Fauquier County
Water and Sanitation Authority

Warrenton, Virginia

Annual Comprehensive
Financial Report

YEARS ENDED
JUNE 30, 2022 AND 2021

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

WARRENTON, VIRGINIA

Annual Comprehensive Financial Report
Years Ended June 30, 2022 and 2021

Prepared by:

Deborah A. Whitley
Director of Finance

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

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OFFICERS AND BOARD MEMBERS

William G. Downey, Chairperson
Michael J. Focazio, Vice-Chairperson
Ross W. D’Urso, Treasurer
Richard R. Gerhardt
A. William Chipman, III

AUDIT COMMITTEE

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

SENIOR MANAGEMENT

Benjamin R. Shoemaker, Executive Director
Deborah A. Whitley, Director of Finance and Administration
Richard L. Landis, Director of Maintenance and Construction
Michael B. Edelen, Director of Engineering
Milas E. Smith, Director of Operations

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

October 25, 2022

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

Gentlemen:

The Comprehensive Annual Financial Report for the Fauquier County Water and Sanitation Authority (Authority) for the year ended June 30, 2022 is submitted herewith. Financial data, including all appropriate disclosures, have been prepared in accordance with the standards for financial reporting promulgated or permitted by the Governmental Accounting Standards Board.

Management is responsible, in all material respects, for the accuracy of this data and the completeness and fairness of these presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of the Authority for the year ended June 30, 2022.

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

The Authority

The Fauquier County Water and Sanitation Authority is an independent political subdivision of the Commonwealth empowered by the Virginia Water and Waste Authorities Act §15.2-5100 et seq. of the Code of Virginia, 1950 as amended, to provide water and sewer service in the County of Fauquier. The Authority was first chartered in 1964 and is governed by a five-member Board. The Authority's charter was extended to 2072 by the Fauquier County Board in July 2022. Individual Board Members are appointed by the Fauquier County Board of Supervisors and serve four-year terms. The Authority Board contracts the Executive Director, who is responsible for the daily management of the Authority.

Economic Conditions and Outlook

The Authority is located in rural Fauquier County approximately 40 miles southwest of Washington, D.C., and 95 miles northwest of Richmond. The service area of the Authority is traversed by several highways providing access to the metropolitan area and surrounding jurisdictions. The Authority owns and operates fourteen public water systems and three wastewater (sewer) treatment plants; and operates an additional two water systems.

As the COVID-19 pandemic wanes, the local economy in Fauquier County has improved as evident in the decreased unemployment rate. Estimated population in Fauquier County as of July 2022 is approximately 73,291. This is expected to exceed 78,259 by the year 2030 and 84,973 by the year 2040. Per the Virginia Employment Commission, as of July 2021, the total civilian labor force in Fauquier County was 37,428. The unemployment rate dropped to 2.8% from 3.1% in 2021 nearing the pre-pandemic figure of 2.6% from 2019.

The Authority provides water and/or wastewater services to single and multi-family housing developments, county schools, a federal complex, and various shopping centers. The Authority experienced an increase in customer base as water and wastewater connections grew by 440 and 27, respectively, in FY2022. Availability fee revenue increased by $152,200 and Developer Contributions increased by $1,400,439 in as new development was experienced in the service areas in FY2022.

Internal Control Structure and Budgetary Controls

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

The Authority Board annually adopts an Operating Budget and Capital Improvement Plan prepared by the Finance Department and approved by the Executive Director. Revenue and expenditure projections are based on historic performance, operational needs, current trends, events and developments in regulatory, local markets, building developments, and environmental activities.

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

Relevant Financial Policies

The Authority is committed to fiscal integrity and financial leadership. It operates as an enterprise fund, has no taxing power, and receives no financial assistance from Fauquier County. In May 2021, the Authority adopted new financial policies intended to reinforce its commitment to provide high quality services as economically as possible and recognize the overarching priority of protecting the investment its customers have made in the system. Authority funds are invested with the following objectives in order of priority: (1) Legality – funds are only invested in those investments permitted by federal, state, and local law as it relates to public funds, (2) Safety – investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio, (3) Liquidity – the investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated, and (4) Yield – the portfolio shall be designed to attain a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

WASTEWATER

December 31, 2010, State and Federal governments enacted wastewater regulations to improve water quality in the Chesapeake Bay. The vehicle for implementation of the regulations is Watershed Implementation Plans (WIPs). WIPs are roadmaps for how Chesapeake Bay states and the District of Columbia, in partnership with federal and local governments, will attain the Chesapeake Bay Total Maximum Daily (TMDL) pollutant load reduction goals. Over the past several decades, coordinated efforts by local government agencies, state and federal programs, farmers, landowners, conservation groups, consultants and many others have resulted in significant improvements to Virginia's water quality. The Commonwealth's successes are the result of the collective effort of the public and private sector. Virginia's Phase III Watershed Implementation Plan (WIP III) was completed in August 2019 in order to achieve nutrient and sediment reductions needed to restore the Chesapeake Bay and its tidal tributaries. It details best management practices, along with programmatic actions, necessary to achieve state basin planning targets for nitrogen and phosphorus (P and N). The Authority implemented a two-phase plan to meet the WIP regulatory requirements. The first-phase upgrades, completed in FY2012, allowed credit trading of P and N between two of the plants, Remington Wastewater Treatment Plant (RWWTP) and Marshall Wastewater Treatment Plant (MWWTP). In FY2020, the Authority completed a capacity evaluation for the RWWTP and MWWTP. This evaluation included a review of regulatory requirements and funding options, the development of flow and load projections for a 20-year planning horizon (2040), capacity evaluations for existing facilities, and a summary of recommendations for each plant. The RWWTP and MWWTP, in addition to other regulatory requirements, are subject to the Chesapeake Bay TMDL Program and associated nutrient wastewater discharge limitations. Phase III WIPs was introduced by the State in 2019. The WIP Phase III may require more stringent annual nutrient wastewater discharge limitations for all facilities discharging to the Chesapeake Bay. Given this development, the Authority initiated this evaluation to determine potential required upgrades at the RWWTP and MWWTP to meet regulatory requirements, including WIP Phase III, flow and load projections, and repair/replacement of aging assets over the next 20 years (2040). As a result, the Authority will begin phase two of upgrades on the Remington and Marshall wastewater treatment plants at a potential cost of $31 million and $21 million, respectively, when required by regulatory permit in conjunction with growth affecting flows and pollutant loads over the next 20 years (2040).

WATER

As early as 1916, the Department of Health (VDH) has been protecting the purity of drinking water to Virginia citizens. The statutes as stated in the Code of Virginia are periodically amended to:

- Ensure that all Virginians have safe drinking water;
- Provide a simple and effective regulatory program for waterworks;
- Adapt to new health concerns in drinking water treatment and distribution systems; and
- Provide a means to improve inadequate waterworks.

In January 2007, EPA Groundwater Rule became effective. The rule provides increased protection against microbial pathogens in public drinking water supplies that use groundwater sources. This rule requires groundwater systems that are at risk of fecal contamination to take corrective action to reduce cases of illness and deaths due to exposure to microbial pathogens. The rule uses the following four major components to determine groundwater is not at risk of fecal contamination:

- Periodic sanitary surveys of groundwater systems that require the evaluation of eight critical elements and identification of significant deficiencies.
- Source water monitoring to test for the presence of E. coli.
- Corrective actions required for any waterworks with a significant deficiency or source water fecal contamination.
- Compliance monitoring to ensure that treatment technologies installed to treat drinking water reliably achieves at least 99.99 perfect (4-log) inactivation or removal of viruses.

On January 15, 2021, the United States Environmental Protection Agency (EPA) published the Lead and Copper Rule Revisions (LCRR) in the Federal Register. The revised rule makes significant changes to the existing lead and copper rule. The intent of the LCRR is to further protect public health by minimizing lead (Pb) and copper (Cu) levels in drinking water, primarily by reducing water corrosivity. Pb and Cu enter drinking water mainly from corrosion of Pb and Cu containing plumbing materials. The LCRR requires the Authority to identify, inventory, and plan for removal lead, galvanized needing replacement, and unknown, service lines by October 2024. The inventory must include identification of pipe material on both sides of the water meter. As a result, the Authority has begun aligning resources to complete the required Lead Service Line inventory and subsequent Replacement Plan. Due to the age of the existing water meters and as part of the LCCR inventory, a business case assessment of the current radio drive by water meter reading, billing, and system processes will be compared to advanced metering infrastructure (AMI). The majority of existing water meters are beyond their useful life and require replacement to accurately read water usage. As a result, the entirety of the water system and meter reading system will be assessed at a potential cost of $95,000.

Debt service in FY2022 was $1,838,932 and will reduce to $1,239,619 in FY2032.

The Authority adopted an overall $31.5 million, 5-year Capital Improvement Plan in its FY2023 budget. Of which, $13.1 million is for its Capital Improvement Plan (CIP) projects for water exploration, sources, storage, and treatment facilities; and $18.4 million is for its Replacement and Renewal Program (R&R) for repairs and upgrades to its existing water and wastewater systems.

Independent Audit

The *Code of Virginia* requires that an external audit be performed annually. The Authority's financial statements for the year ended June 30, 2022 have been audited by Robinson, Farmer, Cox Associates, an independent firm of licensed certified public accountants. The fiscal year 2022 Independent Auditors' Report is in the financial section of this report.

Awards

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fauquier County Water & Sanitation Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. This is the fifteenth consecutive year the Authority has achieved this prestigious award recognizing conformance with the highest standards for preparation of state and local governmental financial reports. To be awarded a Certificate of Achievement, a government must publish an easily readable, and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Said report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Authority believes our current Comprehensive Annual Financial Report conforms to the Certificate of Achievement Program requirements, and we are submitting the Comprehensive Annual Finance Report to the GFOA to determine its eligibility for a Certificate for FY2022.

The GFOA awarded its Distinguished Budget Presentation Award to the Authority for fiscal year 2023 for the third time.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance and Administration staff of the Authority. All members of the division have my sincere appreciation for their contributions to the preparation of this report. I would also like to thank the Executive Director and Board of Directors for their interest and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

Deborah A. Whitley
Director of Finance

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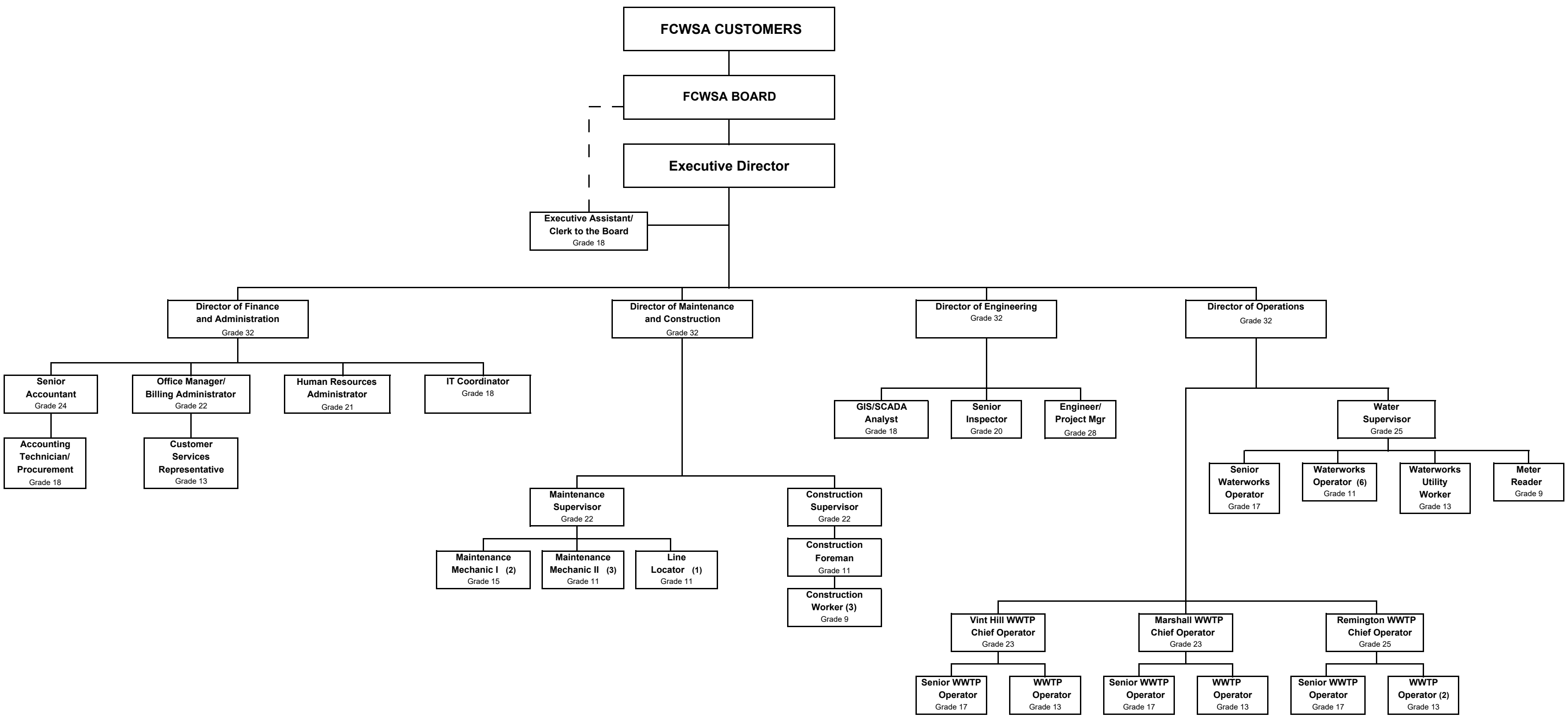
FCWSA ORGANIZATION

