vested. The current and non-current 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/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

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's deferred inflows at June 30, 2013 consist of a deferred amount on refunding.

N. 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.

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

The Authority does not have a policy regarding credit risk of debt securities.

The Authority's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings AAA
Local Government Investment Pool	$ 2,252,476
Total	$ 2,252,476

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

NOTE 4–RESTRICTED ASSETS:

Restricted assets and net assets at June 30, 2013 and 2012 consist of the following:

	Balance June 30, 2013	Balance June 30, 2012
Restricted Assets:		
Security deposits	$ 104,150	$ 91,900
Marshall wastewater treatment plant	-	65,087
Vint Hill wastewater treatment plant	-	31,915
Broken Hills	-	223,689
Remington wastewater treatment plant	-	75,979
Performance bonds	9,421	10,000
Total restricted assets	$ 113,571	$ 498,570
Restricted net position:		
Less: Unexpended bond proceeds:		
Marshall wastewater treatment plant	$ -	$ (65,087)
Remington wastewater treatment plant	-	(75,979)
Broken Hills	-	(223,689)
Less:		
Security deposits	(104,150)	(91,900)
Performance bonds	(9,421)	(10,000)
Total restricted net position	$ -	$ 31,915

NOTE 5–DUE TO/FROM OTHER GOVERNMENTS:

At June 30, 2013 and 2012, respectively, the Authority has receivables from other governments as follows:

	Balance June 30, 2013	Balance June 30, 2012
Fauquier County	$ 176,403	$ 178,183
Federal government - STAG grant	-	43,756
Commonwealth of Virginia - DEQ	-	297,586
Vint Hill Economic Development Authority	3,861	3,582
Total	$ 180,264	$ 523,107

NOTE 6–NOTE RECEIVABLE - VHEDA / UNEARNED REVENUE:

The Fauquier County Water and Sanitation Authority (FCWSA) entered into an amendment to purchase agreement dated November 27, 2007 with the Vint Hill Economic Development Authority (VHEDA) whereby the VHEDA will pay the FCWSA the total amount of $1,925,000 for 385 EMU's of wastewater treatment capacity. $5,000 of each EMU shall be retained by the FCWSA and applied to the note receivable. At June 30, 2013 the balance of the note receivable and unearned revenue is $1,825,000. As payments on the note are made, revenue is recognized.

NOTE 7–CAPITAL ASSETS:

Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 614,625	$ -	$ -	$ 614,625
Construction in progress	475,750	1,210,427	507,972	1,178,205
Total capital assets not being depreciated	$ 1,090,375	$ 1,210,427	$ 507,972	$ 1,792,830
Capital assets being depreciated:				
Structures and improvements	$ 48,288,973	$ 116,595	$ -	$ 48,405,568
Infrastructure	35,828,502	2,539,032	-	38,367,534
Vehicles	961,203	86,837	-	1,048,040
Machinery and equipment	13,556,291	67,399	-	13,623,690
Total capital assets being depreciated	$ 98,634,969	$ 2,809,863	$ -	$ 101,444,832
Accumulated depreciation:				
Structures and improvements	$ 13,740,278	$ 1,608,919	$ -	$ 15,349,197
Infrastructure	10,638,178	716,570	-	11,354,748
Vehicles	782,433	63,057	-	845,490
Machinery and equipment	11,160,469	658,235	-	11,818,704
Total accumulated depreciation	$ 36,321,358	$ 3,046,781	$ -	$ 39,368,139
Total capital assets being depreciated, net	$ 62,313,611	$ (236,918)	$ -	$ 62,076,693
Business-type activities capital assets, net	$ 63,403,986	$ 973,509	$ 507,972	$ 63,869,523

Depreciation expense for the year ended June 30, 2013 totaled $3,046,781.

