FAIRFAX COUNTY
WASTEWATER MANAGEMENT

Quality of Water = Quality of Life

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2013

INTEGRATED SEWER SYSTEM
An Enterprise Fund of the County of Fairfax, Virginia

Published December, 2014

Integrated Sewer System

An Enterprise Fund of the

County of Fairfax, Virginia

Fairfax County
Wastewater Management

Quality of Water = Quality of Life

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

Department of Public Works and Environmental Services
12000 Government Center Parkway, Suite 358
Fairfax, Virginia 22035
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www.fairfaxcounty.gov

FAIRFAX COUNTY
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Integrated Sewer System County of Fairfax, Virginia
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2014 and 2013

Table of Contents

Page

Introductory Section (*unaudited*)

Certificate of Achievement for Excellence in Financial Reporting ..... *Inside Introductory tab*
Letter of Transmittal V
Directory of Officials IX
Organizational Chart XI

Financial Section

Independent Auditors' Report 1

Management's Discussion and Analysis (*unaudited*) 3

Basic Financial Statements 11

Statements of Net Position 12
Statements of Revenues, Expenses, and Changes in Net Position 14
Statements of Cash Flows 15

Notes to the Financial Statements

1 Summary of Significant Accounting Policies 17
2 Due from Other Governmental Entities 19
3 Deposits and Investments 20
4 Restricted Assets and Restricted Net Position 23
5 Capital Assets 24
6 Retirement Plans 25
7 Other Post-Employment Benefits 26
8 Long-Term Liabilities 27
9 Commitments and Contingencies 31
10 Risk Management 33
11 Implementation of New Accounting Pronouncements 33

Statistical Section (*unaudited*)

Table

Financial Trends Information

1.1 Net Position by Component - Last Ten Fiscal Years 35
1.2 Changes in Net Position - Last Ten Fiscal Years 36
1.3 Operating Revenues Detail - Last Ten Fiscal Years 38
1.4 Operating Expenses Detail - Last Ten Fiscal Years 39

Table		Page
	Revenue Capacity Information	
2.1	Sewer Rate Structure - Last Ten Fiscal Years	40
2.2	Customer Base by Treatment Plant - Last Ten Fiscal Years	41
2.3	Customer Base by Service Class - Last Ten Fiscal Years	42
2.4	Number of Sewer Connections Sold - Last Ten Fiscal Years	43
2.5	Number of New Sewer Connections - Last Ten Fiscal Years	44
2.6	Ten Largest Customers - Current Year and Nine Years Ago	45
	Debt Capacity Information	
3.1	Ratios of Outstanding Debt - Last Ten Fiscal Years	46
3.2	Pledged Revenue Coverage - Last Ten Fiscal Years	47
3.3	Debt Service Requirements - Last Ten Fiscal Years	48
	Demographic and Economic Information	
4.1	Demographic and Economic Statistics - Last Ten Calendar Years	49
4.2	Principal Employers - Current Year and Nine Years Ago	50
	Operating Information	
5.1	Wastewater Management Employees by Division - Last Ten Fiscal Years	51
5.2	Treatment Plant Capacities (MGD) - Last Ten Fiscal Years	52
5.3	Average Wastewater Flows (MGD) by Treatment Plant - Last Ten Fiscal Years	53
5.4	Average Wastewater Flows (MGD) by Source - Last Ten Fiscal Years	54
5.5	Maximum Monthly Flows (MGD) by Treatment Plant - Last Ten Fiscal Years	54
5.6	Average Unused Capacity (MGD) by Treatment Plant - Last Ten Fiscal Years	55
5.7	Average Capacity Utilization by Treatment Plant - Last Ten Fiscal Years	56
5.8	Average Unit Cost of Wastewater Treatment ($/MG) by Treatment Plant - Last Ten Fiscal Years	57
5.9	Capital Asset Statistics - Last Ten Fiscal Years	58
	Miscellaneous Information	
6.1	Wastewater Flow (GPD) per Capita by Treatment Plant - Last Ten Fiscal Years	59
6.2	Wastewater Flow (GPD) per Connection by Treatment Plant - Last Ten Fiscal Years	60
	Wastewater Treatment Plant Service Area Map	60

Fairfax County Wastewater Management

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Introductory Section

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Integrated Sewer System,

An Enterprise Fund of the County

of Fairfax, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 4, 2014

The Board of Supervisors
County of Fairfax
Commonwealth of Virginia

Honorable Chairman and Members of the Board:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the County of Fairfax, Virginia (the County) Integrated Sewer System (the System) for the years ended June 30, 2014 and 2013. The financial statements included in this report conform to U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the System. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the System's financial affairs.

The General Bond Resolution dated July 29, 1985, governing the issuance of sewer revenue bonds, as modified through July 2009, requires an annual audit of the financial records and transactions of the System by independent certified public accountants, as selected by the Board of Supervisors. The System's financial statements for the years ended June 30, 2014 and 2013, were audited by KPMG LLP, a firm of licensed certified public accountants. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering their opinion that the financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented in the financial section of this CAFR.