6/30/2022



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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fauquier County Water & Sanitation Authority
Virginia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Fauquier County Water and Sanitation Authority, as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fauquier County Water and Sanitation Authority, as of June 30, 2022 and 2021, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fauquier County Water and Sanitation Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As described in Note 14 to the financial statements, in 2022, Fauquier County Water and Sanitation Authority adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, and 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauquier County Water and Sanitation Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauquier County Water and Sanitation Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022, on our consideration of Fauquier County Water and Sanitation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fauquier County Water and Sanitation Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 19, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Fauquier County Water and Sanitation Authority's (the Authority) financial performance provides a narrative overview of the financial activities of the Authority for the Fiscal Year (FY) ending June 30, 2022. The Authority's mission is to provide quality, reliable water and wastewater services to its current and future customers in an environmentally responsible and sustainable manner. To accomplish this, the Authority set its FY2022 budget focus on customer service, water and wastewater system upgrades, supervisory control and data acquisition (SCADA) upgrades, wastewater inflow and infiltration (I&I) rehabilitation, equipment replacement, and master planning. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Net Capital Assets increased by $1,100,766 due to the completion of the Marshall Main Street Project, the SCADA Design Master Plan, Inflow & Infiltration (I&I) projects in Remington and Marshall, Developer Contributions, and Generator purchases;
- Construction in Progress projects increased by $1,071,204 in FY2022;
- Net Position increased by $2,377,148 from $88,767,674 to $91,144,822;
- Total Revenues were $14,578,233; and Total Expenses were $12,201,085;
- Net Operating Income was $157,946 in FY2022 and $50,875 in FY2021;
- The Authority has received unmodified audit opinions for over thirty years and has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the past fifteen years. And for the third time, the Authority was awarded the Distinguished Budget Presentation Award from GFOA for FY2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report (ACFR) is presented in three main sections. The Introductory Section includes the Letter of Transmittal, the GFOA Certificate of Achievement, a list of Authority Board Members and Officers, and an Organizational Chart. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements with related notes, and Required Supplementary Information. The Statistical Section includes selected financial and demographic information about the Authority and the surrounding area.

There are three financial statements included in the Financial Section of this report – Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position includes the Authority's assets and liabilities using the accrual basis of accounting. It provides the basis for evaluating the capital structure of the Authority, and its liquidity and flexibility. All current and prior years' revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the performance of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its costs through user fees and other charges. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for debt and capital additions. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the statements.

FINANCIAL ANALYSIS

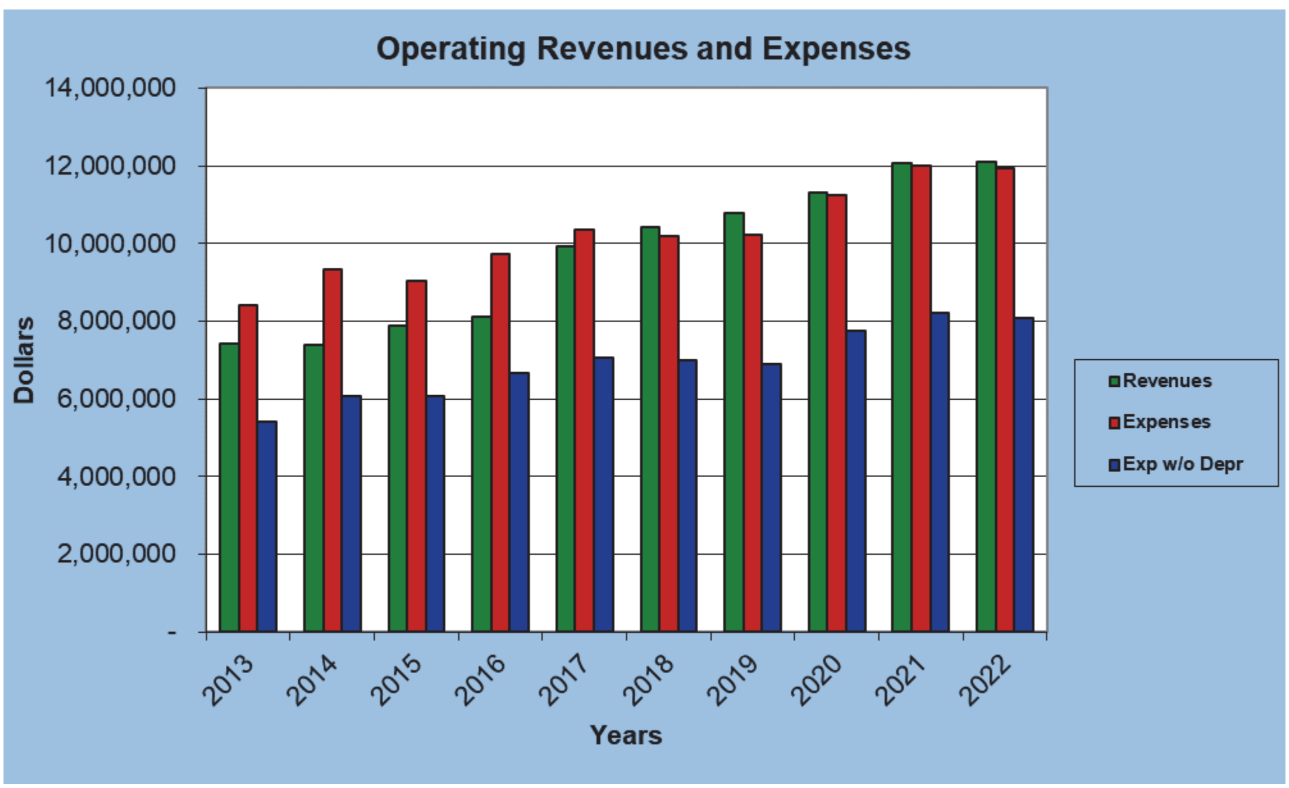
The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved during the year. These two statements help determine the financial health of the organization, and whether its financial position is improving or deteriorating. Non-financial factors such as economic conditions, population growth, and changes in governmental legislation need to be considered as well. The Authority's financial strength has continued to improve during FY2022 as Operating Revenues are covering Operating Expenses as described in the following sections of this report.

Net Position and Liabilities - The Authority's **Total Net Position** increased in FY2022 by $2,377,148, or 2.7%, as compared to Net Position as of June 30, 2021. Total Net Position in FY2021 increased $651,238, or 0.7% as compared to Net Position as of June 30, 2020. Total Net Position in FY2020 increased by $1.2 million, or 1.4%, as compared to Net Position as of June 30, 2019. A significant portion of the increase in FY2022 and FY2020 was due to Capital Contributions, however, no capital contributions were received in FY2021. Capital contributions were $1.4, $0, and $0.3 million in FY2022, FY2021 and FY2020, respectively. Availabilities fees of $0.9, $0.8, and $0.8 million in FY2022, FY2021, and FY2020, respectively, contributed to the increase in Net Position as well. In FY2022 the **Total Liabilities** decreased by $3 million, or 2.2%, from FY2021. In FY2021, the Total Liabilities decreased by $0.4 million, or 2.8%, from FY2020. In FY2020, Total Liabilities increased by $0.3 million, or 2%, from FY2019 as a new capital lease was obtained for heavy equipment and machinery. The following table depicts the Authority's assets and liabilities as of June 30, 2022, 2021, and 2020:

	Net Position		
	2022	**2021**	**2020**
Current and other assets	$ 20,091,252	$ 20,255,993	$ 21,531,164
Capital assets	82,618,013	81,517,247	80,449,076
Deferred outflows of resources	720,480	1,054,416	600,159
Total assets and deferred outflows of resources	$ 103,429,745	$ 102,827,656	$ 102,580,399
Noncurrent liabilities	$ 8,615,521	$ 11,062,169	$ 11,788,414
Other liabilities	2,288,592	2,929,389	2,474,431
Deferred inflows of resources	1,380,810	68,424	200,983
Total liabilities	$ 12,284,923	$ 14,059,982	$ 14,463,828
Net position:			
Net investment in capital assets	$ 74,909,014	$ 72,469,768	$ 71,821,673
Restricted	1,015,080	369,386	369,386
Unrestricted	15,220,728	15,928,520	15,925,512
Total net position	$ 91,144,822	$ 88,767,674	$ 88,116,571
Total liabilities, deferred inflows of resources and net position	$ 103,429,745	$ 102,827,656	$ 102,580,399

FINANCIAL ANALYSIS: (Continued)

Operating Income – In FY2022, the **Operating Revenues** were $12.1 million, a 0.4% increase over FY2021 reflective of the 3% rate increase to users in Year 5 of the five-year rate increase to users plan that had been postponed in FY2021; and a reduction in septic hauler fee revenue due to the need to restrict haulers dumping only Fauquier County waste at the Remington WWTP in order to meet regulatory rules. In FY2021, the Operating Revenues were $12.0 million, a 6.5% increase over FY2020. The increase reflects the $658,531 in County Contributions and $72,000 in Grant Revenue received in FY2021. The Board postponed Year 5 in their five-year rate increase model due to COVID-19 that was adopted in 2016. In FY2020 the Operating Revenues were $11.3 million, a 4.9% increase over FY2019 reflective of the 3% rate increase to users in Year 4 of the five-year rate increase to users plan. In FY2022, the **Operating Expenses** decreased by $50,458, a 0.4% decrease from FY2021. The decrease is reflective in Fringe Benefits and Operations and Maintenance expense while expenses in Salaries, General and Administration, and Depreciation increased. In FY2021, the Operating Expenses increased by $744,713, a 6.6% increase over FY2020. The increase is contributable to the rise of health care costs during the pandemic as well as increases to Operations, Maintenance, and Depreciation expense. In FY2020, the Operating Expenses increased by $1 million, a 10.3% increase over FY2019. The increase reflects a one-time salary adjustment in Salaries and Benefits as a result of a salary and benefits compensation study performed by Gallagher Benefits Services in FY2019 as well as increases in Administrative, Operations, Maintenance and Depreciation Expenses. As in FY2021, FY2022's Operating Revenues completely covered Operating Expenses. Depreciation Expense represents 32.4%, 31.6%, and 31.1%, of Operating Expense in FY2022, FY2021, and FY2020, respectively. The following chart depicts **Operating Revenues** as compared to **Operating Expenses**, with Depreciation and **Operating Expenses without Depreciation Expense** during the last ten years.



