

Fauquier County
Water and Sanitation Authority

Warrenton, Virginia

**Annual Comprehensive
Financial Report**



**YEARS ENDED
JUNE 30, 2024 AND 2023**

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

WARRENTON, VIRGINIA

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

Prepared by:

Deborah A. Whitley
Director of Finance

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

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OFFICERS AND BOARD MEMBERS

Ross W. D'Urso, Chairperson
A. William Chipman, Vice-Chairperson
Joseph Beaman, Treasurer
Richard Gerhardt, Member
Whitman Robinson, Member

AUDIT COMMITTEE

A. William Chipman
Joseph Beaman

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

FAUQUIER COUNTY
WATER & SANITATION AUTHORITY
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October 29, 2024

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

Gentlemen:

The Annual Comprehensive Financial Report (ACFR) for the Fauquier County Water and Sanitation Authority (Authority) for the year ended June 30, 2024 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, 2024.

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.

The local economy remains steady in Fauquier County as inflation rates decrease from the average 4.1% for calendar year 2023 to 2.5% in August 2024 per the U.S. Bureau of Labor Statistics. Estimated population in Fauquier County as of July 2023 is approximately 73,731. This is expected to exceed 79,584 by the year 2030 and 96,112 by the year 2050. Per the Virginia Employment Commission, as of July 2023, the total civilian labor force in Fauquier County as 39,779. The unemployment rate increased to 2.7% from 2.6% in 2023; just under the 2.8% unemployment rate for the Commonwealth of Virginia in August 2024.

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 129 and 109, respectively, in FY2024. Availability fee revenue increased by \$708,390 and Developer Contributions increased by \$2,435,958 as new development was experienced in the service areas in FY2024 that included a new water treatment facility and two wells along with infrastructure.

*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, regulatory developments, local markets, building approvals, 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.

Regulatory

WASTEWATER

December 31, 2010, State and Federal governments enacted wastewater regulations to improve water quality in the Chesapeake Bay. The vehicle for implementing 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 others have significantly improved Virginia's water quality. The Commonwealth's successes result from the collective effort of the public and private sectors.

Virginia's Phase III Watershed Implementation Plan (WIP III) was completed in August 2019 to achieve nutrient and sediment reductions needed to restore the Chesapeake Bay and its tidal tributaries. It details best management practices and 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 P and N credit trading between 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 were 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 FCWSA initiated this evaluation to determine potential upgrades needed 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 for 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, the EPA Groundwater Rule became effective. The rule increases protection against microbial pathogens in public drinking water supplies that use groundwater sources. This rule requires groundwater systems 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 whether groundwater is not at risk of fecal contamination:

- Periodic sanitary surveys of groundwater systems require the evaluation of eight critical elements and identifying significant deficiencies.
- Source water monitoring to test for the presence of E. coli.
- Corrective actions are 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 achieve at least 99.99 percent (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 LCRR intends 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 due to the corrosion of Pb and Cu containing plumbing materials.

The LCRR requires FCWSA to identify, inventory, and plan for the removal of lead, galvanized needing replacement, and unknown service lines by October 2024. The inventory must identify 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.

As of this writing, the federal regulations regarding perfluoroalkyl and polyfluoroalkyl substances (PFAS) and perfluorooctanoic acid (PFOA) have been set at no more than four parts per trillion in potable water. The deadline for all public water systems to comply with the maximum contaminant level (MCL) is 2029. Preliminary engineering estimates for the Authority to comply with the MCL in its affected publicly operated water systems are more than \$60 million. More time and analysis are required at the federal, state, and local levels to identify the potential financial assistance and impacts on Authority operations.

Budget

Debt service in FY2024 was \$1,640,438.86 and will reduce to \$579,436.76 in FY2034. However, the Authority expects to take on more debt service as the result of the PFAS/PFOA regulations. The Authority adopted an overall \$95.3 million, 5-year Capital Improvement Plan in its FY2025 budget. Of which, \$19.1 million is for its Capital Improvement Plan (CIP) projects for water exploration, sources, storage, and treatment facilities; and \$65.7 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, 2024 have been audited by Robinson, Farmer, Cox Associates, an independent firm of licensed certified public accountants. The fiscal year 2024 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This is the seventeenth 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 annual comprehensive financial report, whose contents conform to program standards. Said report must satisfy both generally accepted accounting principles and applicable legal requirements.

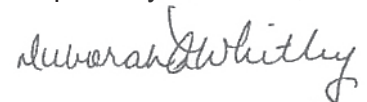
A Certificate of Achievement is valid for a period of one year. The Authority believes our current Annual Comprehensive Financial Report conforms to the Certificate of Achievement Program requirements, and we are submitting the Annual Comprehensive Finance Report to the GFOA to determine its eligibility for a Certificate for FY2024.

The GFOA awarded its Distinguished Budget Presentation Award to the Authority for fiscal year 2024 for the fourth consecutive year.

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.

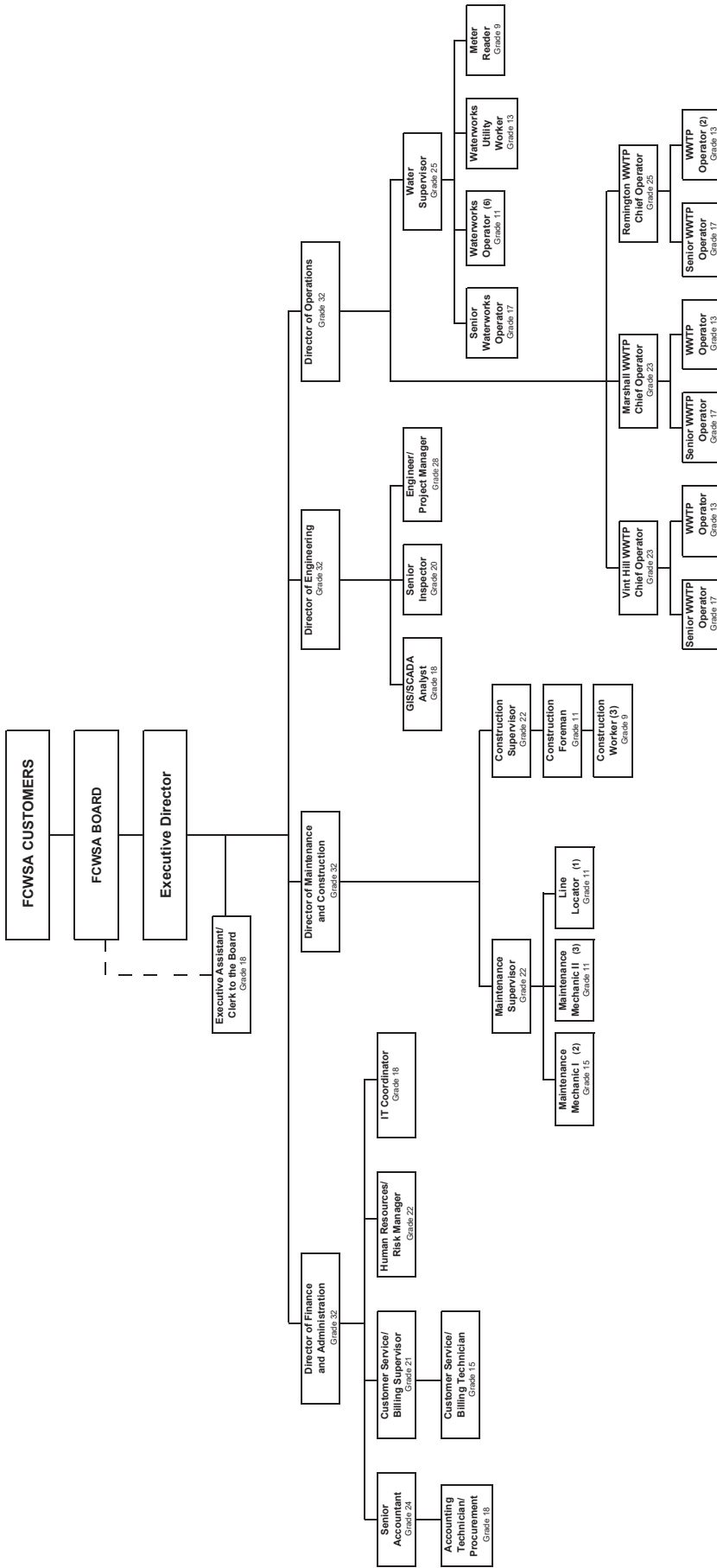
Respectfully submitted,



Deborah A. Whitley
Director of Finance

FCWSA ORGANIZATION

Adopted 5/28/2024
FY2025





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, 2023

Christopher P. Morrill

Executive Director/CEO



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 years ended June 30, 2024 and 2023, 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, 2024 and 2023, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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.

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, *Government 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 16, 2024, 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 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Fauquier County Water and Sanitation Authority's (Authority) financial performance provides a narrative overview of the financial activities of the Authority for the Fiscal Year (FY) ending June 30, 2024. 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 FY2024 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, regulatory, 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 \$10,604,873 due to Developer Contributions of Infrastructure as well as the Cunningham Water Treatment Plant and two Wells and Pump Station; and the completion of the Vint Hill Influent Line, Vint Hill WWTP UV Rehabilitation, Remington Grit Removal System, Remington Clarifier Rehabilitation, addition of 3rd skid at the Bealeton Water Treatment Plant, and purchase of a 16' Dump Truck;
- Construction in Progress projects increased by \$2,430,067;
- Total Net Position increased by \$9,415,913 from \$97,058,418 to \$106,474,331;
- Total Revenues were \$23,121,629; and Total Expenses were \$13,705,716;
- Net Operating Income (Loss) was (\$495,568) in FY2024 and (\$441,551) in FY2023;
- 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 seventeen years. And for the fourth time, the Authority was awarded the Distinguished Budget Presentation Award from GFOA for FY2024.

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 – Statements of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. The Statements 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 Statements 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 Statements of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for debt and capital additions. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the statements.

