Fauquier County
Water and Sanitation Authority

Warrenton, Virginia

Comprehensive Annual
Financial Report

YEARS ENDED
JUNE 30, 2015 AND 2014

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
Years Ended June 30, 2015 and 2014

Prepared by:

William Skinker
Associate General Manager and Chief Financial Officer

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

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OFFICERS AND BOARD MEMBERS

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

AUDIT COMMITTEE

L. Paul Blackmer, Jr.
Michael J. Focazio

SENIOR MANAGEMENT

Phillip Farley, General Manager
William Skinker, Associate General Manager and Chief Financial Officer
Cheryl St. Amant, Associate General Manager of Operations

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FAUQUIER COUNTY
WATER & SANITATION AUTHORITY
7172 Kennedy Road • Vint Hill Farms
Warrenton, Virginia 20187-3907
Phone (540) 349-2092 • Fax (540) 347-7689

September 7, 2015

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, 2015 is submitted herewith. Financial data, including all appropriate disclosures, have been prepared in accordance with the standards for financial reporting promulgated or permitted by the Governmental Accounting Standards Board.

Management is responsible, in all material respects, for the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of the Authority for the year ended June 30, 2015.

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

The Authority

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

The management of the Authority is vested in a board of five members appointed by the Board of Supervisors. The Authority Board appoints the General Manager, who is responsible for the daily management of the Authority.

Economic Conditions and Outlook

The County is located approximately 40 miles southwest of Washington, D.C. The service area of the Authority is traversed by several highways providing access to the metropolitan area and surrounding jurisdictions. The Authority is located in a growing county with a current estimated population of approximately 68,248 and expected to exceed 70,000 by the year 2016 and 74,118 by the year 2020. The Authority's major customers are well-established entities comprised of single and multi-family housing developments, county schools, a federal complex and shopping centers.

The local economy, like the national economy, has improved from the prior year. The Authority's customer base continues to grow each year. In fiscal year 2015, the Authority's customer base increased by 144 accounts to 9,650, or 1.5 %.

Employment within the service area is well diversified. According to the Virginia Employment Commission, as of July 15, 2015, the total civilian labor force in Fauquier County was 37,223, of which 35,585 were employed and 1,638 were unemployed, resulting in an unemployment rate of 4.4 %.

The Authority obtained a construction loan of $4 million in FY2013 to repair and upgrade the damage to the water system caused by the 2011 earthquake. Also, the loan will be used to develop a well and build a water treatment facility. This work is in progress and scheduled to be completed in FY2016. The Authority has adopted a 5-year capital budget that will be used to increase water sources, storage, and treatment facilities. This program has an estimated cost of $16 million.

Internal Control Structure and Budgetary Controls

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

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

The Authority controls current expenses at both the functional and operating division levels. Division managers are responsible for budgetary items that are controllable within their divisions. The Finance office is responsible for general Authority costs, as well as monitoring expenses by function for the Authority 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 and its tributaries. The effective date of these regulations was 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 for the upgrades necessary to achieve compliance with regulations. 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 FY2015 was $1.1 million. This amount will be reduced by FY2025 to the amount of $208,000. With these facts in mind, the Authority's management developed the two stage plan to produce the best effect on user rates to cover new debt service. When necessary, the Authority will begin soliciting bids for the second phase of upgrades of the two wastewater treatment plants to meet the nutrient requirements. The estimated cost of this phase of upgrades is $30 million.

The capital improvement program includes future upgrades to the water distribution systems for new sources, treatment and storage at an estimated cost of $11 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, 2015 have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The fiscal year 2015 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, 2014. 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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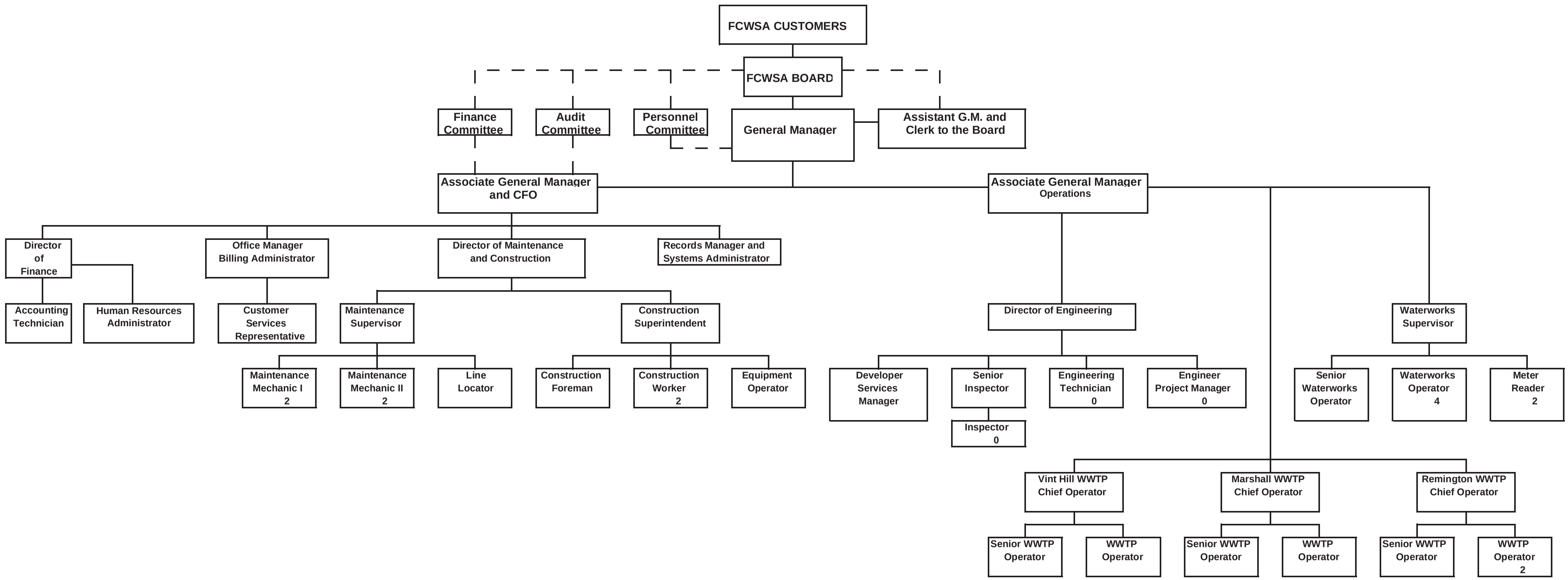
FCWSA ORGANIZATION CHART

FY 2015



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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, 2014

Jeffrey R. Emer

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fauquier County Water and Sanitation Authority, as of June 30, 2015 and 2014, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Comparative Information

As described in Note 2 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 and schedules related to pension on page 51-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, on our consideration of the Fauquier County Water and Sanitation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fauquier County Water and Sanitation Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 4, 2015

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, 2015. 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 $2.5 million to $68 million.
- Total revenues including capital contributions and expenses were $11.7 and $9.2 million respectively.
- Operating revenues increased by 6.5% to $7.9 million. Operating expenses decreased 3.2% to $9 million.
- Construction was completed on several Capital Improvement Program (CIP) projects at a cost of $2.1 million. Also Repair and Replacement (R&R) maintenance projects were completed at a cost of $729,000.
- Initiated the Bealeton Water Facility Project at a total cost of $1.2 million in FY15.
- The New Baltimore H Well was brought online in November 2014 at a total cost of $1.1 million.
- The Authority has received unqualified audit opinions for over thirty years and has received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the past eight years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report (CAFR) is presented in three main sections. The Introductory Section includes the letter of transmittal, the GFOA Certificate of Achievement, a list of Authority Board members and officers, and an organization chart. The Financial Section includes the Independent Auditors' Report, Management Discussion and Analysis, financial statements with related notes and required supplementary information. The Statistical Section includes selected financial and demographic information about the Authority and the surrounding area.