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

FINANCIAL ANALYSIS: (Continued)

The Authority had a rate study performed by Municipal & Financial Services Group in late FY2016, that determined rate increases were needed to cover CIP, R&R, rising operating costs, and debt service. As such, the Board voted in the five-year rate increase plan, with Year 1 – 9.5%, Year 2 – 7%, and Years 3-5 (FY2019-21) having planned user increases of 3% each. However, due to economic uncertainty regarding the COVID-19 pandemic, the Board adopted a reduced FY2021 annual budget and postponed the FY2021 rate increase. In FY2022, the Authority Board adopted the postponed 3% rate increase (Year 5). The Authority had a rate study performed by Stantec in FY2022; as such the Board adopted a new five-year rate increase plan for years FY2023-2027. The additional rate adjustments would further strengthen the financial position of the organization and allow the budget focus to remain on customer service and quality, reliable water and wastewater services. The five year rate increase plan: Year 1 – Reduction to base service fees for water and sewer and a 6% water user fee increase to large users, Year 2 – 6% water rate increase, Year 3 – 5.5% water rate increase, Year 4 – 3% water and sewer rate increase, Year 5 – 3% water and 3% sewer rate increase. This plan aligns water revenues with water expenses and sewer revenues with sewer expenses as determined by Stantec during the rate study.

The following table is a comparison of Operating Revenues, Operating Expenses, Non-Operating Revenues and Expenses, Net Income (Loss), and Capital Contributions for the years ending June 30, 2022, 2021, and 2020.

Statements of Revenues, Expenses, and Changes in Net Position--
Years Ended June 30, 2022 and 2021 and 2020

	2022	2021	2020
Operating revenues:			
Water service	$ 5,443,990	$ 5,113,110	$ 5,094,624
Sewer service	5,802,569	5,426,486	5,353,484
Septic service	306,174	439,608	439,891
Late charges	152,895	107,643	124,090
Other operating revenues	406,181	968,349	303,788
Total operating revenues	$ 12,111,809	$ 12,055,196	$ 11,315,877
Operating expenses:			
Salaries	$ 3,616,774	$ 3,527,031	$ 3,539,417
Fringe benefits	1,109,622	1,361,582	1,044,151
General and administrative	635,469	475,141	582,573
Operations and maintenance	2,721,844	2,844,547	2,589,780
Depreciation expense	3,870,154	3,796,021	3,504,050
Total operating expenses	$ 11,953,863	$ 12,004,321	$ 11,259,971
Net operating income (loss)	$ 157,946	$ 50,875	$ 55,906
Nonoperating revenue and expenses:			
Availability fees	$ 980,790	$ 828,590	$ 893,800
Interest earned	44,207	47,841	232,502
Interest expense	(247,222)	(280,663)	(300,269)
Insurance Proceeds	40,988	4,595	
Net nonoperating revenue	$ 818,763	$ 600,363	$ 826,033
Net income (loss) before capital contributions	$ 976,709	$ 651,238	$ 881,939
Capital Contributions	1,400,439	-	355,060
Change in net position	$ 2,377,148	$ 651,238	$ 1,236,999
Net position, at beginning of year	88,767,674	88,116,436	86,879,437
Net position, at end of year	$ 91,144,822	$ 88,767,674	$ 88,116,436

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets - The increase in capital assets for FY2022 is the result of completed CIP and R&R projects, and the purchase of vehicles, equipment, and machinery. The detail of major additions to Capital Assets being depreciated is as follows:

Vehicles	$ 108,955
Equipment and Machinery	152,907
Construction Equipment	57,150
Infrastructure	1,400,439
CIP and R&R Projects	1,503,986

The largest Construction in Progress projects as of June 30, 2022, were:

Cunningham Water Treatment Facility	$ 138,322
Whiting Road Project	580,025
Marshall Salem Wells #3 and #4	2,902,516

The following table shows capital asset balances for the fiscal years ending June 30, 2022, 2021, and 2020:

	2022	2021	2020
Land	$ 702,885	$ 702,885	$ 651,060
Construction in progress	5,147,907	4,076,703	2,280,997
Structures and improvements	62,262,663	61,644,113	60,986,584
Infrastructure	65,015,554	62,111,128	60,307,393
Vehicles	1,328,872	1,297,199	1,369,834
Machinery and equipment	14,174,786	13,946,449	13,938,833
Lease machinery and equipment	1,315,078	1,315,078	1,315,078
Total Property & Equipment	$ 149,947,745	$ 145,093,555	$ 140,849,779
Less: Accumulated Depreciation	67,329,732	63,576,308	60,400,703
Net property & equipment	$ 82,618,013	$ 81,517,247	$ 80,449,076

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

CAPITAL ASSETS AND LONG-TERM DEBT

Cash Balances – In FY2016, the Authority's Board and Management determined that a multi-year rate setting plan would provide the Authority a basis for budgeting Operating and Capital projects. Due to the economic uncertainty caused by the COVID-19 pandemic, the Board postponed the FY2021 rate increase until FY2022. A new rate study was performed by Stantec in FY2022 as such the Authority Board adopted a multi-year rate setting plan for years FY2023-2027. By analyzing rates on an annual basis, the five-year cash flow is used to indicate the probability of, or necessity for, future rate adjustments. The *Code of Virginia* requires the advertisement of new rates and a public rate hearing in the event additional rate adjustments are deemed necessary. The following are the projected ending cash balances for the next five years:

	Cash Balances	
FY2023	$	10,447,122
FY2024		10,813,819
FY2025		10,923,086
FY2026		11,290,093
FY2027		11,102,485

These projected cash flow balances presume continued economic recovery as the pandemic wanes, rate increases in all years, and availability fee revenues in future years. In addition, the Authority may approve cash funding for some CIP & R&R projects which will affect the cash balances.

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CAPITAL ASSETS AND LONG TERM DEBT: (Continued)

Capital Projects -

Below is a summary schedule of our planned Capital Improvement Projects (CIP) and Replacement and Renewal Projects (R&R) for the next five years:

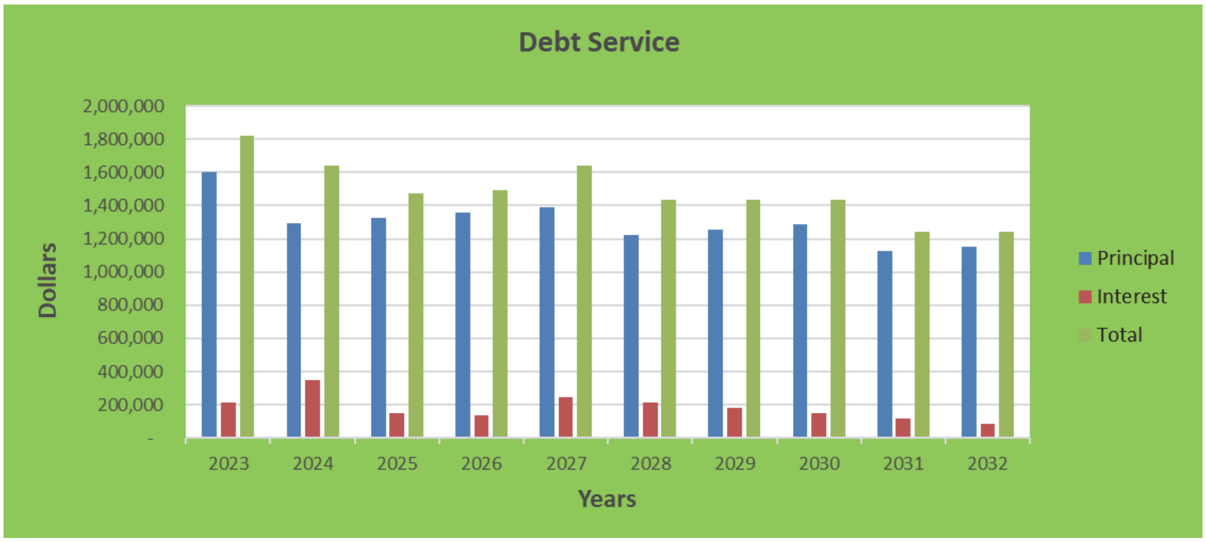
FAUQUIER COUNTY WATER & SANITATION AUTHORITY
FY2023 Five Year Projects - Adopted 6/30/2022

Project	CIP, R&R	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Well G-4 Monitoring Service	R&R	$30,000				
Marshall Well System Automation	R&R	$25,000	$25,000			
Treatment Plant Security Improvements	R&R	$10,000	$10,000	$10,000	$10,000	$10,000
Treatment Plant Security Improvements	R&R	$20,000	$20,000	$20,000		
K Well	CIP		$100,000			
M6-a Well	CIP	$100,000				
Repair Well Houses	R&R	$20,000	$20,000	$20,000	$20,000	$20,000
Lift Station Improvements	R&R	$20,000	$20,000	$20,000	$20,000	$20,000
Flow Monitoring I/I Evaluation (Marshall)	R&R			$100,000		
New Baltimore Phase 1 Flow Monitoring	R&R			$100,000		
Flow Monitoring I/I Evaluation (Remington)	R&R		$100,000			
Treatment Plant Security Improvements	R&R	$20,000	$20,000	$20,000	$20,000	$20,000
Marshall WWTP Receiving Manhole Upgrade	CIP		$100,000			
Water System - Hydrotank Automation (Repairs and Cleaning Services)	R&R	$60,000	$60,000			
SCADA Major Repair	R&R	$25,000	$25,000	$25,000	$25,000	$25,000
Road maintenance - gravel, seal pave (MWWTP road, High Rock Driveway, VH WWTP)	R&R	$30,000	$30,000	$30,000	$30,000	$30,000
Bethel Academy Line Replacement	R&R			$200,000		
Craig Run and Tin Pot LS wetwell coating	R&R	$200,000				
Salem Avenue Line Replacement	R&R			$250,000		
Leak Detection Services and Repairs	R&R	$50,000	$50,000	$50,000	$50,000	$50,000
Fire Hydrant Testing and Maintenance Program	R&R				$250,000	
ENR for 2.5 MGD	CIP				$250,000	
Systemwide Security Upgrades to Water, Wastewater, and Administration Facilities	R&R	$50,000	$50,000	$50,000	$50,000	$50,000
Arc Flash Analysis	R&R	$50,000	$50,000	$50,000	$50,000	$50,000
Bethel Academy Nitrate Treatment (Ion Exchange)	CIP			$300,000		
Nitrate Treatment (Ion Exchange)	CIP				$300,000	
The Plains Route 55 - Nitrate Treatment (Ion Exchange)	CIP		$300,000			
Anderson Avenue Water Main Upgrade Phase 2	R&R		$300,000			
Wastewater Systems Major Replacements	R&R	$60,000	$60,000	$60,000	$60,000	$60,000
Water System Major Replacements	R&R	$60,000	$60,000	$60,000	$60,000	$60,000
Waterloo rehabilitation, redrill, tie in well #4	R&R		$200,000	$200,000		
I/I - Bealeton East of CR PS - Flow Area #5	R&R		$400,000			
Bealeton WTP - New Well	CIP		$500,000			
Exploratory Well Work	CIP	$100,000	$100,000	$100,000	$100,000	$100,000
Bealeton Additional Well	CIP				$500,000	
Replace belt press	R&R				$500,000	
Generator Replacement	R&R	$100,000	$100,000	$100,000	$100,000	$100,000
Remington Generator Replacement	R&R	$500,000				
I/I - Marshall South Main Street	R&R		$300,000	$300,000		
I/I - Plains	R&R		$200,000	$200,000	$200,000	
Replace Centrifuge	R&R				$750,000	
Bealeton - Second Water Tower	CIP					$1,000,000
Baldwin Ridge Booster Pumping Station	CIP		$150,000	$1,500,000		
High Zone Booster Pumping Station	CIP		$150,000	$1,500,000		
New Baltimore Water Systems Upgrade (Based on Water Modeling $10-12 mil)	R&R				$1,000,000	$1,000,000
Influent Structure Project	R&R	$200,000	$2,000,000			
ENR Phase 2 For 2.0 MGD (Including Septage Evaluation)	CIP				$400,000	$2,500,000
High Rock/E Wells Treatment	CIP	$3,000,000				
SCADA Wastewater Upgrade and Replacement Project	R&R	$6,200,000				
Total Projects		**$10,930,000**	**$5,500,000**	**$5,265,000**	**$4,745,000**	**$5,095,000**

CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)

Long-Term Debt –

The Authority has five Revenue Bonds and Lease Liability, totaling $9,187,920, as of June 30, 2023. The Authority closed on a $7.5 M bond for the SCADA Wastewater Upgrade and Replacement Project in July of 2022. The following graph provides detail of principal and interest amounts due on the Revenue Bonds including the July 2022 bond over the next ten years:



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

ECONOMIC FACTORS

In FY2022, the Authority received $1,400,439 in Developer Contributions in the form of infrastructure. Availability Fee Revenue increased by $152,200 in FY2022 as building projects in the service districts are complete. In FY2022, FY2021, and FY2020 availability fee revenues were $980,790, $828,590, and $893,800, respectively. The Authority will continue to forecast its revenues in a conservative manner. In addition, the Authority will continue to monitor its operational and capital requirements to ensure that quality, reliable water and wastewater services are provided to customers in an environmentally responsible and sustainable manner.

