

FAIRFAX COUNTY WATER AUTHORITY

REPORT TO THE FINANCE AND AUDIT COMMITTEE

APRIL 20, 2017



ASSURANCE, TAX & ADVISORY SERVICES



To the Finance and Audit Committee
Fairfax County Water Authority
Fairfax, Virginia

We are pleased to present this report related to our audit of the basic financial statements and compliance of Fairfax County Water Authority (Authority) for the year ended December 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial and compliance reporting process.

This report is intended solely for the information and use of the Finance and Audit Committee and Management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

PB Mares, LLP

Harrisonburg, Virginia
April 20, 2017

FAIRFAX COUNTY WATER AUTHORITY

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FAIRFAX COUNTY WATER AUTHORITY

REQUIRED COMMUNICATIONS

Year Ended December 31, 2016

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit and compliance reporting process, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement and Compliance Audit	Our responsibilities under auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States; and <i>Specifications for Audits of Authorities, Boards, and Commissions</i> provided by the Auditor of Public Accounts of the Commonwealth of Virginia have been described to you in our arrangement letter dated January 17, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement and Compliance Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. During the current year, the Authority adopted GASB Statement No. 72, <i>Fair Value Measurement and Application</i> , GASB Statement No. 73, <i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68</i> , and <i>Amendments to Certain Provisions of GASB Statements 67 and 68</i> , GASB Statement No. 76, <i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i> , and GASB Statement No. 79, <i>Certain External Investment Pools and Pool Participants</i> .

FAIRFAX COUNTY WATER AUTHORITY

REQUIRED COMMUNICATIONS (Continued)

Year Ended December 31, 2016

Area	Comments
Accounting Policies and Practices (Continued)	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

FAIRFAX COUNTY WATER AUTHORITY

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended December 31, 2016

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority’s December 31, 2016 financial statements:

Estimate	Accounting Policy	Management’s Estimation Process	Basis for Our Conclusion on Reasonableness of Estimate
Capital Assets	<p>Estimated lives of depreciable and amortizable assets</p> <p>Acquisition value of donated property</p> <p>Capitalized indirect project costs</p>	<p>Management assigns lives to assets purchased or constructed internally based on the expected useful life of those assets or the product associated with those assets.</p> <p>Management assigns value to property donated to the Authority based on the acquisition value of the asset at the time of donation.</p> <p>Management estimates the percentage of staff time spent on construction related activities during the year.</p>	<p>While these estimates are based on historical information, management should continue to monitor the lives assigned to the Authority’s assets to ensure the recovery period of these costs are accurate.</p> <p>While these values are based on historical information, management should continue to evaluate recorded values to ensure that the assets are accurately represented.</p> <p>While these estimates are based on the percentage of staff time spent on construction activities, management should continue to monitor the allocation to ensure only proper costs are capitalized.</p>
Accrued Expenses	<p>Incurred, but not recorded (IBNR) liability</p>	<p>Management evaluates accruals for potential liabilities associated with the Authority’s self-insurance plan based on an average rate applied to incurred claims provided by the Authority’s insurance carrier.</p>	<p>While these estimates are based on the aggregate amount of the liability for reported claims and an estimated liability for claims incurred but not reported, management should continue to monitor the actual claims to ensure that the potential liability is accurately reported.</p>

**Exhibit A – Significant Written Communications Between Management and
Our Firm**

Arrangement Letter



January 17, 2017

Fairfax County Water Authority
8570 Executive Park Avenue
Fairfax, Virginia 22031

Attention: Ms. Michele Moore, Director of Finance

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Fairfax County Water Authority (the Authority), which comprise the basic financial statements as of and for the year ended December 31, 2016. We will also perform an audit on the Authority's Schedule of Operation and Maintenance Expenditures for Receipts from the Sale of Untreated Water, and the Schedule of Receipts Applicable to the Basic Facilities and Improvement Fund Expenditures as of and for the year ended December 31, 2016. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

We understand the financial statements, except those of the Authority's Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water and Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures, will be prepared in accordance with accounting principles generally accepted in the United States of America. The Authority's Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water and Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures financial statements will be prepared on the cash receipts and disbursements basis.

Our audits will be conducted with the objective of our expressing an opinion on each of the respective financial statements.

The Responsibilities of the Auditor

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and *Specifications for Audits of Authorities, Boards, and Commissions*, provided by the Auditor of Public Accounts for the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Finance and Audit Committee (or its equivalent) (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The component unit whose financial statements you have told us are to be included as part of the Authority's basic financial statements is the Fairfax County Water Authority Welfare Benefit Trust (Trust). The Trust will be included as a blended component unit within the Authority's financial statements.