FINANCIAL ANALYSIS

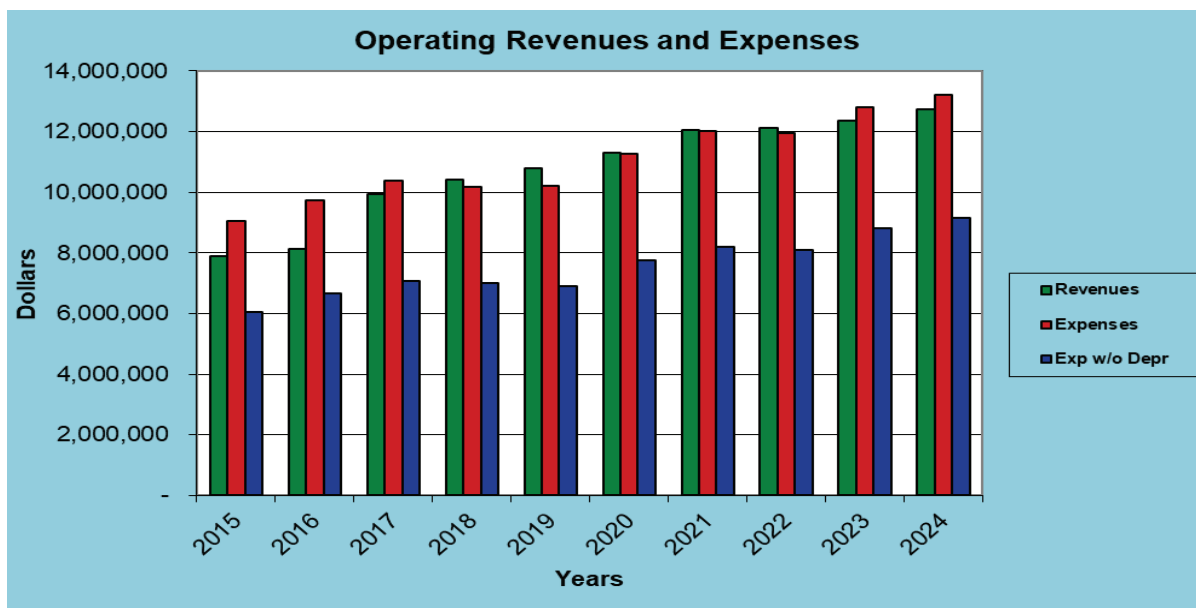
The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved during the year. These two statements help determine the financial health of the organization, 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. Though Operating Revenues did not completely cover Operating Expenses, the Authority maintained its financial strength in FY2024 as Total Net Position increased as described in the following sections of this report.

Net Position and Liabilities - The Authority's **Total Net Position** increased in FY2024 by \$7,497,643, or 9.70%, as compared to Net Position as of June 30, 2023. Total Net Position in FY2023 increased by \$5,913,596, or 6.49%, as compared to Net Position as of June 30, 2022. Total Net Position in FY2022 increased by \$2,377,148, or 2.7%, as compared to Net Position as of June 30, 2021. A significant portion of the increase in FY2024, FY2023, and FY2022 was due to Capital Contributions. Capital contributions were \$6.1, \$3.6, and \$1.4 million in FY2024, FY2023 and FY2022, respectively. Availabilities fees of \$3.1, \$2.4, and \$0.9 million in FY2024, FY2023, and FY2022, respectively, contributed to the increase in Net Position as well. In FY2023 the **Total Liabilities** decreased by \$1.7 million, or 9.8%, due to the reduction in debt service. In FY2024, the Authority had \$39,551 for Subscription based IT arrangements (SPITAs) per GASB 96. Total Liabilities in FY2023 increased by \$5.4 million, or 44.7%, from FY2022 due to a \$6.1 million Revenue Bond for the SCADA Wastewater Upgrade Project. In FY2022 the Total Liabilities decreased by \$3 million, or 2.2%, from FY2021. The following table depicts the Authority's assets and liabilities as of June 30, 2024, 2023, and 2022:

	Net Position		
	2024	2023	2022
Current and other assets	\$ 23,444,366	\$ 26,403,432	\$ 20,091,252
Capital assets	98,561,034	87,956,161	82,618,013
Total assets	122,005,400	114,359,593	102,709,265
Deferred outflows of resources	333,472	480,636	720,480
Total assets and deferred outflows of resources	\$ 122,338,872	\$ 114,840,229	\$ 103,429,745
Noncurrent liabilities	\$ 11,838,516	\$ 13,212,193	\$ 8,615,521
Other liabilities	3,682,633	3,988,638	2,288,592
Total Liabilities	15,521,149	17,200,831	10,904,113
Deferred inflows of resources	343,392	581,980	1,380,810
Total liabilities and deferred inflows of resources	\$ 15,864,541	\$ 17,782,811	\$ 12,284,923
Net position:			
Net investment in capital assets	\$ 88,671,518	\$ 79,753,230	\$ 74,909,014
Restricted	511,459	562,475	1,015,080
Unrestricted	17,291,354	16,742,713	15,220,728
Total net position	\$ 106,474,331	\$ 97,058,418	\$ 91,144,822
Total liabilities, deferred inflows of resources and net position	\$ 122,338,872	\$ 114,841,229	\$ 103,429,745

FINANCIAL ANALYSIS: (Continued)

In FY2024, the **Operating Revenues** were \$12.7 million, a 2.9% increase over FY2023 reflective of Year 2 of the five-year rate increase plan adopted by the Authority Board in June 2022. In FY2023, the Operating Revenues were \$12.4 million, a 2.15% increase over FY2022 reflective of Year 1 of the five-year rate plan. 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 adopted by the Board in 2016 that had been postponed in FY2021 due to COVID-19; 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 FY2024, the **Operating Expenses** increased by \$411,071, a 3.2% increase from FY2023. The increase is reflective in Depreciation, Administration, Fringe Benefits, and Salaries, while Operations and Maintenance decreased. In FY2023, the Operating Expenses increased by \$860,335, a 7.20% increase from FY2022. The increase is reflective in Operations and Maintenance, Depreciation, Administration, and Salaries, while Fringe Benefits decreased. In FY2022, the Operating Expenses decreased by \$50,458, a 0.4% decrease from FY2021. The decrease was reflective in Fringe Benefits and Operations and Maintenance expense while expenses in Salaries, General and Administration, and Depreciation increased. Unlike FY2022, FY2024's and FY2023's Operating Revenues did not completely cover Operating Expenses. Depreciation Expense represents 30.7%, 31.1%, and 32.4% of Operating Expense in FY2024, FY2023, and FY2022, 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.

The Authority had a rate study performed by Stantec in FY2022 that determined rate increases were needed to cover rising operating costs, CIP, R&R, and debt service; as such the Board adopted a 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. As PFAS/PFOA regulations may cost the Authority \$60 million, rate consultants will be used in FY2025 to update availability fees and miscellaneous fees excluding water and sewer user fees.

FINANCIAL ANALYSIS: (Continued)

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, 2024, 2023, and 2022.

Statements of Revenues, Expenses, and Changes in Net Position-- Years Ended June 30, 2024 and 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues:			
Water service	\$ 5,882,986	\$ 5,484,704	\$ 5,443,990
Sewer service	5,981,721	5,909,875	5,802,569
Septic service	344,516	393,420	306,174
Late charges	222,100	178,566	152,895
Other operating revenues	298,378	406,082	406,181
Total operating revenues	<u>\$ 12,729,701</u>	<u>\$ 12,372,647</u>	<u>\$ 12,111,809</u>
Operating expenses:			
Salaries	\$ 3,818,216	\$ 3,654,459	\$ 3,616,774
Fringe benefits	1,149,262	1,005,791	1,109,622
General and administrative	758,844	644,611	635,469
Operations and maintenance	3,433,003	3,517,071	2,721,844
Depreciation expense	4,065,944	3,992,266	3,870,154
Total operating expenses	<u>\$ 13,225,269</u>	<u>\$ 12,814,198</u>	<u>\$ 11,953,863</u>
Net operating income (loss)	<u>\$ (495,568)</u>	<u>\$ (441,551)</u>	<u>\$ 157,946</u>
Nonoperating revenue and expenses:			
Availability fees	\$ 3,113,840	\$ 2,405,450	\$ 980,790
Interest income	983,605	771,051	44,207
Debt issuance costs	-	(35,000)	-
Interest expense	(347,586)	(399,303)	(247,222)
Arbitrage rebate expense	(132,861)	(77,726)	-
Insurance Proceeds	167,850	-	40,988
Net nonoperating revenue	<u>\$ 3,784,848</u>	<u>\$ 2,664,472</u>	<u>\$ 818,763</u>
Net income (loss) before capital contributions	\$ 3,289,280	\$ 2,222,921	\$ 976,709
Capital Contributions	<u>6,126,633</u>	<u>3,690,675</u>	<u>1,400,439</u>
Change in net position	\$ 9,415,913	\$ 5,913,596	\$ 2,377,148
Net position, at beginning of year	<u>97,058,418</u>	<u>91,144,822</u>	<u>88,767,674</u>
Net position, at end of year	<u>\$ 106,474,331</u>	<u>\$ 97,058,418</u>	<u>\$ 91,144,822</u>

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets - The increase in capital assets for FY2024 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	\$ 156,332
Equipment and Machinery	1,710,455
Infrastructure	3,132,111
CIP and R&R Projects	6,510,786

CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)

The largest Construction in Progress projects as of June 30, 2024, were:

SCADA Wastewater Upgrade & Replacement	\$ 4,204,116
High Rock Redrill	848,601
Opal Water System	651,493

The following table shows capital asset balances for the fiscal years ending June 30, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$ 711,060	\$ 702,885	\$ 702,885
Construction in progress	7,460,189	5,030,122	5,147,907
Structures and improvements	72,283,175	65,772,389	62,262,663
Infrastructure	73,396,644	70,264,533	65,015,554
Vehicles	1,757,236	1,600,904	1,328,872
Machinery and equipment	15,995,507	14,285,052	14,174,786
Subscription based IT arrangements	65,998	65,998	-
Financed machinery and equipment	<u>1,315,078</u>	<u>1,315,078</u>	<u>1,315,078</u>
 Total Property & Equipment	 \$ 172,984,887	 \$ 159,036,961	 \$ 149,947,745
 Less: Accumulated Depreciation	 <u>74,423,853</u>	 <u>71,080,800</u>	 <u>67,329,732</u>
 Net property & equipment	 <u>\$ 98,561,034</u>	 <u>\$ 87,956,161</u>	 <u>\$ 82,618,013</u>

Additional information on the capital assets can be reviewed in Note 5.

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 and adopted a five-year rate increase plan. In FY2022, a rate study was performed by Stantec, and 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:

	<u>Cash Balances</u>
FY2024	\$ 17,923,737
FY2025	18,503,837
FY2026	18,641,168
FY2027	19,179,980
FY2028	19,124,189

These projected cash flow balances presume continued economic growth, 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.

CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)

Capital Projects -

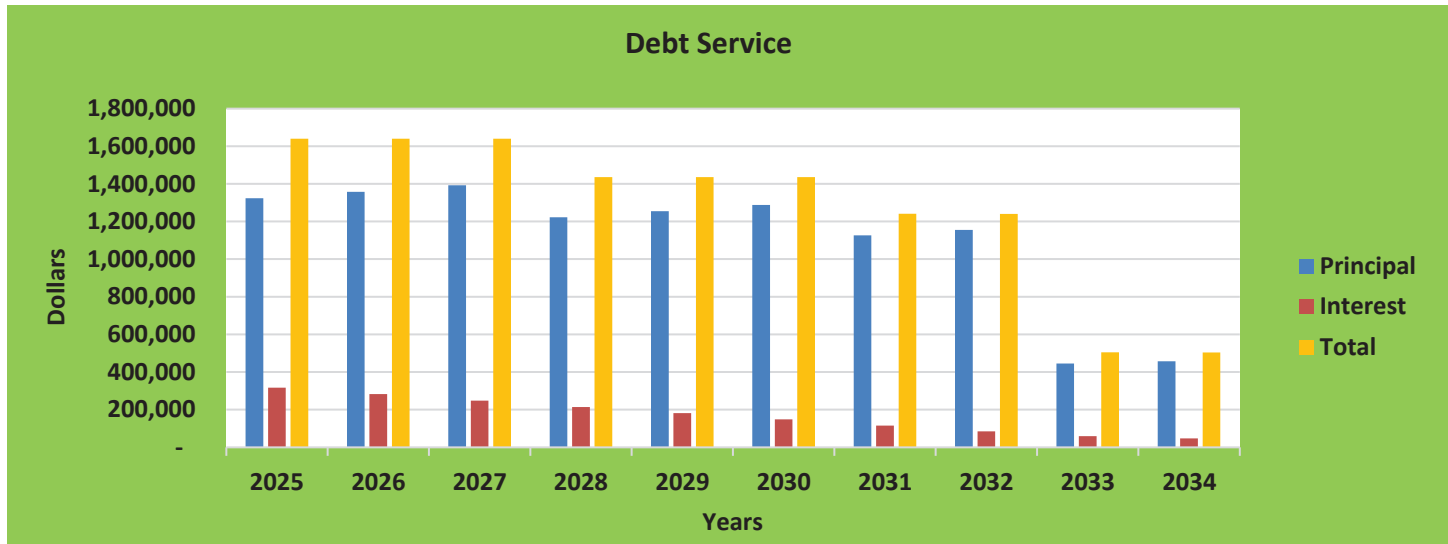
The following is a summary schedule of the Authority’s planned Capital Improvement Projects (CIP) and Replacement and Renewal Projects (R&R) for the next five years:

FAUQUIER COUNTY WATER & SANITATION AUTHORITY FY2025-2029 CIP/R&R Projects Adopted 5/28/2024						
Project	CIP, R&R	FY 2025	FY 2026	FY 2027	FY 2028	FY2029
Opal Water System (County-Funded)	CIP	\$5,217,818	\$5,217,818			
SCADA Wastewater Upgrade and Replacement Project	R&R	\$2,500,000				
PFAS Treatment (System-wide)	R&R	\$2,220,000	\$4,440,000	\$12,580,000	\$12,580,000	\$12,580,000
Marshall Cunningham Farm Water Supply Phase 2	CIP	\$2,062,500	\$2,062,500			
Bealeton - Meadowbrook #1 Return to Service	CIP	\$1,000,000				
Tin Pot Sewer Main Lining	R&R	\$1,000,000				
Remington WWTP Aeration Blower and Header Replacement	R&R	\$540,000				
Bealeton - Second Water Tower	CIP	\$500,000	\$500,000	\$1,500,000	\$1,500,000	
Remington Generator Replacement - estimated 2024/2025 - handwritten PO	R&R	\$400,000				
Water Meter Upgrade Project	R&R	\$250,000	\$10,000	\$10,000	\$10,000	\$10,000
17/66 GreenSand Filter #2	CIP	\$150,000				
Marshall Groundwater Exploration	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Bealeton Groundwater Exploration	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Remington Groundwater Exploration	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Marshall Water Master Plan Phase 2	CIP	\$100,000				
Marshall Wastewater Master Plan	CIP	\$100,000				
Vint Hill WWTP Influent Line Replacement	R&R	\$100,000				
Systemwide Security Upgrades to Water, Wastewater, and Administration Facilities	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Wastewater Systems Major Replacements	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Water System Major Replacements	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Generator Replacement	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
17/66 Storage Tank R&R	R&R	\$100,000				
Water System - Hydrotank Repairs and Cleaning Services (Bethel)	R&R	\$60,000				
Remington Near-Term Septage Mgmt	CIP	\$50,000			\$600,000	
Marshall Frost Street Sewer and Water Upgrade	R&R	\$50,000	\$350,000			
Arc Flash Analysis	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Leak Detection Services and Repairs	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
SCADA Major Repair	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Force Main Evaluations	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Remington Well Automation - The Meadows and The Ridge	R&R	\$25,000				
Marsh Run Lift Station	R&R		\$2,000,000			
Marshall WWTP - Rehabilitate Aeration Tanks	R&R		\$1,000,000			
I/I - Marshall South Main Street and The Plains	R&R		\$600,000	\$500,000	\$500,000	\$200,000
Remington Headworks Mechanical Screening to Microscreening	R&R		\$400,000			
Anderson Avenue Water Main Upgrade Phase 2	R&R		\$300,000			
Fire Hydrant Testing and Maintenance Program	R&R		\$250,000			
Bealeton MS-3 Well Hydrogeological Test	CIP		\$150,000	\$2,000,000		
I/I Bealeton West of CR PS-Flow Area#5, SSES/CIP Development	R&R		\$150,000			
Remington Water Master Plan	CIP		\$100,000			
Waterloo rehabilitation, redrill, tie in well #4	R&R		\$100,000	\$300,000		
New Baltimore Water System Distribution Upgrades	R&R			\$1,000,000	\$1,000,000	\$1,000,000
Replace Centrifuge Remington WWTP	R&R			\$750,000		
Replace belt press/centrifuge Vint Hill	R&R			\$500,000		
I/I - Bealeton East of CR PS - Flow Area #5	R&R			\$400,000		
Bethel Academy Line Replacement	R&R			\$200,000		
New Baltimore Baldwin Ridge Booster Pumping Station	CIP			\$150,000	\$1,500,000	
New Baltimore High Zone Booster Pumping Station	CIP			\$150,000	\$1,500,000	
Control Building Modification Vint Hill	R&R				\$350,000	
Salem Avenue Line Replacement	R&R				\$250,000	
Marshall Distribution Upgrades	CIP					\$2,000,000
The Plains Forcmain Rehab (3 mile line)	R&R					\$1,000,000
New Baltimore Phase 1 Flow Monitoring	R&R					\$100,000
Total Projects		\$17,325,318	\$18,530,318	\$20,940,000	\$20,690,000	\$17,790,000

CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)

Long-Term Debt –

The Authority has four Revenue Bonds and one Lease, totaling \$12,470,197, as of June 30, 2024. The Authority closed on a \$6.1 million 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 and Lease over the next ten years:



More detailed information on the Authority's long-term obligations is presented in Note 6.

ECONOMIC FACTORS

In FY2024, the Authority received \$6,126,633 in Developer Contributions in the form of infrastructure, a water treatment plant, and two wells. Availability Fee Revenue increased by \$708,390 in FY2024 as building projects in the service districts are completed. In FY2024, FY2023, and FY2022 availability fee revenues were \$3,113,840, \$2,405,450, and \$980,790, 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 were just under meeting this goal for FY2024, the effects and costs of inflation, regulatory changes, and the costs of capital replacement make increases to user rates necessary over the next three 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 FY2025 adopted budget includes \$14,046,464 in total revenues, a 3.99% increase from FY2024 and \$15,810,714 in total expenses, a 2.10% increase from FY2024. The FY2025 rate structure increases water user rates by 5.5% and 0% to sewer user rates.

REQUEST FOR INFORMATION

The financial report is intended to provide customers, bondholders, 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 ext.116, or by visiting the Authority's website at www.fcwsa.org.

Basic Financial Statements

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,707,923	\$ 17,853,860
Accounts receivable (net of allowance for doubtful accounts)	1,749,935	1,800,139
Other receivable	208,182	-
Prepaid items	150,738	165,989
Other current assets	<u>21,610</u>	<u>21,610</u>
Total current assets	\$ 19,838,388	\$ 19,841,598
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents:		
Security deposits and construction meter deposits	\$ 201,350	\$ 193,550
Performance bonds	50,627	88,655
Opal water system	294,928	294,928
Unexpended bond proceeds	<u>2,792,542</u>	<u>5,668,154</u>
Total restricted assets	\$ 3,339,447	\$ 6,245,287
Net pension asset	<u>216,531</u>	<u>267,547</u>
Other noncurrent assets	<u>50,000</u>	<u>50,000</u>
Capital Assets:		
Capital assets not being depreciated:		
Land	\$ 711,060	\$ 702,885
Construction in progress	7,460,189	5,030,122
Capital assets being depreciated:		
Structures and improvements	72,283,174	65,772,389
Infrastructure	73,396,644	70,264,533
Vehicles	1,757,236	1,600,904
Machinery and equipment	15,995,508	14,285,052
Subscription asset	65,998	65,998
Lease machinery and equipment	1,315,078	1,315,078
Accumulated depreciation	<u>(74,423,853)</u>	<u>(71,080,800)</u>
Net capital assets	<u>\$ 98,561,034</u>	<u>\$ 87,956,161</u>
Total noncurrent assets	\$ 102,167,012	\$ 94,518,995
Total assets	\$ 122,005,400	\$ 114,360,593
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 281,106	\$ 423,388
OPEB related items	<u>52,366</u>	<u>57,248</u>
Total deferred outflows of resources	\$ 333,472	\$ 480,636
Total assets and deferred outflows of resources	\$ 122,338,872	\$ 114,841,229

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2024 and 2023 (Continued)

	<u>2024</u>	<u>2023</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,622,137	\$ 1,474,237
Accrued interest	27,744	31,019
Retainage payable	172,310	50,589
Revenue bonds - current portion	1,129,383	1,099,936
Financed purchase - current portion	194,000	191,000
Subscription liability - current portion	20,372	19,812
Compensated absences - current portion	54,123	53,568
Unearned revenue	-	728,640
Arbitrage rebate liability	210,587	77,726
Liabilities payable from Restricted Assets:		
Performance bonds	50,627	88,655
Security deposits and construction meter deposits	<u>201,350</u>	<u>193,550</u>
Total current liabilities	<u>\$ 3,682,633</u>	<u>\$ 4,008,732</u>
Noncurrent Liabilities:		
Revenue bonds - less current portion	\$ 10,746,814	\$ 11,876,197
Financed purchase - less current portion	400,000	594,000
Subscription liability - less current portion	19,179	39,551
Compensated absences-less current portion	487,109	482,110
Net OPEB liability	<u>185,414</u>	<u>200,241</u>
Total noncurrent liabilities	<u>\$ 11,838,516</u>	<u>\$ 13,192,099</u>
Total liabilities	<u>\$ 15,521,149</u>	<u>\$ 17,200,831</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 298,578	\$ 533,720
OPEB related items	<u>44,814</u>	<u>48,260</u>
Total deferred inflows of resources	<u>\$ 343,392</u>	<u>\$ 581,980</u>
NET POSITION		
Net investment in capital assets	\$ 88,671,518	\$ 79,753,230
Restricted:		
Opal water system	294,928	294,928
Net pension asset	216,531	267,547
Unrestricted	<u>17,291,354</u>	<u>16,742,713</u>
Total net position	<u>\$ 106,474,331</u>	<u>\$ 97,058,418</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 122,338,872</u>	<u>\$ 114,841,229</u>