There are three financial statements included in the Financial Section of this report – Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position includes 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

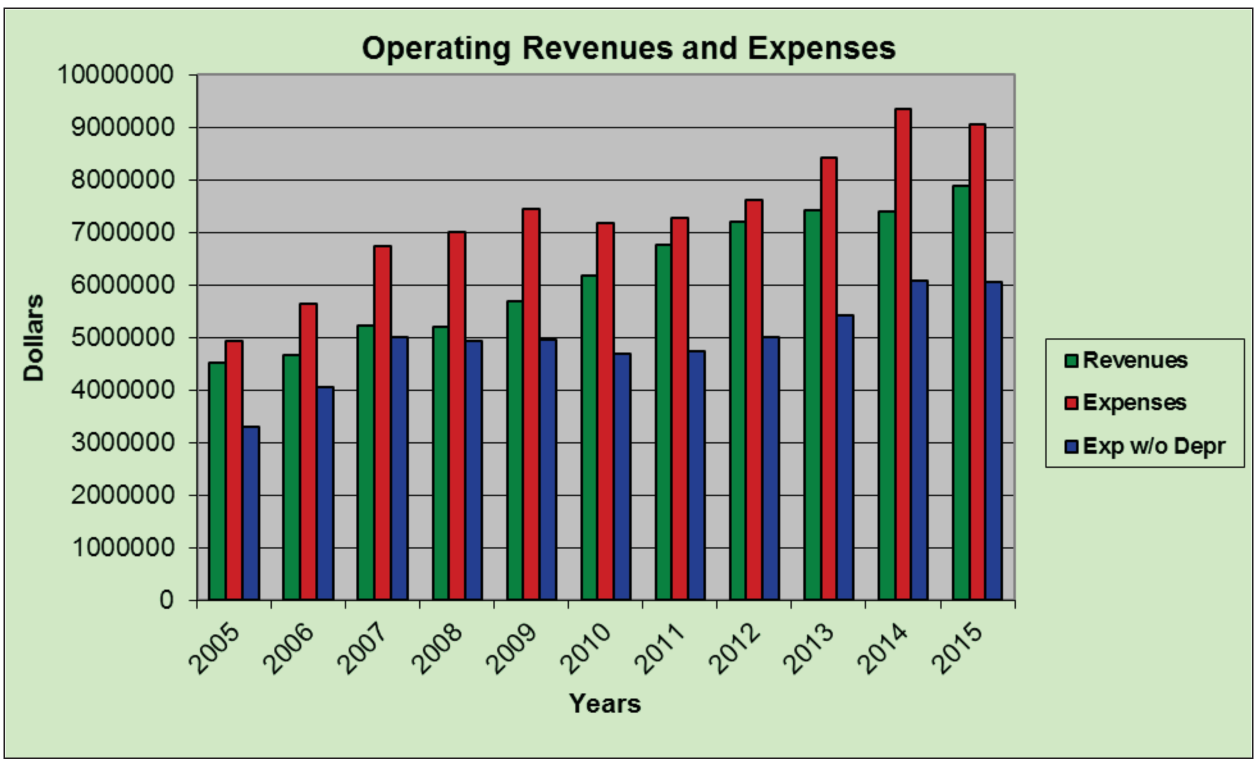
The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved over the year. These reports help determine the financial health of the Authority and whether 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 FY2015, 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 FY2015 by $2.5 million or 3.8% compared to FY 2014 as restated and FY2014 by $6.3 million or 10.1% compared to FY2013. In FY2013, the total net position increased by $1.7 million or 3%. A significant portion of this increase was due to capital contributions of $1.9, $4.7, and $2.0 million in FY2015, FY2014, and FY2013, respectively. In FY2015 the liabilities decreased by $510,929 due primarily to payment of debt service. Total liabilities decreased by $3.0 million during FY2014, $0.7 million during FY2013. The decrease in FY 2014 is from the early payment of the unearned revenue obligation, note payable and debt service payments. In FY2013, the decrease is due to maturing of a VRA loan and debt service payments. The following table depicts the Authority's assets and liabilities as of June 30, 2015, 2014, and 2013:

	Net Position		
	2015	**2014**	**2013**
Current and other assets	$ 9,396,499	$ 8,517,872	$ 8,365,306
Capital assets	68,140,805	66,961,368	63,869,523
Deferred outflows of resources	93,060	-	-
Total assets and deferred outflows of resources	$ 77,630,364	$ 75,479,240	$ 72,234,829
Noncurrent liabilities	$ 7,393,288	$ 7,990,114	$ 9,403,789
Other liabilities	1,810,121	1,724,224	3,329,765
Total liabilities	$ 9,203,409	$ 9,714,338	$ 12,733,554
Deferred inflows of resources	$ 385,186	$ 54,029	$ 66,850
Net position:			
Net investment in capital assets	$ 60,030,622	$ 58,184,968	$ 54,323,804
Restricted	-	111,972	-
Unrestricted	8,011,147	7,413,933	5,110,621
Total net position	$ 68,041,769	$ 65,710,873	$ 59,434,425

FINANCIAL ANALYSIS: (Continued)

Operating Income – In FY2015, **Operating Revenue** was $7.9 million, an increase of 6.5% over FY2014. Operating Revenues totaled $7.4 million in FY2014, a decrease of .25% over FY2013. In FY2013, revenue totaled $7.4 million, an increase of 3.0% over FY2012. In FY2015, the rates and fees increase produced additional Operating Revenues. In FY2014, there was a decrease in the Septic hauling from the Fauquier County Landfill. FY2013 had a normal growth factor. **Operating Expenses** for FY2015 was $9. million and represents a decrease of 3.25%. FY2014 expenses totaled $9.3 million which was an increase of 10.98%, and FY2013 expenses were $8.4 million, an increase of 10.8% over FY2012. A significant portion of the decrease in FY2015 was due to reduced depreciation expense from assets completing their useful life. In FY2014 and FY2013 the increase for Operating Expense was from depreciation. Depreciation expense represents 33.0%, 35.0% and 35.6%, of Operating Expense in FY2015, FY2014 and FY2013, respectively. In FY2015 the decrease of expenses was due to reduction in depreciation and other departments coming in under budget. Also, the FY2014 expenses increase was from salaries, developers' agreements, Repair & Replacement (R&R) expenses and depreciation. The FY2013 expense increase was due to salaries and benefits, and depreciation. The FY2015, FY2014 and FY2013 increases were influenced by growth of the customer base, fuel costs, utilities, chemicals, maintenance 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 not-for-profit governmental entity, the Authority's goal is to match revenues with expenses and not to generate a profit. Consequently, the Authority will generally experience a small loss or profit, neither of which significantly affects the financial condition of the organization.

The Authority increased user rates in FY2015 while in FY2014 and FY2013 there were no user rates increases. There were Capital Improvement and R & R project and operating expenses that made it necessary to increase the user rates. However, in recognition of the trend towards shortfalls between the Authority's Operating Revenues and Operating Expenses, which is further compounded

FINANCIAL ANALYSIS: (Continued)

by significant increases in operating expenses such as chemicals, utilities, fuel and debt service resulting from new regulatory requirements, in addition to the planned capital investments, the Authority's Board anticipates further rate increases.

These additional rate adjustments will further strengthen and match the Authority's Operating Revenues and Operating Expenses.

The following table is a comparison of operating revenues, operating expenses, nonoperating revenues and expenses, net income and capital contributions for the years ending June 30, 2015, 2014, and 2013.