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and specifications identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and specifications identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audits will be conducted on the basis that management acknowledge and understand they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and the preparation and fair presentation of the Authority's Schedule of Operations and Maintenance Expenditures for Receipts from the Sale of Untreated Water and the Schedule of Receipts Applicable to the Basic Facilities and Improvement Fund Expenditures in accordance with the cash basis of accounting;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;

3. 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;
4. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and
6. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audits, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the Authority complies with the laws and regulations applicable to its activities and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse and for informing us about all known or suspected fraud or abuse affecting the Authority involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse, or suspected fraud or abuse, affecting the Authority received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information (RSI). Management is also responsible for the preparation of the supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on the supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Finance and Audit Committee (or its equivalent) is responsible for informing us of its views about the risks of fraud or abuse within the Authority and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the Authority.

Limitations

Our association with an official statement is a matter for which separate arrangements may be necessary. The Authority agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Authority seeks such consent, we will be under no obligation to grant such consent or approval.

The Authority agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Authority agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

Records and Assistance

If circumstances arise relating to the condition of the Authority's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Authority's books and records. The Authority will determine that all such data, if necessary, will be so reflected. Accordingly, the Authority will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Authority personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Theresa Robey, Accounting and ~~Solution Support~~ ^{Support} Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers, and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with GAS, a copy of our most recent peer review report can be located on our website at www.pbmares.com.

Fees, Costs, and Access to Workpapers

Our fee for the services described in this letter will not exceed \$95,390. Our fee estimate and completion of our work is based upon the following criteria.

1. Anticipated cooperation from Authority personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Fees may also increase based on the extent of accounting services and other assistance required to render a complete set of financial statements. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty days from the invoice date(s) will be subject to a late payment charge of 1.5% per month (18% per year).

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Authority agrees it will compensate PBMares, LLP for any additional costs incurred as a result of the Authority's employment of a partner or professional employee of PBMares, LLP.

In the event we are requested or authorized by the Authority or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Authority, the Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of PBMares, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of PBMares, LLP audit personnel and at a location designated by our firm.

Termination and Other Terms

While there is an attorney-client privilege, there is no accountant-client privilege. Accordingly, any information that you provide to us is subject to discovery. Unless prohibited by law, we will notify you if we receive any subpoena, or other third party request for our information and/or records concerning you. If you direct us to disclose the requested information, we will comply with the subpoena and, in the case of a third party request, we will need you to sign a form authorizing the disclosure. If you do not direct us to disclose the requested information, we will engage counsel to protect your interest in non-disclosure. In either event, we will bill you for all of our costs associated with complying with your directions. Our bill will include, in addition to our then standard fees and charges and, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, penalties, and fines imposed because of our non-disclosure.

We reserve the right to withdraw from this engagement without completing our services for any reason, including, but not limited to, your failure to comply with the terms of this arrangement letter, or as we determine professional standards require.

If any portion of this engagement letter is deemed invalid or unenforceable, such a finding shall not invalidate the remainder of the terms set forth in this engagement letter.

Dispute Resolution

If any dispute other than fees arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. You and we consent to personal jurisdiction, both for mediation and/or litigation, of the Federal District Court, Eastern District of Virginia, sitting in Richmond, Virginia, or the Fairfax County Circuit Court. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

The parties hereto both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. The arbitration shall take place in Fairfax, Virginia. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

Reporting

We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to the Finance and Audit Committee (or its equivalent) of the Authority. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

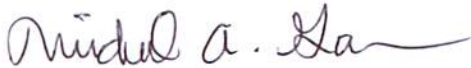
In addition to our report on the Authority's financial statements, we will also issue the following types of reports:

1. Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal control;
2. Report on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements; and
3. Report on Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water and Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures.

This letter constitutes the complete and exclusive statement of agreement between PBMares, LLP and the Authority, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

PBMares, LLP



Michael A. Garber

MAG/spw

Confirmed on behalf of Fairfax County Water Authority:


Michele L. Moore, Director of Finance

1-25-2017
Date



Representation Letter



FAIRFAX COUNTY WATER AUTHORITY
8570 Executive Park Avenue
Fairfax, Virginia 22031-2218
www.fairfaxwater.org

PHILIP W. ALLIN, CHAIRMAN
FRANK R. BEGOVICH, VICE-CHAIRMAN
RICHARD DOTSON, SECRETARY
J. ALAN ROBERSON, TREASURER
BURTON J. RUBIN
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DEPUTY GENERAL MANAGER
TELEPHONE (703) 289-6012