NOTE 7–CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

The following is a summary of changes to property and equipment for the year ending June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	$ 614,625	$ -	$ -	$ 614,625
Construction in progress	8,417,393	1,177,775	9,119,418	475,750
Total capital assets not being depreciated	$ 9,032,018	$ 1,177,775	$ 9,119,418	$ 1,090,375
Capital assets being depreciated:				
Structures and improvements	$ 39,695,299	$ 8,593,674	$ -	$ 48,288,973
Infrastructure	34,065,951	1,762,551	-	35,828,502
Vehicles	907,224	53,979	-	961,203
Machinery and equipment	13,495,106	61,185	-	13,556,291
Total capital assets being depreciated	$ 88,163,580	$ 10,471,389	$ -	$ 98,634,969
Accumulated depreciation:				
Structures and improvements	$ 12,477,849	$ 1,262,429	$ -	$ 13,740,278
Infrastructure	9,956,859	681,319	-	10,638,178
Vehicles	719,880	62,553	-	782,433
Machinery and equipment	10,545,231	615,238	-	11,160,469
Total accumulated depreciation	$ 33,699,819	$ 2,621,539	$ -	$ 36,321,358
Total capital assets being depreciated, net	$ 54,463,761	$ 7,849,850	$ -	$ 62,313,611
Business-type activities capital assets, net	$ 63,495,779	$ 9,027,625	$ 9,119,418	$ 63,403,986

Depreciation expense for the year ended June 30, 2012 totaled $2,621,539.

Computation of net investment in capital assets:

	Balance June 30, 2013	Balance June 30, 2012
Net capital assets	$ 63,869,523	$ 63,403,986
Revenue bonds	(9,545,719)	(10,435,573)
Unexpended bond proceeds	-	364,755
Net investment in capital assets	$ 54,323,804	$ 53,333,168

NOTE 7–CAPITAL ASSETS: (CONTINUED)

The following is a summary of capital project activity for the fiscal year ending June 30, 2013 and 2012:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Bealeton Water Treatment Plant	$ 51,250	$ 230,229	$ -	$ 281,479
New Baltimore zone wells	-	445,055	-	445,055
Catlett saddles	136,475	200,086	336,561	-
Miscellaneous projects	288,025	335,057	171,411	451,671
Total contruction in progress	$ 475,750	$ 1,210,427	$ 507,972	$ 1,178,205

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Remington WWTP ENR	$ 6,325,127	$ 324,695	$ 6,649,822	$ -
Marshall WWTP ENR	1,574,798	78,541	1,653,339	-
Broken Hill W/S	353,104	322,949	676,053	-
Miscellaneous projects	164,364	451,590	140,204	475,750
Total contruction in progress	$ 8,417,393	$ 1,177,775	$ 9,119,418	$ 475,750

NOTE 8–LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2013 and 2012:

Description	Beginning Balance July 1, 2012	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2013	Due Within One Year
Revenue Bonds	$ 10,435,573	$ 6,407,341	$ 7,297,195	$ 9,545,719	$ 903,869
Note payable - Brookside	516,150	-	-	516,150	-
Compensated absences	167,281	57,507	18,204	206,584	20,658
Total	$ 11,119,004	$ 6,464,848	$ 7,315,399	$ 10,268,453	$ 924,527

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Description	Beginning Balance July 1, 2011	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2012	Due Within One Year
Revenue Bonds	$ 11,435,302	$ -	$ 999,729	$ 10,435,573	$ 984,692
Notes payable	25,000	-	25,000	-	-
Note payable - Brookside	525,450	-	9,300	516,150	-
Compensated absences	176,202	19,842	28,763	167,281	19,068
Total	$ 12,161,954	$ 19,842	$ 1,062,792	$ 11,119,004	$ 1,003,760

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2014	$ 903,689	$ 239,557
2015	843,861	219,043
2016	864,919	197,985
2017	886,538	176,367
2018	908,733	154,172
2019	907,408	131,385
2020	800,870	109,932
2021	820,050	90,752
2022	839,722	71,080
2023	507,375	51,835
2024	164,245	43,376
2025	170,127	37,493
2026	176,220	31,400
2027	182,532	25,089
2028	189,069	18,551
2029	195,841	11,780
2030	184,520	4,766
Total	$ 9,545,719	$ 1,614,563

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2013 and 2012 are as follows:

	2013	2012
Revenue Bonds:		
$5,870,600 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of $162,320, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 2.02% .	$ 5,599,617	$ -
$4,000,000 revenue bonds, issued November 16, 2012, amount advanced through June 30, 2013, interest payable at 2.02%.	80,341	-
$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% .	436,432	-
Revenue bonds, payable to Virginia Resources Authority, ("VRA") dated November 5, 2002, payable in semi-annual installments ranging from $91,500 to $93,600 through 2013. Interest payable at various rates ranging from 3% to 4%.	-	180,000
Revenue bonds, issued March 6, 2008 payable in 24 semiannual installments of $86,373 through January 15, 2023, interest at 3.38%.	-	1,575,992
Revenue bonds, issued March 6, 2008 payable in 24 semiannual installments of $27,411 through January 15, 2023, interest at 5.16%.	-	455,811
Revenue bonds, issued December 19, 2008 payable in 30 semi-annual installments of $70,087 through December 15, 2023, interest at 4.52%.	-	1,246,396
Revenue bonds, issued March 31, 2011 payable in 20 semiannual installments of $200,495 through March 1, 2021, interest at 3.20%.	-	3,113,956
Revenue bonds, issued September 20, 2010 payable in 20 semi-annual installments of $76,051 through September 1, 2020, interest at 3.12%.	806,412	1,127,971
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%.	2,622,917	2,735,447
Total Revenue bonds	$ 9,545,719	$ 10,435,573

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

	2013	2012
Other Obligations:		
Note Payable		
The Authority entered into an agreement on February 9, 2007 with Brookside Development LLC and agreed to pay $9,300 for each sewer connection made to the New Baltimore Service District, except for Vint Hill Economic Development Authority. Pursuant to this agreement 121 unassigned and uncommitted EMU's of Sewer Availability remain when the Second Tier Capacity is completed. Within 10 working days the Authority shall pay the availability fees to the Brookside Development. During the current fiscal year there were no sewer availabilities sold in FY13.	$ 516,150	$ 516,150
Compensated absences	206,584	167,281
Total long-term obligations	$ 10,268,453	$ 11,119,004

Debt Redemption:

On November 16, 2012, the Authority issued $5,870,600 of Revenue Refunding Bonds, Series 2012 to currently refund $1,526,804 of SunTrust Revenue Bonds issued on March 6, 2008; to currently refund $1,245,511 of SunTrust Revenue Bonds issued on December 19, 2008; and to currently refund $2,963,300 of Revenue Refunding Bonds, Series 2011. As a result, the SunTrust Revenue Bonds issued on March 6, 2008 and on December 19, 2008 and the 2011 Revenue Refunding Bonds are considered to be redeemed and the liability for these bonds has been removed from the Statement of Net Position. The Authority currently refunded these bonds to reduce its total debt service payments by approximately $273,929 and has estimated the economic gain (net present value savings) of $269,233. The reacquisition price exceeded the carrying value of the old debt by $73,159. This amount is deferred and amortized over the life of the bonds.

NOTE 9–COMPENSATED ABSENCES:

In accordance with GASB statement 16 “Accounting and Financial Reporting Principal 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 $206,584 for fiscal year ended June 30, 2013 and $167,281 for fiscal year ended June 30, 2012.

NOTE 10–LITIGATION:

At June 30, 2013 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 11–CONSTRUCTION COMMITMENT:

The Authority has no material construction commitments outstanding at June 30, 2013.

NOTE 12–DEFINED PENSION BENEFIT PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

NOTE 12–DEFINED PENSION BENEFIT PLAN: (CONTINUED)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web Site at http://www.varetire.org/Pdf/Publications/2012-Annual-Report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% 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 increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2013 was 6.98% of annual covered payroll.

NOTE 12–DEFINED PENSION BENEFIT PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2013, the Authority's annual pension cost of $173,516 was equal to the Authority's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 100,846	100%	$ -
June 30, 2012	102,513	100%	-
June 30, 2013	173,516	100%	-

(1) Employer portion

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% per year for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 87.15% funded. The actuarial accrued liability for benefits was $4,756,801, and the actuarial value of assets was $4,145,380, resulting in an unfunded actuarial accrued liability (UAAL) of $611,421. The covered payroll (annual payroll of active employees covered by the plan) was $2,204,818, and ratio of the UAAL to the covered payroll was 27.73%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 13–RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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.

NOTE 14–ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority has evaluated the financial statement impact and adopted several new accounting principles for the year ended June 30, 2013.