The Authority's rates, fees, and other charges are structured to produce enough revenue to service debt, and to meet all operational expenses. While user rates met these goals in FY2022, the effects and costs of inflation, regulatory changes, and the continuing pandemic; and the costs of capital replacement make increases to user rates necessary over the next five fiscal years as determined by the rate study performed in FY2022 by Stantec and adopted by the Authority Board at their June 2022 Meeting.

The FY2023 adopted budget include $13,269,516 in total revenues, a 3.2% increase from FY2022 and $15,422,968 in total expenses, a 3.75% increase from FY2022. The FY2023 rate structure changed reducing customer base service fees and increasing high user water rates by 6%.

REQUEST FOR INFORMATION

The financial report is intended to provide customers, note holders, and creditors with a general overview of the Authority's financial position, and to demonstrate its ability to provide services to its customers. Questions concerning information provided in this report, or requests for additional financial information should be directed to the Director of Finance, Fauquier County Water and Sanitation Authority, 7172 Kennedy Road, Warrenton, Virginia, 20187, telephone (540) 349-2092, or by visiting the Authority's website at www.fcwsa.org.

Basic Financial Statements

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,389,251	$ 16,046,529
Accounts receivable (net of allowance for doubtful accounts)	1,618,433	1,684,080
Prepaid items	132,550	122,539
Other current assets	21,610	16,600
Total current assets	$ 17,161,844	$ 17,869,748
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents:		
Security deposits and construction meter deposits	$ 171,125	$ 157,425
Performance bonds	113,993	8,985
Opal water system	294,928	369,386
Unexpended bond proceeds	1,479,210	1,840,262
Total restricted assets	$ 2,059,256	$ 2,376,058
Net pension asset	$ 720,152	$ -
Other noncurrent assets	$ 150,000	$ 10,187
Capital Assets:		
Capital assets not being depreciated:		
Land	$ 702,885	$ 702,885
Construction in progress	5,147,907	4,076,703
Capital assets being depreciated:		
Structures and improvements	62,262,663	61,644,113
Infrastructure	65,015,554	62,111,128
Vehicles	1,328,872	1,800,227
Machinery and equipment	14,174,786	13,443,421
Lease machinery and equipment	1,315,078	1,315,078
Accumulated depreciation	(67,329,732)	(63,576,308)
Net capital assets	$ 82,618,013	$ 81,517,247
Total noncurrent assets	$ 85,547,421	$ 83,903,492
Total assets	$ 102,709,265	$ 101,773,240
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$ 646,629	$ 982,360
OPEB related items	73,851	72,056
Total deferred outflows of resources	$ 720,480	$ 1,054,416
Total assets and deferred outflows of resources	$ 103,429,745	$ 102,827,656

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2022 and 2021 (Continued)

	2022	2021
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 649,157	$ 873,712
Accrued interest	28,260	32,124
Retainage payable	-	111,686
Revenue bonds - current portion	1,083,787	1,403,136
Lease liability - current portion	187,000	183,000
Compensated absences - current portion	55,270	58,212
Unearned revenue	-	101,109
Liabilities payable from Restricted Assets:		
Performance bonds	113,993	8,985
Security deposits and construction meter deposits	171,125	157,425
Total current liabilities	$ 2,288,592	$ 2,929,389
Noncurrent Liabilities:		
Revenue bonds - less current portion	$ 7,132,135	$ 8,215,922
Lease liability - less current portion	785,000	972,000
Compensated absences-less current portion	497,433	523,909
Net pension liability	-	1,077,149
Net OPEB liability	200,953	273,189
Total noncurrent liabilities	$ 8,615,521	$ 11,062,169
Total liabilities	$ 10,904,113	$ 13,991,558
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	$ 287	$ 1,997
Pension related items	1,302,208	56,384
OPEB related items	78,315	10,043
Total deferred inflows of resources	$ 1,380,810	$ 68,424
NET POSITION		
Net investment in capital assets	$ 74,909,014	$ 72,469,768
Restricted:		
Opal water system	294,928	369,386
Net pension asset	720,152	-
Unrestricted	15,220,728	15,928,520
Total net position	$ 91,144,822	$ 88,767,674
Total liabilities, deferred inflows of resources and net position	$ 103,429,745	$ 102,827,656

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Water service	$ 5,443,990	$ 5,113,110
Sewer service	5,802,569	5,426,486
Septic service	306,174	439,608
Late charges	152,895	107,643
Other operating revenues	406,181	968,349
Total operating revenues	$ 12,111,809	$ 12,055,196
Operating expenses:		
Salaries	$ 3,616,774	$ 3,527,031
Fringe benefits	1,109,622	1,361,582
General and administrative	635,469	475,141
Operations and maintenance	2,721,844	2,844,547
Depreciation expense	3,870,154	3,796,020
Total operating expenses	$ 11,953,863	$ 12,004,321
Net operating income (loss)	$ 157,946	$ 50,875
Nonoperating revenue (expenses):		
Availability fees	$ 980,790	$ 828,590
Interest income	44,207	47,841
Interest expense	(247,222)	(280,663)
Insurance proceeds	40,988	4,595
Net nonoperating revenue (expenses)	$ 818,763	$ 600,363
Net income (loss) before capital contributions	$ 976,709	$ 651,238
Capital Contributions	1,400,439	-
Change in net position	$ 2,377,148	$ 651,238
Net position, beginning of year	88,767,674	88,116,436
Net position, end of year	$ 91,144,822	$ 88,767,674

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers and users	$ 11,950,234	$ 12,297,396
Payments to suppliers for goods and services	(3,596,889)	(3,213,553)
Payments to and on behalf of employees for services	(4,977,319)	(4,603,506)
Net cash provided by (used for) operating activities	$ 3,376,026	$ 4,480,337
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	$ (3,682,167)	$ (4,690,158)
Interest payments	(252,796)	(288,836)
Principal payments on long-term debt and lease liability	(1,586,136)	(1,370,742)
Proceeds from availability fees	980,790	828,590
Insurance proceeds	40,988	4,595
Net cash (used for) capital and related financing activities	$ (4,499,321)	$ (5,516,551)
Cash flows from noncapital financing activities:		
Performance bond	$ 105,008	$ (4,246)
Cash flows from investing activities:		
Interest income	$ 44,207	$ 47,841
Net increase (decrease) in cash and cash equivalents	$ (974,080)	$ (992,619)
Cash and cash equivalents at beginning of year	18,422,587	19,415,206
Cash and cash equivalents at end of year	$ 17,448,507	$ 18,422,587
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operating activities	$ 157,946	$ 50,875
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	3,870,154	3,796,020
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	65,647	(3,072)
(Increase) decrease in due from other governments	-	100,000
(Increase) decrease in other receivable	-	150,627
(Increase) decrease in prepaid items	(10,011)	(4,816)
(Increase) decrease in other current assets	(5,010)	-
(Increase) decrease in other noncurrent assets	(139,813)	39,813
Increase (decrease) in compensated absenses	(29,418)	89,676
(Increase) decrease in deferred outflows of resources - pension	335,731	(442,007)
Increase (decrease) in deferred inflows of resources - pension	1,245,824	(120,582)
(Increase) decrease in deferred outflows of resources - OPEB	(1,795)	(12,385)
Increase (decrease) in deferred inflows of resources - OPEB	68,272	(8,778)
(Increase) decrease in net pension liability/asset	(1,797,301)	763,265
Increase (decrease) in net OPEB liability	(72,236)	15,918
Increase (decrease) in operating accounts payable	(224,555)	(39,676)
Increase (decrease) in unearned revenue	(101,109)	101,109
Increase (decrease) in security deposits	13,700	4,350
Net cash provided by (used for) operating activities	$ 3,376,026	$ 4,480,337
Reconciliation of Cash:		
Cash and cash equivalents	$ 15,389,251	$ 16,046,529
Restricted cash and cash equivalents	2,059,256	2,376,058
Total	$ 17,448,507	$ 18,422,587
Noncash investing, capital and financing activities		
Contributions of capital assets	$ 1,400,439	$ -
(Increase) decrease in retainage payable for capital projects	111,686	(100,994)

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

NOTE 1–BASIS OF PRESENTATION:

A. Organization and Purpose

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

B. Financial Reporting Entity

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

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

- Management's discussion and analysis

- Enterprise fund financial statements

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

- Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
- Schedule of Employer Contributions – Pension Plan
- Notes to Required Supplementary Information – Pension Plan
- Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance (GLI) Plan
- Schedule of Employer Contributions – Group Life Insurance (GLI) Plan
- Notes to Required Supplementary Information – Group Life Insurance (GLI) Plan

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

B. Basis of Accounting

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

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

C. Cash and Cash Equivalents

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

D. Restricted Assets

The Authority records security deposit amounts received from customers as restricted assets on the statement of net position.

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

E. Capital Assets

Capital assets are tangible and intangible assets include property, plant, and equipment and infrastructure. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $3,500, except for water meters for new construction, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. A lease liability and an intangible right-to-use lease asset (lease asset) is recognized in the financial statements.

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

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

E. Capital Assets: (Continued)

Major outlays for capital assets are capitalized as projects are constructed. Depreciation expense totaled $3,870,154 for the year ended June 30, 2022 and $3,796,020 for the year ended June 30, 2021.

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

Assets	Years
Treatment plant	28 years
Buildings and improvements	28 years
Water and sewer lines	50 years
Meters	10-15 years
Vehicles	6 years
Lease machinery and equipment	5-10 years
Other furnishings and equipment	5-10 years

F. Leases

The Authority leases various machinery and equipment requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Authority recognizes a lease liability and intangible right-to-use lease asset (lease asset) with an initial value of $5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

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

F. Leases: (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.

- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee).

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease asset and liability (lessee) if certain changes occur that are expected to significantly affect the amount of the lease liability.

G. 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 $100,521 at June 30, 2022 and $195,307 for the year ended June 30, 2021.

- Investments - Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

H. 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.

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

I. Net Position

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

J. Net Position Flow Assumption

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

K. Compensated Absences

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

L. Restatement / Reclassifications

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

M. Non-exchange Transactions

The Authority receives non-exchange transactions from developers of property, lines and improvements. These non-exchange transactions are considered capital contributions on the statements of revenues, expenses and changes in net position.