	2015	2014	2013
Operating revenues:			
Water service	$ 3,519,398	$ 3,290,504	$ 3,278,523
Sewer service	3,524,999	3,390,211	3,202,582
Late charges	151,975	161,898	147,231
Other operating revenues	679,187	551,509	784,518
Total operating revenues	$ 7,875,559	$ 7,394,122	$ 7,412,854
Operating expenses:			
Salaries	$ 2,622,093	$ 2,515,181	$ 2,338,834
Fringe benefits	882,093	829,358	926,274
General and administrative	477,316	537,264	388,643
Operations and maintenance	2,082,445	2,192,251	1,768,958
Depreciation expense	2,982,641	3,276,736	3,002,676
Total operating expenses	$ 9,046,588	$ 9,350,790	$ 8,425,385
Net operating income (loss)	$ (1,171,029)	$ (1,956,668)	$ (1,012,531)
Nonoperating revenue and expenses:			
Availability fees	$ 1,952,908	$ 3,687,466	$ 1,168,821
Interest earned	40,078	32,504	26,253
Interest expense	(188,494)	(219,958)	(495,053)
Net nonoperating revenue	$ 1,804,492	$ 3,500,012	$ 700,021
Net income (loss) before capital contributions	$ 633,463	1,543,344	(312,510)
Capital Contributions	1,868,668	4,733,104	2,042,013
Change in net position	$ 2,502,131	$ 6,276,448	$ 1,729,503
Net position, at beginning of year, as restated	65,539,638	59,434,425	57,704,922
Net position, at end of year	$ 68,041,769	$ 65,710,873	$ 59,434,425

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets - The increase in capital assets for FY2015 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:

Remington infiltration & inflow	$	111,764
New Baltimore G4 well location & drilling		98,006
Contributed capital		1,868,668
Vehicles		75,641
Vint Hill WWTP influent wet well		114,766
17/66 Sewer line		777,793
"H" well #1		1,084,325
Fire hydrant study		108,809
Turnbull water treatment		50,793
Other R&R projects		728,638

The largest construction-in-progress projects as of June 30, 2015 were:

Bealeton Water Treatment Plant	$	1,242,758
Mosby woods well rehabilitation		77,186

The following table shows capital asset balances for the fiscal years ending June 30, 2015, 2014, and 2013:

		2015		2014		2013
Land	$	651,060	$	651,060	$	614,625
Construction in progress		1,624,258		2,372,162		1,178,205
Structures and improvements		51,916,817		51,266,833		48,405,568
Infrastructure		44,260,250		40,442,348		38,367,534
Vehicles		973,091		897,450		1,048,040
Machinery and equipment		13,641,017		13,783,900		13,623,690
Total property & equipment	$	113,066,493	$	109,413,753	$	103,237,662
Less: accumulated depreciation		44,925,688		42,452,385		39,368,139
Net property & equipment	$	68,140,805	$	66,961,368	$	63,869,523

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

CAPITAL ASSETS AND LONG TERM DEBT: (Continued)

Cash Balances – The Authority Board and Management sets 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:

Cash Balance:

FY2016	$	5,022,022
FY2017		4,463,363
FY2018		3,564,779
FY2019		3,245,905
FY2020		3,635,851

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

Capital Projects

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

Five Year Capital Improvement Program (FY 16 - 20)
FY 2016 Approved Budget

Project	FY2016	FY2017	FY2018	FY2019	FY2020	5 YR Totals
New Baltimore supply - wells	$ 720,120	$ 100,000	$ 1,298,436	$ 1,298,436	$ -	$ 3,416,992
New Baltimore storage - tanks	2,098,440	-	-	-	-	2,098,440
New Baltimore treatment	1,036,028	-	-	-	-	1,036,028
Bealeton Supply - wells	635,088	1,354,360	-	-	1,487,640	3,477,088
Bealeton treatment	**	**	**	**	**	**
Marshall supply - wells	2,869,722	-	-	-	-	2,869,722
The Plains - wells	-	819,189	819,189	-	-	1,638,378
The Plains - treatment	-	-	-	500,000	-	500,000
Remington storage - tanks	-	60,000	747,500	-	-	807,500
Bethel treatment	-	-	100,000	-	-	100,000
Botha treament	-	-	-	100,000	-	100,000
Total	$ 7,359,398	$ 2,333,549	$ 2,965,125	$ 1,898,436	$ 1,487,640	$ 16,044,148

** FY 15 carryovers to include $2.088 million for Bealeton water plant

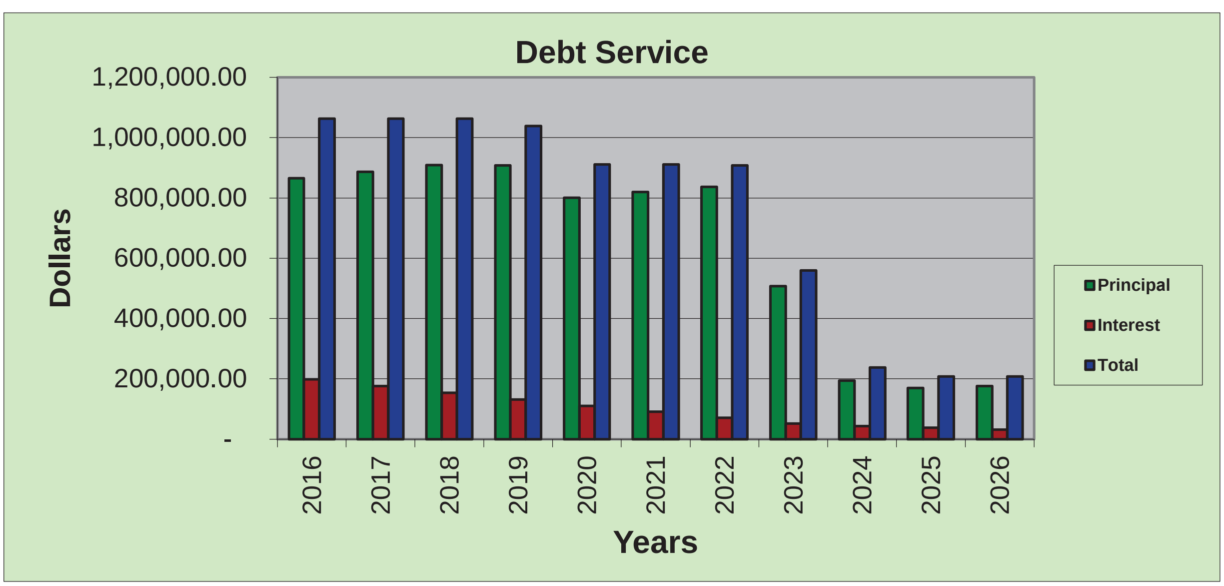
Capital Projects: (Continued)

Five Year Replacement and Renewal Program (FY 16 - 20)
FY 2016 Approved Budget

Project	FY2016	FY2017	FY2018	FY2019	FY2020	5 YR Totals
I & I pipe replacement	$ 275,750	$ 46,110	$ 47,494	$ 48,900	50,367	$ 468,621
Repair well houses	18,540	-	-	67,922	21,600	108,062
Refurbish administration building	32,000	-	-	-	-	32,000
SCADA communications	50,000	50,000	50,000	50,000	50,000	250,000
Utility Serv. Main Valve Program	-	50,000	50,000	-	-	100,000
Grapewood Pressure Relief Work	-	100,000	-	-	-	100,000
Vint Hill Manhole Repairs	40,000	-	-	-	-	40,000
Vint Hill Digester Line	7,156	-	-	-	-	7,156
Vint Hill Belt Press	-	-	-	500,000	-	500,000
Vint Hill SCADA	50,000	-	-	-	-	50,000
Vint Hill Wetwell Bypass	-	100,000	-	-	-	100,000
Remington Digester MH	20,000	-	-	-	-	20,000
Remington HVAC Units	36,000	-	-	-	-	36,000
Remington Centrifuge	-	-	-	-	500,000	500,000
Marstella water system	-	-	248,866	352,656	680,933	1,282,455
Water meters - radio read	48,286	49,973	51,470	48,050	54,604	252,383
Generator replacement	-	69,200	71,970	60,000	60,000	261,170
Arc Flash analysis	50,000	50,000	50,000	-	-	150,000
Water tank maintenance	100,000	100,000	100,000	100,000	100,000	500,000
Rock Spring water system	-	233,385	298,524	359,222	273,047	1,164,178
Meadowbrook service line repl	-	150,000	168,700	331,450	344,700	994,850
School House Road	193,157	-	-	-	-	193,157
Wastewater systems major R & M	40,291	41,499	42,744	40,291	44,100	208,925
Water systems major R & M	38,372	39,523	40,709	38,372	42,000	198,976
Total	$ 999,552	$ 1,079,690	$ 1,220,477	$ 1,996,863	$ 2,221,351	$ 7,517,933

Long-Term Debt - The Authority's outstanding debt as of June 30, 2015 consists of four notes, see Note 8 to the financial statements for additional details. The Authority has a $4 million construction loan which is 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.