GASB issued GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"), which provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. These elements were previously identified and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. They are required to be reported in the statement of net position in a separate section following assets. Similarly, deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. They should be reported in the statement of net position in a separate section following liabilities. Additionally, GASB No. 63 renames the statement of net assets as the statement of net position. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. There was no material impact to the Authority's financial statements from the adoption of this standard in the fiscal year ended June 30, 2013.

GASB issued Statement No 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"), to provide accounting guidance to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB No. 65 is required to be implemented for periods beginning after December 15, 2012. As encouraged in the standard, the Authority has elected to implement this standard effective for the year ended June 30, 2013. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTE 15–PENDING GASB STATEMENTS:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and to better report pension expense and pension liabilities. This statement is effective for periods beginning after June 15, 2014.

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Required Supplementary Information

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Pension Funding Progress for Defined Benefit Pension Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	$ 4,145,380	$ 4,756,801	$ 611,421	87.15%	$ 2,204,818	27.73%
6/30/2011	3,962,138	4,458,459	496,321	88.87%	2,230,104	22.26%
6/30/2010	3,615,983	3,974,820	358,837	90.97%	2,215,313	16.20%

Statistical Section

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

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Net Position by Component
Last Ten years

	Fiscal Years				
	2013	2012	2011	2010	2009
Net position:					
Net Investment in capital assets	$ 54,323,804	$ 53,333,168	$ 53,412,822	$ 53,524,800	$ 45,261,874
Restricted	-	31,915	445,567	528,970	1,720,280
Unrestricted	5,110,621	4,339,839	2,525,847	802,633	769,515
Total net position	$ 59,434,425	$ 57,704,922	$ 56,384,236	$ 54,856,403	$ 47,751,669

	Fiscal Years				
	2008	2007	2006	2005	2004
Net position:					
Net Investment in capital assets	$ 43,108,473	$ 40,806,516	$ 31,052,290	$ 21,781,511	$ 20,206,661
Restricted	541,456	518,356	6,536,105	8,988,420	2,000,000
Unrestricted	3,752,435	4,037,591	5,126,237	1,794,615	222,071
Total net position	$ 47,402,364	$ 45,362,463	$ 42,714,632	$ 32,564,546	$ 22,428,732

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Changes in Net Position
Last Ten Years

	2013	2012	2011
Operating revenues:			
Water service	$ 3,278,523	$ 3,110,188	$ 3,150,219
Sewer service	3,202,582	3,178,717	3,132,887
Septic service	490,042	468,705	176,063
Late charges	147,231	171,640	147,980
Other operating revenues	294,476	267,671	148,189
Total operating revenues	$ 7,412,854	$ 7,196,921	$ 6,755,338
Operating expenses:			
Salaries	$ 2,338,834	$ 2,308,237	$ 2,172,426
Fringe benefits	926,274	847,748	786,446
General and administrative	388,643	428,523	400,482
Operations and maintenance	1,768,958	1,419,252	1,388,562
Depreciation expense	3,002,676	2,599,488	2,521,187
Total operating expenses	$ 8,425,385	$ 7,603,248	$ 7,269,103
Net operating income (loss)	$ (1,012,531)	$ (406,327)	$ (513,765)
Non-operating revenue (expenses):			
Availability fees	$ 1,168,821	$ 603,542	$ 520,656
Gain (loss) on sale of assets	-	-	-
Interest earned	26,253	32,346	34,240
Contribution	-	-	-
Litigation settlement expenses	-	-	-
Bad debt expense	-	-	-
Interest expense	(495,053)	(331,064)	(370,451)
Net nonoperating revenue (expenses)	$ 700,021	$ 304,824	$ 184,445
Net income (loss) before capital contributions	$ (312,510)	$ (101,503)	$ (329,320)
Capital Contributions	2,042,013	1,422,189	1,730,322
Change in net position	$ 1,729,503	$ 1,320,686	$ 1,401,002
Net position, at beginning of year	57,704,922	56,384,236	54,983,234
Net position, at end of year	$ 59,434,425	$ 57,704,922	$ 56,384,236

Source: Fauquier County Water and Sanitation Authority.