This CAFR consists of management's representations concerning the finances of the System. To provide a reasonable basis for making these representations, the System's accounting system is dependent upon a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable; however, because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditors' report.

Profile of the System

The Fairfax County, Virginia Integrated Sewer System is operated as the Wastewater Management Program (WWM), one of five major activities of the Department of Public Works and Environmental Services, and governed

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Fairfax County Wastewater Management
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by the County of Fairfax, Board of Supervisors. The System handles approximately 104 million gallons of wastewater per day (MGD) generated from approximately 933,000 County residents and approximately 60,000 residents from nearby counties, cities, and towns. More than 85% of the 409,000 County housing units and virtually all businesses in the County are connected to the public sewer system.

The System consists of over 3,400 miles of sewer lines and force mains ranging in size from 8 inches to 72 inches, 59 pump stations ranging in capacity from 0.1 to 37 MGD, and 54 metering stations. The total System workforce is 315 employees. The sewer service area covers approximately 234 square miles in the Potomac River Watershed, a tributary shed of the Chesapeake Bay Basin.

Nearby counties, cities, and towns served by the System receive service through sales of service agreements. The System currently has agreements with the Counties of Loudoun and Arlington, Fort Belvoir, the Cities of Fairfax and Falls Church, and the Towns of Herndon and Vienna. As prescribed by each service agreement, each entity shares in the cost of operating the System. Each entity's share is determined on the basis of actual wastewater flows or reserved treatment capacity.

To treat the wastewater flows generated, the System operates and maintains one advanced wastewater treatment plant, the 67 MGD Noman M. Cole, Jr. Pollution Control Plant, and has 90 MGD of purchased capacity entitlement at five non-County facilities, all of which are advanced wastewater treatment facilities. Purchased capacity entitlements are managed through treatment by contract agreements with the District of Columbia Water and Sewer Authority (the Blue Plains Advanced Water Treatment Facility), Loudoun County and Alexandria Renew Enterprises (ARE), Upper Occoquan Sewage Authority (UOSA), and Arlington County. In addition, the System has purchased 0.1 MGD of capacity from the Prince William County Service Authority. As prescribed by each agreement, the System pays its share of the operating, capital, and/or debt costs of each entity's system based on actual wastewater flows and allocated capacity.

Factors Affecting Financial Condition

Local Economy

For years, Fairfax County has benefited from its proximity to the federal government. During the recession, our region shed fewer jobs than most other areas in the country; however, the local economy has slowed since the federal government efforts to stimulate the economy have ceased. Fairfax County's unemployment rate as of June is 4.4%, down from its 5.7% peak in January 2010 but still much higher than the 2.2% annual rate experienced in 2006 prior to the economic downturn. The factors putting pressure on the employment picture impacted consumer spending as demonstrated by sales tax receipts which have declined by 0.9% , the first decline in four years. Residential sewer connections in the System, which are a measure of System growth, grew by 0.3% in fiscal year 2014.

Debt Management

To finance major capital projects, the System borrows money by issuing sewer revenue bonds, obtaining financing from the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA), or sharing in debt issued by other service authorities. Authorization to issue any debt or share in any debt service rests with the County's Board of Supervisors. On April 16, 2014, the System issued $61.8 million of Series 2014 Sewer Revenue Refunding Bonds with an average interest rate of 4.1% to refund $69.7 million of the outstanding Series 2004 Bonds with an average interest rate of 4.6%. On August 8, 2012 and June 17, 2009, the System issued $90.7 and $152.3 million in Series 2012 and 2009 Sewer Revenue Bonds with average interest rates of 4.5% and 4.7%, respectively, to pay for the upgrade of its wastewater treatment facilities. As of June 30, 2014, the System had $296.6 million in Sewer revenue bonds, $42.7 million in VRA financing, and

$277.3 million in UOSA debt outstanding. The System continues to maintain its status as a top rated bond issuer: AAA from Fitch Investor Service (Fitch) and Standard and Poor's Corporation (S&P) and Aa1 from Moody's Investors Service, Inc (Moody's).

Note (8) to the Financial Statements provides information pertaining to future debt service payments. Table 3 in the Statistical Section provides historical information regarding debt coverage and debt service requirements of the System.

Relevant Financial Policies

Sewer rates are reviewed and revised annually as part of the County's annual strategic planning and budgeting process in order to minimize the annual cost impact on customers due to increases in funding needs for Wastewater Program funding. The System's volumetric sewer service charges and service base charge increased a combined 5.9% in fiscal year 2014.