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has multiple items that qualify for reporting in this category. One item is the deferred amount on refunding debt. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Q. Upcoming Pronouncements

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

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, Omnibus 2022, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, Compensated Absences, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 3–DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The Authority's rated debt investments as of June 30, 2022 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 10,255,569
Virginia State Non-Arbitrage Program	1,689,044
Total	$ 11,944,613

NOTE 3–DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools:

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Investment Maturities (in years)		
Investment type	**Fair Value**	**Less than 1 yr**
Local Government Investment Pool	$ 10,255,569	$ 10,255,569
Virginia State Non-Arbitrage Program	1,689,044	1,689,044
Total	$ 11,944,613	$ 11,944,613

NOTE 4–RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2022 and 2021 consist of the following:

	Balance June 30, 2022	Balance June 30, 2021
Restricted Assets:		
Security deposits and construction meter deposits	$ 171,125	$ 157,425
Performance bonds	113,993	8,985
Opal water system	294,928	369,386
Unexpended bond proceeds	1,479,210	1,840,262
Total restricted assets	$ 2,059,256	$ 2,376,058
Restricted net position:		
Less:		
Security deposits and construction meter deposits	(171,125)	(157,425)
Performance bonds	(113,993)	(8,985)
Unexpended bond proceeds	(1,479,210)	(1,840,262)
Total restricted net position	$ 294,928	$ 369,386

NOTE 5–CAPITAL ASSETS:

Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	$ 702,885	$ -	$ -	$ 702,885
Construction in progress	4,076,703	1,494,942	423,738	5,147,907
Total capital assets not being depreciated	$ 4,779,588	$ 1,494,942	$ 423,738	$ 5,850,792
Capital assets being depreciated:				
Structures and improvements	$ 61,644,113	$ 618,550	$ -	$ 62,262,663
Infrastructure	62,111,128	2,904,426	-	65,015,554
Vehicles	1,297,199	108,954	77,281	1,328,872
Machinery and equipment	13,946,449	267,786	39,449	14,174,786
Lease machinery and equipment	1,315,078	-	-	1,315,078
Total capital assets being depreciated	$ 140,313,967	$ 3,899,716	$ 116,730	$ 144,096,953
Accumulated depreciation:				
Structures and improvements	$ 30,232,676	$ 2,136,133	$ -	$ 32,368,809
Infrastructure	19,548,973	1,263,364	-	20,812,337
Vehicles	996,637	92,746	77,281	1,012,102
Machinery and equipment	12,635,785	215,674	39,449	12,812,010
Lease machinery and equipment	162,237	162,237	-	324,474
Total accumulated depreciation	$ 63,576,308	$ 3,870,154	$ 116,730	$ 67,329,732
Total capital assets being depreciated, net	$ 76,737,659	$ 29,562	$ -	$ 76,767,221

Depreciation expense for the year ended June 30, 2022 totaled $3,870,154.

NOTE 5–CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

The following is a summary of changes to property and equipment for the year ending June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	$ 651,060	$ 51,825	$ -	$ 702,885
Construction in progress	2,280,997	2,949,543	1,153,837	4,076,703
Total capital assets not being depreciated	$ 2,932,057	$ 3,001,368	$ 1,153,837	$ 4,779,588
Capital assets being depreciated:				
Structures and improvements	$ 60,986,584	$ 844,616	$ 187,087	$ 61,644,113
Infrastructure	60,307,393	1,803,735	-	62,111,128
Vehicles	1,369,834	31,891	104,526	1,297,199
Machinery and equipment	13,938,833	336,418	328,802	13,946,449
Lease machinery and equipment	1,315,078	-	-	1,315,078
Total capital assets being depreciated	$ 137,917,722	$ 3,016,660	$ 620,415	$ 140,313,967
Accumulated depreciation:				
Structures and improvements	$ 28,309,398	$ 2,110,365	$ 187,087	$ 30,232,676
Infrastructure	18,321,684	1,227,289	-	19,548,973
Vehicles	1,001,126	100,037	104,526	996,637
Machinery and equipment	12,768,495	196,092	328,802	12,635,785
Lease machinery and equipment	-	162,237	-	162,237
Total accumulated depreciation	$ 60,400,703	$ 3,796,020	$ 620,415	$ 63,576,308
Total capital assets being depreciated, net	$ 77,517,019	$ (779,360)	$ -	$ 76,737,659
Business-type activities capital assets, net	$ 80,449,076	$ 2,222,008	$ 1,153,837	$ 81,517,247

Depreciation expense for the year ended June 30, 2021 totaled $3,796,020.

NOTE 5–CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

Computation of net investment in capital assets:

	Balance June 30, 2022	Balance June 30, 2021
Net capital assets	$ 82,618,013	$ 81,517,247
Revenue bonds	(8,215,922)	(9,619,058)
Lease liability	(972,000)	(1,155,000)
Debt proceeds received but unexpended on capital assets	1,479,210	1,840,262
Retainage payable	-	(111,686)
Deferred amount on refunding	(287)	(1,997)
Net investment in capital assets	$ 74,909,014	$ 72,469,768

The following is a summary of capital project activity for the fiscal year ending June 30, 2022 and 2021:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Whiting Road Project	$ 312,916	$ 267,109	$ -	$ 580,025
Marshall Salem Wells	2,422,799	479,718	-	2,902,517
Miscellaneous projects	1,340,988	743,504	419,127	1,665,365
Total contruction in progress	$ 4,076,703	$ 1,490,331	$ 419,127	$ 5,147,907

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
I & I Remington and Marshall	$ 950,523	$ -	$ 950,523	$ -
Whiting Road Project	825	312,091	-	312,916
Marshall Salem Wells	491,931	1,930,868	-	2,422,799
Miscellaneous projects	837,718	706,584	203,314	1,340,988
Total contruction in progress	$ 2,280,997	$ 2,949,543	$ 1,153,837	$ 4,076,703

NOTE 6–LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2022 and 2021:

Description	Beginning Balance July 1, 2021	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2022	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	$ 9,619,058	$ -	$ 1,403,136	$ 8,215,922	$ 1,083,787
Total direct borrowings and placements	$ 9,619,058	$ -	$ 1,403,136	$ 8,215,922	$ 1,083,787
Lease liability	1,155,000	-	183,000	972,000	187,000
Net pension liability	1,077,149	1,258,419	2,335,568	-	-
Net OPEB liability	273,189	78,187	150,423	200,953	-
Compensated absences	582,121	231,116	260,534	552,703	55,270
Total	$ 12,706,517	$ 1,567,722	$ 4,332,661	$ 9,941,578	$ 1,326,057

Description	Beginning Balance July 1, 2020	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2021	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	$ 10,989,800	$ -	$ 1,370,742	$ 9,619,058	$ 1,403,136
Total direct borrowings and placements	$ 10,989,800	$ -	$ 1,370,742	$ 9,619,058	$ 1,403,136
Lease liability	1,334,000	-	179,000	1,155,000	183,000
Net pension liability	313,884	1,182,963	419,698	1,077,149	-
Net OPEB liability	257,271	85,665	69,747	273,189	-
Compensated absences	492,445	243,480	153,804	582,121	58,212
Total	$ 13,387,400	$ 1,512,108	$ 2,192,991	$ 12,706,517	$ 1,644,348

NOTE 6–LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Placements Revenue Bonds Principal	Direct Borrowings and Placements Revenue Bonds Interest	Lease Liability Principal	Lease Liability Interest
2023	$ 1,083,787	$ 199,134	$ 187,000	$ 17,693
2024	753,936	177,396	191,000	13,887
2025	773,383	157,948	194,000	10,010
2026	793,333	137,998	198,000	6,062
2027	813,798	117,534	202,000	2,034
2028	834,791	96,540	-	-
2029	856,327	75,005	-	-
2030	878,418	52,913	-	-
2031	705,133	31,575	-	-
2032	723,016	12,930	-	-
Total	$ 8,215,922	$ 1,058,973	$ 972,000	$ 49,686

Revenue bonds totaling $8,215,922 contain a provision that in the event of default, the bond owner may declare all amounts payable under the bond to be immediately due and payable.

NOTE 6–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2022 and 2021 are as follows:

	2022	2021
Direct Borrowings and Placements:		
Revenue Bonds:		
$5,870,600 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of $162,320, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 2.02% .	$ 322,197	$ 956,935
$456,400 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of $13,476, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 3.38%.	26,614	78,515
$2,350,262 revenue refunding bonds Series 2017A, issued May 25, 2017, payable in semi-annual installments of $94,612, including principal and interest, beginning December 1, 2017 through May 1, 2032, interest payable at 2.52%.	1,663,456	1,808,023
$6,800,000 revenue bonds Series 2017 B, issued May 25, 2017, payable in semi-annual installments of $273,742, including principal and interest, beginning December 1, 2017 through May 1, 2032, interest payable at 2.52%.	4,812,867	5,231,144
Revenue bonds, issued July 9, 2009 payable in 35 semiannual installments of $103,810 through September 1, 2029, final payment of $83,981 due March 1, 2030, interest at 3.55%. On October 23, 2014 the Authority received notification of a Cost of Funds reduction from 3.55% to 2.72%. Beginning March 1, 2015, each semi-annual payment decreased to $97,312 with a final installment of $97,312 due March 1, 2030.	1,390,788	1,544,441
Total Direct Borrowings and Placements	$ 8,215,922	$ 9,619,058
Lease Liability:		
$1,334,000 capital lease for financing the acquisition of equipment, due in varying annual maturities, including interest at 2.014%, which is due in semi-annually.	972,000	1,155,000
Net Pension liability	-	1,077,149
Net OPEB liability	200,953	273,189
Compensated absences	552,703	582,121
Total long-term obligations	$ 9,941,578	$ 12,706,517

NOTE 7–COMPENSATED ABSENCES:

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

Authority employees accrue vacation and sick leave at various rates. The Authority has outstanding accrued vacation and sick pay at June 30 in the amount of $552,703 for fiscal year ended June 30, 2022 and $582,121 for fiscal year ended June 30, 2021.

NOTE 8–LITIGATION:

At June 30, 2022, 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 9–CONSTRUCTION COMMITMENT:

At June 30, 2022 the Authority did not have any construction commitments outstanding.

NOTE 10–PENSION PLAN:

Plan Description

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

NOTE 10–PENSION PLAN: (CONTINUED)

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

NOTE 10–PENSION PLAN: (CONTINUED)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2020 and June 30, 2019 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2020 Number	June 30, 2019 Number
Inactive members or their beneficiaries currently receiving benefits	16	16
Inactive members:		
Vested inactive members	6	6
Non-vested inactive members	12	12
Inactive members active elsewhere in VRS	10	10
Total inactive members	28	28
Active members	46	45
Total covered employees	90	89

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the years ended June 30, 2022 and June 30, 2021 was 5.68% and 5.68%, respectively, of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2019.