Table 2

2010	2009	2008	2007	2006	2005	2004
$ 2,807,897	$ 3,031,716	$ 2,695,893	$ 2,287,085	$ 1,861,932	$ 1,666,859	$ 1,631,604
2,807,471	2,054,634	2,070,737	2,266,749	2,191,139	1,955,416	1,993,968
87,990	75,858	74,006	193,518	93,737	312,890	-
129,235	117,598	115,791	111,070	97,090	81,252	78,335
347,874	395,890	248,329	367,610	417,015	544,190	158,482
$ 6,180,467	$ 5,675,696	$ 5,204,756	$ 5,226,032	$ 4,660,913	$ 4,560,907	$ 3,862,389
$ 2,163,497	$ 2,204,681	$ 2,200,437	$ 1,969,118	$ 1,500,903	$ 1,420,246	$ 1,368,152
748,240	818,458	742,049	676,891	511,155	472,686	459,436
406,526	376,598	541,741	1,093,335	1,083,765	515,867	256,417
1,366,460	1,564,933	1,446,519	1,272,715	961,767	896,003	792,361
2,485,492	2,486,274	2,068,985	1,731,653	1,569,966	1,630,648	1,309,308
$ 7,170,215	$ 7,450,944	$ 6,999,731	$ 6,743,712	$ 5,627,556	$ 4,935,450	$ 4,185,674
$ (989,748)	$ (1,775,248)	$ (1,794,975)	$ (1,517,680)	$ (966,643)	$ (374,543)	$ (323,285)
$ 316,255	$ 331,482	$ 1,137,703	$ 2,337,713	$ 4,229,644	$ 3,042,621	$ 2,124,691
-	-	-	-	11,708	325	(1,500)
26,370	60,748	197,179	639,736	607,943	178,609	103,165
-	-	-	-	-	20,800	49,920
-	-	-	(1,950,000)	-	-	-
-	-	-	-	(12,731)	(2,279)	(4,485)
(339,834)	(336,501)	(239,161)	(262,603)	(258,635)	(318,139)	(342,623)
$ 2,791	$ 55,729	$ 1,095,721	$ 764,846	$ 4,577,929	$ 2,921,937	$ 1,929,168
$ (986,957)	$ (1,719,519)	$ (699,254)	$ (752,834)	$ 3,611,286	$ 2,547,394	$ 1,605,883
7,791,691	2,068,824	2,739,155	3,400,665	6,538,800	7,588,420	-
$ 6,804,734	$ 349,305	$ 2,039,901	$ 2,647,831	$ 10,150,086	$ 10,135,814	$ 1,605,883
48,178,500	47,402,364	45,362,463	42,714,632	32,564,546	22,428,732	20,822,849
$ 54,983,234	$ 47,751,669	$ 47,402,364	$ 45,362,463	$ 42,714,632	$ 32,564,546	$ 22,428,732

Schedule of Operating Revenues
Last Ten Fiscal Years

Fiscal Years	Water Service	Sewer Service	Availability Fees	Other Revenues	Total
2004	$ 1,631,604	$ 1,813,615	$ 2,124,691	$ 417,170	$ 5,987,080
2005	1,666,859	1,955,416	3,042,621	938,632	7,603,528
2006	1,861,932	2,191,139	4,229,644	607,842	8,890,557
2007	2,287,085	2,266,749	2,337,713	672,198	7,563,745
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

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY **Table 4**

Schedule of Rates
Last Ten Years

Fiscal Year		Water Usage Fee (1)		Water Base Service Fees		Sewer Usage Fee (2)		Sewer Base Service Fees
2004	$	2.76	$	14.60	$	5.11	$	14.10
2005		2.76		14.60		5.11		14.10
2006		2.76		14.60		5.11		14.10
2007		2.76		14.88		5.11		14.10
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

(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

	WATER			*SEWER*		
Fiscal Year	**New Connections**	**Cumulative Connections**	**% of Growth**	**New Connections**	**Cumulative Connections**	**% of Growth**
2003	240	3,788	6.34%	231	2,589	8.92%
2004	282	4,070	6.93%	265	2,854	9.29%
2005	230	4,300	5.35%	228	3,082	7.40%
2006	244	4,544	5.37%	196	3,278	5.98%
2007	751 *	5,295	14.18%	196	3,474	5.64%
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%

