

**Fauquier County**  
**Water and Sanitation Authority**

**Warrenton, Virginia**

**Comprehensive Annual  
Financial Report**



**YEARS ENDED  
JUNE 30, 2012 AND 2011**



**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**WARRENTON, VIRGINIA**

Comprehensive Annual Financial Report  
Years Ended June 30, 2012 and 2011

**Prepared by:**

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William Skinker  
Associate General Manager and Chief Financial Officer



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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Comprehensive Annual Financial Report  
Years Ended June 30, 2012 and 2011

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## Table of Contents

	<u>Page</u>
<b><u>Introductory Section</u></b>	
Title Page	i
Table of Contents	iii-iv
Authority Officials	v
Letter of Transmittal	vii-ix
Organizational Chart	xi
Certificate of Achievement for Excellence in Financial Reporting	xiii
<b><u>Financial Section</u></b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
<b><u>Basic Financial Statements</u></b>	
Exhibit 1 Statements of Net Assets at June 30, 2012 and 2011	13-14
Exhibit 2 Statements of Revenues, Expenses and Changes in Net Assets - Years Ended June 30, 2012 and 2011	15
Exhibit 3 Statements of Cash Flows -Years Ended June 30, 2012 and 2011	16
Notes to Financial Statements	17-32
<b><u>Required Supplementary Information</u></b>	
Schedule of Funding Progress for Defined Benefit Pension Plan	35

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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Comprehensive Annual Financial Report  
Years Ended June 30, 2012 and 2011

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## Table of Contents

	<u>Page</u>
<b><u>Statistical Section</u></b>	
Table 1 Net Assets by Component	39
Table 2 Changes in Net Assets	40-41
Table 3 Schedule of Operating Revenues	42
Table 4 Schedule of Rates	43
Table 5 Schedule of New Connections	44
Table 6 Schedule of Water Processed and Wastewater Treated	45
Table 7 Schedule of Operating Expenses	46
Table 8 Outstanding Debt by Type	47
Table 9 Revenue Bond Coverage	48
Table 10 Demographic and Economic Statistics	49
Table 11 Principal Employers	50
Table 12 Operating and Capital Indicators	51
Table 13 Principal Water and Sewer Customers	52-53
<b><u>Compliance Section</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56

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## **OFFICERS AND BOARD MEMBERS**

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

## **AUDIT COMMITTEE**

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

## **SENIOR MANAGEMENT**

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





FAUQUIER COUNTY

**WATER & SANITATION AUTHORITY**

7172 Kennedy Road • Vint Hill Farms

Warrenton, Virginia 20187-3907

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



September 11, 2012

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, 2012 is submitted herewith. Financial data, including all appropriate disclosures, have been prepared in accordance with the standards for financial reporting promulgated or permitted by the Governmental Accounting Standards Board.

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

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic statements in the form of Management's Discussion and Analysis (MD&A). This letter is transmittal 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 County Supervisors of Fauquier County, Virginia (the County) in 1964 and reincorporated in 1975. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for providing a comprehensive county-wide water and sewer system.

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

*Economic  
Conditions and  
Outlook*

The County is located approximately 40 miles southwest of Washington, D.C. The service area of the Authority is traversed by several highways providing access to the metropolitan area and surrounding jurisdictions. The Authority is located in a growing county with a current estimated population of approximately 66,000 and expected to exceed 68,400 by the year 2013 and 74,000 by the year 2017.

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 2012, the Authority's customer base increased by 222 accounts to 9,571, or 2.37 % above the fiscal year 2011.

Employment within the service area is well diversified. However, the national unemployment rate has remained at 8.1 to 8.3% over calendar year 2012. As of December 31, 2011, the total civilian labor force in Fauquier County was 37,598, of which 35,906 were employed and 1,692 were unemployed, resulting in an unemployment rate of 4.8 %.

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

*Internal Control  
Structure and  
Budgetary  
Controls*

The Authority's major customers are well-established entities comprised of single and multi-family housing developments, county schools, federal complex and shopping centers. The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that those financial records for preparing financial statements and maintaining asset accountability are reliable. The concept of reasonable assurance recognizes that estimates and judgments made by management are required to assess the expected benefits and related costs of control procedures. Management reviews internal controls on a continuing basis.

The Authority prepares an annual budget for current expenses and capital outlays. The proposed budget is prepared by management and submitted to the Board of Directors for approval.

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

*Relevant  
Financial  
Policies*

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

The state and federal governments have enacted regulations on the nutrient quality of wastewater entering the Chesapeake Bay's tributaries. The effective date is December 31, 2010. The Authority is in the early stages of implementing a two phase plan to meet these regulatory requirements. In the first phase, contracts were awarded in early 2009 to have the minimum upgrades necessary to achieve compliance with regulations. Our engineering firms have estimated the cost for the two wastewater treatment plants at \$8,000,000. 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 FY2012 was \$1,400,000. This amount will be reduced by FY2022 to the amount of \$576,000. 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. The Authority will begin soliciting bids in FY2022 for the second phase of upgrades of the two wastewater treatment plants to meet the nutrient requirements. The estimated cost of this phase of upgrades is \$30,000,000.

*Independent  
Audit*

The Virginia State Code requires that an annual audit be performed. The Authority's financial statements for the year ended June 30, 2012 have been audited by Robinson, Farmer, Cox Associates a firm of licensed certified public accountants. The fiscal year 2012 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, 2011. 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.

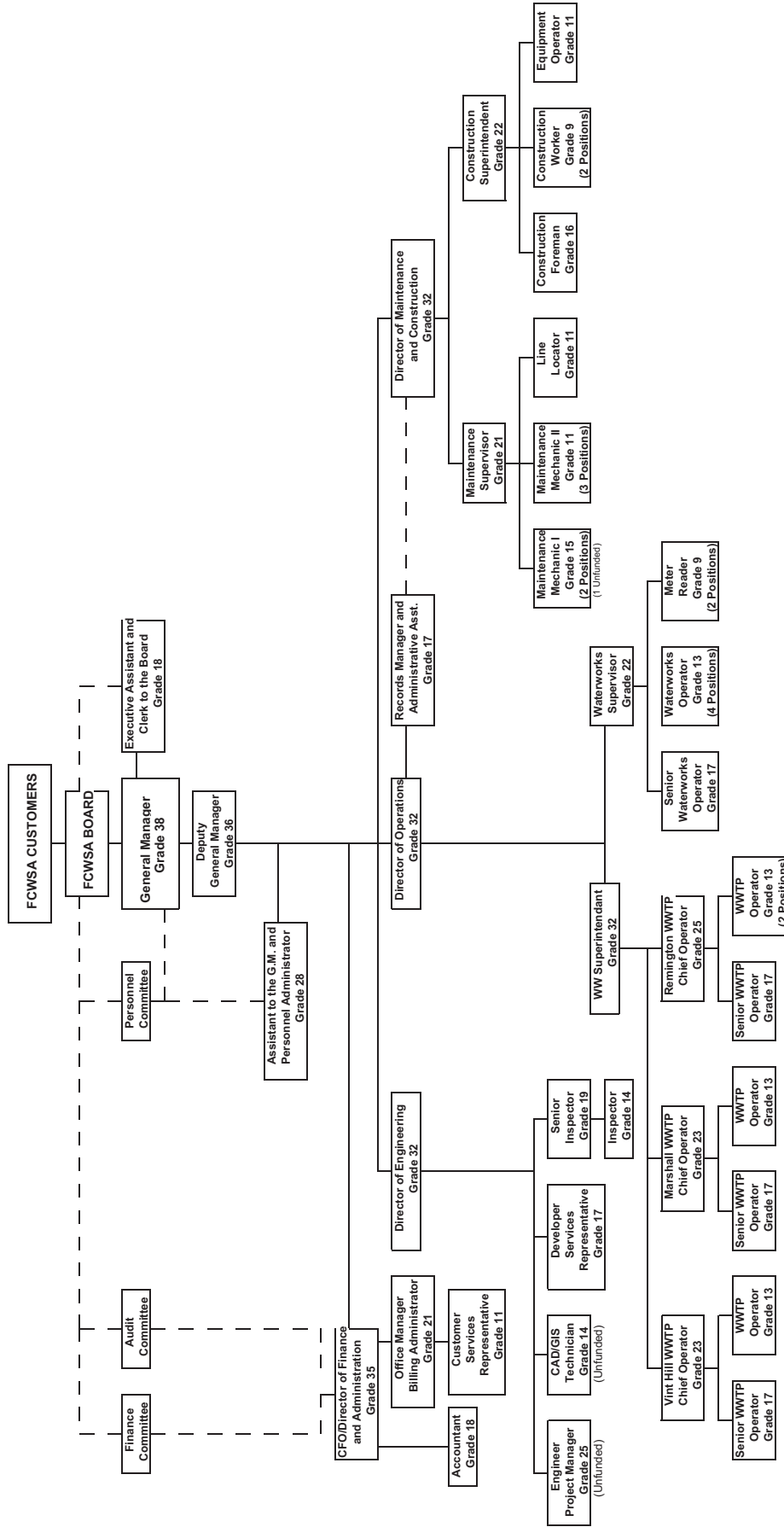
Respectfully submitted,



William Skinker  
Associate General Manager and Chief Financial Officer

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# FCWSA ORGANIZATION





# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying statements of net assets of the Fauquier County Water and Sanitation Authority as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fauquier County Water and Sanitation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fauquier County Water and Sanitation Authority, as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedule of pension funding progress 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 management's discussion and analysis and schedule of pension funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the 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.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
August 24, 2012