NOTE 10–PENSION PLAN: (CONTINUED)

Contributions: (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $172,614 and $171,609 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Authority's net pension liability (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions–General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

NOTE 10–PENSION PLAN: (CONTINUED)

Actuarial Assumptions–General Employees: (Continued)

Mortality rates: (Continued)

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on the VRS Board actions effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTE 10–PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTE 10–PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 9,235,843	$ 8,158,694	$ 1,077,149
Changes for the year:			
Service cost	$ 276,191	$ -	$ 276,191
Interest	615,354	-	615,354
Changes of assumptions	122,509	-	122,509
Differences between expected and actual experience	(211,091)	-	(211,091)
Contributions - employer	-	172,263	(172,263)
Contributions - employee	-	165,886	(165,886)
Net investment income	-	2,267,294	(2,267,294)
Benefit payments, including refunds of employee contributions	(238,970)	(238,970)	-
Administrative expenses	-	(5,395)	5,395
Other changes	-	216	(216)
Net changes	$ 563,993	$ 2,361,294	$ (1,797,301)
Balances at June 30, 2021	$ 9,799,836	$ 10,519,988	$ (720,152)

NOTE 10–PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset): (Continued)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 8,288,470	$ 7,974,586	$ 313,884
Changes for the year:			
Service cost	$ 267,968	$ -	$ 267,968
Interest	551,698	-	551,698
Differences between expected and actual experience	358,025	-	358,025
Contributions - employer	-	108,419	(108,419)
Contributions - employee	-	157,724	(157,724)
Net investment income	-	153,552	(153,552)
Benefit payments, including refunds of employee contributions	(230,318)	(230,318)	-
Administrative expenses	-	(5,085)	5,085
Other changes	-	(184)	184
Net changes	$ 947,373	$ 184,108	$ 763,265
Balances at June 30, 2020	$ 9,235,843	$ 8,158,694	$ 1,077,149

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate as of June 30, 2022 and June 30, 2021

The following presents the net pension asset of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Authority's Net Pension Liability (Asset)	Rate (5.75%)	(6.75%)	(7.75%)
June 30, 2022	$ 833,382	$ (720,152)	$ (1,962,548)
June 30, 2021	$ 2,446,236	$ 1,077,149	$ (32,905)

NOTE 10–PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2022, the Authority recognized pension expense of ($42,479). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 270,945	$ 158,917
Change in assumptions	203,070	5,249
Net difference between projected and actual earnings on pension plan investments	-	1,138,042
Employer contributions subsequent to the measurement date	172,614	-
Total	$ 646,629	$ 1,302,208

For the year ended June 30, 2021, the Authority recognized pension expense of $372,176. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 400,263	$ 13,645
Change in assumptions	168,285	42,739
Net difference between projected and actual earnings on pension plan investments	242,203	-
Employer contributions subsequent to the measurement date	171,609	-
Total	$ 982,360	$ 56,384

NOTE 10–PENSION PLAN: (CONTINUED)

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

$172,614 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2023	$	(125,186)
2024		(117,288)
2025		(243,041)
2026		(342,678)
2027		-
Thereafter		-

$171,609 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2022	$	145,848
2023		240,096
2024		247,994
2025		120,429
2026		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the Plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Contributions

The contribution requirements for the Group Life Insurance Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $19,364 and $19,245 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB

At June 30, 2022, the entity reported a liability of $200,953 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.01730% as compared to 0.01640% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $13,657. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $14,033. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB: (Continued)

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,919	$ 1,531
Net difference between projected and actual earnings on GLI OPEB program investments	-	47,963
Change in assumptions	11,078	27,495
Changes in proportion	20,490	1,326
Employer contributions subsequent to the measurement date	19,364	-
Total	$ 73,851	$ 78,315

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,523	$ 2,455
Net difference between projected and actual earnings on GLI OPEB program investments	8,206	-
Change in assumptions	13,663	5,704
Changes in proportion	13,419	1,884
Employer contributions subsequent to the measurement date	19,245	-
Total	$ 72,056	$ 10,043

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB: (Continued)

$19,364 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(4,476)
2024		(3,605)
2025		(4,270)
2026		(11,185)
2027		(292)
Thereafter		-

$19,245 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2022	$	7,730
2023		10,048
2024		10,803
2025		10,133
2026		3,584
Thereafter		470

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates–Non-Largest Ten Locality Employers–General Employees: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021 and 2020, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Plan 2021	Group Life Insurance OPEB Plan 2020
Total GLI OPEB Liability	$ 3,577,346	$ 3,523,937
Plan Fiduciary Net Position	2,413,074	1,855,102
Employers' Net GLI OPEB Liability (Asset)	$ 1,164,272	$ 1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB LIABILITY: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly in the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate as of June 30, 2021 and June 30, 2022

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability			
June 30, 2022	$ 293,600	$ 200,953	$ 126,136
June 30, 2021	$ 359,127	$ 273,189	$ 203,398

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2021-annual-report.pdf , or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 12–RISK MANAGEMENT:

A. The Authority

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

The Authority is a member of the Virginia Risk Sharing Association (VRSA) for its property, automobile, liability, public officials, and workers' compensation coverage. Each association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VRSA contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority carries commercial insurance for all risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

B. Health and Dental

Anthem Blue Cross and Blue Shield administers the group health insurance and prescription programs and Delta Dental administers the group dental insurance for employees and their dependents. The plans are self-insured by the Authority under Fauquier County. The Authority collects employee contributions bi-monthly. Anthem processes claims from the hospitals, doctors, and other health care providers. Fauquier County is then billed for these paid claims and must reimburse Anthem for these costs. Fauquier County then bills the Authority their portion of the claims and administration fees. The program is a minimum premium design subject to an aggregate attachment point and a specific stop loss of $50,000. The stop loss coverage was carved out of the Anthem policy and is administered by Symetra. Symetra insures both medical and prescription claims that are in excess of $50,000. Symetra reimburses the Authority for the amount. The premiums the Authority pays Symetra are based on covered employees.

The dental plans are fully insured by Delta Dental and administered by Fauquier County. Delta Dental processes claims, from dentists and other dental providers, and pays these claims. The Authority is only responsible for the premiums set by Delta Dental.

The Authority has a Health Insurance Reserve of $50,000 held by Fauquier County for claims run out in case of termination of the self-insured plan. In addition, the Authority Board restricted $40,000 in a fund for health insurance.

NOTE 13–SUBSEQUENT EVENTS:

On July 12, 2022, the Authority closed on a $6,177,000 Revenue Bond Series 2022 with Truist Bank to fund the Wastewater SCADA Systems Upgrade Project. The Authority signed a contract on July 12, 2022, with M.C. Dean Inc. in the amount of $4,971,446 to construct the Wastewater SCADA Systems Upgrade Project. On July 22, 2022, the Authority signed a task order with CDM Smith for Engineering and Project Management Services during the Construction of the Wastewater SCADA Systems Upgrade Project in the amount of $1,119,261. The project will be completed over the next two years.

NOTE 14–ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the provisions of GASB Statement Nos. 87, *Leases*, and 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2022. Capital assets and long-term obligations were reclassed and re-named from presentation in prior years to align with reporting requirements as stipulated in GASB Statement No. 87. A restatement of beginning net position was not necessary as a result of implementation of these standards.

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Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018
Total pension liability				
Service cost	$ 276,191	267,968	$ 246,411	$ 244,681
Interest	615,354	551,698	504,181	469,509
Changes in assumptions	122,509	-	281,227	-
Difference between expected and actual experience	(211,091)	358,025	166,548	19,035
Benefit payments, including refunds of employee contributions	(238,970)	(230,318)	(224,975)	(250,832)
Net change in total pension liability	$ 563,993	947,373	$ 973,392	$ 482,393
Total pension liability - beginning	9,235,843	8,288,470	7,315,078	6,832,685
Total pension liability - ending (a)	$ 9,799,836	9,235,843	$ 8,288,470	$ 7,315,078
Plan fiduciary net position				
Contributions - employer	$ 172,263	108,419	$ 105,933	$ 119,358
Contributions - employee	165,886	157,724	146,362	143,020
Net investment income	2,267,294	153,552	503,694	515,935
Benefit payments, including refunds of employee contributions	(238,970)	(230,318)	(224,975)	(250,832)
Administrative expense	(5,395)	(5,085)	(4,822)	(4,358)
Other	216	(184)	(318)	(544)
Net change in plan fiduciary net position	$ 2,361,294	184,108	$ 525,874	$ 522,579
Plan fiduciary net position - beginning	8,158,694	7,974,586	7,448,712	6,926,133
Plan fiduciary net position - ending (b)	$ 10,519,988	8,158,694	$ 7,974,586	$ 7,448,712
Authority's net pension liability (asset) - ending (a) - (b)	$ (720,152)	1,077,149	$ 313,884	$ (133,634)
Plan fiduciary net position as a percentage of the total pension liability	107.35%	88.34%	96.21%	101.83%
Covered payroll	$ 3,563,832	3,369,779	$ 3,098,487	$ 3,002,308
Authority's net pension (asset) liability as a percentage of covered payroll	-20.21%	31.96%	10.13%	-4.45%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 235,183	$ 210,790	$ 210,819	$ 233,185
Interest	454,867	411,798	381,354	351,577
Changes in assumptions	(192,707)	-	-	-
Difference between expected and actual experience	(61,521)	245,293	78,832	-
Benefit payments, including refunds of employee contributions	(202,483)	(302,722)	(169,477)	(149,264)
Net change in total pension liability	$ 233,339	$ 565,159	$ 501,528	$ 435,498
Total pension liability - beginning	6,599,346	6,034,187	5,532,659	5,097,161
Total pension liability - ending (a)	$ 6,832,685	$ 6,599,346	$ 6,034,187	$ 5,532,659
Plan fiduciary net position				
Contributions - employer	$ 120,399	$ 141,775	$ 131,280	$ 166,227
Contributions - employee	141,283	162,447	128,938	121,744
Net investment income	755,805	106,166	264,236	766,252
Benefit payments, including refunds of employee contributions	(202,483)	(302,722)	(169,477)	(149,264)
Administrative expense	(4,233)	(3,680)	(3,477)	(3,968)
Other	(754)	(45)	(56)	41
Net change in plan fiduciary net position	$ 810,017	$ 103,941	$ 351,444	$ 901,032
Plan fiduciary net position - beginning	6,116,116	6,012,175	5,660,731	4,759,699
Plan fiduciary net position - ending (b)	$ 6,926,133	$ 6,116,116	$ 6,012,175	$ 5,660,731
Authority's net pension liability (asset) - ending (a) - (b)	$ (93,448)	$ 483,230	$ 22,012	$ (128,072)
Plan fiduciary net position as a percentage of the total pension liability	101.37%	92.68%	99.64%	102.31%
Covered payroll	$ 2,959,345	$ 2,728,127	$ 2,495,933	$ 2,386,659
Authority's net pension (asset) liability as a percentage of covered payroll	-3.16%	17.71%	0.88%	-5.37%

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 172,614	$ 172,614	$ -	$ 3,617,193	4.77%
2021	171,609	171,609	-	3,563,832	4.82%
2020	108,533	108,533	-	3,369,779	3.22%
2019	105,891	105,891	-	3,098,487	3.42%
2018	124,405	124,405	-	3,002,308	4.14%
2017	129,619	129,619	-	2,959,345	4.38%
2016	145,955	145,955	-	2,728,127	5.35%
2015	133,532	131,280	-	2,495,933	5.26%
2014	166,589	166,589	-	2,386,659	6.98%
2013	163,810	163,810	-	2,346,852	6.98%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.01730%	$ 200,953	$ 3,563,832	5.64%	67.45%
2020	0.01640%	273,189	3,569,779	7.65%	52.64%
2019	0.01581%	257,271	3,098,487	8.30%	52.00%
2018	0.01579%	240,000	3,002,308	7.99%	51.22%
2017	0.01604%	241,000	2,959,345	8.14%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	$ 19,364	$ 19,364	$ -	$ 3,617,193	0.54%
2021	19,245	19,245	-	3,563,832	0.54%
2020	17,523	17,523	-	3,369,779	0.52%
2019	16,112	16,112	-	3,098,487	0.52%
2018	15,732	15,732	-	3,002,308	0.52%
2017	15,389	15,389	-	2,959,345	0.52%
2016	13,095	13,095	-	2,728,127	0.48%
2015	11,994	11,994	-	2,498,762	0.48%
2014	11,456	11,456	-	2,386,659	0.48%
2013	11,265	11,265	-	2,346,852	0.48%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Statistical Section

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

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Net Position by Component
Last Ten years

	Fiscal Years				
	2022	**2021**	**2020**	**2019**	**2018**
Net position:					
Net Investment in capital assets	$ 74,909,014	$ 72,469,768	$ 71,821,673	$ 71,184,508	$ 67,421,966
Restricted	1,015,080	369,386	369,386	369,386	369,386
Unrestricted	15,220,728	15,928,292	15,925,377	15,325,543	13,320,422
Total net position	$ 91,144,822	$ 88,767,446	$ 88,116,436	$ 86,879,437	$ 81,111,774

	Fiscal Years				
	2017	**2016**	**2015**	**2014**	**2013**
Net position:					
Net Investment in capital assets	$ 64,987,481	$ 65,074,202	$ 60,030,622	$ 58,184,968	$ 54,323,804
Restricted	468,724	-	-	111,972	-
Unrestricted	10,881,809	7,996,376	8,011,147	7,413,933	5,110,621
Total net position	$ 76,338,014	$ 73,070,578	$ 68,041,769	$ 65,710,873	$ 59,434,425