Source: Fauquier County Water and Sanitation Authority connection records
* Completed the purchase of Marshall Waterworks with 546 connections

Schedule of Water Processed and Wastewater Treated (in gallons)
Calendar Year

Calendar Year*	Water Processed	Wastewater Treated
2006	470,000,000	420,000,000
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

Source: Fauquier County Water and Sanitation Authority

* Information for the previous three calendar years are not available

Schedule of Operating Expenses
Last Ten Fiscal Years

Fiscal Years	Salaries	Fringe Benefits	General & Administrative	Operations & Maintenance	Depreciation Expense	Total
2004	$ 1,368,152	$ 459,436	$ 256,417	$ 792,361	$ 1,309,308	$ 4,185,674
2005	1,420,246	472,686	515,867	896,003	1,630,648	4,935,450
2006	1,500,903	511,155	1,083,765	961,767	1,569,966	5,627,556
2007	1,969,118	676,891	1,093,335	1,272,715	1,731,653	6,743,712
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

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY — Table 8

Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year 2013	2012	2011	2010	2009
Notes Payable VHEDA	$ -	$ -	$ -	$ -	$ 938,800
Note Payable - Brookside	516,150	516,150	525,450	525,450	525,450
Notes Payable Opal system	-	-	25,000	151,831	451,831
VRA Water Revenue Bond	-	455,811	491,089	519,019	545,486
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 7-9-2009	2,622,917	2,735,447	2,903,781	2,903,781	-
Revenue Bond 2011	-	3,113,956	3,417,208	-	-
Revenue Bond 9-20-10	806,412	1,127,971	1,242,201	-	-
Revenue Bond 2012	80,341	-	-	-	-
Revenue Refunding Bond 2012	5,599,617	-	-	-	-
Revenue Refunding Bond 2012	436,432	-	-	-	-
Virginia Water Facility Bond	-	180,000	350,000	515,000	675,000
Virginia Water Facility Bond	-	-	-	4,090,499	4,764,896
Total outstanding debt	$ 10,061,869	$ 10,951,723	$ 11,985,752	$ 11,921,287	$ 11,294,280
Debt per capita	$ 345	$ 382	$ 476	$ 476	$ 413

	Fiscal Year 2008	2007	2006	2005	2004
Notes Payable VHEDA	$ 938,800	$ 938,800	$ 938,800	$ 1,082,800	$ 1,880,800
Notes Payable VHEDA	-	-	100,000	150,000	200,000
Note Payable - Brookside	525,450	1,027,650	-	-	-
Notes Payable - Miscellaneous	451,831	-	-	-	-
Notes Payable Opal system	575,000	451,831	451,831	451,831	451,831
VRA Water Revenue Bond	2,025,000	-	1,086,768	1,218,147	1,344,527
Virginia Water Facility Bond	825,000	970,000	-	-	-
Virginia Water Facility Bond	5,419,486	6,054,912	6,671,676	7,270,375	7,851,480
Total outstanding debt	$ 10,760,567	$ 9,443,193	$ 9,249,075	$ 10,173,153	$ 11,728,638
Debt per capita	$ 398	$ 359	$ 391	$ 454	$ 555

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
2004		$ 6,090,245	$ 2,876,366	$ 3,213,879	$ 711,105	$ 286,943	$ 998,048	3.22
2005		7,782,137	3,304,802	4,477,335	733,669	264,179	997,848	4.49
2006		9,498,500	4,057,590	5,440,910	756,764	240,684	997,448	5.45
2007		8,203,481	5,012,059	3,191,422	756,784	262,603	1,019,387	3.13
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	331,064	1,330,793	2.13
2013		8,607,928	5,422,709	3,185,219	1,105,769	437,768	1,543,537	2.06

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 Borrow's ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrow'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

Year	Estimated Population (1)	Personal Income (expressed in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	County Civilian Labor Force (3)	At-Place Employment Annual Average (3)	School Enrollment (4)
2004	21,140	$ 2,739,851	$ 43,759	2.6%	34,540	20,713	10,295
2005	22,422	3,046,952	47,392	2.4%	35,595	21,579	10,717
2006	23,654	3,211,975	48,939	2.4%	36,663	22,022	10,940
2007	26,306	3,363,000	50,854	2.6%	37,183	21,904	11,009
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	*	*	4.8%	36,702	*	10,750