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



CAPITAL ASSETS AND LONG TERM DEBT: (Continued)

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

ECONOMIC FACTORS

In FY2015, The Authority's non-cash revenue from developer contribution is $1.9 million. The Authority received contributions of infrastructure from New Baltimore and Marshall Service District. Although availability fee revenue is comparable to the prior years, the Authority has had years in the past that generated higher fees. In FY2015, FY2014 and FY2013, availability fee revenues were $2.0 million, $3.7 million and $1.2, respectively. An early payment of $1.8 million for a note receivable for sewer availability fees increased revenue in FY2014. The Authority experienced limited growth during FY2015 in comparison to prior years. As such, revenues will continue to be forecasted in a conservative manner. In addition, the Authority will continue to monitor its operational and capital requirements 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 FY2015, the effects of inflation, cost increases due to regulatory changes and the need to establish set-aside funds to continue to cover the costs of Capital replacement, make increases in the user rates probable over the next several fiscal years.

REQUEST FOR INFORMATION

This report is intended to provide customers, note holders and creditors with a general overview of the Authority's financial position and to demonstrate its ability to provide services to its customers. Questions concerning information provided in this report or request for additional financial information should be directed to the Authority at 540-349-2092 or to our administrative office located at 7172 Kennedy Road, Vint Hill Farms, Warrenton VA 20187-3907.

Basic Financial Statements

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statement of Net Position
At June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,730,084	$ 6,900,713
Accounts receivable (net of allowance for doubtful accounts)	1,103,318	1,101,982
Due from other governments	132,173	131,061
Performance bond	-	9,421
Net pension asset	128,072	-
Prepaid items	160,077	146,198
Total current assets	$ 9,253,724	$ 8,289,375
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents:		
Security deposits	$ 142,775	$ 116,525
Mintbrook well project	-	111,972
Total restricted assets	$ 142,775	$ 228,497
Capital Assets:		
Capital assets not being depreciated:		
Land	$ 651,060	$ 651,060
Construction in progress	1,624,258	2,372,162
Capital assets being depreciated:		
Structures and improvements	51,916,817	51,266,833
Infrastructure	44,260,250	40,442,348
Vehicles	973,091	897,450
Machinery and equipment	13,641,017	13,783,900
Accumulated depreciation	(44,925,688)	(42,452,385)
Net capital assets	$ 68,140,805	$ 66,961,368
Total noncurrent assets	$ 68,283,580	$ 67,189,865
Total assets	$ 77,537,304	$ 75,479,240
DEFERRED OUTFLOWS OF RESOURCES		
Pension contribution subsequent to measurement date	$ 93,060	$ -
Total assets and deferred outflows of resources	$ 77,630,364	$ 75,479,240

Statement of Net Position
At June 30, 2015 and 2014 (Continued)

	2015	2014
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 729,318	$ 596,754
Accrued interest	44,481	55,995
Revenue bonds - current portion	871,632	924,202
Compensated absences - current portion	21,915	21,327
Liabilities payable from Restricted Assets:		
Performance bonds	-	9,421
Security deposits	142,775	116,525
Total current liabilities	$ 1,810,121	$ 1,724,224
Noncurrent Liabilities:		
Revenue bonds - less current portion	$ 7,196,050	$ 7,798,168
Compensated absences-less current portion	197,238	191,946
Total noncurrent liabilities	$ 7,393,288	$ 7,990,114
Total liabilities	$ 9,203,409	$ 9,714,338
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	$ 42,501	$ 54,029
Items related to measurement of net pension liability	342,685	-
Total deferred inflows of resources	$ 385,186	$ 54,029
NET POSITION		
Net investment in capital assets	$ 60,030,622	$ 58,184,968
Restricted:		
Mintbrook well project	-	111,972
Unrestricted	8,011,147	7,413,933
Total net position	$ 68,041,769	$ 65,710,873
Total liabilities, deferred inflows of resources and net position	$ 77,630,364	$ 75,479,240

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, 2015 and 2014

		2015		2014
Operating revenues:				
Water service	$	3,519,398	$	3,290,504
Sewer service		3,524,999		3,390,211
Septic service		295,896		222,908
Late charges		151,975		161,898
Other operating revenues		383,291		328,601
Total operating revenues	$	7,875,559	$	7,394,122
Operating expenses:				
Salaries	$	2,622,093	$	2,515,181
Fringe benefits		882,093		829,358
General and administrative		477,316		537,264
Operations and maintenance		2,082,445		2,192,251
Depreciation expense		2,982,641		3,276,736
Total operating expenses	$	9,046,588	$	9,350,790
Net operating income (loss)	$	(1,171,029)	$	(1,956,668)
Nonoperating revenue (expenses):				
Availability fees	$	1,952,908	$	3,687,466
Interest income		40,078		32,504
Interest expense		(188,494)		(219,958)
Net nonoperating revenue (expenses)	$	1,804,492	$	3,500,012
Net income (loss) before capital contributions	$	633,463	$	1,543,344
Capital Contributions		1,868,668		4,733,104
Change in net position	$	2,502,131	$	6,276,448
Net position, beginning of year, as restated		65,539,638		59,434,425
Net position, end of year	$	68,041,769	$	65,710,873

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, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers and users	$ 7,899,361	$ 7,369,908
Payments to suppliers for goods and services	(2,441,076)	(2,594,996)
Payments to employees for services	(3,540,703)	(3,351,228)
Net cash provided by (used for) operating activities	$ 1,917,582	$ 1,423,684
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	$ (2,348,071)	$ (2,095,490)
Capital contributions	-	434,030
Interest payments	(164,159)	(200,278)
Principal payments on long-term debt	(847,524)	(1,339,498)
Proceeds from long-term debt issued	192,835	-
Proceeds from availability fees	1,952,908	3,687,466
Net cash (used for) capital and related financing activities	$ (1,214,011)	$ 486,230
Cash flows from noncapital financing activities:		
Performance bond	$ (9,421)	$ -
Cash flows from investing activities:		
Interest income	$ 40,078	$ 32,504
Net increase (decrease) in cash and cash equivalents	$ 734,228	$ 1,942,418
Cash and cash equivalents at beginning of year	7,138,631	5,196,213
Cash and cash equivalents at end of year	$ 7,872,859	$ 7,138,631
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operations	$ (1,171,029)	$ (1,956,668)
Adjustment to reconcile net income to net cash provided by (used for) operating activities:		
Changes in operating accounts:		
Depreciation expense	2,982,641	3,276,736
Increase / Decrease in:		
Accounts receivables	(1,336)	(85,792)
Due from other governments	(1,112)	49,203
Prepaid items	(13,879)	1,441
Compensated absenses	(6,689)	(6,689)
Pension deferred outflows of resources	92,921	-
Pension deferred inflows of resources	342,685	-
Net pension asset	(465,434)	-
Accounts payable	132,564	-
Security deposits	26,250	12,375
Net cash provided by (used for) operating activities	$ 1,917,582	$ 1,290,606
Noncash Investing, Capital and Financing Activities		
Contributions of capital assets	$ 1,868,668	$ 4,299,074
Capitalized depreciation on self-constructed assets	$ 31,732	$ 44,105
Reconciliation of Cash:		
Cash and cash equivalents	$ 7,730,084	$ 6,900,713
Restricted cash and cash equivalents	142,775	237,918
Total	$ 7,872,859	$ 7,138,631

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

B. Financial Reporting Entity

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

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

- Management's discussion and analysis

- Enterprise fund financial statements

  – Statement of Net Position
  – Statement of Revenues, Expenses, and Changes in Net Position
  – Statement of Cash Flows
  – Notes to Financial Statements

- Schedule of Components of and Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

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

B. Basis of Accounting

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

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

D. Restricted Assets

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 and infrastructure. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $3,500, except for water meters for new construction, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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. Interest in the amount of $1,192 was capitalized to construction projects during the current fiscal year and none was capitalized in the prior year. Depreciation expense totaled $3,014,374 for the year ended June 30, 2015 and $3,320,842 for the year ended June 30, 2014. A portion of depreciation expense, $31,733 was capitalized as part of self-constructed assets for the year ended June 30, 2015 and $44,105 for the year ended June 30, 2014.