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Water service	\$ 5,882,986	\$ 5,484,704
Sewer service	5,981,721	5,909,875
Septic service	344,516	393,420
Late charges	222,100	178,566
Other operating revenues	298,378	406,082
Total operating revenues	<u>\$ 12,729,701</u>	<u>\$ 12,372,647</u>
Operating expenses:		
Salaries	\$ 3,818,216	\$ 3,654,459
Fringe benefits	1,149,262	1,005,791
General and administrative	758,844	644,611
Operations and maintenance	3,433,003	3,517,071
Depreciation expense	4,065,944	3,992,266
Total operating expenses	<u>\$ 13,225,269</u>	<u>\$ 12,814,198</u>
Net operating income (loss)	<u>\$ (495,568)</u>	<u>\$ (441,551)</u>
Nonoperating revenue (expenses):		
Availability fees	\$ 3,113,840	\$ 2,405,450
Interest income	983,605	771,051
Debt issuance costs	-	(35,000)
Interest expense	(347,586)	(399,303)
Arbitrage rebate expense	(132,861)	(77,726)
Insurance proceeds	167,850	-
Net nonoperating revenue (expenses)	<u>\$ 3,784,848</u>	<u>\$ 2,664,472</u>
Net income (loss) before capital contributions	\$ 3,289,280	\$ 2,222,921
Capital Contributions	<u>6,126,633</u>	<u>3,690,675</u>
Change in net position	\$ 9,415,913	\$ 5,913,596
Net position, beginning of year	<u>97,058,418</u>	<u>91,144,822</u>
Net position, end of year	<u><u>\$ 106,474,331</u></u>	<u><u>\$ 97,058,418</u></u>

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 12,059,065	\$ 13,042,006
Payments to suppliers for goods and services	(4,313,569)	(4,182,778)
Payments to and on behalf of employees for services	(5,017,159)	(4,784,081)
Net cash provided by (used for) operating activities	<u>\$ 2,728,337</u>	<u>\$ 4,075,147</u>
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	\$ (8,345,772)	\$ (4,811,413)
Interest payments	(350,861)	(396,831)
Principal payments on long-term obligations	(1,310,748)	(1,610,424)
Proceeds from long-term obligations issued	-	6,242,998
Proceeds from availability fees	3,113,840	2,405,450
Insurance proceeds	167,850	-
Net cash (used for) capital and related financing activities	<u>\$ (6,725,691)</u>	<u>\$ 1,829,780</u>
Cash flows from noncapital financing activities:		
Performance bond	\$ (38,028)	\$ (25,338)
Cash flows from investing activities:		
Interest income	\$ 983,605	\$ 771,051
Net increase (decrease) in cash and cash equivalents	\$ (3,051,777)	\$ 6,650,640
Cash and cash equivalents at beginning of year	<u>24,099,147</u>	<u>17,448,507</u>
Cash and cash equivalents at end of year	<u>\$ 21,047,370</u>	<u>\$ 24,099,147</u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operating activities	\$ (495,568)	\$ (441,551)
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	4,065,944	3,992,266
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	50,204	(181,706)
(Increase) decrease in prepaid items	15,251	(33,439)
(Increase) decrease in other noncurrent assets	-	100,000
Increase (decrease) in compensated absences	5,554	(17,025)
(Increase) decrease in deferred outflows of resources - pension	142,282	223,241
Increase (decrease) in deferred inflows of resources - pension	(235,142)	(768,488)
(Increase) decrease in deferred outflows of resources - OPEB	4,882	16,603
Increase (decrease) in deferred inflows of resources - OPEB	(3,446)	(30,055)
(Increase) decrease in net pension liability/asset	51,016	452,605
Increase (decrease) in net OPEB liability	(14,827)	(712)
Increase (decrease) in operating accounts payable	71,209	47,343
Increase (decrease) in unearned revenue	(728,640)	728,640
Increase (decrease) in security deposits	7,800	22,425
Net cash provided by (used for) operating activities	<u>\$ 2,728,337</u>	<u>\$ 4,110,147</u>
Reconciliation of Cash:		
Cash and cash equivalents	\$ 17,707,923	\$ 17,853,860
Restricted cash and cash equivalents	3,339,447	6,245,287
Total	<u>\$ 21,047,370</u>	<u>\$ 24,099,147</u>
Noncash investing, capital and financing activities		
Contributions of capital assets	\$ 6,126,633	\$ 3,690,675
Increase (decrease) in arbitrage rebate liability	132,861	77,726
Increase (decrease) in retainage payable for capital projects	121,721	50,589

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

A. Basic Financial Statements: (Continued)

- 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

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

E. Capital Assets

Capital assets are tangible and intangible assets include property, plant, equipment, subscriptions, 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 subscription-based IT arrangement, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. A subscription liability and a subscription 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.

Major outlays for capital assets are capitalized as projects are constructed. Depreciation expense totaled \$4,065,946 for the year ended June 30, 2024 and \$3,922,266 for the year ended June 30, 2023.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment subscription assets, and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures and improvements	28 years
Infrastructure	10-50 years
Vehicles	6 years
Machinery and equipment	5-10 years
Subscription assets	3-5 years

F. Subscription-Based IT Arrangements

The Authority has a subscription-based IT arrangement (SBITAs) requiring recognition. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

F. Subscription-Based IT Arrangements: (Continued)

Subscriptions

The Authority recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$3,500, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

Subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses the interest rate stated in subscription 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 subscriptions.
- The subscription term includes the noncancellable period of the subscription and certain periods covered by options to extend to reflect how long the subscription 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 subscription incentives and certain other payments are included in the measurement of the subscription liability.

The Authority monitors changes in circumstances that would require a remeasurement or modification of its subscriptions. The Authority will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription 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 \$113,931 at June 30, 2024 and \$102,339 for the year ended June 30, 2023.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

G. Other Significant Accounting Policies: (Continued)

- 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.

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

L. Non-exchange Transactions

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

N. 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

O. 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.

P. Upcoming Pronouncements

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.

Statement No. 102, Certain Risk Disclosures, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, Financial Reporting Model Improvements, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service. The Authority’s rated debt investments as of June 30, 2024 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	\$ 13,728,536
Virginia State Non-Arbitrage Program	3,283,252
Total	<u>\$ 17,011,788</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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 type	Investment Maturities (in years)	
	Fair Value	Less than 1 yr
Local Government Investment Pool	\$ 13,728,536	\$ 13,728,536
Virginia State Non-Arbitrage Program	3,283,252	3,283,252
Total	\$ 17,011,788	\$ 17,011,788

NOTE 4—RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2024 and 2023 consist of the following:

	Balance June 30, 2023	Balance June 30, 2023
Restricted Assets:		
Security deposits and construction meter deposits	\$ 201,350	\$ 193,550
Performance bonds	50,627	88,655
Opal water system	294,928	294,928
Unexpended bond proceeds	2,792,542	5,668,154
Net pension asset	216,531	267,547
Total restricted assets	\$ 3,555,978	\$ 6,512,834
Restricted net position:		
Less:		
Security deposits and construction meter deposits	(201,350)	(193,550)
Performance bonds	(50,627)	(88,655)
Unexpended bond proceeds	(2,792,542)	(5,668,154)
Total restricted net position	\$ 511,459	\$ 562,475

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 5—CAPITAL ASSETS:

Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated:					
Land	\$ 702,885	\$ 8,175	\$ -	\$ -	\$ 711,060
Construction in progress	<u>5,030,122</u>	<u>7,473,799</u>	<u>5,043,732</u>	<u>-</u>	<u>7,460,189</u>
Total capital assets not being depreciated	<u>\$ 5,733,007</u>	<u>\$ 7,481,974</u>	<u>\$ 5,043,732</u>	<u>\$ -</u>	<u>\$ 8,171,249</u>
Capital assets being depreciated:					
Structures and improvements	\$ 65,772,389	\$ 6,639,210	\$ 128,425	\$ -	\$ 72,283,174
Infrastructure	70,264,533	3,132,111	-	-	73,396,644
Vehicles	1,600,904	225,862	69,530	-	1,757,236
Machinery and equipment	14,285,052	2,235,392	524,936	-	15,995,508
Subscription asset	65,998	-	-	-	65,998
Financed machinery and equipment	<u>1,315,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,078</u>
Total capital assets being depreciated	<u>\$ 153,303,954</u>	<u>\$ 12,232,575</u>	<u>\$ 722,891</u>	<u>\$ -</u>	<u>\$ 164,813,638</u>
Accumulated depreciation:					
Structures and improvements	\$ 34,537,176	\$ 2,078,285	\$ 128,425	\$ -	\$ 36,487,036
Infrastructure	22,133,790	1,425,799	-	-	23,559,589
Vehicles	1,165,975	127,456	69,530	-	1,223,901
Machinery and equipment	12,750,379	251,860	494,936	-	12,507,303
Subscription asset	6,769	20,307	-	-	27,076
Financed machinery and equipment	<u>486,711</u>	<u>162,237</u>	<u>-</u>	<u>-</u>	<u>648,948</u>
Total accumulated depreciation	<u>\$ 71,080,800</u>	<u>\$ 4,065,944</u>	<u>\$ 692,891</u>	<u>\$ -</u>	<u>\$ 74,453,853</u>
Total capital assets being depreciated, net	<u>\$ 82,223,154</u>	<u>\$ 8,166,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,389,785</u>
Business-type activities capital assets, net	<u>\$ 87,956,161</u>	<u>\$ 15,648,605</u>	<u>\$ 5,043,732</u>	<u>\$ -</u>	<u>\$ 98,561,034</u>

Depreciation expense for the year ended June 30, 2024 totaled \$4,065,944.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2023:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 702,885	\$ -	\$ -	\$ -	\$ 702,885
Construction in progress	5,147,907	5,062,718	5,180,503	-	5,030,122
Total capital assets not being depreciated	\$ 5,850,792	\$ 5,062,718	\$ 5,180,503	\$ -	\$ 5,733,007
Capital assets being depreciated:					
Structures and improvements	\$ 62,262,663	\$ 3,509,726	\$ -	\$ -	\$ 65,772,389
Infrastructure	65,015,554	5,248,979	-	-	70,264,533
Vehicles	1,328,872	300,000	99,162	71,194	1,600,904
Machinery and equipment	14,174,786	323,496	142,036	(71,194)	14,285,052
Subscription asset	-	65,998	-	-	65,998
Financed machinery and equipment	1,315,078	-	-	-	1,315,078
Total capital assets being depreciated	\$ 144,096,953	\$ 9,448,199	\$ 241,198	\$ -	\$ 153,303,954
Accumulated depreciation:					
Structures and improvements	\$ 32,368,809	\$ 2,168,367	\$ -	\$ -	\$ 34,537,176
Infrastructure	20,812,337	1,321,453	-	-	22,133,790
Vehicles	1,012,102	181,841	99,162	71,194	1,165,975
Machinery and equipment	12,812,010	151,599	142,036	(71,194)	12,750,379
Subscription asset	-	6,769	-	-	6,769
Financed machinery and equipment	324,474	162,237	-	-	486,711
Total accumulated depreciation	\$ 67,329,732	\$ 3,992,266	\$ 241,198	\$ -	\$ 71,080,800
Total capital assets being depreciated, net	\$ 76,767,221	\$ 5,455,933	\$ -	\$ -	\$ 82,223,154
Business-type activities capital assets, net	\$ 82,618,013	\$ 10,518,651	\$ 5,180,503	\$ -	\$ 87,956,161

Depreciation expense for the year ended June 30, 2023 totaled \$3,992,266.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

Computation of net investment in capital assets:

	Balance June 30, 2024	Balance June 30, 2023
Net capital assets	\$ 98,561,034	\$ 87,956,161
Revenue bonds	(11,876,197)	(12,976,133)
Financed purchase	(594,000)	(785,000)
Subscription liability	(39,551)	(59,363)
Debt proceeds received but unexpended on capital assets	2,792,542	5,668,154
Retainage payable	<u>(172,310)</u>	<u>(50,589)</u>
Net investment in capital assets	<u><u>\$ 88,671,518</u></u>	<u><u>\$ 79,753,230</u></u>

The following is a summary of capital project activity for the fiscal year ending June 30, 2024 and 2023:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Bealeton WTP 3rd Skid	\$ 1,172,192	\$ 304,492	\$ 1,476,684	\$ -
SCADA Wastewater Upgrade	1,332,792	2,871,325	-	4,204,117
Vint Hill Sewer Main Rehab	528,556	561,173	1,089,729	-
Opal Water System	253,587	397,907	-	651,494
High Rock Well Redrill	95,248	753,353	-	848,601
Rogues Road Rehabilitation	-	324,754	-	324,754
Miscellaneous projects	<u>1,647,747</u>	<u>2,260,795</u>	<u>2,477,319</u>	<u>1,431,223</u>
Total construction in progress	<u><u>\$ 5,030,122</u></u>	<u><u>\$ 7,473,799</u></u>	<u><u>\$ 5,043,732</u></u>	<u><u>\$ 7,460,189</u></u>

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Whiting Road Project	\$ 580,025	\$ 140	\$ 580,165	\$ -
Marshall Salem Wells	2,902,517	47,768	2,950,285	-
Bealeton WTP 3rd Skid	-	1,172,192	-	1,172,192
SCADA Wastewater Upgrade	-	1,332,792	-	1,332,792
Vint Hill Sewer Main Rehab	-	528,556	-	528,556
Miscellaneous projects	<u>1,665,365</u>	<u>1,981,270</u>	<u>1,650,053</u>	<u>1,996,582</u>
Total construction in progress	<u><u>\$ 5,147,907</u></u>	<u><u>\$ 5,062,718</u></u>	<u><u>\$ 5,180,503</u></u>	<u><u>\$ 5,030,122</u></u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2024 and 2023:

Description	Beginning Balance July 1, 2023	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2024	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 12,976,133	\$ -	\$ 1,099,936	\$ 11,876,197	\$ 1,129,383
Total direct borrowings and placements	\$ 12,976,133	\$ -	\$ 1,099,936	\$ 11,876,197	\$ 1,129,383
Financed purchase	785,000	-	191,000	594,000	194,000
Subscription liability	59,363	-	19,812	39,551	20,372
Net OPEB liability	200,241	88,947	103,774	185,414	-
Compensated absences	535,678	238,778	233,224	541,232	54,123
Total	<u>\$ 14,556,415</u>	<u>\$ 327,725</u>	<u>\$ 1,647,746</u>	<u>\$ 13,236,394</u>	<u>\$ 1,397,878</u>

Description	Beginning Balance July 1, 2022	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2023	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 8,215,922	\$ 6,177,000	\$ 1,416,789	\$ 12,976,133	\$ 1,099,936
Total direct borrowings and placements	\$ 8,215,922	\$ 6,177,000	\$ 1,416,789	\$ 12,976,133	\$ 1,099,936
Financed purchase	972,000	-	187,000	785,000	191,000
Subscription liability	-	65,998	6,635	59,363	19,812
Net OPEB liability	200,953	126,633	127,345	200,241	-
Compensated absences	552,703	239,250	256,275	535,678	53,568
Total	<u>\$ 9,941,578</u>	<u>\$ 6,608,881</u>	<u>\$ 1,994,044</u>	<u>\$ 14,556,415</u>	<u>\$ 1,364,316</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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		Financed Purchase		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,129,383	\$ 306,376	\$ 194,000	\$ 10,010	\$ 20,372	\$ 797
2026	1,159,333	276,354	198,000	6,062	19,179	224
2027	1,189,798	245,539	202,000	2,034	-	-
2028	1,221,791	213,902	-	-	-	-
2029	1,254,327	181,416	-	-	-	-
2030	1,287,418	148,066	-	-	-	-
2031	1,126,133	115,149	-	-	-	-
2032	1,155,014	84,605	-	-	-	-
2033	445,000	59,441	-	-	-	-
2034	457,000	46,858	-	-	-	-
2035	470,000	33,926	-	-	-	-
2036	484,000	20,618	-	-	-	-
2037	497,000	6,933	-	-	-	-
Total	\$ <u>11,876,197</u>	\$ <u>1,739,183</u>	\$ <u>594,000</u>	\$ <u>18,106</u>	\$ <u>39,551</u>	\$ <u>1,021</u>

Revenue bonds totaling \$11,876,197 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Direct Borrowings and Placements:		
Revenue Bonds:		
\$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%.	\$ 1,363,229	\$ 1,515,222
\$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%.	3,944,224	4,383,983
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.	1,070,744	1,232,928
\$6,177,000 revenue bonds Series 2022, issued July 12, 2022, with principal payable in annual installments of varying amounts starting at \$333,000 and interest payable in semi-installments of varying amounts starting at \$73,244, beginning December 15, 2022 through December 15, 2036, interest payable at 2.79%.	<u>5,498,000</u>	<u>5,844,000</u>
Total Direct Borrowings and Placements	<u>\$ 11,876,197</u>	<u>\$ 12,976,133</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

	<u>2024</u>	<u>2023</u>
Financed Purchase:		
\$1,223,000 for financing the acquisition of equipment, due in varying annual maturities, including interest at 2.014%, which is due in semi-annually.	\$ 594,000	\$ 785,000
Subscription Liability:		
Subscription based IT arrangement for Lixup GPS System with recurring monthly payments of \$1,768 beginning March 2023 through June 2026, interest at 2.79%.	39,551	59,363
Net OPEB liability	185,414	200,241
Compensated absences	<u>541,232</u>	<u>535,678</u>
Total long-term obligations	<u>\$ 13,236,394</u>	<u>\$ 14,556,415</u>

NOTE 7—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 \$541,232 for fiscal year ended June 30, 2024 and \$535,678 for fiscal year ended June 30, 2023.

NOTE 8—LITIGATION:

At June 30, 2024, 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 9—CONSTRUCTION COMMITMENT:

At June 30, 2024 the Authority had the following construction commitments outstanding:

<u>Projects</u>	<u>Contract Amount</u>	<u>Expenses to Date</u>	<u>Balance</u>
Wastewater SCADA Upgrades	\$ 6,554,937	\$ 3,497,045	\$ 3,057,892
Opal GW System - Task 2	414,645	395,552	19,093
New Baltimore Water Well System Expansion	<u>351,179</u>	<u>341,124</u>	<u>10,055</u>
Total	<u>\$ 7,320,761</u>	<u>\$ 4,233,721</u>	<u>\$ 3,087,040</u>

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.

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Benefit Structures (Continued)

- 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.

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2022 and June 30, 2021 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	<u>June 30, 2022</u> Number	<u>June 30, 2021</u> Number
Inactive members or their beneficiaries currently receiving benefits	18	17
Inactive members:		
Vested inactive members	7	6
Non-vested inactive members	12	10
Inactive members active elsewhere in VRS	<u>8</u>	<u>9</u>
Total inactive members	<u>27</u>	<u>25</u>
Active members	<u>46</u>	<u>46</u>
Total covered employees	<u><u>91</u></u>	<u><u>88</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the years ended June 30, 2024 and June 30, 2023 was 5.34% and 5.34%, respectively, of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2021.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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 \$156,622 and \$152,964 for the years ended June 30, 2024 and June 30, 2023, 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, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023.

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, 2022, 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, 2023.

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2022 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, 2021. 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

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

*The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2023, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 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, 2022	\$ 10,339,257	\$ 10,606,804	\$ (267,547)
Changes for the year:			
Service cost	\$ 279,343	\$ -	\$ 279,343
Interest	706,167	-	706,167
Changes of assumptions	-	-	-
Differences between expected and actual experience	70,480	-	70,480
Contributions - employer	-	152,772	(152,772)
Contributions - employee	-	165,930	(165,930)
Net investment income	-	692,744	(692,744)
Benefit payments, including refunds of employee contributions	(313,743)	(313,743)	-
Administrative expenses	-	(6,752)	6,752
Other changes	-	280	(280)
Net changes	<u>\$ 742,247</u>	<u>\$ 691,231</u>	<u>\$ 51,016</u>
Balances at June 30, 2023	<u>\$ 11,081,504</u>	<u>\$ 11,298,035</u>	<u>\$ (216,531)</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2021	\$ 9,799,836	\$ 10,519,988	\$ (720,152)
Changes for the year:			
Service cost	\$ 289,697	\$ -	\$ 289,697
Interest	673,250	-	673,250
Changes of assumptions	-	-	-
Differences between expected and actual experience	(192,620)	-	(192,620)
Contributions - employer	-	173,238	(173,238)
Contributions - employee	-	168,460	(168,460)
Net investment income	-	(17,774)	17,774
Benefit payments, including refunds of employee contributions	(230,906)	(230,906)	-
Administrative expenses	-	(6,451)	6,451
Other changes	-	249	(249)
Net changes	<u>\$ 539,421</u>	<u>\$ 86,816</u>	<u>\$ 452,605</u>
Balances at June 30, 2022	<u>\$ 10,339,257</u>	<u>\$ 10,606,804</u>	<u>\$ (267,547)</u>

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

The following presents the net pension asset of the Authority using the discount rate of 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:

<u>Authority's Net Pension Liability (Asset)</u>	<u>Rate</u>		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
June 30, 2024	\$ 1,576,990	\$ (216,531)	\$ (1,734,523)
June 30, 2023	\$ 1,409,732	\$ (267,547)	\$ (1,591,565)

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2024, the Authority recognized pension expense of \$114,587. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 95,732	\$ 147,740
Change in assumptions	28,752	-
Net difference between projected and actual earnings on pension plan investments	-	150,838
Employer contributions subsequent to the measurement date	<u>156,622</u>	<u>-</u>
Total	<u>\$ 281,106</u>	<u>\$ 298,578</u>

For the year ended June 30, 2023, the Authority recognized pension expense of \$60,946. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 155,077	\$ 248,801
Change in assumptions	115,347	-
Net difference between projected and actual earnings on pension plan investments	-	284,919
Employer contributions subsequent to the measurement date	<u>152,964</u>	<u>-</u>
Total	<u>\$ 423,388</u>	<u>\$ 533,720</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

\$156,622 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, 2025. 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

2025	\$	(121,312)
2026		(220,952)
2027		163,538
2028		4,632
2029		-
Thereafter		-

\$152,964 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, 2024. 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

2024	\$	(18,216)
2025		(143,971)
2026		(243,611)
2027		142,502
2028		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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 \$9,254 as of June 30, 2024.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

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, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$20,354 and \$19,516 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2024 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the expenses of the financial statements.

