



FAIRFAX COUNTY WATER AUTHORITY

**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**

**For the year ended December 31, 2016
(With Independent Auditor's Report thereon)**



ASSURANCE, TAX & ADVISORY SERVICES

FAIRFAX COUNTY WATER AUTHORITY

Table of Contents

Independent Auditor's Report	1
Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water	3
Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures	5
Note to Schedules	9



INDEPENDENT AUDITOR'S REPORT

To the Honorable Board Members
Fairfax County Water Authority
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying Schedule of Operation and Maintenance Expenditures and Receipts from the Sale of Untreated Water and the Schedule of Receipts Applicable to Basic Facilities and Improvement Fund Expenditures (collectively, "the Schedules") and the related note of the Fairfax County Water Authority (the Authority) for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the cash basis of accounting described in Note 1. Additionally, these Schedules were prepared to present the operation and maintenance disbursements, receipts from the sale of untreated water, receipts applicable to basic facilities, and improvement fund disbursements of the Authority for the year ended December 31, 2016, on the basis of cash receipts and disbursements, as required by the wholesale water agreements with its customers, and are not intended to be a complete presentation of the Authority's receipts and disbursements for the year ended December 31, 2016. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the Schedules 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the operation and maintenance expenditures, receipts from the sale of untreated water, receipts applicable to basic facilities, and improvement fund expenditures of the Authority for the year ended December 31, 2016, on the basis of accounting described in Note 1, as required by the wholesale water agreements with its customers.

Basis of Accounting

We draw attention to Note 1 to the Schedules, which describes the basis of accounting. The Schedules are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

This report is intended solely for the information and use of the Members of the Fairfax County Water Authority, the Authority's management, and its wholesale water customers and is not intended to be and should not be used by anyone other than these specified parties.

PBMares, LLP

Harrisonburg, Virginia
April 7, 2017

FAIRFAX COUNTY WATER AUTHORITY
 SCHEDULE OF OPERATION AND MAINTENANCE EXPENDITURES
 AND RECEIPTS FROM THE SALE OF UNTREATED WATER
 for the year ended December 31, 2016

Cash Basis

Operation and Maintenance Expenditures

1 Supply:

Potomac facilities:	
Personal services	\$ 285,950
Other - Potomac facilities	2,553,864
Total - Potomac facilities	2,839,814
Other supply facilities:	
Personal services	246,863
Other	5,026,224
Total - other supply facilities	5,273,087
Total - supply	8,112,901

2 Treatment:

Potomac facilities:	
Personal services	4,446,179
Other - Potomac facilities	8,646,053
Total - Potomac facilities	13,092,232
Other treatment facilities:	
Personal services	3,477,549
Other	5,856,128
Total - other treatment facilities	9,333,677
Total - treatment	22,425,909

3 Transmission:

Storage facilities:	
Personal services	34,737
Other - storage facilities	22,529
Total - storage facilities	57,266
Other transmission facilities:	
Personal services	2,064,520
Other	3,131,110
Total - other transmission facilities	5,195,630
Total - transmission	5,252,896

4 Distribution:

Personal services	10,994,363
Other	6,311,631
Total - distribution	17,305,994

(Continued)

FAIRFAX COUNTY WATER AUTHORITY
 SCHEDULE OF OPERATION AND MAINTENANCE EXPENDITURES
 AND RECEIPTS FROM THE SALE OF UNTREATED WATER
 for the year ended December 31, 2016

Cash Basis

5 Administrative and General:

Office facilities:		
Personal services	\$	255,835
Other		832,086
Total - office facilities		<u>1,087,921</u>
Shop and storage yard facilities:		
Personal services		323,792
Other		700,948
Total - shop and storage yard facilities		<u>1,024,740</u>
Vehicle and equipment:		
Personal services		718,071
Other		1,032,143
Total - vehicle and equipment		<u>1,750,214</u>
Administrative:		
Personal services		4,049,335
Other		33,162,787
Total - administrative		<u>37,212,122</u>
Less portion charged to improvement fund		<u>(9,616,000)</u>
Total - administrative and general		<u>31,458,997</u>
Total - operation and maintenance expenditures		<u>84,556,697</u>

Other Expenditures

6 New services and meters:		
Personal services		1,226,297
Other		338,021
Total - new services and meters		<u>1,564,318</u>
7 Merchandising and jobbing:		
Personal services		-
Other		41
Total - merchandising and jobbing		<u>41</u>
Total - other expenditures		<u>1,564,359</u>
Total - revenue fund expenditures		<u>\$ 86,121,056</u>

Receipts from the Sale of Untreated Water

8 Receipts from untreated water sales	\$	<u>20,620</u>
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See accompanying note to schedule.