## 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 FY ending June 30, 2012. Due to the current economic downturn, the Authority has set its primary budget focus to maintaining customer service and the infrastructure of the organization. Due to mandates stemming from the requirements of the Chesapeake Bay Program, the wastewater treatment plants are being upgraded and expanded to meet the more strident effluent quality standards by attendant deadline of December 2010. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- Total revenues and capital contributions and expenses were \$9,254,998 and \$7,934,312 respectively during FY2012.
- Operating revenues increased by 6.5% in FY2012 to \$7.2 million. Operating expenses increased 4.6% to \$7.6 million.
- Construction was completed on several Repair and Replace (R&R) projects at a cost of \$418,400.
- Construction for all three (3) Wastewater Treatment Plants (WWTP) started in the fourth quarter of FY2009 with a budget cost of \$14.5 million. During FY2011, the Vint Hill WWTP upgrade was completed at a cost of \$6.5 million. During FY2011 and FY2012, the first phase of Marshall and Remington WWTP was completed at a cost of \$8,372,780.
- The Broken Hills water distribution system, Marshall water distribution system connection at Rt. 55 and other R&R project were completed at a cost of \$1,103,211.
- Total net assets increased by \$1,320,686 to \$57,704,922 during FY2012.
- During FY 2012, there were some note obligations that matured in prior years. This caused the restatement of Net Assets, Capital Assets and Long-term obligations as shown in Note 15 of the Financial Statements.
- The Authority has received unqualified audit opinions for over thirty years and has applied for and received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the past five (5) years.

## OVERVIEW OF THE FINANCIAL STATEMENTS

There are three types of financial statements included in the financial section of this report – Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows. The Statements of Net Assets 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 Statements of Revenues, Expenses and Changes in Net Assets. 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 Statements of Cash Flows reports the cash provided and used by operating activities as well as other cash sources such as investment income and cash payments for debt and capital additions. The notes to the financial statements provide additional, essential information necessary for a full understanding of the data provided in the statements.

## FINANCIAL ANALYSIS

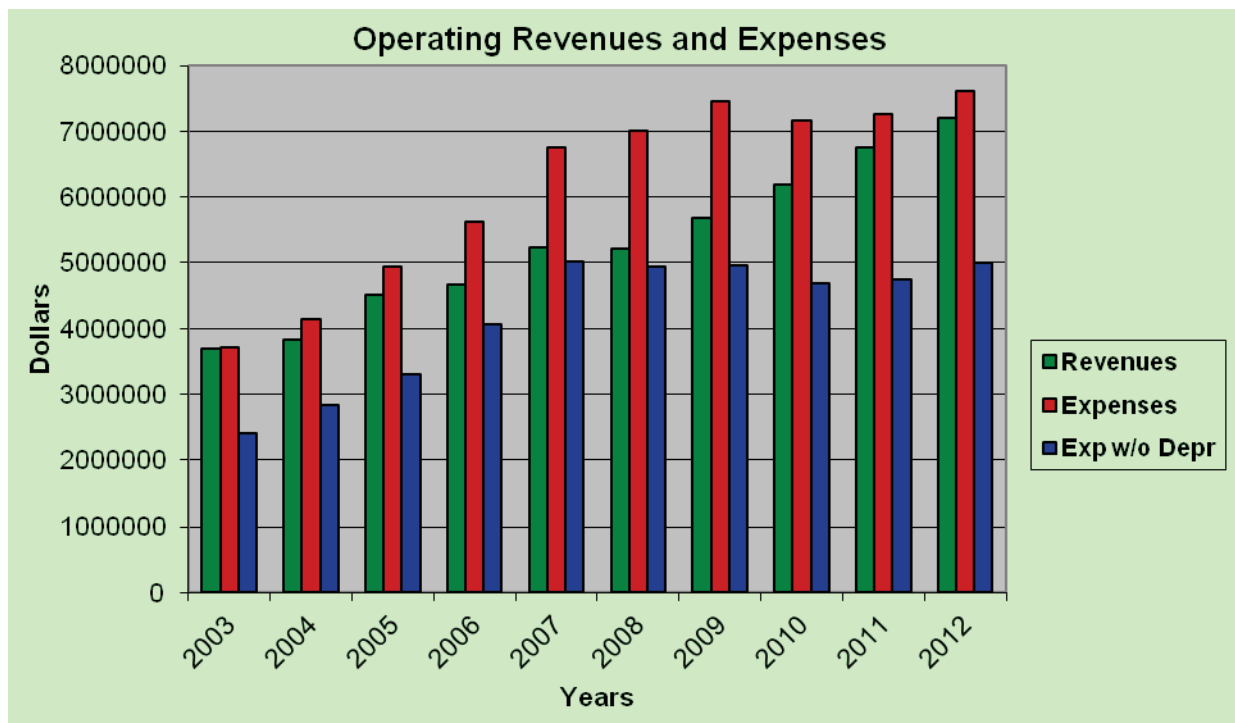
The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities that determine if the overall financial position has improved over the year. These reports help determine the financial health of the Authority and whether 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 FY2012, due primarily to a combination of availability revenues and the controlling of expenses, as described in the following sections of this report.

**Net Assets and Liabilities** - The Authority's total net assets increased in FY 2012 by \$1.3 million or 2.3% compared to FY2011 by \$1.4 million or 2.6%, compared to \$6.8 million and 14% during FY2010. A significant portion of this increase was due to capital contributions of \$1.4, \$1.7, and \$7.8 million in FY2012, FY2011, and FY2010 respectively. Total liabilities decreased by \$1,378,800 during FY2012, \$1,112,959 during FY2011, and increased by \$3.3 million during FY2010. In FY2012, the decrease was due to the completion of the upgrades of the WWTP and maturing of some notes payable, the FY2012 decrease was due to construction on the three WWTPs are in final stages of completion, and the FY2010 increase was from borrowing for Remington WWTP. The following table depicts the Authority's assets and liabilities as of June 30, 2012, 2011, and 2010:

	<b>Net Assets</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current and other assets	\$ 7,765,774	\$ 7,732,095	\$ 8,765,053
Capital assets	63,403,986	63,495,779	62,047,947
Total assets	<u>\$ 71,169,760</u>	<u>\$ 71,227,874</u>	<u>\$ 70,813,000</u>
Non-current liabilities	\$ 11,940,244	\$ 13,060,240	\$ 12,816,605
Other liabilities	1,524,594	1,783,398	3,139,992
Total liabilities	<u>\$ 13,464,838</u>	<u>\$ 14,843,638</u>	<u>\$ 15,956,597</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 53,333,168	\$ 53,412,822	\$ 53,524,800
Restricted	41,915	445,567	528,970
Unrestricted	4,329,839	2,525,847	802,633
Total net assets	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>	<u>\$ 54,856,403</u>

## FINANCIAL ANALYSIS: (Continued)

**Operating Income** - Operating Revenues totaled \$7.2 million in FY2012 or an increase of 6.5% over FY2011. In FY2011, revenue increased \$6.8 million or an increase of 9.3% over FY2010. The \$6.2 million in FY2010 was an increase of 8.9% over FY2009. The increase in the rates and fees was a primary factor for the increase in Operating Revenues during FY2010, FY2011 and FY2012. Operating Expenses totaled \$7.6 million in FY2012 which is an increase of 4.6% over FY2011, an Expense of \$7.3 million which is an increase 1.4% over FY2010, and the \$7.2 million Operating Expenses in FY2010 was a decrease of 3.8% over FY2009. A significant portion of the FY2012 and FY2011 Operating Expense increase is from depreciation expenses, which represents 23% and 36% of the Operating Expenses increase, respectively. Also, FY2012 the expense increase was due to salaries and benefits. Both the FY2012 and FY2011 increase were influenced by growth of the customer base, high fuel costs, utilities, chemical costs and depreciation. The following chart depicts Operating Revenues compared to Operating Expenses with depreciation and to Operating Expenses without depreciation during the last ten years.



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

The Authority has seen the affects of the increase in the rates and fees set in FY2012, FY2011, and FY2010. However, in recognition of the trend towards shortfalls between the Authority's Operating Revenues and Operating Expenses, which is being further compounded by significant increases in operating expenses such as chemicals, utilities and fuel and the increases in our debt service resulting from having to comply with new regulatory requirements, the Authority Board further anticipates various rate increases during future periods. It is anticipated that these additional rate increases, when applied, will better match the Authority's Operating Revenues and Operating Expenses.