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, 2024, the entity reported a liability of \$185,414 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022 and rolled forward to the measurement date of June 30, 2023. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.01546% as compared to 0.01660% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$8,524. 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, 2023, the participating employer recognized GLI OPEB expense of \$10,586. 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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)

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,518	\$ 5,628
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,451
Change in assumptions	3,963	12,846
Changes in proportion	9,531	18,889
Employer contributions subsequent to the measurement date	<u>20,354</u>	<u>-</u>
Total	<u>\$ 52,366</u>	<u>\$ 44,814</u>

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,857	\$ 8,033
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,512
Change in assumptions	7,469	19,504
Changes in proportion	14,406	8,211
Employer contributions subsequent to the measurement date	<u>19,516</u>	<u>-</u>
Total	<u>\$ 57,248</u>	<u>\$ 48,260</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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)

\$20,354 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, 2025. 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:

<u>Year Ended June 30</u>		
2025	\$	(1,902)
2026		(8,077)
2027		1,567
2028		(3,632)
2029		(607)
Thereafter		-

\$19,516 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, 2024. 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:

<u>Year Ended June 30</u>		
2024	\$	(679)
2025		(1,347)
2026		(8,003)
2027		2,453
2028		(2,952)
Thereafter		-

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2022, 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, 2023. 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 ACFR.

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 Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety 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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2022 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, 2021. 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
Line of Duty Disability	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, 2023 and 2022, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Plan	
	2023	2022
Total GLI OPEB Liability	\$ 3,907,052	\$ 3,672,085
Plan Fiduciary Net Position	2,707,739	2,467,989
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,199,313</u>	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.20%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

*The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly in the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 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

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, 2024	\$ 274,841	\$ 185,414	\$ 113,111
June 30, 2023	\$ 291,374	\$ 200,241	\$ 126,593

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2024 and 2023 (Continued)

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.

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 279,343	\$ 289,697	\$ 276,191	\$ 267,968	\$ 246,411
Interest	706,167	673,250	615,354	551,698	504,181
Changes in assumptions	-	-	122,509	-	281,227
Difference between expected and actual experience	70,480	(192,620)	(211,091)	358,025	166,548
Benefit payments, including refunds of employee contributions	(313,743)	(230,906)	(238,970)	(230,318)	(224,975)
Net change in total pension liability	<u>\$ 742,247</u>	<u>\$ 539,421</u>	<u>\$ 563,993</u>	<u>\$ 947,373</u>	<u>\$ 973,392</u>
Total pension liability - beginning	10,339,257	9,799,836	9,235,843	8,288,470	7,315,078
Total pension liability - ending (a)	<u><u>\$ 11,081,504</u></u>	<u><u>\$ 10,339,257</u></u>	<u><u>\$ 9,799,836</u></u>	<u><u>\$ 9,235,843</u></u>	<u><u>\$ 8,288,470</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 152,772	\$ 173,238	\$ 172,263	\$ 108,419	\$ 105,933
Contributions - employee	165,930	168,460	165,886	157,724	146,362
Net investment income	692,744	(17,774)	2,267,294	153,552	503,694
Benefit payments, including refunds of employee contributions	(313,743)	(230,906)	(238,970)	(230,318)	(224,975)
Administrative expense	(6,752)	(6,451)	(5,395)	(5,085)	(4,822)
Other	280	249	216	(184)	(318)
Net change in plan fiduciary net position	<u>\$ 691,231</u>	<u>\$ 86,816</u>	<u>\$ 2,361,294</u>	<u>\$ 184,108</u>	<u>\$ 525,874</u>
Plan fiduciary net position - beginning	10,606,804	10,519,988	8,158,694	7,974,586	7,448,712
Plan fiduciary net position - ending (b)	<u><u>\$ 11,298,035</u></u>	<u><u>\$ 10,606,804</u></u>	<u><u>\$ 10,519,988</u></u>	<u><u>\$ 8,158,694</u></u>	<u><u>\$ 7,974,586</u></u>
Authority's net pension liability (asset) - ending (a) - (b)	\$ (216,531)	\$ (267,547)	\$ (720,152)	\$ 1,077,149	\$ 313,884
Plan fiduciary net position as a percentage of the total pension liability	101.95%	102.59%	107.35%	88.34%	96.21%
Covered payroll	\$ 3,641,030	\$ 3,617,193	\$ 3,563,832	\$ 3,369,779	\$ 3,098,487
Authority's net pension (asset) liability as a percentage of covered payroll	-5.95%	-7.40%	-20.21%	31.96%	10.13%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2023

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 244,681	\$ 235,183	\$ 210,790	\$ 210,819	\$ 233,185
Interest	469,509	454,867	411,798	381,354	351,577
Changes in assumptions	-	(192,707)	-	-	-
Difference between expected and actual experience	19,035	(61,521)	245,293	78,832	-
Benefit payments, including refunds of employee contributions	(250,832)	(202,483)	(302,722)	(169,477)	(149,264)
Net change in total pension liability	<u>\$ 482,393</u>	<u>\$ 233,339</u>	<u>\$ 565,159</u>	<u>\$ 501,528</u>	<u>\$ 435,498</u>
Total pension liability - beginning	6,832,685	6,599,346	6,034,187	5,532,659	5,097,161
Total pension liability - ending (a)	<u><u>\$ 7,315,078</u></u>	<u><u>\$ 6,832,685</u></u>	<u><u>\$ 6,599,346</u></u>	<u><u>\$ 6,034,187</u></u>	<u><u>\$ 5,532,659</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 119,358	\$ 120,399	\$ 141,775	\$ 131,280	\$ 166,227
Contributions - employee	143,020	141,283	162,447	128,938	121,744
Net investment income	515,935	755,805	106,166	264,236	766,252
Benefit payments, including refunds of employee contributions	(250,832)	(202,483)	(302,722)	(169,477)	(149,264)
Administrative expense	(4,358)	(4,233)	(3,680)	(3,477)	(3,968)
Other	(544)	(754)	(45)	(56)	41
Net change in plan fiduciary net position	<u>\$ 522,579</u>	<u>\$ 810,017</u>	<u>\$ 103,941</u>	<u>\$ 351,444</u>	<u>\$ 901,032</u>
Plan fiduciary net position - beginning	6,926,133	6,116,116	6,012,175	5,660,731	4,759,699
Plan fiduciary net position - ending (b)	<u><u>\$ 7,448,712</u></u>	<u><u>\$ 6,926,133</u></u>	<u><u>\$ 6,116,116</u></u>	<u><u>\$ 6,012,175</u></u>	<u><u>\$ 5,660,731</u></u>
Authority's net pension liability (asset) - ending (a) - (b)	\$ (133,634)	\$ (93,448)	\$ 483,230	\$ 22,012	\$ (128,072)
Plan fiduciary net position as a percentage of the total pension liability	101.83%	101.37%	92.68%	99.64%	102.31%
Covered payroll	\$ 3,002,308	\$ 2,959,345	\$ 2,728,127	\$ 2,495,933	\$ 2,386,659
Authority's net pension (asset) liability as a percentage of covered payroll	-4.45%	-3.16%	17.71%	0.88%	-5.37%

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2015 through June 30, 2024

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)
2024	\$ 156,622	\$ 156,622	\$ -	\$ 3,769,273	4.16%
2023	152,964	152,964	-	3,641,030	4.20%
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%

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

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2024

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, 2022 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, 2021. 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, 2023

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)
2023	0.01546% \$	185,414 \$	3,641,030	5.09%	69.30%
2022	0.01660%	200,241	3,617,193	5.54%	67.21%
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, 2015 through June 30, 2024

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)
2024	\$ 20,354	\$ 20,354	\$ -	\$ 3,769,273	0.54%
2023	19,516	19,516	-	3,641,030	0.54%
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%

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2024

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, 2022 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, 2021. 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

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Revenue, Rates and Usage Information

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Expenses

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

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Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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Other Information

These tables contain miscellaneous data

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

Net Position by Component
Last Ten years

	Fiscal Years				
	2024	2023	2022	2021	2020
Net position:					
Net Investment in capital assets	\$ 88,671,518	\$ 79,753,230	\$ 74,909,014	\$ 72,469,768	\$ 71,821,673
Restricted	511,459	562,475	1,015,080	369,386	369,386
Unrestricted	17,291,354	16,742,713	15,220,728	15,928,292	15,925,377
Total net position	\$ <u>106,474,331</u>	\$ <u>97,058,418</u>	\$ <u>91,144,822</u>	\$ <u>88,767,446</u>	\$ <u>88,116,436</u>

	Fiscal Years				
	2019	2018	2017	2016	2015
Net position:					
Net Investment in capital assets	\$ 71,184,508	\$ 67,421,966	\$ 64,987,481	\$ 65,074,202	\$ 60,030,622
Restricted	369,386	369,386	468,724	-	-
Unrestricted	15,325,543	13,320,422	10,881,809	7,996,376	8,011,147
Total net position	\$ <u>86,879,437</u>	\$ <u>81,111,774</u>	\$ <u>76,338,014</u>	\$ <u>73,070,578</u>	\$ <u>68,041,769</u>

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Table 2
Page 1 of 2

Changes in Net Position
Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues:					
Water service	\$ 5,882,986	\$ 5,484,704	\$ 5,443,990	\$ 5,113,110	\$ 5,094,624
Sewer service	5,981,721	5,909,875	5,802,569	5,426,486	5,353,484
Septic service	344,516	393,420	306,174	439,608	439,891
Late charges	222,100	178,566	152,895	107,643	124,090
Other operating revenues	298,378	406,082	406,181	968,349	303,788
Total operating revenues	<u>\$ 12,729,701</u>	<u>\$ 12,372,647</u>	<u>\$ 12,111,809</u>	<u>\$ 12,055,196</u>	<u>\$ 11,315,877</u>
Operating expenses:					
Salaries	\$ 3,818,216	\$ 3,654,459	\$ 3,616,774	\$ 3,527,031	\$ 3,539,417
Fringe benefits	1,149,262	1,005,791	1,109,622	1,361,809	1,044,151
General and administrative	758,844	644,611	635,469	475,141	582,573
Operations and maintenance	3,433,003	3,517,071	2,721,844	2,844,547	2,589,780
Depreciation expense	4,065,944	3,992,266	3,870,154	3,796,021	3,504,050
Total operating expenses	<u>\$ 13,225,269</u>	<u>\$ 12,814,198</u>	<u>\$ 11,953,863</u>	<u>\$ 12,004,549</u>	<u>\$ 11,259,971</u>
Net operating income (loss)	<u>\$ (495,568)</u>	<u>\$ (441,551)</u>	<u>\$ 157,946</u>	<u>\$ 50,647</u>	<u>\$ 55,906</u>
Nonoperating revenue (expenses):					
Availability fees	\$ 3,113,840	\$ 2,405,450	\$ 980,790	\$ 828,590	\$ 893,800
Interest earned	983,605	771,051	44,207	47,841	232,502
Debt issuance costs	-	(35,000)	-	-	-
Interest expense	(347,586)	(399,303)	(247,222)	(280,663)	(300,269)
Abitrage rebate expense	(132,861)	(77,726)	-	-	-
Insurance proceeds	167,850	-	40,988	4,595	-
Net nonoperating revenue (expenses)	<u>\$ 3,784,848</u>	<u>\$ 2,664,472</u>	<u>\$ 818,763</u>	<u>\$ 600,363</u>	<u>\$ 826,033</u>
Net income (loss) before capital contributions	\$ 3,289,280	\$ 2,222,921	\$ 976,709	\$ 651,010	\$ 881,939
Capital Contributions	<u>6,126,633</u>	<u>3,690,675</u>	<u>1,400,439</u>	<u>-</u>	<u>355,060</u>
Change in net position	\$ 9,415,913	\$ 5,913,596	\$ 2,377,148	\$ 651,010	\$ 1,236,999
Net position, at beginning of year	<u>97,058,418</u>	<u>91,144,822</u>	<u>88,767,674</u>	<u>88,116,436</u>	<u>86,879,437</u>
Net position, at end of year	<u>\$ 106,474,331</u>	<u>\$ 97,058,418</u>	<u>\$ 91,144,822</u>	<u>\$ 88,767,446</u>	<u>\$ 88,116,436</u>