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

	2013		2004	
Employer	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Hospital	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
US Department of Transportation	4	250 to 499	4	500 to 999
Imaging Acceptance			5	250 to 499
Wal Mart	5	100 to 249	6	100 to 249
Trinity Packaging Corporation			7	100 to 249
Pearson Government Solutions, Inc.	6	100 to 249		
America House Four			8	100 to 249
Town of Warrenton	7	100 to 249		
Giant Food			9	100 to 249
Food Lion	8	100 to 249	10	100 to 249
Oak Springs Nursing Home	9	100 to 249		
Lord Fairfax Community College	10	100 to 249		

Operating and Capital Indicators
Last Six Fiscal Years

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Water System:						
Number of water systems	14	14	14	14	14	14
Number of service connections	5772	5,717	5,588	5,467	5,467	5,417
Miles of water mains	100	100	100	100	100	100
Daily average consumption per MGD	1.34	1.323	1.455	1.455	1.455	1.455
Average daily water distributed per MGD	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	1.911	1.911
Sewerage System:						
Number of treatment plants	3	3	3	3	3	3
Number of pump stations	13	13	16	16	16	16
Number of service connections	3412	3,854	3,761	3,653	3,653	3,618
Miles of sanitary sewer mains	230	230	230	230	230	230
Daily average treatment per MGD	1.319	1.289	1.289	0.939	0.939	0.939
Design capacity of treatment plants per MGD	3.59	3.236	3.236	2.886	2.886	2.886
Number of Full-Time Employees:	44	44	44	45	45	44

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

* Documents for the previous five fiscal years are not available

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers
Last Eight Fiscal Years

Principal Users of the Water System	Principal Business	FY 2013 000/gals	FY 2013 % of System	FY 2012 000/gals	FY 2012 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	9,684	2.05%	13,035	2.76%
BEALETON VILLAGE CENTER LLC	Shopping Center	6,667	1.41%	1,377	0.29%
FEDERAL AVIATION ADM	Federal FFA buliding	3,661	0.77%	4,487	0.95%
SUFFIELD MEADOW CONDO	Condos	3,193	0.68%	773	0.16%
ASPEN SOUTH	Apartments	3,168	0.67%	2,963	0.63%
ASPEN CLUB APTS/NORTH 40	Apartments	2,753	0.58%	2,084	0.44%
CEDAR LEE CONDO ASSOCIATES	Apartments	1,840	0.39%	526	
NORTH FORTY ASPEN PLUS	Apartments	1,402	0.30%	4,900	1.04%
WAVERLY STATION	Apartments	1,055	0.22%	717	0.15%
WAKEFIELD SCHOOL	Private School	448	0.09%	586	0.12%
CHUCK DAVIS	ODEC	299	0.06%	1,931	0.41%
VAN MANAGEMENT INC	Shopping Center			1,280	0.27%
FAUQUIER HEALTH SYSTEM	Assisted Living				0.11%
TOLL BROTHERS	Developer				
VINT HILL EDA	Authority				
COUNTY PARKS AND RECREATION	County Swimming pool				
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station				
Total		34,170	7.22%	34,659	7.33%
Total Water System Annual Consumption		489,000		473,000	