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Changes in Net Position
Last Ten Years

	2022	2021	2020
Operating revenues:			
Water service	$ 5,443,990	$ 5,113,110	$ 5,094,624
Sewer service	5,802,569	5,426,486	5,353,484
Septic service	306,174	439,608	439,891
Late charges	152,895	107,643	124,090
Other operating revenues	406,181	968,349	303,788
Total operating revenues	$ 12,111,809	$ 12,055,196	$ 11,315,877
Operating expenses:			
Salaries	$ 3,616,774	$ 3,527,031	$ 3,539,417
Fringe benefits	1,109,622	1,361,582	1,044,151
General and administrative	635,469	475,141	582,573
Operations and maintenance	2,721,844	2,844,547	2,589,780
Depreciation expense	3,870,154	3,796,021	3,504,050
Total operating expenses	$ 11,953,863	$ 12,004,321	$ 11,259,971
Net operating income (loss)	$ 157,946	$ 50,875	$ 55,906
Nonoperating revenue (expenses):			
Availability fees	$ 980,790	$ 828,590	$ 893,800
Interest earned	44,207	47,841	232,502
Interest expense	(247,222)	(280,663)	(300,269)
Insurance proceeds	40,988	4,595	-
Net nonoperating revenue (expenses)	$ 818,763	$ 600,363	$ 826,033
Net income (loss) before capital contributions	$ 976,709	$ 651,238	$ 881,939
Capital Contributions	1,400,439	-	355,060
Change in net position	$ 2,377,148	$ 651,238	$ 1,236,999
Net position, at beginning of year	88,767,674	88,116,436	86,879,437
Net position, at end of year	$ 91,144,822	$ 88,767,674	$ 88,116,436

Source: Fauquier County Water and Sanitation Authority.

* During FY2018, the Authority prospectively implemented GASB Statement No. 75, which resulted in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related items was unavailable. Therefore, the FY2017 amounts related to OPEB have not be restated to reflect the requirements of GASB Statement No. 75.

Table 2

2019	2018	2017	2016	2015	2014	2013
$ 4,793,437	$ 4,630,031	$ 4,351,789	$ 3,438,450	$ 3,519,398	$ 3,290,504	$ 3,278,523
5,144,754	4,867,411	4,515,284	3,874,505	3,524,999	3,390,211	3,202,582
388,808	364,114	387,223	337,780	295,896	222,908	490,042
181,607	194,015	163,712	129,880	151,975	161,898	147,231
276,633	368,109	420,630	334,378	383,291	328,601	294,476
$ 10,785,239	$ 10,423,680	$ 9,838,638	$ 8,114,993	$ 7,875,559	$ 7,394,122	$ 7,412,854
$ 3,093,075	$ 3,167,950	$ 3,135,875	$ 2,848,966	$ 2,622,093	$ 2,515,181	$ 2,338,834
837,296	872,536	984,579	1,138,118	882,093	829,358	926,274
497,459	639,812	584,324	556,190	477,316	537,264	388,643
2,463,265	2,311,448	2,359,475	2,128,639	2,082,445	2,192,251	1,768,958
3,321,632	3,198,751	3,304,507	3,063,090	2,982,641	3,276,736	3,002,676
$ 10,212,727	$ 10,190,497	$ 10,368,760	$ 9,735,003	$ 9,046,588	$ 9,350,790	$ 8,425,385
$ 572,512	$ 233,183	$ (530,122)	$ (1,620,010)	$ (1,171,029)	$ (1,956,668)	$ (1,012,531)
$ 1,670,737	$ 3,043,318	$ 2,295,031	$ 2,095,670	$ 1,952,908	$ 3,687,466	$ 1,168,821
299,055	221,570	81,424	31,869	40,078	32,504	26,253
(315,493)	(349,662)	(250,894)	(168,652)	(188,494)	(219,958)	(495,053)
-	-	-	-	-	-	-
$ 1,654,299	$ 2,915,226	$ 2,125,561	$ 1,958,887	$ 1,804,492	$ 3,500,012	$ 700,021
$ 2,226,811	$ 3,148,409	$ 1,595,439	$ 338,877	$ 633,463	$ 1,543,344	$ (312,510)
3,540,852	1,875,351	1,671,997	4,689,932	1,868,668	4,733,104	2,042,013
$ 5,767,663	$ 5,023,760	$ 3,267,436	$ 5,028,809	$ 2,502,131	$ 6,276,448	$ 1,729,503
81,111,774 *	76,088,014	73,070,578	68,041,769	65,539,638	59,434,425	57,704,922
$ 86,879,437	$ 81,111,774	$ 76,338,014	$ 73,070,578	$ 68,041,769	$ 65,710,873	$ 59,434,425

Schedule of Revenues
Last Ten Fiscal Years

Fiscal Years	Water Service	Sewer Service	Availability Fees	Other Revenues	Total
2013	$ 3,278,523	$ 3,202,582	$ 1,168,821	$ 958,002	$ 8,607,928
2014	3,290,504	3,390,211	3,687,466	745,911	11,114,092
2015	3,519,398	3,524,999	1,952,908	871,240	9,868,545
2016	3,438,450	3,874,505	2,095,670	833,907	10,242,532
2017	4,351,789	4,515,284	2,295,031	1,052,989	12,215,093
2018	4,630,031	4,867,411	3,043,318	1,147,808	13,688,568
2019	4,793,437	5,144,754	1,670,737	1,146,103	12,755,031
2020	5,094,624	5,353,484	893,800	1,100,271	12,442,179
2021	5,113,110	5,426,486	828,590	1,568,036	12,936,222
2022	5,443,990	5,802,569	980,790	950,445	13,177,794

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates
Last Ten Years

Fiscal Year	Water Usage Fee (1)	Water Base Service Fees	Sewer Usage Fee (2)	Sewer Base Service Fees
2013	$ 3.47	$ 18.59	$ 6.83	$ 18.81
2014	3.47	18.59	6.83	18.81
2015	3.70	19.80	7.27	20.03
2016	3.94	21.09	7.74	21.33
2017	4.06	25.59	8.48	25.86
2018	4.35	27.39	9.07	27.67
2019	4.48	28.21	9.34	28.50
2020	4.61	29.05	9.62	29.35
2021	4.61	29.05	9.62	29.35
2022	4.75	29.92	9.91	30.23

(1) This is the first step of several steps in the Water Usage Fee schedule.
(2) There is only one rate for the Sewer Usage Fee.

Source: Fauquier County Water and Sanitation Authority

Schedule of New Connections
Last Ten Fiscal Years

	WATER			***SEWER***		
Fiscal Year	**New Connections**	**Cumulative Connections**	**% of Growth**	**New Connections**	**Cumulative Connections**	**% of Growth**
2013	109	5,279	2.11%	84	3,586	2.40%
2014	187	5,466	3.54%	111	3,697	3.10%
2015	110	5,579	2.01%	115	3,812	3.11%
2016	141	5,717	2.53%	115	3,927	3.02%
2017	171	5,888	2.99%	135	4,062	3.44%
2018	133	6,021	2.26%	134	4,196	3.30%
2019	159	6,180	2.64%	143	4,339	3.41%
2020	56	6,236	0.91%	65	4,404	1.50%
2021	218	6,454	3.50%	195	4,599	4.43%
2022	440	6,894	6.82%	27	4,626	0.59%

Source: Fauquier County Water and Sanitation Authority connection records

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

Fiscal Year	Water Processed	Wastewater Treated
2013	534,209,766	480,046,100
2014	537,318,945	558,264,400
2015	546,562,030	461,156,400
2016	545,205,211	546,088,100
2017	596,703,569	461,951,400
2018	573,800,866	512,976,900
2019	553,532,301	749,957,300
2020	523,397,812	569,722,300
2021	522,518,917	643,819,900
2022	564,763,851	515,840,660

Source: Fauquier County Water and Sanitation Authority

Schedule of Operating Expenses
Last Ten Fiscal Years

Fiscal Years	Salaries	Fringe Benefits	General & Administrative	Operations & Maintenance	Depreciation Expense	Total
2013	$ 2,338,834	$ 926,274	$ 388,643	$ 1,768,958	$ 3,002,676	$ 8,425,385
2014	2,515,181	829,358	537,264	2,192,251	3,276,736	9,350,790
2015	2,622,093	882,093	477,316	2,082,445	2,982,641	9,046,588
2016	2,848,966	1,138,118	556,190	2,128,639	3,113,765	9,785,678
2017	3,135,875	984,579	584,324	2,359,475	3,393,628	10,457,881
2018	3,167,950	872,536	639,812	2,311,448	3,198,751	10,190,497
2019	3,093,075	837,296	497,459	2,463,265	3,321,632	10,212,727
2020	3,539,417	1,044,151	582,573	2,589,780	3,504,050	11,259,971
2021	3,527,031	1,361,809	475,141	2,844,547	3,796,021	12,004,549
2022	3,616,774	1,109,622	635,469	2,721,844	3,870,154	11,953,863

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY **Table 8**

Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year 2022	2021	2020	2019	2018
Revenue Refunding Bond 2017	$ 1,663,456	$ 1,808,023	$ 1,949,016	$ 2,086,521	$ 2,220,626
Revenue Refunding Bond 2017	4,812,867	5,231,144	5,639,076	6,036,920	6,424,924
Revenue Bond 7-9-2009	1,390,788	1,544,441	1,693,999	1,839,568	1,981,259
Revenue Bond 9-20-10	-	-	-	-	125,240
Revenue Refunding Bond 2012	322,197	956,935	1,579,011	2,188,678	2,786,184
Revenue Refunding Bond 2012	26,614	78,515	128,698	177,222	224,138
Lease liability	972,000	1,155,000	1,334,000	-	-
Total outstanding debt	$ 9,187,922	$ 10,774,058	$ 12,323,800	$ 12,328,909	$ 13,762,371
Outstanding debt to personal income (1)	1.60%	2.15%	2.46%	2.66%	3.12%
Debt per capita (1)	$ 125	$ 151	$ 401	$ 442	$ 281

	Fiscal Year 2017	2016	2015	2014	2013
Note Payable - Brookside	$ -	$ -	$ -	$ -	$ 516,150
Revenue Refunding Bond 2017	2,350,262	-	-	-	-
Revenue Refunding Bond 2017	6,800,000	-	-	-	-
Revenue Bond 7-9-2009	2,119,172	2,253,410	2,384,070	2,507,394	2,622,917
Revenue Bond 9-20-10	270,038	410,421	546,525	678,480	806,412
Revenue Bond 11-16-2012	-	1,949,592	273,176	80,341	80,341
Revenue Refunding Bond 2012	3,371,772	3,945,678	4,508,136	5,059,374	5,599,617
Revenue Refunding Bond 2012	269,502	313,364	355,775	396,782	436,432
Total outstanding debt	$ 15,180,746	$ 8,872,465	$ 8,067,682	$ 8,722,371	$ 10,061,869
Outstanding debt to personal income (1)	3.52%	2.17%	2.02%	2.13%	2.63%
Debt per capita	$ 280	$ 289	$ 345	$ 382	$ 476

Source: Fauquier County Water and Sanitation Authority

(1) Personal income and 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	
2013	$ 8,607,928	$ 5,422,709	$ 3,185,219	$ 1,105,769	$ 437,768	$ 1,543,537	2.06
2014	11,114,092	6,074,054	5,040,038	1,339,498	200,278	1,539,776	3.27
2015	9,868,545	6,063,947	3,804,598	847,524	164,159	1,011,683	3.76
2016	10,242,532	6,671,913	3,570,619	871,465	156,916	1,028,381	3.47
2017	12,215,093	7,064,253	5,150,840	892,390	260,741	1,153,131	4.47
2018	13,688,568	6,991,746	6,696,822	1,418,375	367,544	1,785,919	3.75
2019	12,755,031	6,891,095	5,863,936	1,339,109	295,404	1,634,513	3.59
2020	12,442,179	6,891,095	5,551,084	1,370,741	263,772	1,634,513	3.40
2021	12,936,222	8,208,528	4,727,694	1,403,136	231,377	1,634,513	2.89
2022	13,177,794	8,083,709	5,094,085	1,083,787	199,134	1,282,921	3.97

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

Revenue means:

i All rates, fees, rentals, charges, income and money property allocable to the System in accordance with general accepted accounting principles or resulting from the Borrow's ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrow's property,

ii The proceeds of any insurance covering business interruption loss relating to the System,

iii Interest on any money or securities related to the System held by or on behalf of the Borrower,

iv Any other money from other sources pledged by the Borrower to the payment of its Local Bond.