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 $70,861 at June 30, 2015 and $96,648 for the year ended June 30, 2014.

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

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 noncurrent portions of the compensated absences liabilities are recorded as accrued liabilities.

J. Restatement / Reclassifications

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

K. 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.

L. 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 has one item that qualifies for reporting in this category which is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of items that qualify for reporting in this category. One is the deferred amount on refunding debt and certain items related to the measurement of the net pension asset. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

M. Net position flow assumption

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

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

N. Pensions

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

O. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	$	65,710,873
Implementation of GASB 68		(171,235)
Net Position as restated at June 30, 2014	$	65,539,638

For comparative financial statements: In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

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, 2015 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
		AAAm
Local Government Investment Pool	$	2,257,313
Total	$	2,257,313

NOTE 3–DEPOSITS AND INVESTMENTS: (CONTINUED)

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. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 4–RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2015 and 2014 consist of the following:

	Balance June 30, 2015	Balance June 30, 2014
Restricted Assets:		
Security deposits	$ 142,775	$ 116,525
Mintbrook well project	-	111,972
Performance bonds	-	9,421
Total restricted assets	$ 142,775	$ 237,918
Restricted net position:		
Less:		
Security deposits	$ (142,775)	$ (116,525)
Performance bonds	-	(9,421)
Total restricted net position	$ -	$ 111,972

NOTE 5–DUE TO/FROM OTHER GOVERNMENTS:

At June 30, 2015 and 2014, respectively, the Authority has receivables from other governments as follows:

	Balance June 30, 2015	Balance June 30, 2014
Fauquier County	$ 132,173	$ 131,061
Total	$ 132,173	$ 131,061

NOTE 6–CAPITAL ASSETS:

Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 651,060	$ -	$ -	$ 651,060
Construction in progress	2,372,162	1,720,281	2,468,185	1,624,258
Total capital assets not being depreciated	$ 3,023,222	$ 1,720,281	$ 2,468,185	$ 2,275,318
Capital assets being depreciated:				
Structures and improvements	$ 51,266,833	$ 649,984	$ -	$ 51,916,817
Infrastructure	40,442,348	3,817,902	-	44,260,250
Vehicles	897,450	75,641	-	973,091
Machinery and equipment	13,783,900	400,035	542,918	13,641,017
Total capital assets being depreciated	$ 106,390,531	$ 4,943,562	$ 542,918	$ 110,791,175
Accumulated depreciation:				
Structures and improvements	$ 17,166,230	$ 1,740,666	$ -	$ 18,906,896
Infrastructure	12,122,099	829,989	-	12,952,088
Vehicles	761,232	27,704	-	788,936
Machinery and equipment	12,402,824	416,015	541,071	12,277,768
Total accumulated depreciation	$ 42,452,385	$ 3,014,374	$ 541,071	$ 44,925,688
Total capital assets being depreciated, net	$ 63,938,146	$ 1,929,188	$ 1,847	$ 65,865,487
Business-type activities capital assets, net	$ 66,961,368	$ 3,649,469	$ 2,470,032	$ 68,140,805

Depreciation expense for the year ended June 30, 2015 totaled $3,014,374.

NOTE 6–CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

The following is a summary of changes to property and equipment for the year ending June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 614,625	$ 36,435	$ -	$ 651,060
Construction in progress	1,178,205	1,875,711	681,754	2,372,162
Total capital assets not being depreciated	$ 1,792,830	$ 1,912,146	$ 681,754	$ 3,023,222
Capital assets being depreciated:				
Structures and improvements	$ 48,405,568	$ 2,861,265	$ -	$ 51,266,833
Infrastructure	38,367,534	2,074,814	-	40,442,348
Vehicles	1,048,040	6,800	157,390	897,450
Machinery and equipment	13,623,690	239,416	79,206	13,783,900
Total capital assets being depreciated	$ 101,444,832	$ 5,182,295	$ 236,596	$ 106,390,531
Accumulated depreciation:				
Structures and improvements	$ 15,349,197	$ 1,817,033	$ -	$ 17,166,230
Infrastructure	11,354,748	767,351	-	12,122,099
Vehicles	845,490	73,132	157,390	761,232
Machinery and equipment	11,818,704	663,326	79,206	12,402,824
Total accumulated depreciation	$ 39,368,139	$ 3,320,842	$ 236,596	$ 42,452,385
Total capital assets being depreciated, net	$ 62,076,693	$ 1,861,453	$ -	$ 63,938,146
Business-type activities capital assets, net	$ 63,869,523	$ 3,773,599	$ 681,754	$ 66,961,368

Depreciation expense for the year ended June 30, 2014 totaled $3,320,842.

Computation of net investment in capital assets:

	Balance June 30, 2015	Balance June 30, 2014
Net capital assets	$ 68,140,805	$ 66,961,368
Revenue bonds	(8,067,682)	(8,722,371)
Deferred amount on refunding	(42,501)	(54,029)
Net investment in capital assets	$ 60,030,622	$ 58,184,968

NOTE 6–CAPITAL ASSETS: (CONTINUED)

The following is a summary of capital project activity for the fiscal year ending June 30, 2015 and 2014:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Bealeton Water Treatment Plant	$ 365,567	$ 877,191	$ -	$ 1,242,758
New Baltimore zone wells	937,308	143,782	1,081,090	-
Marshall 17/66	698,667	77,711	776,378	-
Miscellaneous projects	370,620	621,597	610,717	381,500
Total contruction in progress	$ 2,372,162	$ 1,720,281	$ 2,468,185	$ 1,624,258

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Bealeton Water Treatment Plant	$ 281,479	$ 84,088	$ -	$ 365,567
New Baltimore zone wells	445,055	663,234	170,981	937,308
Marshall 17/66	-	698,667	-	698,667
Miscellaneous projects	451,671	429,722	510,773	370,620
Total contruction in progress	$ 1,178,205	$ 1,875,711	$ 681,754	$ 2,372,162

NOTE 7–LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2015 and 2014:

Description	Beginning Balance July 1, 2014	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2015	Due Within One Year
Revenue Bonds	$ 8,722,371	$ 192,835	$ 847,524	$ 8,067,682	$ 871,632
Compensated absences	213,273	42,854	36,974	219,153	21,915
Total	$ 8,935,644	$ 235,689	$ 884,498	$ 8,286,835	$ 893,547

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Description	Beginning Balance July 1, 2013	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2014	Due Within One Year
Revenue Bonds	$ 9,545,719	$ -	$ 823,348	$ 8,722,371	$ 924,202
Note payable - Brookside	516,150	-	516,150	-	-
Compensated absences	206,584	48,451	41,762	213,273	21,327
Total	$ 10,268,453	$ 48,451	$ 1,381,260	$ 8,935,644	$ 945,529

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2016	$ 871,632	$ 178,275
2017	892,390	157,518
2018	913,663	136,245
2019	911,352	114,444
2020	803,761	94,045
2021	821,817	75,989
2022	840,292	57,514
2023	506,670	39,544
2024	162,183	32,440
2025	166,625	27,999
2026	171,188	23,436
2027	175,876	18,748
2028	180,692	13,932
2029	185,640	8,983
2030	190,725	3,900
Total	$ 7,794,506 *	$ 983,012

*Does not include $273,176 of $4,000,000 revenue bonds received as of June 30, 2015 as repayment terms are not finalized.