April 7, 2017

PBMares, LLP
558 South Main Street
Harrisonburg, Virginia 22801

This representation letter is provided in connection with your audit of the basic financial statements of the Fairfax County Water Authority (the Authority) as of and for the year ended December 31, 2016 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief as of April 7, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 17, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, our assumptions about conditions we expect to exist, and courses of action we expect to take.
5. Related-party transactions, including those with the Fairfax County Water Authority Welfare Benefit Trust, interfund transactions, including interfund accounts and advances receivable and payable and interfund transfers have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net position classifications.
 - b. Arrangements with financial institutions involving compensating balances, or other arrangements involving restrictions on cash balances.
 - c. Security agreements in effect under the Uniform Commercial Code.
 - d. Liens or encumbrances on assets or revenues, or any assets or revenues, which were pledged as collateral for any liability or which were subordinated in any way.
 - e. The fair value of investments.
 - f. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - g. Debt issue provisions.
 - h. The effect on the financial statements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 85, *Omnibus 2017*, which have been issued, but which we have not yet adopted.
 - i. All significant estimates known to management.
 - j. Risk financing activities.
 - k. Impairment of capital assets.
9. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events, our assumptions about conditions we expect to exist, and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable value.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2016 and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2016.
 - d. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2016.

10. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- b. Violations or possible violations of laws, regulations, and provisions of contracts and grant agreements, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Violations, and possible violations, of laws, regulations, and provisions of contracts and grant agreements, whose effects should be considered for disclosure in the auditor’s report on noncompliance.
- d. Guarantees, whether written or oral, under which the Authority is contingently liable.
- e. Line of credit or similar arrangements.
- f. Agreements to repurchase assets previously sold.
- g. Arbitrage rebate liabilities.
- h. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- i. Derivative financial instruments.
- j. Special or extraordinary items.
- k. Deposits or investment securities category of custodial credit risk required to be disclosed.
- l. Investments, intangibles, or other assets which have permanently declined in value.
- m. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- n. Material losses to be sustained as a result of purchase commitments.
- o. Environmental clean-up obligations.
- p. Material leases or material amounts of rental obligations under long-term leases.
- q. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- r. Authorized, but unissued bonds.

- s. Communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - i. Statutory, regulatory, or contractual provisions or requirements.
 - ii. Financial reporting practices that could have a material effect on the financial statements.
- 11. We have no direct, or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
- 12. The Authority has satisfactory title to all owned assets.
- 13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent we are responsible for determining that we are not subject to the requirements of the Single Audit Act, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of the audit.
- 14. Net position (net investment in capital assets, restricted and unrestricted) is properly classified and, when applicable, approved.
- 15. Expenses have been appropriately classified in, or allocated to, the Statement of Revenues, Expenses, and Changes in Net Position within operating revenues and non-operating revenues (expenses).
- 16. Revenues are appropriately classified in the Statement of Revenues, Expenses, and Changes in Net Position within operating revenues, non-operating revenues, and contributed assets.
- 17. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and depreciated or amortized.
- 18. We agree with the findings of specialists in evaluating the assertions found in footnote 8, Pension Plan, footnote 9, Health Benefits, and footnote 10, Other Postemployment Benefits, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give, or cause any instructions to be given, to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 19. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

20. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors and committees, and summaries of actions of recent meetings for which minutes have not yet been prepared.
21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud and identified no significant risks.
23. We have no knowledge of allegations of fraud, or suspected fraud, affecting the Authority's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
24. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
25. We have no knowledge of noncompliance, or suspected noncompliance, with laws and regulations whose effects were considered when preparing financial statements.
26. We are not aware of any pending, or threatened, litigation and claims whose effects should be considered when preparing the financial statements.
27. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions on which we are aware.
28. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize, and report financial data.
29. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
30. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

31. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement, or presentation, have not changed from those used in the prior period.
 - d. All underlying significant assumptions, or interpretations, are presented in the financial statements.

32. With respect to Management's Discussion and Analysis and Required Supplementary Information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement, or presentation, have not changed from those used in the prior period.
 - d. All underlying significant assumptions, or interpretations, are presented in the financial statements.


Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm management:


33. Is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
34. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
35. Has not identified any instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

36. Has not identified any instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
37. Has not identified any instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
38. Is responsible 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.
39. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

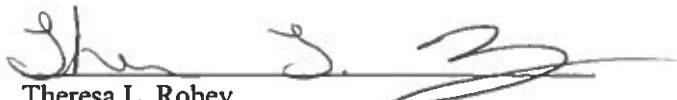
FAIRFAX COUNTY WATER AUTHORITY



Charles M. Murray
General Manager



Michele L. Moore
Director, Finance Division



Theresa L. Robey
Accounting Manager



Kimberly M. Oates
Supervisor Financial Accounting