FAIRFAX COUNTY WATER AUTHORITY
 SCHEDULE OF RECEIPTS APPLICABLE TO BASIC FACILITIES
 AND IMPROVEMENT FUND EXPENDITURES
 for the year ended December 31, 2016

Cash Basis

Receipts Applicable to Basic Facilities

1 Receipts from advances, contributions and grants:

Advances for construction:

Receipts applicable to basic facilities	\$ -
Receipts applicable to distribution facilities	231,500
Total - advances for construction	231,500

Contributions for construction:

Receipts applicable to basic facilities	18,500
Receipts applicable to transmission projects excluded in report	188,337
Receipts applicable to distribution facilities	577,960
Total - contributions for construction	784,797

Grants:

Receipts applicable to basic facilities	-
Receipts applicable to distribution facilities	-
Total - grants	-
Total - receipts from advances, contributions and grants	\$ 1,016,297

(Continued)

FAIRFAX COUNTY WATER AUTHORITY
SCHEDULE OF RECEIPTS APPLICABLE TO BASIC FACILITIES
AND IMPROVEMENT FUND EXPENDITURES
for the year ended December 31, 2016

Cash Basis

Expenditures - Improvement Fund

2	Transfer to Rebate Fund	\$ -
3	General expenditures:	
	Refunds of advances	26,915
	Materials (inventory)	520,330
	General and administrative	17,121,712
	Total - general expenditures	17,668,957
4	Subdivision and development	1,189,014
5	Extraordinary maintenance and repairs:	
	Supply	168,496
	Treatment	1,729,731
	Transmission:	
	Storage facilities	63,392
	Project 2367 - Dulles Metrorail Water Main Relocation	30,351
	Other transmission facilities excluded from costs	92,636
	Other transmission facilities	569,458
	Total - transmission	755,837
	Distribution	16,875,266
	General plant	
	Project 2587 - Property Acquisition - Willard Rd	50,000
	Other general plant project	361,491
		411,491
	Total - extraordinary maintenance and repairs	19,940,821
6	Additions, extensions and betterments:	
	Supply:	
	Project 1244 - Bloomington Lake Project	536,794
	Project 2352 - Quarry Reservoir Acquisition	10,069,771
	Other supply projects	56,599
	Total - supply	10,663,164
	Treatment	894,465
	Transmission:	
	Storage facilities	634,881
	Other transmission facilities excluded from costs	100,000
	Other transmission facilities	2,964,204
	Total - transmission	3,699,085
	Distribution	541,954
	General plant:	
	Project 2553 - Central Maintenance Facility Land Acquisition	379,645
	Other general plant projects	4,331,361
	Total - general plant	4,711,006
	Total - additions, extensions and betterments	20,509,674

FAIRFAX COUNTY WATER AUTHORITY
 SCHEDULE OF RECEIPTS APPLICABLE TO BASIC FACILITIES
 AND IMPROVEMENT FUND EXPENDITURES
 for the year ended December 31, 2016

Cash Basis

7 General studies:

Supply:

Project 390 - Watershed Management Studies	\$ 817,517	
Other supply projects	946	
Total - supply		818,463

Treatment		117,753
Transmission		-
Distribution		-

General and administrative:

Other general and administrative projects	269,419	
Total - general and administrative		269,419
Total - general studies		1,205,635

8 Part C - Capital Improvement Program:

Supply		-
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Treatment:

Project 1800 - Griffith Design & Construction	988	
Other treatment projects	-	
Total - treatment		988

Transmission		-
Distribution		-

General and administrative:

Project 1838 - General & Admin (Part C)	-	
Other general and administrative projects	-	
Total - general and administrative		-
Total - Part C - Capital Improvement Program		988

(Continued)

FAIRFAX COUNTY WATER AUTHORITY
 SCHEDULE OF RECEIPTS APPLICABLE TO BASIC FACILITIES
 AND IMPROVEMENT FUND EXPENDITURES
 for the year ended December 31, 2016

Cash Basis

9 Part D - Capital Improvement Program:			
Supply		\$	-
Treatment:			
Project 2225 - Corbalis Treatment Plant-Stage III	-		
Other treatment projects	-		
Total - treatment	-		-
Transmission:			
Project 1859 - Corbalis-Fox Mill Water Main	-		
Other transmission projects	1,146,782		
Total - transmission	1,146,782		1,146,782
Distribution			
			-
General and administrative:			
Project 2199 - General & Admin (Part D)	459,881		
Other general and administrative projects	-		
Total - general and administrative	459,881		459,881
Total - Part D - Capital Improvement Program			1,606,663
10 Part E - Capital Improvement Program:			
Supply			-
Treatment			-
Transmission:			
Project 2481 - Tysons East Transmission Main	283,227		
Other transmission projects	-		
Total - transmission	283,227		283,227
Distribution			
			-
General and administrative:			
Project 2517 - General & Admin (Part E)	106,126		
Other general and administrative projects	-		
Total - general and administrative	106,126		106,126
Total - Part E - Capital Improvement Program			389,353
11 Total Expenditures - Improvement Fund			\$ 62,511,105

See accompanying note to schedule.

FAIRFAX COUNTY WATER AUTHORITY

Note to 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 For the year ended December 31, 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

The schedules are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Accounts receivable and accounts payable, which may be material in amount, are not reflected. Additionally, the schedules are prepared to present the operation and maintenance disbursements, receipts from the sale of untreated water, receipts applicable to basic facilities, and improvement fund disbursements of Fairfax Water for the year ended December 31, 2016, on the basis of cash receipts and disbursements, as required by the wholesale water agreements with its customers, and are not intended to be a complete presentation of Fairfax Water's receipts and disbursements for the year ended December 31, 2016.

The acquisition of materials from third-party vendors that are placed in inventory is initially reported in the accompanying schedules as a disbursement of the Improvement Fund. When the material is issued from inventory and used for operations in the Revenue Fund, this is reported as a negative disbursement in the Improvement Fund.

Basis of Schedule Presentation

The accompanying schedules are presented using the reporting format and terminology agreed to in Fairfax Water's wholesale water agreements with its customers. Accordingly, it is not intended to be a presentation in accordance with U.S. generally accepted accounting principles.