**FINANCIAL ANALYSIS: (Continued)**

The following table is a comparison of operating revenues, operating expenses, non-operating revenues and expenses, net income and capital contributions for the years ending June 30, 2012, 2011, and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating revenues:</b>			
Water service	\$ 3,110,188	\$ 3,150,219	\$ 2,807,897
Sewer service	3,178,717	3,132,887	2,807,471
Late charges	171,640	147,980	129,235
Other operating revenues	736,376	324,252	435,864
Total operating revenues	<u>\$ 7,196,921</u>	<u>\$ 6,755,338</u>	<u>\$ 6,180,467</u>
<b>Operating expenses:</b>			
Salaries	\$ 2,308,237	\$ 2,172,426	\$ 2,163,497
Fringe benefits	847,748	786,446	748,240
General and administrative	428,523	400,482	406,526
Operations and maintenance	1,419,252	1,388,562	1,366,460
Depreciation expense	2,599,488	2,521,187	2,485,492
Total operating expenses	<u>\$ 7,603,248</u>	<u>\$ 7,269,103</u>	<u>\$ 7,170,215</u>
<b>Net operating income (loss)</b>	<u>\$ (406,327)</u>	<u>\$ (513,765)</u>	<u>\$ (989,748)</u>
<b>Non-operating revenue and expenses:</b>			
Availability fees	\$ 603,542	\$ 520,656	\$ 316,255
Interest earned	32,346	34,240	26,370
Interest expense	(331,064)	(370,451)	(339,834)
Net nonoperating revenue	<u>\$ 304,824</u>	<u>\$ 184,445</u>	<u>\$ 2,791</u>
Net income (loss) before capital contributions	\$ (101,503)	(329,320)	(986,957)
<b>Capital Contributions</b>	<u>1,422,189</u>	<u>1,730,322</u>	<u>7,791,691</u>
Change in net assets	\$ 1,320,686	\$ 1,401,002	\$ 6,804,734
<b>Net assets, at beginning of year, as restated</b>	<u>56,384,236</u>	<u>54,983,234</u>	<u>48,178,500</u>
<b>Net assets, at end of year</b>	<u><u>\$ 57,704,922</u></u>	<u><u>\$ 56,384,236</u></u>	<u><u>\$ 54,983,234</u></u>

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital Assets** - The increase in capital assets for FY2012 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 WWTP ENR Phase I	\$ 6,649,823
Marshall WWTP ENR Phase I	1,722,957
Broken Hill water distribution system	687,811
Contributed capital	894,116
Marshall water system connection	180,592

The Authority's largest construction project at June 30, 2012 is the Catlett water system-saddle upgrade and it totals \$131,668.

The following table shows capital asset balances for the fiscal year ending June 30, 2012, 2011, and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 614,625	\$ 614,625	\$ 614,625
Construction in progress	475,750	8,417,393	11,974,387
Structures and improvements	48,288,973	39,695,299	32,961,481
Infrastructure	35,828,502	34,065,951	33,350,894
Vehicles	961,203	907,224	907,224
Machinery and equipment	<u>13,556,291</u>	<u>13,495,106</u>	<u>13,395,915</u>
Total property & equipment	\$ 99,725,344	\$ 97,195,598	\$ 93,204,526
Less: depreciation	<u>36,321,358</u>	<u>33,699,819</u>	<u>31,156,580</u>
Net property & equipment	<u>\$ 63,403,986</u>	<u>\$ 63,495,779</u>	<u>\$ 62,047,946</u>

Additional information on the capital assets can be reviewed in Note 7 beginning on page 24.

**Cash Balances** – The Authority Board and Management are setting rates on an annual basis and have determined that a multi-year rate setting is not in the best interests of its customers. By analyzing rates on annual basis, the five year cash flow is used to indicate the probability of, or necessity for, future rate adjustments. The following is the projected ending cash balances for the next five years:

FY2013	\$ 3,023,317
FY2014	3,355,673
FY2015	3,678,208
FY2016	3,917,479
FY2017	3,979,757

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

In FY2012, the Authority experienced an earthquake that damaged infrastructure and water sources. This and the continuing increases in operating expenses such as chemicals, utilities and fuel, as well as increases in our debt service to comply with new regulatory requirements, it is anticipated increases in the future will better match the Authority's operating revenues and expenses. These projected cash flow balances are presuming an economic recovery in the outer years and that revenue from availability fees will increase from forty water and three sewer (\$308,500) in the early years to forty water and five sewer (\$330,000) in the latter years.

**Capital Projects**

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

**FAUQUIER COUNTY WATER & SANITATION AUTHORITY**  
**Five Years Capital Improvement Program**  
**FY 2013 Proposed Budget**

<b>Project:</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>5 YR Totals</b>
Utility Master Plan	\$0	\$0	\$46,800	\$0	\$0	\$46,800
General - Water - New Service Water Meters	10,250	10,000	5,000	5,000	5,000	35,250
*Opal Water System	-	-	-	-	6,300,000	6,300,000
*Marshall Water Supply	-	500,000	-	-	-	500,000
*Midland/Bealeton Sewer	-	-	-	6,900,000	-	6,900,000
New Baltimore Zone H Well (2)	305,000	-	-	-	-	305,000
**New Baltimore E-6 Well	-	-	363,000	292,000	-	655,000
**Develop Bealeton Well	-	-	70,000	-	-	70,000
**Construct New Well in The Plains	-	-	149,250	164,250	-	313,500
**Marshall Waterworks Phase 2 Improvements	-	800,000	262,000	-	-	1,062,000
**Marshall Waterworks Phase 3 Improvements	-	-	-	722,072	-	722,072
Cash Funded	315,250	10,000	51,800	5,000	5,000	387,050
Debt Funded	-	-	-	-	-	-
County Funded	-	500,000	-	6,900,000	6,300,000	13,700,000
Not Funded	-	800,000	844,250	1,178,322	-	2,822,572
<b>Totals by Fiscal Year:</b>	<b>\$315,250</b>	<b>\$1,310,000</b>	<b>\$896,050</b>	<b>\$8,083,322</b>	<b>\$6,305,000</b>	<b>\$16,909,622</b>
<b>Five Year Total:</b>						<b>\$16,909,622</b>

\*\* Not Funded projects

\*County Funded Projects

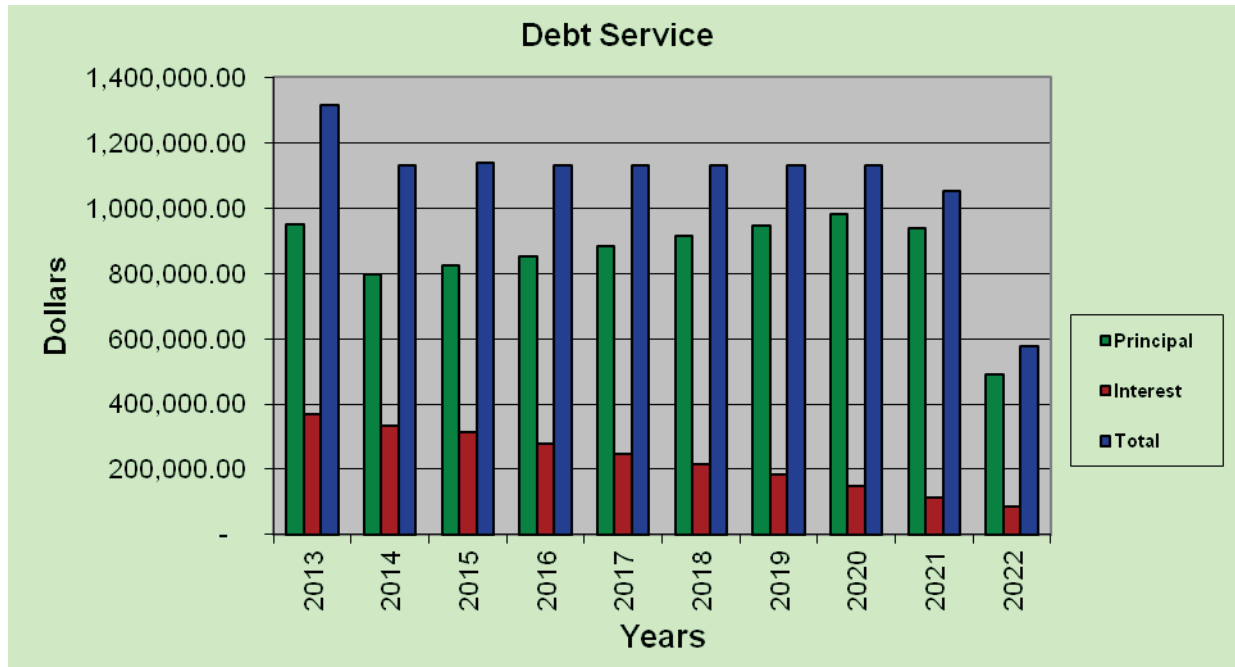
**Long-Term Debt** - The Authority's outstanding debt as of June 30, 2012 consists of seven notes, see details in Note 8 to the financial statements. The seventh note, VRLF, the project has been completed and the Principal and Interest payments are being made.



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

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

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



More detailed information on the Authority's long-term liabilities is presented in Note 8 starting on page 24.

### **ECONOMIC FACTORS**

In FY2012 and 2011, the Authority's revenue declined in regards to developer contributions collected. Although availability fee revenues are not what they have been in the past, FY2012 did generate \$604,000. Although it is possible that the region's economic conditions will recover and Authority experienced limited growth during FY2012 in comparison to prior periods, 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 wastewater 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 FY2012, the effects of inflation, cost increases due to regulatory changes and the need to establish set-aside funds to continue to cover the costs of Capital replacement, make increases in the user rates probable over the next several fiscal years.