*** Documents for the previous two fiscal years are not available**

Principal Users of the Sewer System	Principal Business	FY 2013 000/gals	FY 2013 % of System	FY 2012 000/gals	FY 2012 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	8,397	1.67%	12,837	2.55%
NORTH FORTY ASPEN PLUS	Apartments	1,402	0.28%	4,900	0.97%
FEDERAL AVIATION ADM	Federal FFA building	3,660	0.73%	4,487	0.89%
CHUCK DAVIS	ODEC	359	0.07%	3,880	0.77%
ASPEN SOUTH	Apartments	3,168	0.63%	2,963	0.59%
ASPEN CLUB APTS/NORTH 40	Apartments	2,753	0.55%	2,084	0.41%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	1,978	0.39%	1,875	0.37%
VAN MANAGEMENT INC	Shopping Center	1,084	0.22%	1,280	0.25%
BLUE RIDGE CHRISTIAN HOME	Nursing Home	930	0.18%	1,026	0.20%
WAVERLY STATION	Apartments	1,055	0.21%	717	0.14%
WAKEFIELD SCHOOL	Private School	448	0.09%	586	0.12%
CEDAR LEE CONDO ASSOCIATES	Condos	1,840	0.37%	526	0.10%
DELEK, INC	Opal - Gas				
COUNTY PARKS AND RECREATION	County Swimming pool				
TOLL BROTHERS	Developer				
Total		27,074	5.37%	37,161	7.36%
Total Sewer System Annual Flow		433,000		504,000	

*** Documents for the previous three fiscal years are not available**

Table 13

FY 2011		FY 2010		FY 2009		FY 2008		FY 2007		FY 2006	
000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
17,338	3.61%	11,394	2.37%	10,569	2.22%	8,090	1.39%	6,434	1.37%	10,569	2.22%
1,012	0.21%										
4,643	0.97%	2,552	0.53%	2,778	0.58%	2,730	0.47%	1,092	0.23%	2,778	0.58%
				573	0.12%	873	0.15%	186	0.04%	573	0.12%
3,348	0.70%	2,939	0.61%	2,505	0.53%	3,678	0.63%	194	0.04%	2,505	0.53%
3,231	0.67%	2,717	0.57%	3,141	0.66%	3,633	0.63%	3,292	0.70%	3,141	0.66%
		488	0.10%	1,350	0.28%	999	0.17%			1,350	0.28%
1,649	0.34%	1,479	0.31%	1,483	0.31%	1,660	0.29%			1,483	0.31%
		910	0.19%	1,130	0.24%					1,130	0.24%
		871	0.18%	752	0.16%	1,314	0.23%			752	0.16%
957	0.20%	361	0.08%			887	0.15%	1,366	0.29%		
1,462	0.30%	1,224	0.26%	1,025	0.21%	1,233	0.21%			1,025	0.21%
1,041	0.22%										
								385	0.08%		
								483	0.10%		
								748	0.16%		
								2,326	0.49%		
34,681	7.23%	24,935	5.20%	25,306	5.31%	25,097	4.33%	16,506	3.51%	25,306	5.31%
480,000		458,000		477,000		580,000		470,000		477,000	

000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
15,024	3.35%	10,090	2.25%	11,041	2.75%	8,716	2.54%	6,569	1.56%	11,041	2.75%
1,649	0.37%	1,479	0.33%	1,483	0.37%	1,660	0.48%			1,483	0.37%
4,643	1.03%	2,552	0.57%	2,778	0.69%	2,730	0.80%	1,092	0.26%	2,778	0.69%
2,993	0.67%	2,939	0.65%	2,846	0.71%	2,022	0.59%	4,057	0.97%	2,846	0.71%
3,343	0.74%	2,457	0.55%	2,841	0.71%	3,678	1.07%			2,841	0.71%
3,231	0.72%	2,717	0.61%	3,141	0.78%	3,633	1.06%	3,292	0.78%	3,141	0.78%
1,929	0.43%	1,811	0.40%	1,708	0.43%	1,937	0.56%	2,326	0.55%	1,708	0.43%
1,482	0.33%	1,224	0.27%	1,025	0.26%	1,233	0.36%			1,025	0.26%
1,212	0.27%										
	0.00%	910	0.20%	1,130	0.28%	159	0.05%	159	0.04%	1,130	0.28%
	0.00%	871	0.19%	752	0.19%	1,314	0.38%	162	0.04%	752	0.19%
1,515	0.34%	488	0.11%	1,350	0.34%	999	0.29%			1,350	0.34%
								229	0.05%		
								748	0.18%		
								385	0.09%		
37,021	8.25%	27,538	6.13%	30,095	7.50%	28,081	8.19%	19,019	4.53%	30,095	7.50%
449,000		450,000		401,000		343,000		420,000		401,000	

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Independent Auditor's 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 Fauquier County Water and Sanitation Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated August 29, 2013.

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
August 29, 2013