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Changes in Net Position
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:					
Water service	\$ 4,793,437	\$ 4,630,031	\$ 4,351,789	\$ 3,438,450	\$ 3,519,398
Sewer service	5,144,754	4,867,411	4,515,284	3,874,505	3,524,999
Septic service	388,808	364,114	387,223	337,780	295,896
Late charges	181,607	194,015	163,712	129,880	151,975
Other operating revenues	276,633	368,109	420,630	334,378	383,291
Total operating revenues	<u>\$ 10,785,239</u>	<u>\$ 10,423,680</u>	<u>\$ 9,838,638</u>	<u>\$ 8,114,993</u>	<u>\$ 7,875,559</u>
Operating expenses:					
Salaries	\$ 3,093,075	\$ 3,167,950	\$ 3,135,875	\$ 2,848,966	\$ 2,622,093
Fringe benefits	837,296	872,536	984,579	1,138,118	882,093
General and administrative	497,459	639,812	584,324	556,190	477,316
Operations and maintenance	2,463,265	2,311,448	2,359,475	2,128,639	2,082,445
Depreciation expense	3,321,632	3,198,751	3,304,507	3,063,090	2,982,641
Total operating expenses	<u>\$ 10,212,727</u>	<u>\$ 10,190,497</u>	<u>\$ 10,368,760</u>	<u>\$ 9,735,003</u>	<u>\$ 9,046,588</u>
Net operating income (loss)	<u>\$ 572,512</u>	<u>\$ 233,183</u>	<u>\$ (530,122)</u>	<u>\$ (1,620,010)</u>	<u>\$ (1,171,029)</u>
Nonoperating revenue (expenses):					
Availability fees	\$ 1,670,737	\$ 3,043,318	\$ 2,295,031	\$ 2,095,670	\$ 1,952,908
Interest earned	299,055	221,570	81,424	31,869	40,078
Debt issuance costs	-	-	-	-	-
Interest expense	(315,493)	(349,662)	(250,894)	(168,652)	(188,494)
Abitrage rebate expense	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Net nonoperating revenue (expenses)	<u>\$ 1,654,299</u>	<u>\$ 2,915,226</u>	<u>\$ 2,125,561</u>	<u>\$ 1,958,887</u>	<u>\$ 1,804,492</u>
Net income (loss) before capital contributions	<u>\$ 2,226,811</u>	<u>\$ 3,148,409</u>	<u>\$ 1,595,439</u>	<u>\$ 338,877</u>	<u>\$ 633,463</u>
Capital Contributions	<u>3,540,852</u>	<u>1,875,351</u>	<u>1,671,997</u>	<u>4,689,932</u>	<u>1,868,668</u>
Change in net position	<u>\$ 5,767,663</u>	<u>\$ 5,023,760</u>	<u>\$ 3,267,436</u>	<u>\$ 5,028,809</u>	<u>\$ 2,502,131</u>
Net position, at beginning of year	<u>81,111,774</u> *	<u>76,088,014</u>	<u>73,070,578</u>	<u>68,041,769</u>	<u>65,539,638</u>
Net position, at end of year	<u>\$ 86,879,437</u>	<u>\$ 81,111,774</u>	<u>\$ 76,338,014</u>	<u>\$ 73,070,578</u>	<u>\$ 68,041,769</u>

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Table 3

Schedule of Revenues
Last Ten Fiscal Years

Fiscal Years	Water Service	Sewer Service	Availability Fees	Other Revenues	Total
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
2023	5,484,704	5,909,875	2,405,450	1,749,119	15,549,148
2024	5,882,986	5,981,721	3,113,840	2,016,449	16,994,996

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
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
2023	5.94	22.24	11.57	25.99
2024	6.29	23.57	11.57	25.99

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

Source: Fauquier County Water and Sanitation Authority

Schedule of New Connections
Last Ten Fiscal Years

Fiscal Year	WATER			SEWER		
	New Connections	Cumulative Connections	% of Growth	New Connections	Cumulative Connections	% of Growth
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%
2023	135	7,029	1.96%	25	4,651	0.54%
2024	129	7,158	1.84%	109	4,760	2.34%

Source: Fauquier County Water and Sanitation Authority connection records

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

Calendar Year	Water Processed	Wastewater Treated
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
2023	580,081,373	626,842,557
2024	460,955,262	329,951,049

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Table 7

Schedule of Operating Expenses
Last Ten Fiscal Years

Fiscal Years	Salaries	Fringe Benefits	General & Administrative	Operations & Maintenance	Depreciation Expense	Total
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
2023	3,654,459	1,005,791	644,611	3,517,071	3,992,266	12,814,198
2024	3,818,216	1,149,262	758,844	3,433,003	4,065,944	13,225,269

Source: Fauquier County Water and Sanitation Authority

Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year				
	2024	2023	2022	2021	2020
Revenue Refunding Bond 2017	\$ 1,363,229	\$ 1,515,222	\$ 1,663,456	\$ 1,808,023	\$ 1,949,016
Revenue Refunding Bond 2017	3,944,224	4,383,984	4,812,867	5,231,144	5,639,076
Revenue Bond 7-9-2009	1,070,744	1,232,928	1,390,788	1,544,441	1,693,999
Revenue Refunding Bond 2012	-	-	322,197	956,935	1,579,011
Revenue Refunding Bond 2012	-	-	26,614	78,515	128,698
Revenue Bond 2022	5,498,000	5,844,000	-	-	-
Financed Purchase	594,000	785,000	972,000	1,155,000	1,334,000
Subscription liability	39,551	59,363	-	-	-
Total outstanding debt	\$ 12,509,748	\$ 13,820,497	\$ 9,187,922	\$ 10,774,058	\$ 12,323,800
Outstanding debt to personal income (1)	2.02%	2.40%	1.60%	2.15%	2.46%
Debt per capita (1)	\$ 151	\$ 187	\$ 125	\$ 151	\$ 401

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenue Refunding Bond 2017	\$ 2,086,521	\$ 2,220,626	\$ 2,350,262	\$ -	\$ -
Revenue Refunding Bond 2017	6,036,920	6,424,924	6,800,000	-	-
Revenue Bond 7-9-2009	1,839,568	1,981,259	2,119,172	2,253,410	2,384,070
Revenue Bond 9-20-10	-	125,240	270,038	410,421	546,525
Revenue Bond 11-16-2012	-	-	-	1,949,592	273,176
Revenue Refunding Bond 2012	2,188,678	2,786,184	3,371,772	3,945,678	4,508,136
Revenue Refunding Bond 2012	177,222	224,138	269,502	313,364	355,775
Total outstanding debt	\$ 12,328,909	\$ 13,762,371	\$ 15,180,746	\$ 8,872,465	\$ 8,067,682
Outstanding debt to personal income (1)	2.66%	3.12%	3.52%	2.17%	2.02%
Debt per capita	\$ 442	\$ 281	\$ 280	\$ 289	\$ 345

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	
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	12,936,222	6,891,095	6,045,127	1,370,741	263,772	1,634,513	3.70
2021	13,177,794	8,083,709	5,094,085	1,403,136	231,377	1,634,513	3.12
2022	13,177,794	8,083,709	5,094,085	1,083,787	199,134	1,282,921	3.97
2023	15,549,149	8,821,932	6,727,217	1,099,936	335,616	1,435,552	4.69
2024	16,994,996	9,159,325	7,835,671	1,129,383	306,376	1,435,759	5.46

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

Revenue means:

- i All rates, fees, rentals, charges, income and money property allocable to the System in accordance with general accepted accounting principles or resulting from the Borrower's ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrower's property,
- ii The proceeds of any insurance covering business interruption loss relating to the System,
- iii Interest on any money or securities related to the System held by or on behalf of the Borrower,
- iv Any other money from other sources pledged by the Borrower to the payment of its Local Bond.

Source: Fauquier County Water and Sanitation Authority

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Estimated Population (1)</u>	<u>Personal Income (expressed in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>	<u>County Civilian Labor Force (3)</u>	<u>At-Place Employment Annual Average (3)</u>	<u>School Enrollment (4)</u>
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	73,536	6,187,539	82,872	2.8%	37,428	21,924	11,177
2023	73,731	*	*	2.6%	39,779	22,360	10,839
2024	*	*	*	2.7%	*	*	10,845

- 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	2024		2015		Number of Employees
	Rank	Number of Employees	Employer	Rank	
Fauquier County School Board	1	1,000 and over	Fauquier County School Board	1	1,000 and over
Fauquier County Government	2	500 to 999	Fauquier County Government	3	500 to 999
Fauquier Health System	3	500 to 999	Fauquier Health System	2	500 to 999
US Department of Transportation	4	250 to 499	US Department of Transportation	4	250 to 499
Walmart	5	100 to 249	Walmart	5	100 to 249
Apt-Ability	6	100 to 249	Apt-Ability		
Town of Warrenton	7	100 to 249	Town of Warrenton	7	100 to 249
Food Lion	8	100 to 249	Food Lion	8	100 to 249
White Horse Opco LLC	9	100 to 249	White Horse Opco LLC		
CES Consulting LLC	10	100 to 249	CES Consulting LLC		
Buccaneer Computer System, Inc.			Buccaneer Computer System, Inc.	6	100 to 249
Arlie Foundation			Arlie Foundation	9	100 to 249
Laurel Ridge (Lord Fairfax) Community College			Laurel Ridge (Lord Fairfax) Community College	10	100 to 249

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water System:										
Number of water systems	16	16	16	16	16	16	16	16	16	16
Number of service connections	7158	7029	6894	6,454	6236	6034	6021	5888	5717	5,576
Miles of water mains	75	145	143	143	143	143	143	142	142	141
Daily average consumption per MGD	1.59	1.59	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38
Average daily water distributed per MGD	1.59	1.59	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38
Storage capacity in million gallons	5.904	5.904	5.904	5.904	5.904	5.904	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	17	15	15	15	15	15	15	14	14	14
Number of service connections	4760	4651	4626	4,599	4404	4339	4196	4062	3927	3,812
Miles of sanitary sewer mains	97	97	96	96	96	96	96	91	91	91
Daily average treatment per MGD	1	1.71	1.23	1.764	1.561	0.857	1.28	1.328	1.492	1.254
Design capacity of treatment plants per MGD	3.60	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59
Number of Full-Time Employees:	48	46	47	48	46	47	47	47	46	46