### **REQUEST FOR INFORMATION**

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

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## Basic Financial Statements

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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Assets  
At June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and temporary investments	\$ 3,714,719	\$ 2,810,652
Accounts receivable (net of allowance for doubtful accounts)	1,071,440	996,137
Due from other governments	523,107	35,391
Prepaid expenses	<u>132,938</u>	<u>158,503</u>
<b>Total current assets</b>	<b>\$ 5,442,204</b>	<b>\$ 4,000,683</b>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash and temporary investments:		
Security deposits	\$ 91,900	\$ 83,500
Vint Hill wastewater treatment plant	31,915	370,567
Broken Hills W/S	223,689	843,933
Marshall wastewater treatment plant	65,087	174,214
Remington wastewater treatment plant (held by others)	75,979	334,198
Capital improvement funds for other governments	-	25,000
Other Asset:		
Performance bond	<u>10,000</u>	<u>75,000</u>
<b>Total restricted assets</b>	<b>\$ 498,570</b>	<b>\$ 1,906,412</b>
<b>Other Assets:</b>		
Note receivable	<u>\$ 1,825,000</u>	<u>\$ 1,825,000</u>
<b>Capital Assets:</b>		
Capital assets not being depreciated:		
Land	\$ 614,625	\$ 614,625
Construction in progress	475,750	8,417,393
Capital assets being depreciated:		
Structures and improvements	48,288,973	39,695,299
Infrastructure	35,828,502	34,065,951
Vehicles	961,203	907,224
Machinery and equipment	13,556,291	13,495,106
Less accumulated depreciation	<u>(36,321,358)</u>	<u>(33,699,819)</u>
Total capital assets	<u>\$ 63,403,986</u>	<u>\$ 63,495,779</u>
<b>Total noncurrent assets</b>	<b>\$ 65,727,556</b>	<b>\$ 67,227,191</b>
<b>Total Assets</b>	<b>\$ 71,169,760</b>	<b>\$ 71,227,874</b>

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Statements of Net Assets  
At June 30, 2012 and 2011 (Continued)

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 343,024	\$ 305,908
Retainage payable	-	258,060
Accrued interest	85,910	209,216
Current maturities of long-term obligations	1,003,760	926,714
Liabilities payable from Restricted Assets:		
Security deposits	<u>91,900</u>	<u>83,500</u>
<b>Total current liabilities</b>	<b>\$ <u>1,524,594</u></b>	<b>\$ <u>1,783,398</u></b>
<b>Noncurrent Liabilities:</b>		
Long-term debt-less current portion	\$ 9,450,881	\$ 10,526,208
Notes Payable	516,150	550,450
Compensated absences-less current portion	148,213	158,582
Deferred revenue	<u>1,825,000</u>	<u>1,825,000</u>
<b>Total noncurrent liabilities</b>	<b>\$ <u>11,940,244</u></b>	<b>\$ <u>13,060,240</u></b>
<b>Total liabilities</b>	<b>\$ <u>13,464,838</u></b>	<b>\$ <u>14,843,638</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 53,333,168	\$ 53,412,822
Restricted net assets:		
Performance bonds	10,000	75,000
Vint Hill wastewater treatment plant	31,915	370,567
Unrestricted net assets	<u>4,329,839</u>	<u>2,525,847</u>
<b>Total net assets</b>	<b>\$ <u>57,704,922</u></b>	<b>\$ <u>56,384,236</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u><u>71,169,760</u></u></b>	<b>\$ <u><u>71,227,874</u></u></b>

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 Assets--  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating revenues:</b>		
Water service	\$ 3,110,188	\$ 3,150,219
Sewer service	3,178,717	3,132,887
Septic service	468,705	176,063
Late charges	171,640	147,980
Other operating revenues	267,671	148,189
Total operating revenues	<u>\$ 7,196,921</u>	<u>\$ 6,755,338</u>
<b>Operating expenses:</b>		
Salaries	\$ 2,308,237	\$ 2,172,426
Fringe benefits	847,748	786,446
General and administrative	428,523	400,482
Operations and maintenance	1,419,252	1,388,562
Depreciation expense	2,599,488	2,521,187
Total operating expenses	<u>\$ 7,603,248</u>	<u>\$ 7,269,103</u>
<b>Net operating income (loss)</b>	<u>\$ (406,327)</u>	<u>\$ (513,765)</u>
<b>Non-operating revenue and expenses:</b>		
Availability fees	\$ 603,542	\$ 520,656
Interest earned	32,346	34,240
Interest expense	(331,064)	(370,451)
Net nonoperating revenue	<u>\$ 304,824</u>	<u>\$ 184,445</u>
Net income (loss) before capital contributions	\$ (101,503)	\$ (329,320)
<b>Capital Contributions</b>	<u>1,422,189</u>	<u>1,730,322</u>
Change in net assets	\$ 1,320,686	\$ 1,401,002
<b>Net assets, at beginning of year, as restated</b>	<u>56,384,236</u>	<u>54,983,234</u>
<b>Net assets, at end of year</b>	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>

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

## FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Cash Flows  
Years Ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,983,644	\$ 6,768,315
Payments to suppliers for goods and services	(1,788,356)	(1,925,019)
Payments to employees for services	(3,164,904)	(2,968,235)
Net cash provided (used) by operating activities	\$ 2,030,384	\$ 1,875,061
Cash flows from capital and related financing activities:		
Acquisitions of property, equipment and construction in progress	\$ (2,666,795)	\$ (4,209,594)
Capital contributions from developers and other governments	1,080,847	1,730,322
Interest payments	(454,370)	(356,213)
Principal payments on long-term debt	(999,729)	(1,108,704)
Proceeds from long-term debt issued	-	1,300,000
Proceeds from availability fees	603,542	520,656
Net cash (used in) capital and related financing activities	\$ (2,436,505)	\$ (2,123,533)
Cash flows from noncapital and related financing activities:		
Performance bond	\$ (65,000)	\$ 71,000
Cash flows from investing activities:		
Interest on deposits and investments	\$ 32,346	\$ 34,240
Net increase (decrease) in cash and cash equivalents	\$ (438,775)	\$ (143,232)
Cash and cash equivalents at beginning of year	4,642,064	4,785,296
Cash and cash equivalents at end of year	\$ 4,203,289	\$ 4,642,064
Reconciliation of Operating Loss to Net Cash provided (used) by operating activities:		
Cash flows from operations:		
Income (loss) from operations	\$ (406,327)	\$ (513,765)
Adjustment to reconcile net income to net cash provided (used) by operations:		
Changes in operating accounts:		
Adjustments to reconcile income to net cash provided (used) by operating activities:		
Depreciation	2,599,488	2,521,187
Increase / Decrease in:		
Receivables and due from other governments	(221,677)	18,252
Prepaid	25,565	(92,820)
Accounts payable and accrued liabilities	33,335	(57,793)
Net cash provided (used) by operating activities	\$ 2,030,384	\$ 1,875,061
Noncash Investing, Capital and Financing Activities		
Contributions of capital assets	\$ 894,116	\$ -
Proceeds from refunding bonds deposited immediately into an irrevocable trust	\$ -	\$ 3,417,208
Payment to advance refund bonds	\$ -	\$ (3,395,719)
Capitalized depreciation on self-constructed assets	\$ 22,054	\$ 22,053
Reconciliation of Cash:		
Cash and temporary investments	\$ 3,714,719	\$ 2,383,821
Restricted cash and temporary investments	488,570	2,258,243
Total	\$ 4,203,289	\$ 4,642,064

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



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012

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## NOTE 1—BASIS OF PRESENTATION:

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### A. Organization and Purpose

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

### B. Reporting Entity

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

## NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### A. Basic Financial Statements

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

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Schedule of Funding Progress for Defined Benefit Pension Plan

### B. Basis of Accounting

The Authority operates as an enterprise activity 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 follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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### **B. Basis of Accounting: (Continued)**

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

### **C. Cash and Deposits**

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

### **D. Restricted Assets**

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

### **E. Capital Assets**

Capital assets include property, plant, and equipment. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$3,500, except for water meters for new construction, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized to construction projects during the current fiscal year. Depreciation expense totaled \$2,621,539 for the year ended June 30, 2012 and \$2,543,239 for the year ended June 30, 2011. A portion of depreciation expense, \$22,051 was capitalized as part of self-constructed assets for the year ended June 30, 2012 and \$22,052 for the year ended June 30, 2011.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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### E. Capital Assets: (Continued)

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

<u>Assets</u>	<u>Years</u>
Treatment plant	28 years
Buildings	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 \$63,333 at June 30, 2012 and \$47,554 for the year ended June 30, 2011.
- 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 Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

### I. Compensated Absences

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

### K. Restatement

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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### L. Non-exchange Transactions

The Authority receives non-exchange transactions from developers of property, lines and improvements. These non-exchange transactions are considered capital contributions on the Statements of Revenues, Expenses and Changes in Net Assets.

## NOTE 3—DEPOSITS AND INVESTMENTS:

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**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, 2012 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Authority's Rated Debt Investments' Values</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAA</b>
LGIP	\$ 1,250,244
U.S. Agency Securities	288,775
Total	\$ <u>1,539,019</u>

### 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.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## NOTE 4—RESTRICTED ASSETS:

Restricted assets and net assets at June 30, 2012 and 2011 consist of the following:

	<b>Balance June 30, 2012</b>	<b>Balance June 30, 2011</b>
	<u>          </u>	<u>          </u>
Restricted Assets:		
Security deposits	\$ 91,900	\$ 83,500
Capital improvement funds for other governments	-	25,000
Marshall wastewater treatment plant	65,087	174,214
Vint Hill wastewater treatment plant	31,915	370,567
Broken Hills	223,689	843,933
Remington wastewater treatment plant	75,979	334,198
Performance bonds	10,000	75,000
Total restricted assets	<u>\$ 498,570</u>	<u>\$ 1,906,412</u>
Restricted net assets:		
Less: Unexpended bond proceeds:		
Marshall wastewater treatment plant	\$ (65,087)	\$ (174,214)
Remington wastewater treatment plant	(75,979)	(334,198)
Broken Hills	(223,689)	(843,933)
Less: Capital improvement funds for other governments	-	(25,000)
Less: Security deposits	(91,900)	(83,500)
Total restricted net assets	<u>\$ 41,915</u>	<u>\$ 445,567</u>

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

At June 30, 2012 and 2011, respectively, the Authority has receivables from other governments as follows:

	<b>Balance June 30, 2012</b>	<b>Balance June 30, 2011</b>
	<u>          </u>	<u>          </u>
Fauquier County	\$ 178,183	\$ 32,395
Federal government - STAG grant	43,756	-
Commonwealth of Virginia - DEQ	297,586	-
Vint Hill Economic Development Authority	3,582	2,996
Total	<u>\$ 523,107</u>	<u>\$ 35,391</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## **NOTE 6—NOTE RECEIVABLE - VHEDA / DEFERRED REVENUE:**

The Fauquier County Water and Sanitation Authority (FCWSA) entered into an amendment to purchase agreement dated November 27, 2007 with the Vint Hill Economic Development Authority (VHEDA) whereby the VHEDA will pay the FCWSA the total amount of \$1,925,000 for 385 EMU's of wastewater treatment capacity. \$5,000 of each EMU shall be retained by the FCWSA and applied to the note receivable. Final payment of the note is due on or before November 30, 2014. At June 30, 2012 the balance of the note receivable and deferred revenue is \$1,825,000. As payments on the note are made, revenue is recognized.