Source: Fauquier County Water and Sanitation Authority

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Estimated Population (1)	Personal Income (expressed in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	County Civilian Labor Force (3)	At-Place Employment Annual Average (3)	School Enrollment (4)
2013	66,131	$ 3,992,753	$ 59,326	5.2%	36,742	21,213	11,032
2014	66,573	4,081,897	59,695	4.8%	36,676	21,076	11,084
2015	67,512	4,316,279	62,832	4.2%	36,626	21,549	11,055
2016	67,898	4,410,308	63,854	3.7%	36,308	22,054	11,042
2017	68,168	4,637,197	66,756	3.4%	36,573	22,116	11,007
2018	69,098	5,002,860	70,787	2.8%	37,212	22,417	11,104
2019	70,150	5,169,053	72,577	2.6%	38,163	22,249	11,153
2020	70,580	5,368,172	62,189	5.7%	36,646	21,969	11,039
2021	70,996	5,730,279	66,305	3.1%	36,977	21,803	11,058
2022	73,291	*	*	2.8%	37,428	*	11,177

Sources: (1) Weldon Cooper Center for Public Service final population estimates as of July 1st for FY2012-FY2020, and provisional estimate for FY2021, as of July 1, 2020.
(2) Bureau of Economic Analysis, calendar year data.
(3) Bureau of Labor Statistics
(4) Fauquier County Schools Adopted Budgets

* Unavailable

Principal Employers
Current Year and Nine Years Ago

Employer	2022 Rank	2022 Number of Employees	2013 Rank	2013 Number of Employees
Fauquier County School Board	1	1000 and Over	1	1,000 and over
Fauquier Health System	2	1000 and Over	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
US Department of Transportation	4	250 to 499	4	250 to 499
Walmart	5	250 to 499	5	100 to 249
Buccaneer Computer Systems, Inc	6	100 to 249		
Town of Warrenton	7	100 to 249	7	100 to 249
Food Lion	8	100 to 249	8	100 to 249
Airlie Foundation	9	100 to 249		
Lord Fairfax Community College	10	100 to 249	10	100 to 249
Pearson Government Solutions, Inc.			6	100-249
Oak Springs Nursing Home			9	100 to 249

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators
Last Ten Fiscal Years

	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY 2015	FY 2014	FY 2013
Water System:										
Number of water systems	16	16	16	16	16	16	16	16	16	14
Number of service connections	6894	6,454	6236	6034	6021	5888	5717	5,576	5,466	5,279
Miles of water mains	143	143	143	143	143	142	142	141	127	100
Daily average consumption per MGD	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38	1.365	1.34
Average daily water distributed per MGD	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38	1.365	1.34
Storage capacity in million gallons	5.904	5.904	5.904	5.904	5.154	5.154	5.154	5.154	5.154	5.154
Sewerage System:										
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Number of pump stations	15	15	15	15	15	14	14	14	14	13
Number of service connections	4626	4,599	4404	4339	4196	4062	3927	3,812	3,697	3,586
Miles of sanitary sewer mains	96	96	96	96	96	91	91	91	91	82
Daily average treatment per MGD	1.23	1.764	1.561	0.857	1.28	1.328	1.492	1.254	1.365	1.319
Design capacity of treatment plants per MGD	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59
***Number of Full-Time Employees:**	47	48	46	47	47	47	46	46	42	44

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY2022 000/gals	FY2022 % of System	FY 2021 000/gals	FY 2021 % of System	FY 2020 000/gals	FY 2020 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	11,472	2.51%	6,892	1.68%	8,281	1.83%
CHUCK DAVIS	ODEC	6,299	1.38%	6,120	1.49%	7,448	1.65%
FEDERAL AVIATION ADM	Federal FFA buliding	5,064	1.11%	3,758	0.91%	4,469	0.99%
ASPEN CLUB APTS/NORTH 40	Apartments	4,920	1.08%		0.00%		0.00%
GOOSE POND GROVE	Apartments	3,863	0.84%				
VILLA AT SUFFIELD MEADOWS	Apartments	3,803	0.83%				
ASPEN SOUTH	Apartments	3,330	0.73%	3,117	0.76%	3,178	0.70%
CEDAR LEE CONDO ASSOCIATES	Apartments	3,293	0.72%	3,147	0.77%	2,650	0.59%
BROOKSIDE HOA	Homeowners Association	2,469	0.54%	9,070	2.21%		0.00%
MINTBROOK SENIOR APARTMENT	Apartments	2,280	0.50%	2,121	0.52%		
WAVERLY STATION	Apartments	1,764	0.39%	6,612	1.61%	1,721	0.38%
SUFFIELD MEADOW CONDO	Condos			4,633	1.13%	1,750	0.39%
NORTH FORTY ASPEN PLUS	Apartments			5,564	1.35%	1,567	0.35%
WAKEFIELD SCHOOL	Private School			923	0.22%	5,632	1.25%
BEALETON VILLAGE CENTER LLC	Shopping Center					2,929	0.65%
VAN MANAGEMENT INC	Marshall McDonalds						0.00%
CEDAR LEE CONDO ASSOCIATES	Apartments						
R. B. DRUMHELLER INC.	Bealeton McDonalds						
Total		48,557	10.62%	51,957	12.64%	39,625	
Total Water System Annual Consumption		457,218		411,072		451,497	

Principal Users of the Sewer System	Principal Business	FY2022 000/gals	FY2022 % of System	FY 2021 000/gals	FY 2021 % of System	FY 2020 000/gals	FY 2020 % of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	10,433	2.20%	6,578	1.51%	11,483	3.93%
FEDERAL AVIATION ADM	Federal FFA building	5,064	1.07%	3,758	0.86%	4,469	1.53%
ASPEN CLUB APTS/NORTH 40	Apartments	4,920	1.04%	2,473	0.57%	3,648	1.25%
GOOSE POND GROVE	Apartments	3,863	0.81%	3,998	0.92%		
ASPEN SOUTH	Apartments	3,330	0.70%	3,117	0.72%	3,231	1.10%
CEDAR LEE CONDO ASSOCIATES	Condos	3,293	0.69%	3,147	0.72%	8,509	2.91%
CHUCK DAVIS	ODEC	2,834	0.60%	2,747	0.63%		0.00%
MINT BROOK SENIOR APARTMENTS	Apartments	2,280	0.48%	2,121	0.49%		
WAVERLY STATION	Apartments	1,764	0.37%		0.00%	1,721	0.59%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	1,455	0.31%	1,273	0.29%	5,735	1.96%
NORTH FORTY ASPEN PLUS	Apartments			1,546	0.36%	1,567	0.54%
BEALETON VILLAGE CENTER LLC	Shopping Center			791	0.18%	8,531	2.92%
OPAL OIL, INC.	Quarles Q Stop					1,293	0.44%
BROOKSIDE HOA	Homeowners Association						
VAN MANAGEMENT INC	Marshall McDonalds						
BLUE RIDGE CHRISTIAN HOME	Nursing Home					8,932	3.05%
R. B. DRUMHELLER INC.	Bealeton McDonalds						
WAKEFIELD SCHOOL	Private School						
Total		39,236	8.26%	31,549	7.24%	31,340	
Total Sewer System Annual Flow		474,733		435,492		292,406	

Table 13

FY 2019		FY 2018		FY 2017		FY 2016		FY 2015		FY 2014		FY 2013	
000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
9,752	2.24%	11,945	2.76%	11,667	1.96%	12,252	2.32%	9,946	1.96%	10,696	2.26%	9,684	2.05%
6,090	1.40%	7,230	1.67%	6,683	1.12%	8,900	1.68%	3,765	0.74%	9,029	1.91%	299	0.06%
6,846	1.58%	5,064	1.17%	13,657	2.30%	2,470	0.47%	3,646	0.72%	3,911	0.83%	3,661	0.77%
						1,080	0.20%	1,879	0.37%	2,347	0.50%	2,753	0.58%
4,900	1.13%	2,638	0.61%	5,826	0.98%	3,191	0.60%	3,165	0.62%	3,223	0.68%	3,168	0.67%
3,500	0.81%	2,654	0.61%	6,960	1.17%	2,880	0.54%	3,562	0.70%			1,840	0.39%
977	0.22%	1,029	0.24%	4,313	0.72%	1,047	0.20%						
1,901	0.44%	1,611	0.37%	3,273	0.55%	1,422	0.27%	1,520	0.30%	1,507	0.32%	1,055	0.22%
1,889	0.43%	1,142	0.26%	5,577	0.94%	12,605	2.38%	2,485	0.49%	3,480	0.74%	3,193	0.68%
1,330	0.31%	1,628	0.38%	3,757	0.63%	1,754	0.33%	1,730	0.34%	1,520	0.32%	1,402	0.30%
								772	0.15%			448	0.09%
985	0.23%							794	0.16%			6,667	1.41%
		1,028	0.24%	2,022	0.34%			1,030	0.20%	1,234	0.26%		
						2,880	0.54%	3,562	0.70%			1,840	0.39%
								790	0.16%	852	0.18%		
38,170	8.78%	9,092	1.76%	63,735	10.71%	48,011	9.08%	35,000	6.90%	33,888	7.17%	32,349	6.83%
434,569		432,214		439,931		404,214		385,873		337,318		334,209	

000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
12,189	3.89%	10,985	3.97%	9,632	1.99%	12,835	2.50%	9,885	1.91%	10,025	1.99%	8,397	1.67%
5,156	1.65%	5,064	1.83%	13,657	2.82%	2,470	0.48%	3,646	0.71%	3,911	0.78%	3,660	0.73%
						1,080	0.21%	1,879	0.36%	2,347	0.47%	2,753	0.55%
3,528	1.13%	2,638	0.95%	5,826	1.20%	3,191	0.62%	3,165	0.61%	3,223	0.64%	3,168	0.63%
4,628	1.48%	2,654	0.96%	6,960	1.44%	2,880	0.56%	3,562	0.69%			1,840	0.37%
						8,900	1.73%	1,970	0.38%	9,029	1.79%	359	0.07%
1,884	0.60%	1,611	0.58%	3,273	0.67%	1,422	0.28%	1,520	0.29%	1,507	0.30%	1,055	0.21%
1,581	0.51%	2,128	0.77%	2,227	0.46%	2,285	0.45%	2,095	0.41%	2,190	0.43%	1,978	0.39%
1,565	0.50%	1,628	0.59%	3,757	0.77%	1,754	0.34%	1,730	0.33%	1,520	0.30%	1,402	0.28%
375	0.12%	930	5.18%	1,981	0.41%			794	0.15%			6,667	1.41%
1,293	0.41%							1,474	0.29%	1,461	0.29%		
1,007	0.32%	259	0.09%	4,313	0.89%	1,047	0.20%						
		1,028	0.37%	2,022	0.42%			1,030	0.20%	1,234	0.24%	1,084	0.22%
								1,271	0.25%			930	0.18%
								790	0.15%	852	0.18%		
								772	0.15%			448	0.09%
33,206	10.61%	17,940	3.85%	53,648	11.06%	35,394	6.90%	31,937	6.18%	21,160	4.19%	27,074	5.37%
286,597		276,755		272,583		254,520		252,564		258,264		280,046	

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Fauquier County Water and Sanitation Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fauquier County Water and Sanitation Authority's basic financial statements and have issued our report thereon dated October 19, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 19, 2022