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Table 13
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Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY2024		FY2023		FY2022	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	9,287	2.09%	9,249	1.94%	11,472	2.51%
Chuck Davis	ODEC	3,332	0.75%	4,993	1.05%	6,299	1.38%
Federal Aviation Adm	Federal FFA Building	5,090	1.14%	4,152	0.87%	5,064	1.11%
Aspen Club Apts/North 40	Apartments	4,957	1.11%	4,089	0.86%	4,920	1.08%
Goose Pond Grove	Apartments	3,837	0.86%	3,912	0.82%	3,863	0.84%
Ryan Homes	Builder			3,766	0.79%		
Aspen South	Apartments	3,340	0.75%	3,477	0.73%	3,330	0.73%
Villa At Suffield Meadows	Apartments	2,720	0.61%	3,169	0.67%	3,803	0.83%
Cedar Lee Condo Associates	Apartments	2,282	0.51%	2,836	0.60%	3,293	0.72%
Mintbrook Senior Apartment	Apartments	2,042	0.46%	2,168	0.46%	2,280	0.50%
Peter Pan Llc	Buckland	1,268	0.29%				
Brookside Hoa	Homeowners Association					2,469	0.54%
Waverly Station	Apartments					1,764	0.39%
Suffield Meadow Condo	Condos						
North Forty Aspen Plus	Apartments						
Wakefield School	Private School						
Bealeton Village Center Llc	Shopping Center						
Van Management Inc	Marshall McDonalds						
Cedar Lee Condo Associates	Apartments						
R. B. Drumheller Inc.	Bealeton McDonalds						
Total		38,155	8.58%	41,811	8.79%	48,557	10.62%
Total Water System Annual Consumption		444,834		475,689		457,218	

Principal Users of the Sewer System	Principal Business	FY2024		FY2023		FY2022	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	8,395	1.77%	8,622	1.77%	10,433	2.20%
Federal Aviation Adm	Federal FFA Building	5,090	1.07%	4,152	0.85%	5,064	1.07%
Aspen Club Apts/North 40	Apartments	4,957	1.04%	4,089	0.84%	4,920	1.04%
Goose Pond Grove	Apartments	3,837	0.81%	3,912	0.80%	3,863	0.81%
Aspen South	Apartments	3,340	0.70%	3,478	0.71%	3,330	0.70%
Chuck Davis	ODEC	2,605	0.55%	3,201	0.66%	2,834	0.60%
Cedar Lee Condo Associates	Condos	2,282	0.48%	2,836	0.58%	3,293	0.69%
Mint Brook Senior Apartments	Apartments	2,042	0.43%	2,168	0.44%	2,280	0.48%
3Gs Enterprises Inc	Bealeton McDonalds	1,404	0.30%				
Waverly Station	Apartments			1,856	0.38%	1,764	0.37%
Ryan Homes	Builder	1,318	0.28%	1,613	0.33%		
Sheetz # 221 Utilities	Convenience Store, Gas Station					1,455	0.31%
North Forty Aspen Plus	Apartments						
Bealeton Village Center Llc	Shopping Center						
Opal Oil, Inc.	Quarles Q Stop						
Brookside Hoa	Homeowners Association						
Van Management Inc	Marshall McDonalds						
Blue Ridge Christian Home	Nursing Home						
R. B. Drumheller Inc.	Bealeton McDonalds						
Wakefield School	Private School						
Total		35,270	7.42%	35,927	7.37%	39,236	8.26%
Total Sewer System Annual Flow		475,552		487,202		474,733	

Source: Fauquier County Water and Sanitation Authority

Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY 2021		FY 2020		FY 2019	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	6,892	1.68%	8,281	1.83%	9,752	2.24%
Chuck Davis	ODEC	6,120	1.49%	7,448	1.65%	6,090	1.40%
Federal Aviation Adm	Federal FFA Building	3,758	0.91%	4,469	0.99%	6,846	1.58%
Aspen Club Apts/North 40	Apartments						
Goose Pond Grove	Apartments						
Ryan Homes	Builder						
Aspen South	Apartments	3,117	0.76%	3,178	0.70%	4,900	1.13%
Villa At Suffield Meadows	Apartments						
Cedar Lee Condo Associates	Apartments	3,147	0.77%	2,650	0.59%	3,500	0.81%
Mintbrook Senior Apartment	Apartments	2,121	0.52%				
Peter Pan Llc	Buckland						
Brookside Hoa	Homeowners Association	9,070	2.21%			977	0.22%
Waverly Station	Apartments	6,612	1.61%	1,721	0.38%	1,901	0.44%
Suffield Meadow Condo	Condos	4,633	1.13%	1,750	0.39%	1,889	0.43%
North Forty Aspen Plus	Apartments	5,564	1.35%	1,567	0.35%	1,330	0.31%
Wakefield School	Private School	923	0.22%	5,632	1.25%		
Bealeton Village Center Llc	Shopping Center			2,929	0.65%	985	0.23%
Van Management Inc	Marshall McDonalds						
Cedar Lee Condo Associates	Apartments						
R. B. Drumheller Inc.	Bealeton McDonalds						
Total		51,957	12.64%	39,625	8.78%	38,170	8.78%
Total Water System Annual Consumption		411,072		451,497		434,569	

Principal Users of the Sewer System	Principal Business	FY 2021		FY 2020		FY 2019	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	6,578	1.51%	11,483	3.93%	12,189	3.89%
Federal Aviation Adm	Federal FFA Building	3,758	0.86%	4,469	1.53%	5,156	1.65%
Aspen Club Apts/North 40	Apartments	2,473	0.57%	3,648	1.25%		
Goose Pond Grove	Apartments	3,998	0.92%				
Aspen South	Apartments	3,117	0.72%	3,231	1.10%	3,528	1.13%
Chuck Davis	ODEC	2,747	0.63%				
Cedar Lee Condo Associates	Condos	3,147	0.72%	8,509	2.91%	4,628	1.48%
Mint Brook Senior Apartments	Apartments	2,121	0.49%				
3Gs Enterprises Inc	Bealeton McDonalds						
Waverly Station	Apartments			1,721	0.59%	1,884	0.60%
Ryan Homes	Builder						
Sheetz # 221 Utilities	Convenience Store, Gas Station	1,273	0.29%	5,735	1.96%	1,581	0.51%
North Forty Aspen Plus	Apartments	1,546	0.36%	1,567	0.54%	1,565	0.50%
Bealeton Village Center Llc	Shopping Center	791	0.18%	8,531	2.92%	375	0.12%
Opal Oil, Inc.	Quarles Q Stop			1,293	0.44%	1,293	0.41%
Brookside Hoa	Homeowners Association					1,007	0.32%
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		31,549	7.24%	59,119	20.22%	33,206	10.61%
Total Sewer System Annual Flow		435,492		292,406		286,597	

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY 2018		FY 2017		FY 2016		FY 2015	
		000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	11,945	2.76%	11,667	1.96%	12,252	2.32%	9,946	1.96%
Chuck Davis	ODEC	7,230	1.67%	6,683	1.12%	8,900	1.68%	3,765	0.74%
Federal Aviation Adm	Federal FFA Building	5,064	1.17%	13,657	2.30%	2,470	0.47%	3,646	0.72%
Aspen Club Apts/North 40	Apartments					1,080	0.20%	1,879	0.37%
Goose Pond Grove	Apartments								
Ryan Homes	Builder								
Aspen South	Apartments	2,638	0.61%	5,826	0.98%	3,191	0.60%	3,165	0.62%
Villa At Suffield Meadows	Apartments								
Cedar Lee Condo Associates	Apartments	2,654	0.61%	6,960	1.17%	2,880	0.54%	3,562	0.70%
Mintbrook Senior Apartment	Apartments								
Peter Pan Lic	Buckland								
Brookside Hoa	Homeowners Association	1,029	0.24%	4,313	0.72%	1,047	0.20%		
Waverly Station	Apartments	1,611	0.37%	3,273	0.55%	1,422	0.27%	1,520	0.30%
Suffield Meadow Condo	Condos	1,142	0.26%	5,577	0.94%	12,605	2.38%	2,485	0.49%
North Forty Aspen Plus	Apartments	1,628	0.38%	3,757	0.63%	1,754	0.33%	1,730	0.34%
Wakefield School	Private School							772	0.15%
Bealeton Village Center Llc	Shopping Center							794	0.16%
Van Management Inc	Marshall McDonalds	1,028	0.24%	2,022	0.34%			1,030	0.20%
Cedar Lee Condo Associates	Apartments					2,880	0.54%	3,562	0.70%
R. B. Drumheller Inc.	Bealeton McDonalds							790	0.16%
Total		35,969	8.32%	63,735	10.71%	50,481	9.54%	38,646	7.62%
Total Water System Annual Consumption		432,214		439,931		404,214		385,873	

Principal Users of the Sewer System	Principal Business	FY 2018		FY 2017		FY 2016		FY 2015	
		000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
Fauquier County Public Schools	Public Schools	10,985	3.97%	9,632	1.99%	12,835	2.50%	9,885	1.91%
Federal Aviation Adm	Federal FFA Building	5,064	1.83%	13,657	2.82%	2,470	0.48%	3,646	0.71%
Aspen Club Apts/North 40	Apartments					1,080	0.21%	1,879	0.36%
Goose Pond Grove	Apartments								
Aspen South	Apartments	2,638	0.95%	5,826	1.20%	3,191	0.62%	3,165	0.61%
Chuck Davis	ODEC					8,900	1.73%	1,970	0.38%
Cedar Lee Condo Associates	Condos	2,654	0.96%	6,960	1.44%	2,880	0.56%	3,562	0.69%
Mint Brook Senior Apartments	Apartments								
3Gs Enterprises Inc	Bealeton McDonalds								
Waverly Station	Apartments	1,611	0.58%	3,273	0.67%	1,422	0.28%	1,520	0.29%
Ryan Homes	Builder								
Sheetz # 221 Utilities	Convenience Store, Gas Station	2,128	0.77%	2,227	0.46%	2,285	0.45%	2,095	0.41%
North Forty Aspen Plus	Apartments	1,628	0.59%	3,757	0.77%	1,754	0.34%	1,730	0.33%
Bealeton Village Center Llc	Shopping Center	930	5.18%	1,981	0.41%			794	0.15%
Opal Oil, Inc.	Quarles Q Stop							1,474	0.29%
Brookside Hoa	Homeowners Association	259	0.09%	4,313	0.89%	1,047	0.20%		
Van Management Inc	Marshall McDonalds	1,028	0.37%	2,022	0.42%			1,030	0.20%
Blue Ridge Christian Home	Nursing Home							1,271	0.25%
R. B. Drumheller Inc.	Bealeton McDonalds							790	0.15%
Wakefield School	Private School							772	0.15%
Total		28,925	15.30%	53,648	11.06%	37,864	7.38%	35,583	6.88%
Total Sewer System Annual Flow		276,755		272,583		254,520		252,564	

Source: Fauquier County Water and Sanitation Authority



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, 2024, 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 16, 2024.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Fauquier County Water and Sanitation Authority 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 16, 2024