## **NOTE 7—CAPITAL ASSETS:**

### **Property and Equipment**

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

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

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

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 7—CAPITAL ASSETS: (CONTINUED)**

**Property and Equipment: (Continued)**

The following is a summary of changes to property and equipment for the year ending June 30, 2011:

	<b>Balance July 1, 2010</b>			<b>Balance June 30, 2011</b>
	<b><u>As Restated</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>As Restated</u></b>
Capital assets, not being depreciated:				
Land	\$ 614,625	\$ -	\$ -	\$ 614,625
Construction in progress	<u>11,974,387</u>	<u>3,023,549</u>	<u>6,580,543</u>	<u>8,417,393</u>
Total capital assets not being depreciated	<u>\$ 12,589,012</u>	<u>\$ 3,023,549</u>	<u>\$ 6,580,543</u>	<u>\$ 9,032,018</u>
Capital assets being depreciated:				
Structures and improvements	\$ 32,961,481	\$ 6,733,818	\$ -	\$ 39,695,299
Infrastructure	33,350,894	715,057	-	34,065,951
Vehicles	907,224	-	-	907,224
Machinery and equipment	<u>13,395,915</u>	<u>99,191</u>	<u>-</u>	<u>13,495,106</u>
Total capital assets being depreciated	<u>\$ 80,615,514</u>	<u>\$ 7,548,066</u>	<u>\$ -</u>	<u>\$ 88,163,580</u>
Less accumulated depreciation:				
Structures and improvements	\$ 11,462,745	\$ 1,015,104	\$ -	\$ 12,477,849
Infrastructure	9,289,841	667,018	-	9,956,859
Vehicles	654,669	65,211	-	719,880
Machinery and equipment	<u>9,749,325</u>	<u>795,906</u>	<u>-</u>	<u>10,545,231</u>
Total accumulated depreciation	<u>\$ 31,156,580</u>	<u>\$ 2,543,239</u>	<u>\$ -</u>	<u>\$ 33,699,819</u>
Total capital assets being depreciated, net	<u>\$ 49,458,934</u>	<u>\$ 5,004,827</u>	<u>\$ -</u>	<u>\$ 54,463,761</u>
Governmental activities capital assets, net	<u>\$ 62,047,946</u>	<u>\$ 8,028,376</u>	<u>\$ 6,580,543</u>	<u>\$ 63,495,779</u>

Depreciation expense for the year ended June 30, 2011 totaled \$2,543,239.

Computation of investment in capital assets net of related debt:

	<b>Balance June 30, 2012</b>	<b>Balance June 30, 2011 <u>As Restated</u></b>
Net capital assets	\$ 63,403,986	\$ 63,495,779
Revenue bonds	(10,435,573)	(11,435,302)
Unexpended bond proceeds	<u>364,755</u>	<u>1,352,345</u>
Investment in capital assets net of related debt	<u>\$ 53,333,168</u>	<u>\$ 53,412,822</u>

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 7—CAPITAL ASSETS: (CONTINUED)**

The following is a summary of capital project activity for the fiscal year ending June 30, 2012 and 2011:

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

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
Vint Hill WWTP ENR	\$ 6,190,339	\$ 318,608	\$ 6,508,947	\$ -
Remington WWTP ENR	4,364,034	1,961,093	-	6,325,127
Marshall WWTP ENR	1,249,142	325,656	-	1,574,798
Broken Hill W/S	-	353,104	-	353,104
Miscellaneous projects	170,873	65,087	71,596	164,364
<b>Totals</b>	<b>\$ 11,974,388</b>	<b>\$ 3,023,548</b>	<b>\$ 6,580,543</b>	<b>\$ 8,417,393</b>

**NOTE 8—LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2012 and 2011:

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



**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

<b>Description</b>	<b>Beginning Balance July 1, 2010 As restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2011 As restated</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 11,244,006	\$ 4,717,208	\$ 4,525,912	\$ 11,435,302	\$ 884,094
Notes payable	151,831	-	126,831	25,000	25,000
Note payable - Brookside	525,450	-	-	525,450	-
Compensated absences	186,605	6,541	16,944	176,202	17,620
<b>Total</b>	<b>\$ 12,107,892</b>	<b>\$ 4,723,749</b>	<b>\$ 4,669,687</b>	<b>\$ 12,161,954</b>	<b>\$ 926,714</b>

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

<b>Year Ending June 30,</b>	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 984,692	\$ 330,964
2014	833,023	295,433
2015	827,515	291,940
2016	856,717	271,738
2017	886,975	241,481
2018	918,328	210,128
2019	950,817	177,639
2020	984,484	143,972
2021	856,653	109,083
2022	492,915	82,448
2023	512,366	62,997
2024	232,783	44,925
2025	170,127	37,493
2026	176,220	31,400
2027	182,532	25,089
2028	189,069	18,551
2029	195,841	11,780
2030	184,516	4,766
<b>Total</b>	<b>\$ 10,435,573</b>	<b>\$ 2,391,827</b>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Long-term obligations as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
<b>Revenue Bonds:</b>		
Revenue bonds, payable to Virginia Resources Authority, ("VRA") dated November 5, 2002, payable in semi-annual installments ranging from \$91,500 to \$93,600 through 2013. Interest payable at various rates ranging from 3% to 4%.	\$ 180,000	\$ 350,000
Revenue bonds, issued March 6, 2008 payable in 24 semi-annual installments of \$86,373 through January 15, 2023, interest at 3.38%.	1,575,992	1,704,310
Revenue bonds, issued March 6, 2008 payable in 24 semi-annual installments of \$27,411 through January 15, 2023, interest at 5.16%.	455,811	491,089
Revenue bonds, issued December 19, 2008 payable in 30 semi-annual installments of \$70,087 through December 15, 2023, interest at 4.52%.	1,246,396	1,326,713
Revenue bonds, issued March 31, 2011 payable in 20 semi-annual installments of \$200,495 through March 1, 2021, interest at 3.20%.	3,113,956	3,417,208
Revenue bonds, issued September 20, 2010 payable in 20 semi-annual installments of \$76,051 through September 1, 2020, interest at 3.12%.	1,127,971	1,242,201
Revenue bonds, issued July 9, 2009 payable in 35 semi-annual installments of \$103,810 through September 1, 2019, final payment of \$83,981 due March 1, 2030, interest at 3.55%.	<u>2,735,447</u>	<u>2,903,781</u>
<b>Total Revenue bonds</b>	<u>\$ 10,435,573</u>	<u>\$ 11,435,302</u>

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

	<u>2012</u>	<u>2011</u>
<b>Notes payable:</b>		
The Authority has non-negotiable conditional promissory notes, set to expire on July 9, 2011, with various entities as a condition for expanding sewer entities to Opal, Virginia. These notes shall mature and become payable only in the event that the Authority receives payment for more than 458 sewer availability fees associated with connections to the Opal sewage collection system. As of June 30, 2012, 139 availabilities have been sold. The notes, if not paid in full, are cancelled fifteen years from the dates of the notes.	\$ -	\$ 25,000
<b>Other Obligations:</b>		
The Authority entered into an agreement on February 9, 2007 with Brookside Development LLC and agreed to pay \$9,300 for each sewer connection made to the New Baltimore Service District, except for Vint Hill Economic Development Authority. Pursuant to this agreement 121 unassigned and uncommitted EMU's of Sewer Availability remain when the Second Tier Capacity is completed. Within 10 working days the Authority shall pay the availability fees to the Brookside Development. During the current fiscal year there were no sewer availabilities sold in FY12.	516,150	525,450
<b>Compensated absences</b>	<u>167,281</u>	<u>176,202</u>
<b>Total long-term obligations</b>	<u>\$ 11,119,004</u>	<u>\$ 12,161,954</u>

**NOTE 9—CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES:**

In accordance with GASB statement 16 "Accounting and Financial Reporting Principal for Claims and Judgments and Compensated Absences," the Authority has accrued the liability arising from outstanding claims, judgments and 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 \$167,282 for fiscal year ended June 30, 2012 and \$176,202 for fiscal year ended June 30, 2011.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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## **NOTE 10–LITIGATION:**

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At June 30, 2012 there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

## **NOTE 11–CONSTRUCTION COMMITMENT:**

---

The Authority has no material construction commitments outstanding at June 30, 2012.