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2015 and 2014 are as follows:

		2015		2014
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% .	$	4,508,136	$	5,059,374
$4,000,000 revenue bonds, issued November 16, 2012, amount advanced through June 30, 2013, interest payable at 2.02%. At June 30, 2015 $273,176 has been received.		273,176	*	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% .		355,775		396,782
Revenue bonds, issued September 20, 2010 payable in 20 semi-annual installments of $76,051 through September 1, 2020, interest at 3.12%.		546,525		678,480
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%.		2,384,070		2,507,394
Total Revenue bonds	$	8,067,682	$	8,722,371
Other Obligations:				
Compensated absences		219,153		213,273
Total long-term obligations	$	8,286,835	$	8,935,644

* Details of this loan are not included in the amortization of long-term obligations as loan terms are not finalized at this time.

NOTE 9–COMPENSATED ABSENCES:

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

Authority employees accrue vacation and sick leave at various rates. No benefits or pay are received for unused sick leave upon termination. The Authority has outstanding accrued vacation pay at June 30 in the amount of $219,153 for fiscal year ended June 30, 2015 and $213,373 for fiscal year ended June 30, 2014.

NOTE 10–LITIGATION:

At June 30, 2015 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 the following commitments outstanding at June 30, 2015.

Projects	Contract Amount	Expenses to Date	Balance
Bealeton WTP	$ 2,110,000	$ 172,430	$ 1,937,570
New Baltimore Ridge Water Storage Tank	99,623	3,706	95,917
Total	$ 2,209,623	$ 176,136	$ 2,033,487

NOTE 12–PENSION PLAN:

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

NOTE 12–PENSION PLAN: (CONTINUED)

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

Plan Description

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td></td><td></td><td>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

NOTE 12–PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	2
Non-vested inactive members	10
Inactive members active elsewhere in VRS	10
Total inactive members	22
Active members	42
Total covered employees	73

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 5.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $93,060 and $166,227 for the years ended June 30, 2015 and June 30, 2014, respectively.

NOTE 12–PENSION PLAN: (CONTINUED)

Net Pension Asset

The Authority's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 12–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 12–PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

NOTE 12–PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension asset was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 5,097,161	$ 4,759,699	$ 337,462
Changes for the year:			
Service cost	$ 233,185	$ -	$ 233,185
Interest	351,577	-	351,577
Differences between expected and actual experience	-	-	-
Contributions - employer	-	166,227	(166,227)
Contributions - employee	-	121,744	(121,744)
Net investment income	-	766,252	(766,252)
Benefit payments, including refunds of employee contributions	(149,264)	(149,264)	-
Administrative expenses	-	(3,968)	3,968
Other changes	-	41	(41)
Net changes	$ 435,498	$ 901,032	$ (465,534)
Balances at June 30, 2014	$ 5,532,659	$ 5,660,731	$ (128,072)

NOTE 12–PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Asset	776,442	(128,072)	(859,138)

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

For the year ended June 30, 2015, the Authority recognized pension expense of $43,378. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	342,685
Employer contributions subsequent to the measurement date	93,060	-
Total	$ 93,060	$ 342,685

NOTE 12–PENSION PLAN: (CONTINUED)

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

$93,060 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2016	$	(85,671)
2017		(85,671)
2018		(85,671)
2019		(85,672)
Thereafter		-

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.

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Required Supplementary Information

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Components of and Changes in Net Pension Liability and Related Ratios

Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	$	233,185
Interest		351,577
Benefit payments, including refunds of employee contributions		(149,264)
Net change in total pension liability	$	435,498
Total pension liability - beginning		5,097,161
Total pension liability - ending (a)	$	5,532,659
Plan fiduciary net position		
Contributions - employer	$	166,227
Contributions - employee		121,744
Net investment income		766,252
Benefit payments, including refunds of employee contributions		(149,264)
Administrative expense		(3,968)
Other		41
Net change in plan fiduciary net position	$	901,032
Plan fiduciary net position - beginning		4,759,699
Plan fiduciary net position - ending (b)	$	5,660,731
Political subdivision's net pension asset - ending (a) - (b)	$	(128,072)
Plan fiduciary net position as a percentage of the total pension liability		102.31%
Covered-employee payroll	$	2,386,659
Political subdivision's net pension liability as a percentage of covered-employee payroll		-5.37%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Employer Contributions
Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 93,060	$ 93,060	$ -	$ 2,442,539	5.35%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

Net Position by Component
Last Ten years

	Fiscal Years				
	2015	2014	2013	2012	2011
Net position:					
Net Investment in capital assets	$ 60,030,622	$ 58,184,968	$ 54,323,804	$ 53,333,168	$ 53,412,822
Restricted	-	111,972	-	31,915	445,567
Unrestricted	8,011,147	7,413,933	5,110,621	4,339,839	2,525,847
Total net position	$ 68,041,769	$ 65,710,873	$ 59,434,425	$ 57,704,922	$ 56,384,236

	Fiscal Years				
	2010	2009	2008	2007	2006
Net position:					
Net Investment in capital assets	$ 52,245,846	$ 45,261,874	$ 43,108,473	$ 40,806,516	$ 31,052,290
Restricted	982,474	1,720,280	541,456	518,356	6,536,105
Unrestricted	1,328,083	769,515	3,752,435	4,037,591	5,126,237
Total net position	$ 54,556,403	$ 47,751,669	$ 47,402,364	$ 45,362,463	$ 42,714,632

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Changes in Net Position
Last Ten Years

	2015	2014	2013
Operating revenues:			
Water service	$ 3,519,398	$ 3,290,504	$ 3,278,523
Sewer service	3,524,999	3,390,211	3,202,582
Septic service	295,896	222,908	490,042
Late charges	151,975	161,898	147,231
Other operating revenues	383,291	328,601	294,476
Total operating revenues	$ 7,875,559	$ 7,394,122	$ 7,412,854
Operating expenses:			
Salaries	$ 2,622,093	$ 2,515,181	$ 2,338,834
Fringe benefits	882,093	829,358	926,274
General and administrative	477,316	537,264	388,643
Operations and maintenance	2,082,445	2,192,251	1,768,958
Depreciation expense	2,982,641	3,276,736	3,002,676
Total operating expenses	$ 9,046,588	$ 9,350,790	$ 8,425,385
Net operating income (loss)	$ (1,171,029)	$ (1,956,668)	$ (1,012,531)
Nonoperating revenue (expenses):			
Availability fees	$ 1,952,908	$ 3,687,466	$ 1,168,821
Gain (loss) on sale of assets	-	-	-
Interest earned	40,078	32,504	26,253
Litigation settlement expenses	-	-	-
Bad debt expense	-	-	-
Interest expense	(188,494)	(219,958)	(495,053)
Net nonoperating revenue (expenses)	$ 1,804,492	$ 3,500,012	$ 700,021
Net income (loss) before capital contributions	$ 633,463	$ 1,543,344	$ (312,510)
Capital Contributions	1,868,668	4,733,104	2,042,013
Change in net position	$ 2,502,131	$ 6,276,448	$ 1,729,503
Net position, at beginning of year, as restated	65,539,638	59,434,425	57,704,922
Net position, at end of year	$ 68,041,769	$ 65,710,873	$ 59,434,425

Source: Fauquier County Water and Sanitation Authority.