## **NOTE 12–DEFINED PENSION BENEFIT OBLIGATION:**

---

### **A. Plan Description**

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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## NOTE 12—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

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### A. Plan Description: (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web Site at <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2012 was 4.58% of annual covered payroll.

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 12–DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)**

**C. Annual Pension Cost**

For fiscal year 2012, the Authority’s annual pension cost of \$102,513 was equal to the Authority’s required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) 1</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 91,386	100%	\$ -
June 30, 2011	100,846	100%	-
June 30, 2012	102,513	100%	-

(1) Employer portion

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 88.87% funded. The actuarial accrued liability for benefits was \$4,458,459, and the actuarial value of assets was \$3,962,138, resulting in an unfunded actuarial accrued liability (UAAL) of \$496,321. The covered payroll (annual payroll of active employees covered by the plan) was \$2,230,104, and ratio of the UAAL to the covered payroll was 22.26%.

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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## **NOTE 13–RISK MANAGEMENT:**

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

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

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

## **NOTE 14–PENDING GASB STATEMENTS:**

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In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement is effective for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This statement is effective for periods beginning after December 15, 2011.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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## **NOTE 15—NET ASSET ADJUSTMENTS AND OTHER RESTATEMENTS:**

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Net assets and beginning balances were adjusted restated for previous periods as follows:

	<b>Year Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
Net Assets as previously reported	\$ 55,957,405	\$ 54,556,403
Adjustment for Note payable Opal system	<u>426,831</u>	<u>426,831</u>
Net assets, as restated	<u>\$ 56,384,236</u>	<u>\$ 54,983,234</u>

Capital asset and other long-term obligation amounts were adjusted / restated in previous years as follows:

	<b>Year Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
Capital assets, as previously reported	\$ 64,434,579	\$ 62,986,746
Adjustment for land at the Vint Hill Wastewater Treatment Plant	<u>(938,800)</u>	<u>(938,800)</u>
Capital assets, as restated	<u>\$ 63,495,779</u>	<u>\$ 62,047,946</u>
Long-term obligations, as previously reported	\$ 13,527,585	\$ 13,346,692
Adjustment for note payable Opal system	(426,831)	(300,000)
Adjustment for other obligations - Vint Hill Wastewater Treatment Plant	<u>(938,800)</u>	<u>(938,800)</u>
Long-term obligations, as restated	<u>\$ 12,161,954</u>	<u>\$ 12,107,892</u>



## Required Supplementary Information

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**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Required Supplementary Information  
 Schedule of Funding Progress for Defined Benefit Pension Plan

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<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
6/30/2011	\$ 3,962,138	\$ 4,458,459	496,321	88.87%	\$ 2,230,104	22.26%
6/30/2010	3,615,983	3,974,820	358,837	90.97%	2,215,313	16.20%
6/30/2009	3,340,747	3,418,372	77,625	97.73%	2,214,769	3.50%

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## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1-2

#### Revenue, Rates and Usage Information

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

3-6

#### Expenses

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

7

#### Debt Capacity

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

8-9

#### Demographic and Economic Information

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

10-11

#### Operating Information

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

12

#### Other Information

These tables contain miscellaneous data

13

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

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Net Assets by Component  
Last Ten years

	Fiscal Years				
	2012	2011	2010	2009	2008
Net assets:					
Invested in capital assets, net of related debt	\$ 53,333,168	\$ 53,412,822	\$ 53,524,800	\$ 45,261,874	\$ 43,108,473
Restricted	41,915	445,567	528,970	1,720,280	541,456
Unrestricted	4,329,839	2,525,847	802,633	769,515	3,752,435
Total net assets	\$ <u>57,704,922</u>	\$ <u>56,384,236</u>	\$ <u>54,856,403</u>	\$ <u>47,751,669</u>	\$ <u>47,402,364</u>

	Fiscal Years				
	2007	2006	2005	2004	2003
Net assets:					
Invested in capital assets, net of related debt	\$ 40,806,516	\$ 31,052,290	\$ 21,781,511	\$ 20,206,661	\$ 14,392,936
Restricted	518,356	6,536,105	8,988,420	2,000,000	209,606
Unrestricted	4,037,591	5,126,237	1,794,615	222,071	6,220,307
Total net assets	\$ <u>45,362,463</u>	\$ <u>42,714,632</u>	\$ <u>32,564,546</u>	\$ <u>22,428,732</u>	\$ <u>20,822,849</u>

Source: Fauquier County Water and Sanitation Authority

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Changes in Net Assets  
Last Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Water service	\$ 3,110,188	\$ 3,150,219	\$ 2,807,897
Sewer service	3,178,717	3,132,887	2,807,471
Plan review and inspection fees	468,705	176,063	87,990
Late charges	171,640	147,980	129,235
Other operating revenues	267,671	148,189	347,874
Total operating revenues	<u>\$ 7,196,921</u>	<u>\$ 6,755,338</u>	<u>\$ 6,180,467</u>
Operating expenses:			
Salaries	\$ 2,308,237	\$ 2,172,426	\$ 2,163,497
Fringe benefits	847,748	786,446	748,240
General and administrative	428,523	400,482	406,526
Operations and maintenance	1,419,252	1,388,562	1,366,460
Depreciation expense	2,599,488	2,521,187	2,485,492
Total operating expenses	<u>\$ 7,603,248</u>	<u>\$ 7,269,103</u>	<u>\$ 7,170,215</u>
Net operating income (loss)	<u>\$ (406,327)</u>	<u>\$ (513,765)</u>	<u>\$ (989,748)</u>
Non-operating revenue and expenses:			
Availability fees	\$ 603,542	\$ 520,656	\$ 316,255
Grant Income	-	-	-
Gain (loss) on sale of assets	-	-	-
Interest earned	32,346	34,240	26,370
Contribution	-	-	-
Litigation settlement expenses	-	-	-
Bad debt expense	-	-	-
Interest expense	(331,064)	(370,451)	(339,834)
Net nonoperating revenue	<u>\$ 304,824</u>	<u>\$ 184,445</u>	<u>\$ 2,791</u>
Net income (loss) before capital contributions	<u>\$ (101,503)</u>	<u>\$ (329,320)</u>	<u>\$ (986,957)</u>
Capital Contributions	<u>1,422,189</u>	<u>1,730,322</u>	<u>7,791,691</u>
Change in net assets	<u>\$ 1,320,686</u>	<u>\$ 1,401,002</u>	<u>\$ 6,804,734</u>
Net assets, at beginning of year, as restated	<u>56,384,236</u>	<u>54,983,234</u>	<u>48,178,500</u>
Net assets, at end of year	<u><u>\$ 57,704,922</u></u>	<u><u>\$ 56,384,236</u></u>	<u><u>\$ 54,983,234</u></u>

Source: Fauquier County Water and Sanitation Authority.



Table 2

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	3,031,716	\$ 2,695,893	\$ 2,287,085	\$ 1,861,932	\$ 1,666,859	\$ 1,631,604	\$ 1,563,532
	2,054,634	2,070,737	2,266,749	2,191,139	1,955,416	1,993,968	1,909,961
	75,858	74,006	193,518	93,737	312,890	-	-
	117,598	115,791	111,070	97,090	81,252	78,335	82,976
	395,890	248,329	367,610	417,015	544,190	158,482	135,103
\$	<u>5,675,696</u>	<u>\$ 5,204,756</u>	<u>\$ 5,226,032</u>	<u>\$ 4,660,913</u>	<u>\$ 4,560,907</u>	<u>\$ 3,862,389</u>	<u>\$ 3,691,572</u>
\$	2,204,681	\$ 2,200,437	\$ 1,969,118	\$ 1,500,903	\$ 1,420,246	\$ 1,368,152	\$ 1,237,543
	818,458	742,049	676,891	511,155	472,686	459,436	352,043
	376,598	541,741	1,093,335	1,083,765	515,867	256,417	212,895
	1,564,933	1,446,519	1,272,715	961,767	896,003	792,361	699,120
	2,486,274	2,068,985	1,731,653	1,569,966	1,630,648	1,309,308	1,317,069
\$	<u>7,450,944</u>	<u>\$ 6,999,731</u>	<u>\$ 6,743,712</u>	<u>\$ 5,627,556</u>	<u>\$ 4,935,450</u>	<u>\$ 4,185,674</u>	<u>\$ 3,818,670</u>
\$	<u>(1,775,248)</u>	<u>\$ (1,794,975)</u>	<u>\$ (1,517,680)</u>	<u>\$ (966,643)</u>	<u>\$ (374,543)</u>	<u>\$ (323,285)</u>	<u>\$ (127,098)</u>
\$	331,482	\$ 1,137,703	\$ 2,337,713	\$ 4,229,644	\$ 3,042,621	\$ 2,124,691	\$ 3,005,000
	-	-	-	-	-	-	615,000
	-	-	-	11,708	325	(1,500)	-
	60,748	197,179	639,736	607,943	178,609	103,165	137,949
	-	-	-	-	20,800	49,920	49,920
	-	-	(1,950,000)	-	-	-	-
	-	-	-	(12,731)	(2,279)	(4,485)	-
	<u>(336,501)</u>	<u>(239,161)</u>	<u>(262,603)</u>	<u>(258,635)</u>	<u>(318,139)</u>	<u>(342,623)</u>	<u>(536,588)</u>
\$	<u>55,729</u>	<u>\$ 1,095,721</u>	<u>\$ 764,846</u>	<u>\$ 4,577,929</u>	<u>\$ 2,921,937</u>	<u>\$ 1,929,168</u>	<u>\$ 3,271,281</u>
\$	(1,719,519)	\$ (699,254)	\$ (752,834)	\$ 3,611,286	\$ 2,547,394	\$ 1,605,883	\$ 3,144,183
	<u>2,068,824</u>	<u>2,739,155</u>	<u>3,400,665</u>	<u>6,538,800</u>	<u>7,588,420</u>	<u>-</u>	<u>1,048,112</u>
\$	349,305	\$ 2,039,901	\$ 2,647,831	\$ 10,150,086	\$ 10,135,814	\$ 1,605,883	\$ 4,192,295
	<u>47,402,364</u>	<u>45,362,463</u>	<u>42,714,632</u>	<u>32,564,546</u>	<u>22,428,732</u>	<u>20,822,849</u>	<u>16,630,554</u>
\$	<u>47,751,669</u>	<u>\$ 47,402,364</u>	<u>\$ 45,362,463</u>	<u>\$ 42,714,632</u>	<u>\$ 32,564,546</u>	<u>\$ 22,428,732</u>	<u>\$ 20,822,849</u>

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**Table 3**

Schedule of Operating Revenues  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Water Service</b>	<b>Sewer Service</b>	<b>Availability Fees</b>	<b>Other Revenues</b>	<b>Total</b>
2003	\$ 1,563,532	\$ 1,712,108	\$ 3,005,000	\$ 415,932	\$ 6,696,572
2004	1,631,604	1,813,615	2,124,691	417,170	5,987,080
2005	1,666,859	1,955,416	3,042,621	938,632	7,603,528
2006	1,861,932	2,191,139	4,229,644	607,842	8,890,557
2007	2,287,085	2,266,749	2,337,713	672,198	7,563,745
2008	2,695,893	2,070,737	1,137,703	438,126	6,342,459
2009	3,031,716	2,054,634	331,482	589,346	6,007,178
2010	2,807,897	2,807,471	316,255	591,469	6,523,092
2011	3,150,219	3,132,887	520,656	506,472	7,310,234
2012	3,110,188	3,178,717	603,542	940,362	7,832,809

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates  
Last Ten Years

<b>Fiscal Year</b>	<b>Water Usage Fee (1)</b>	<b>Water Base Service Fees</b>	<b>Sewer Usage Fee (2)</b>	<b>Sewer Base Service Fees</b>
2003	\$ 2.76	\$ 14.60	\$ 5.11	\$ 14.10
2004	2.76	14.60	5.11	14.10
2005	2.76	14.60	5.11	14.10
2006	2.76	14.60	5.11	14.10
2007	2.76	14.88	5.11	14.10
2008	2.76	14.88	5.11	14.10
2009	2.93	15.77	5.42	14.96
2010	3.05	16.41	6.02	16.60
2011	3.36	18.04	6.63	18.26
2012	3.36	18.04	6.63	18.26

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

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

Source: Fauquier County Water and Sanitation Authority

Schedule of New Connections  
Last Ten Fiscal Years

Fiscal Year	WATER			SEWER		
	New Connections	Cumulative Connections	% of Growth	New Connections	Cumulative Connections	% of Growth
2003	240	3,788	6.34%	231	2,589	8.92%
2004	282	4,070	6.93%	265	2,854	9.29%
2005	230	4,300	5.35%	228	3,082	7.40%
2006	244	4,544	5.37%	196	3,278	5.98%
2007	751	* 5,295	14.18%	196	3,474	5.64%
2008	122	5,417	2.25%	144	3,618	3.98%
2009	50	5,467	0.93%	35	3,653	0.97%
2010	45	5,512	0.82%	52	3,705	1.40%
2011	76	5,588	1.38%	46	3,761	1.24%
2012	129	5,717	2.30%	93	3,854	2.47%

Source: Fauquier County Water and Sanitation Authority connection records

\* Completed the purchase of Marshall Waterworks with 546 connections

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

<b>Calendar Year*</b>	<b>Water Processed</b>	<b>Wastewater Treated</b>
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

Source: Fauquier County Water and Sanitation Authority

\* Information for the previous three calendar years are not available

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**Table 7**

Schedule of Operating Expenses  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Personal Service</b>	<b>Fringe Benefits</b>	<b>General &amp; Administrative</b>	<b>Operation &amp; Maintenance</b>	<b>Depreciation &amp; Amortization</b>	<b>Total</b>
2003	\$ 1,237,543	\$ 352,043	\$ 212,895	\$ 699,120	\$ 1,317,069	\$ 3,818,670
2004	1,368,152	459,436	256,417	792,361	1,309,308	4,185,674
2005	1,420,246	472,686	515,867	896,003	1,630,648	4,935,450
2006	1,500,903	511,155	1,083,765	961,767	1,569,966	5,627,556
2007	1,969,118	676,891	1,093,335	1,272,715	1,731,653	6,743,712
2008	2,200,437	742,049	541,741	1,446,519	2,068,985	6,999,731
2009	2,204,681	818,458	376,598	1,564,933	2,486,274	7,450,944
2010	2,163,497	748,240	406,526	1,366,460	2,485,492	7,170,215
2011	2,172,426	786,446	400,482	1,388,562	2,521,187	7,269,103
2012	2,308,237	847,748	428,523	1,419,252	2,599,488	7,603,248

Source: Fauquier County Water and Sanitation Authority

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**Table 8**

Outstanding Debt by Type  
Last Ten Fiscal Years

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Notes Payable VHEDA	\$ -	\$ -	\$ -	\$ 938,800	\$ 938,800
Notes Payable VHEDA	-	-	-	-	-
Note Payable - Brookside	516,150	525,450	525,450	525,450	525,450
Notes Payable Opal system	-	25,000	151,831	451,831	451,831
VRA Water Revenue Bond	455,811	491,089	519,019	545,486	575,000
VRA Water Revenue Bond	1,575,992	1,704,310	1,811,460	1,914,426	2,025,000
VRA Water Revenue Bond	1,246,396	1,326,713	1,404,247	1,478,391	-
Revenue Bond 2010	2,735,447	2,903,781	2,903,781	-	-
Revenue Bond 2011	3,113,956	3,417,208	-	-	-
Revenue Bond 2011	1,127,971	1,242,201	-	-	-
Virginia Water Facility Bond	180,000	350,000	515,000	675,000	825,000
Virginia Water Facility Bond	-	-	4,090,499	4,764,896	5,419,486
<b>Total outstanding debt</b>	<b>\$ 10,951,723</b>	<b>\$ 11,985,752</b>	<b>\$ 11,921,287</b>	<b>\$ 11,294,280</b>	<b>\$ 10,760,567</b>
<b>Debt per capita</b>	<b>\$ 381</b>	<b>\$ 476</b>	<b>\$ 476</b>	<b>\$ 413</b>	<b>\$ 398</b>

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Notes Payable VHEDA	\$ 938,800	\$ 938,800	\$ 1,082,800	\$ 1,880,800	\$ 2,468,800
Notes Payable VHEDA	-	100,000	150,000	200,000	-
Note Payable - Brookside	1,027,650	-	-	-	-
Notes Payable - Miscellaneous	-	-	-	-	-
Notes Payable Opal system	451,831	451,831	451,831	451,831	451,831
VRA Water Revenue Bond	-	1,086,768	1,218,147	1,344,527	1,465,906
Virginia Water Facility Bond	970,000	-	-	-	-
Virginia Water Facility Bond	6,054,912	6,671,676	7,270,375	7,851,480	8,415,536
Virginia Water Facility Bond	-	-	-	-	1,501,980
<b>Total outstanding debt</b>	<b>\$ 9,443,193</b>	<b>\$ 9,249,075</b>	<b>\$ 10,173,153</b>	<b>\$ 11,728,638</b>	<b>\$ 14,304,053</b>
<b>Debt per capita</b>	<b>\$ 359</b>	<b>\$ 391</b>	<b>\$ 454</b>	<b>\$ 555</b>	<b>\$ 730</b>

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			Coverage
				Principal	Interest	Total	
2003	\$ 6,834,521	\$ 2,501,601	\$ 4,332,920	\$ 2,191,037	\$ 536,588	\$ 2,727,625	1.59
2004	6,090,245	2,876,366	3,213,879	711,105	286,943	998,048	3.22
2005	7,782,137	3,304,802	4,477,335	733,669	264,179	997,848	4.49
2006	9,498,500	4,057,590	5,440,910	756,764	240,684	997,448	5.45
2007	8,203,481	5,012,059	3,191,422	756,784	262,603	1,019,387	3.13
2008	6,539,638	4,930,746	1,608,892	780,406	239,161	1,019,567	1.58
2009 **	8,125,920	4,964,670	3,161,250	981,307	336,501	1,317,808	2.40
2010	6,523,092	4,684,723	1,838,369	1,037,974	339,834	1,377,808	1.33
2011	7,310,234	4,747,916	2,562,318	1,108,704	370,451	1,479,155	1.73
2012	7,832,809	5,003,760	2,829,049	999,729	331,064	1,330,793	2.13

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

Revenue means:

- i All rates, fees, rentals, charges, income and money property allocable to the System in accordance with general accepted accounting principles or resulting from the Borrower's ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrower's property,
  - ii The proceeds of any insurance covering business interruption loss relating to the System,
  - iii Interest on any money or securities related to the System held by or on behalf of the Borrower,
  - iv Any other money from other sources pledged by the Borrower to the payment of its Local Bond.
- \*\* In FY09, FCWSA received a \$2,057,994 WQIF award associated with capital improvement made to the Vint Hill WWTP funded by cash proffer by a developer. The award was included in FY09 Gross Revenue.