Table 2

2012	2011	2010	2009	2008	2007	2006
$ 3,110,188	$ 3,150,219	$ 2,807,897	$ 3,031,716	$ 2,695,893	$ 2,287,085	$ 1,861,932
3,178,717	3,132,887	2,807,471	2,054,634	2,070,737	2,266,749	2,191,139
468,705	176,063	87,990	75,858	74,006	193,518	93,737
171,640	147,980	129,235	117,598	115,791	111,070	97,090
267,671	148,189	347,874	395,890	248,329	367,610	417,015
$ 7,196,921	$ 6,755,338	$ 6,180,467	$ 5,675,696	$ 5,204,756	$ 5,226,032	$ 4,660,913
$ 2,308,237	$ 2,172,426	$ 2,163,497	$ 2,204,681	$ 2,200,437	$ 1,969,118	$ 1,500,903
847,748	786,446	748,240	818,458	742,049	676,891	511,155
428,523	400,482	406,526	376,598	541,741	1,093,335	1,083,765
1,419,252	1,388,562	1,366,460	1,564,933	1,446,519	1,272,715	961,767
2,599,488	2,521,187	2,485,492	2,486,274	2,068,985	1,731,653	1,569,966
$ 7,603,248	$ 7,269,103	$ 7,170,215	$ 7,450,944	$ 6,999,731	$ 6,743,712	$ 5,627,556
$ (406,327)	$ (513,765)	$ (989,748)	$ (1,775,248)	$ (1,794,975)	$ (1,517,680)	$ (966,643)
$ 603,542	$ 520,656	$ 316,255	$ 331,482	$ 1,137,703	$ 2,337,713	$ 4,229,644
-	-	-	-	-	-	11,708
32,346	34,240	26,370	60,748	197,179	639,736	607,943
-	-	-	-	-	(1,950,000)	-
-	-	-	-	-	-	(12,731)
(331,064)	(370,451)	(339,834)	(336,501)	(239,161)	(262,603)	(258,635)
$ 304,824	$ 184,445	$ 2,791	$ 55,729	$ 1,095,721	$ 764,846	$ 4,577,929
$ (101,503)	$ (329,320)	$ (986,957)	$ (1,719,519)	$ (699,254)	$ (752,834)	$ 3,611,286
1,422,189	1,730,322	7,791,691	2,068,824	2,739,155	3,400,665	6,538,800
$ 1,320,686	$ 1,401,002	$ 6,804,734	$ 349,305	$ 2,039,901	$ 2,647,831	$ 10,150,086
56,384,236	54,983,234	47,751,669	47,402,364	45,362,463	42,714,632	32,564,546
$ 57,704,922	$ 56,384,236	$ 54,556,403	$ 47,751,669	$ 47,402,364	$ 45,362,463	$ 42,714,632

Schedule of Revenues
Last Ten Fiscal Years

Fiscal Years	Water Service	Sewer Service	Availability Fees	Other Revenues	Total
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
2014	3,290,504	3,390,211	3,687,466	745,911	11,114,092
2015	3,519,398	3,524,999	1,952,908	871,240	9,868,545

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates
Last Ten Years

Fiscal Year	Water Usage Fee (1)	Water Base Service Fees	Sewer Usage Fee (2)	Sewer Base Service Fees
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
2014	3.47	18.59	6.83	18.81
2015	3.70	19.80	7.27	20.03

(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**
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%
2014	225		6,015	5.34%	122	4,055	2.28%
2015	96	**	5,626	1.71%	48	4,024	1.19%

Source: Fauquier County Water and Sanitation Authority connection records
* Completed the purchase of Marshall Waterworks with 546 connections
**Excluding Vint Hill subdividion customer 355

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

Calendar Year	Water Processed	Wastewater Treated
2005	435,000,000	384,000,000
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
2013	489,000,000	519,000,000
2014	507,000,000	517,000,000

Source: Fauquier County Water and Sanitation Authority

Schedule of Operating Expenses
Last Ten Fiscal Years

Fiscal Years	Salaries	Fringe Benefits	General & Administrative	Operations & Maintenance	Depreciation Expense	Total
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
2014	2,515,181	829,358	537,264	2,192,251	3,276,736	9,350,790
2015	2,622,093	882,093	477,316	2,082,445	2,982,641	9,046,588

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 2015	2014	2013	2012	2011
Note Payable - Brookside	$ -	$ -	$ 516,150	$ 516,150	$ 525,450
Notes Payable Opal system	-	-	-	-	25,000
VRA Water Revenue Bond	-	-	-	455,811	491,089
VRA Water Revenue Bond	-	-	-	1,575,992	1,704,310
VRA Water Revenue Bond	-	-	-	1,246,396	1,326,713
Revenue Bond 7-9-2009	2,384,070	2,507,394	2,622,917	2,735,447	2,903,781
Revenue Bond 2011	-	-	-	3,113,956	3,417,208
Revenue Bond 9-20-10	546,525	678,480	806,412	1,127,971	1,242,201
Revenue Bond 11-16-2012	273,176	80,341	80,341	-	-
Revenue Refunding Bond 2012	4,508,136	5,059,374	5,599,617	-	-
Revenue Refunding Bond 2012	355,775	396,782	436,432	-	-
Virginia Water Facility Bond	-	-	-	180,000	350,000
Virginia Water Facility Bond	-	-	-	-	-
Total outstanding debt	$ 8,067,682	$ 8,722,371	$ 10,061,869	$ 10,951,723	$ 11,985,752
Debt per capita (1)	$ 280	$ 289	$ 345	$ 382	$ 476

	Fiscal Year 2010	2009	2008	2007	2006
Notes Payable VHEDA	$	$ 938,800	$ 938,800	$ 938,800	$ 938,800
Notes Payable VHEDA	-	-	-	-	100,000
Note Payable - Brookside	525,450	525,450	525,450	1,027,650	-
Notes Payable Opal system	151,831	451,831	451,831	451,831	451,831
VRA Water Revenue Bond	519,019	545,486	2,025,000	-	1,086,768
VRA Water Revenue Bond	1,811,460	1,914,426	-	-	-
VRA Water Revenue Bond	1,404,247	1,478,391	-	-	-
Revenue Bond 7-9-2009	2,903,781	-	-	-	-
Virginia Water Facility Bond	515,000	675,000	825,000	970,000	-
Virginia Water Facility Bond	4,090,499	4,764,896	5,419,486	6,054,912	6,671,676
Total outstanding debt	$ 11,921,287	$ 11,294,280	$ 10,185,567	$ 9,443,193	$ 9,249,075
Debt per capita	$ 476	$ 413	$ 398	$ 359	$ 391

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
2006		$ 9,398,494	$ 3,304,802	$ 6,093,692	$ 756,764	$ 240,684	$ 997,448	6.11
2007		7,638,362	4,057,590	3,580,772	756,784	262,603	1,019,387	3.51
2008		6,539,638	4,930,746	1,608,892	780,406	239,161	1,019,567	1.58
2009	**	8,125,920	4,964,670	3,161,250	981,307	336,501	1,317,808	2.40
2010		6,523,092	4,684,723	1,838,369	1,037,974	339,834	1,377,808	1.33
2011		7,310,234	4,747,916	2,562,318	1,108,704	356,213	1,464,917	1.75
2012		7,832,809	5,003,760	2,829,049	999,729	454,370	1,454,099	1.95
2013		8,607,928	5,422,709	3,185,219	1,105,769	437,768	1,543,537	2.06
2014		11,114,092	6,074,054	5,040,038	1,339,498	200,278	1,539,776	3.27
2015		9,868,545	6,063,947	3,804,598	847,524	164,159	1,011,683	3.76

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)
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	3,818,298	56,814	4.8%	36,702	20,268	10,750
2014	30,210	*	*	4.5%	37,131	21,081	11,084
2015	28,581	*	*	4.4%	37,223	*	11,088

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

	2015		2006	
Employer	**Rank**	**Number of Employees**	**Rank**	**Number of Employees**
Fauquier County School Board	1	1,000 and over	1	1,000 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
Wal Mart	5	100 to 249	5	100 to 249
General Excavation			6	100 to 249
Buccaneer Computer System, Inc.	6	100 to 249		
Kips Erosion Control			7	100 to 249
Town of Warrenton	7	100 to 249		100 to 249
Trinity Packaging Corporation			8	100 to 249
Food Lion	8	100 to 249		
Airlie Foundation	9	100 to 249	9	100 to 249
Giant Food			10	100 to 249
Lord Fairfax Community College	10	100 to 249		

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators
Last Nine Fiscal Years

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Water System:									
Number of water systems	16	16	14	14	14	14	14	14	14
Number of service connections	5,626	6,015	5,772	5,717	5,588	5,467	5,467	5,417	4,544
Miles of water mains	141	127	100	100	100	100	100	100	100
Daily average consumption per MGD	1.38	1.365	1.34	1.323	1.455	1.455	1.455	1.455	1.192
Average daily water distributed per MGD	1.38	1.365	1.34	1.323	1.455	1.455	1.455	1.455	1.192
Storage capacity in million gallons	5.154	5.154	5.154	5.154	5.154	5.154	1.911	1.911	1.586
Sewerage System:									
Number of treatment plants	3	3	3	3	3	3	3	3	3
Number of pump stations	14	14	13	13	16	16	16	16	14
Number of service connections	4,024	4,055	3,412	3,854	3,761	3,653	3,653	3,618	3,278
Miles of sanitary sewer mains	104	104	82	82	82	82	82	82	82
Daily average treatment per MGD	1.254	1.365	1.319	1.289	1.289	0.939	0.939	0.939	1.052
Design capacity of treatment plants per MGD	3.59	3.59	3.59	3.236	3.236	2.886	2.886	2.886	2.886
Number of Full-Time Employees:	45	42	44	44	44	45	45	44	37

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

* Information for FY 2006 is not available.

Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY 2015 000/gals	FY 2015 % of System	FY 2014 000/gals	FY 2014 % of System	FY 2013 000/gals	FY 2013 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	9,946	1.96%	10,696	2.26%	9,684	2.05%
CHUCK DAVIS	ODEC	3,765	0.74%	9,029	1.91%	299	0.06%
FEDERAL AVIATION ADM	Federal FFA buliding	3,646	0.72%	3,911	0.83%	3,661	0.77%
CEDAR LEE CONDO ASSOCIATES	Apartments	3,562	0.70%			1,840	0.39%
ASPEN SOUTH	Apartments	3,165	0.62%	3,223	0.68%	3,168	0.67%
SUFFIELD MEADOW CONDO	Condos	2,485	0.49%	3,480	0.74%	3,193	0.68%
ASPEN CLUB APTS/NORTH 40	Apartments	1,879	0.37%	2,347	0.50%	2,753	0.58%
NORTH FORTY ASPEN PLUS	Apartments	1,730	0.34%	1,520	0.32%	1,402	0.30%
WAVERLY STATION	Apartments	1,520	0.30%	1,507	0.32%	1,055	0.22%
VAN MANAGEMENT INC	Marshall McDonalds	1,030	0.20%	1,234	0.26%		
BEALETON VILLAGE CENTER LLC	Shopping Center	794	0.16%			6,667	1.41%
R. B. DRUMHELLER INC.	Bealeton McDonalds	790	0.16%	852	0.18%		
WAKEFIELD SCHOOL	Private School	772	0.15%				
FAUQUIER HEALTH SYSTEM	Assisted Living						
TOLL BROTHERS	Developer						
VINT HILL EDA	Authority						
COUNTY PARKS AND RECREATION	County Swimming pool						
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station						
Total		35,084	6.92%	37,799	8.00%	33,722	7.13%
Total Water System Annual Consumption		507,000		489,000		489,000	

*** Documents for the previous fiscal year is not available**

Principal Users of the Sewer System	Principal Business	FY 2015 000/gals	FY 2015 % of System	FY 2014 000/gals	FY 2014 % of System	FY 2013 000/gals	FY 2013 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	9,885	1.91%	10,025	1.99%	8,397	1.67%
FEDERAL AVIATION ADM	Federal FFA building	3,646	0.71%	3,911	0.78%	3,660	0.73%
CEDAR LEE CONDO ASSOCIATES	Condos	3,562	0.69%			1,840	0.37%
ASPEN SOUTH	Apartments	3,165	0.61%	3,223	0.64%	3,168	0.63%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	2,095	0.41%	2,190	0.43%	1,978	0.39%
CHUCK DAVIS	ODEC	1,970	0.38%	9,029	1.79%	359	0.07%
ASPEN CLUB APTS/NORTH 40	Apartments	1,879	0.36%	2,347	0.47%	2,753	0.55%
NORTH FORTY ASPEN PLUS	Apartments	1,730	0.33%	1,520	0.30%	1,402	0.28%
WAVERLY STATION	Apartments	1,520	0.29%	1,507	0.30%	1,055	0.21%
OPAL OIL, INC.	Quarles Q Stop	1,474	0.29%	1,461	0.29%		
BLUE RIDGE CHRISTIAN HOME	Nursing Home	1,271	0.25%			930	0.18%
VAN MANAGEMENT INC	Marshall McDonalds	1,030	0.20%	1,234	0.24%	1,084	0.22%
BEALETON VILLAGE CENTER LLC	Shopping Center	794	0.15%				1.41%
R. B. DRUMHELLER INC.	Bealeton McDonalds	790	0.15%				
WAKEFIELD SCHOOL	Private School	772	0.15%			448	0.09%
Total		35,583	6.88%	36,447	7.23%	27,074	5.37%
Total Sewer System Annual Flow		517,000		519,000		433,000	

Source: Fauquier County Water and Sanitation Authority

Table 13

FY 2012		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	000/gals	% of System
13,035	2.76%	17,338	3.61%	11,394	2.37%	10,569	2.22%	8,090	1.39%	6,434	1.37%	10,569	2.22%
1,931	0.41%	957	0.20%	361	0.08%			887	0.15%	1,366	0.29%		
4,487	0.95%	4,643	0.97%	2,552	0.53%	2,778	0.58%	2,730	0.47%	1,092	0.23%	2,778	0.58%
526				488	0.10%	1,350	0.28%	999	0.17%			1,350	0.28%
2,963	0.63%	3,348	0.70%	2,939	0.61%	2,505	0.53%	3,678	0.63%	194	0.04%	2,505	0.53%
773	0.16%					573	0.12%	873	0.15%	186	0.04%	573	0.12%
2,084	0.44%	3,231	0.67%	2,717	0.57%	3,141	0.66%	3,633	0.63%	3,292	0.70%	3,141	0.66%
4,900	1.04%	1,649	0.34%	1,479	0.31%	1,483	0.31%	1,660	0.29%			1,483	0.31%
717	0.15%			910	0.19%	1,130	0.24%					1,130	0.24%
1,280	0.27%	1,462	0.30%	1,224	0.26%	1,025	0.21%	1,233	0.21%			1,025	0.21%
1,377	0.29%	1,012	0.21%										
	0.11%	1,041	0.22%										
										385	0.08%		
										483	0.10%		
										748	0.16%		
										2,326	0.49%		
34,073	7.21%	34,681	7.23%	24,064	5.02%	24,554	5.15%	23,783	4.10%	16,506	3.51%	24,554	5.15%
473,000		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	000/gals	% of System
12,837	2.55%	15,024	3.35%	10,090	2.25%	11,041	2.75%	8,716	2.54%	6,569	1.56%	11,041	2.75%
4,487	0.89%	4,643	1.03%	2,552	0.57%	2,778	0.69%	2,730	0.80%	1,092	0.26%	2,778	0.69%
526	0.10%	1,515	0.34%	488	0.11%	1,350	0.34%	999	0.29%			1,350	0.34%
2,963	0.59%	3,343	0.74%	2,457	0.55%	2,841	0.71%	3,678	1.07%			2,841	0.71%
1,875	0.37%	1,929	0.43%	1,811	0.40%	1,708	0.43%	1,937	0.56%	2,326	0.55%	1,708	0.43%
3,880	0.77%	2,993	0.67%	2,939	0.65%	2,846	0.71%	2,022	0.59%	4,057	0.97%	2,846	0.71%
2,084	0.41%	3,231	0.72%	2,717	0.61%	3,141	0.78%	3,633	1.06%	3,292	0.78%	3,141	0.78%
4,900	0.97%	1,649	0.37%	1,479	0.33%	1,483	0.37%	1,660	0.48%			1,483	0.37%
717	0.14%		0.00%	910	0.20%	1,130	0.28%	159	0.05%	159	0.04%	1,130	0.28%
1,026	0.20%	1,212	0.27%										
1,280	0.25%	1,482	0.33%	1,224	0.27%	1,025	0.26%	1,233	0.36%			1,025	0.26%
586	0.12%		0.00%	871	0.19%	752	0.19%	1,314	0.38%	162	0.04%	752	0.19%
37,161	7.36%	37,021	8.25%	27,538	6.13%	30,095	7.50%	28,081	8.19%	19,019	4.53%	30,095	7.50%
504,000		449,000		450,000		401,000		343,000		420,000		401,000	

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Fauquier County Water and Sanitation Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 4, 2015