Source: Fauquier County Water and Sanitation Authority



Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Year</u>	<u>Estimated Population (1)</u>	<u>Personal Income (expressed in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>	<u>County Civilian Labor Force (3)</u>	<u>At-Place Employment Annual Average (3)</u>	<u>School Enrollment (4)</u>
2003	19,608	\$ 2,500,858	\$ 41,110	3.0%	33,065	19,365	10,054
2004	21,140	2,739,851	43,759	2.6%	34,540	20,713	10,295
2005	22,422	3,046,952	47,392	2.4%	35,595	21,579	10,717
2006	23,654	3,211,975	48,939	2.4%	36,663	22,022	10,940
2007	26,306	3,363,000	50,854	2.6%	37,183	21,904	11,009
2008	27,051	3,402,174	50,597	3.6%	38,808	21,864	11,046
2009	27,289	3,320,398	48,822	5.7%	38,306	20,117	11,104
2010	27,645	3,364,254	51,454	5.6%	36,952	36,370	11,271
2011	28,047	*	*	5.0%	*	*	11,223
2012	28,713	*	*	4.8%	37,599	*	11,221

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

\* Unavailable

Principal Employers  
 Current Year and Nine Years Ago

Employer	2012		2003	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1000 and over	1	1000 and over
Fauquier Hospital	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
US Department of Transportation	4	250 to 499	4	500 to 999
Wal Mart	5	100 to 249	5	100 to 249
Trinity Packaging Corporation			6	100 to 249
Warrenton Overlook Health & Rehabilitation Center	6	100 to 249	10	100 to 249
Pearson Government Solutions, Inc.	7	100 to 249		
America House Four			7	100 to 249
Town of Warrenton	9	100 to 249		
Giant Food			8	100 to 249
Food Lion	8	100 to 249	9	100 to 249
Oak Springs Nursing Home	10	100 to 249		

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators  
Last Six Fiscal Years

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
<b>Water System:</b>						
Number of water systems	14	14	14	14	14	14
Number of service connections	5,717	5,588	5,467	5,467	5,417	4,544
Miles of water mains	100	100	100	100	100	100
Daily average consumption per MGD	1.323	1.455	1.455	1.455	1.455	1.192
Average daily water distributed per MGD	1.323	1.455	1.455	1.455	1.455	1.192
Storage capacity in million gallons	2.031	2.031	2.031	1.911	1.911	1.586
<b>Sewerage System:</b>						
Number of treatment plants	3	3	3	3	3	3
Number of pump stations	13	16	16	16	16	14
Number of service connections	3,854	3,761	3,653	3,653	3,618	3,278
Miles of sanitary sewer mains	82	82	82	82	82	82
Daily average treatment per MGD	1.289	1.289	0.939	0.939	0.939	1.052
Design capacity of treatment plants per MGD	3.236	3.236	2.886	2.886	2.886	2.886
<b>Number of Full-Time Employees:</b>	44	44	45	45	44	37

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

\* Documents for the previous five fiscal years are not available

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Principal Water and Sewer Customers  
Last Seven Fiscal Years

Principal Users of the Water System	Principal Business	FY 2012		FY 2011	
		000/gals	% of System	000/gals	% of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	13,035	2.76%	17,338	3.61%
NORTH FORTY ASPEN PLUS	Apartments	4,900	1.04%	1,649	0.34%
FEDERAL AVIATION ADM	Federal FFA buliding	4,487	0.95%	4,643	0.97%
ASPEN SOUTH	Apartments	2,963	0.63%	3,348	0.70%
ASPEN CLUB APTS/NORTH 40	Apartments	2,084	0.44%	3,231	0.67%
CHUCK DAVIS	ODEC	1,931	0.41%	957	0.20%
BEALETON VILLAGE CENTER LLC	Shopping Senter	1,377	0.29%	1,012	0.21%
VAN MANAGEMENT INC	Shopping Center	1,280	0.27%	1,462	0.30%
SUFFIELD MEADOW CONDO	Condos	773	0.16%		
WAVERLY STATION	Apartments	717	0.15%		
WAKEFIELD SCHOOL	Private School	586	0.12%		
CEDAR LEE CONDO ASSOCIATES	Apartments	526			
FAUQUIER HEALTH SYSTEM	Assisted Living		0.11%	1,041	0.22%
TOLL BROTHERS	Developer				
VINT HILL EDA	Authority				
COUNTY PARKS AND RECREATION	County Swimming pool				
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station				
Total		<u>34,659</u>	<u>7.33%</u>	<u>34,681</u>	<u>7.23%</u>
Total Water System Annual Consumption		<u>473,000</u>		<u>480,000</u>	

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

Principal Users of the Sewer System	Principal Business	FY 2012		FY 2011	
		000/gals	% of System	000/gals	% of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	12,837	2.55%	15,024	3.35%
NORTH FORTY ASPEN PLUS	Apartments	4,900	0.97%	1,649	0.37%
FEDERAL AVIATION ADM	Federal FFA buliding	4,487	0.89%	4,643	1.03%
CHUCK DAVIS	ODEC	3,880	0.77%	2,993	0.67%
ASPEN SOUTH	Apartments	2,963	0.59%	3,343	0.74%
ASPEN CLUB APTS/NORTH 40	Apartments	2,084	0.41%	3,231	0.72%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	1,875	0.37%	1,929	0.43%
VAN MANAGEMENT INC	Shopping Center	1,280	0.25%	1,482	0.33%
BLUE RIDGE CHRISTIAN HOME	Nursing Home	1,026	0.20%	1,212	0.27%
WAVERLY STATION	Apartments	717	0.14%		0.00%
WAKEFIELD SCHOOL	Private School	586	0.12%		0.00%
CEDAR LEE CONDO ASSOCIATES	Condos	526	0.10%	1,515	0.34%
DELEK, INC	Opal - Gas				
COUNTY PARKS AND RECREATION	County Swimming pool				
TOLL BROTHERS	Developer				
Total		<u>37,161</u>	<u>7.37%</u>	<u>37,021</u>	<u>8.25%</u>
Total Sewer System Annual Flow		<u>504,000</u>		<u>449,000</u>	

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

Table 13

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
11,394	2.37%	10,569	2.22%	8,090	1.39%	6,434	1.37%	10,569	2.22%
1,479	0.31%	1,483	0.31%	1,660	0.29%			1,483	0.31%
2,552	0.53%	2,778	0.58%	2,730	0.47%	1,092	0.23%	2,778	0.58%
2,939	0.61%	2,505	0.53%	3,678	0.63%	194	0.04%	2,505	0.53%
2,717	0.57%	3,141	0.66%	3,633	0.63%	3,292	0.70%	3,141	0.66%
361	0.08%			887	0.15%	1,366	0.29%		
1,224	0.26%	1,025	0.21%	1,233	0.21%			1,025	0.21%
		573	0.12%	873	0.15%	186	0.04%	573	0.12%
910	0.19%	1,130	0.24%					1,130	0.24%
871	0.18%	752	0.16%	1,314	0.23%			752	0.16%
488	0.10%	1,350	0.28%	999	0.17%			1,350	0.28%
						385	0.08%		
						483	0.10%		
						748	0.16%		
						2,326	0.49%		
<u>24,935</u>	<u>5.44%</u>	<u>25,306</u>	<u>5.31%</u>	<u>25,097</u>	<u>4.33%</u>	<u>15,758</u>	<u>3.51%</u>	<u>25,306</u>	<u>5.31%</u>
<u>458,000</u>		<u>477,000</u>		<u>580,000</u>		<u>470,000</u>		<u>477,000</u>	
000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
10,090	2.25%	11,041	2.75%	8,716	2.54%	6,569	1.56%	11,041	2.75%
1,479	0.33%	1,483	0.37%	1,660	0.48%			1,483	0.37%
2,552	0.57%	2,778	0.69%	2,730	0.80%	1,092	0.26%	2,778	0.69%
2,939	0.65%	2,846	0.71%	2,022	0.59%	4,057	0.97%	2,846	0.71%
2,457	0.55%	2,841	0.71%	3,678	1.07%			2,841	0.71%
2,717	0.61%	3,141	0.78%	3,633	1.06%	3,292	0.78%	3,141	0.78%
1,811	0.40%	1,708	0.43%	1,937	0.56%	2,326	0.55%	1,708	0.43%
1,224	0.27%	1,025	0.26%	1,233	0.36%			1,025	0.26%
910	0.20%	1,130	0.28%	159	0.05%	159	0.04%	1,130	0.28%
871	0.19%	752	0.19%	1,314	0.38%	162	0.04%	752	0.19%
488	0.11%	1,350	0.34%	999	0.29%			1,350	0.34%
						229	0.05%		
						748	0.18%		
						385	0.09%		
<u>27,538</u>	<u>6.12%</u>	<u>30,095</u>	<u>7.50%</u>	<u>28,081</u>	<u>8.19%</u>	<u>19,019</u>	<u>4.53%</u>	<u>30,095</u>	<u>7.50%</u>
<u>450,000</u>		<u>401,000</u>		<u>343,000</u>		<u>420,000</u>		<u>401,000</u>	

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

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

We have audited the financial statements of Fauquier County Water and Sanitation Authority as of and for the year ended June 30, 2012 have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Fauquier County Water and Sanitation Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fauquier County Water and Sanitation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fauquier County Water and Sanitation Authority's internal control over financial reporting.

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 Fauquier County Water and Sanitation Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fauquier County Water and Sanitation Authority's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors and management and others within the entity is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
August 24, 2012