Major Initiatives and Accomplishments

Nutrient Removal at Area Treatment Plants – Upgraded biological nitrogen removal facilities were initiated in fiscal years 2003 and 2004 and became fully operational in fiscal year 2005. All System treatment plants met or exceeded water quality permit requirements for ammonia nitrogen discharges and began voluntarily discharging treated wastewater with total nitrogen levels near or below 8.0 milligrams per liter (mg/l). In fiscal year 2014, total nitrogen discharges from the County's Noman M. Cole, Jr. Pollution Control Plant averaged less than 2.8 mg/l.

In August 2004, the Virginia Department of Environmental Quality proposed reduced nutrient waste load allocations for Virginia wastewater treatment facilities as amendments to the Water Quality Management Regulation (9VAC25-720). These load allocations were then incorporated into the Virginia's Phase I Watershed Implementation Plan for meeting the EPA Chesapeake Bay Total Maximum Daily Loads (TMDL). To meet the load allocations, enhanced nutrient removal was required of all wastewater treatment plants serving Fairfax County to meet more stringent Chesapeake Bay water quality standards by January 1, 2011. Significant capital funding has been needed to bring treatment facilities into compliance.

In addition to investing in new facilities to meet the new nutrient requirements, the System is also reinvesting in existing infrastructure to ensure continued operation, safety and compliance of existing facilities and processes. A sustained reinvestment in the existing System is necessary for continued long term service and compliance.

Awards

GFOA Certificate of Achievement for Excellence in Financial Reporting – For the eleventh consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable financial reporting requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of state and local government financial reports.

NACWA Platinum Peak Performance Award - The System's Noman M. Cole Jr. Pollution Control Plant received the Platium Peak Performance Award from National Association of Clean Water Agencies (NACWA), recognizing the facility's accomplishments in protecting water quality in the County. The award recognizes plants that meet 100% of federal standards for preventing pollution for more than five consecutive years. The System's Noman M. Cole Jr. Pollution Control Plant has been in compliance for 16 consecutive years. The plant has protected the water quality of the County's streams and watersheds, as well as the Chesapeake Bay.

NACWA Excellence in Management Award - The System received the NACWA Excellence in Management Award in recognition of their commitment to excellence in utility management through the implementation of sustainable, successful programs that exemplify the attributes of an effectively managed utility.

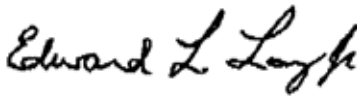
Extraordinary Environmental Enterprise - The Wastewater Management program has received the designation of Extraordinary Environment Enterprise (E4) from the Virginia Department of Environmental Quality (DEQ) Virginia Environmental Excellence Program (VEEP) for its Environmental Management System (EMS). Currently approximately 440 public and private organizations participate in the VEEP EMS certification program at the E2, E3, and E4 levels. Of these 440 organizations, approximately 26 facilities within the State have reached the E4 level of certification. This designation recognizes facilities that have fully implemented an EMS emphasizing pollution prevention, environmental outreach, and sustainability. This program encourages facilities to exceed compliance with federal and local regulations and engage in environmental stewardship and sustainability practices.

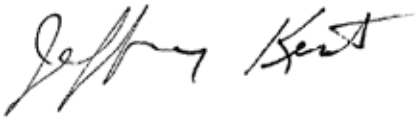
Acknowledgments

We express our sincere appreciation to all staff who contributed to this CAFR, especially the members of the System's Wastewater Planning and Monitoring Division of the Department of Public Works and Environmental Services and the Financial Reporting Division of the Department of Finance, who prepared and compiled this report. We commend them for their professionalism, hard work, and continued efforts to improve this report.

This CAFR reflects our continued commitment to the citizens of Fairfax County, the Board of Supervisors, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully,





Edward L. Long, Jr.
County Executive

Susan W. Datta
Chief Financial Officer

Jeffrey B. Kent
Financial Manager
Integrated Sewer System

Integrated Sewer System
County of Fairfax, Virginia

Urban County Executive Form of Government
As of June 30, 2014

Board of Supervisors

Sharon S. Bulova, Chairman	At-large
Penelope A. Gross, Vice Chairman	Mason District
John C. Cook	Braddock District
Gerald W. Hyland	Mount Vernon District
John W. Foust	Dranesville District
Linda Q. Smyth	Providence District
Catherine M. Hudgins	Hunter Mill District
Patrick S. Herrity	Springfield District
Jeffrey C. McKay	Lee District
Michael R. Frey	Sully District

County Executive
Edward L. Long, Jr.

Deputy County Executive
Robert A. Stalzer

Department of Public Works and Environmental Services
James W. Patteson, Director

Wastewater Collection Division
Thomas Russell, Director

Wastewater Treatment Division
Michael McGrath, Director

Wastewater Planning and Monitoring Division
Shahram Mohsenin, Director

Chief Financial Officer
Susan W. Datta

Department of Finance
Christopher J. Pietsch, Director

Office of the County Attorney
David P. Bobzien, County Attorney

FAIRFAX COUNTY
WASTEWATER MANAGEMENT

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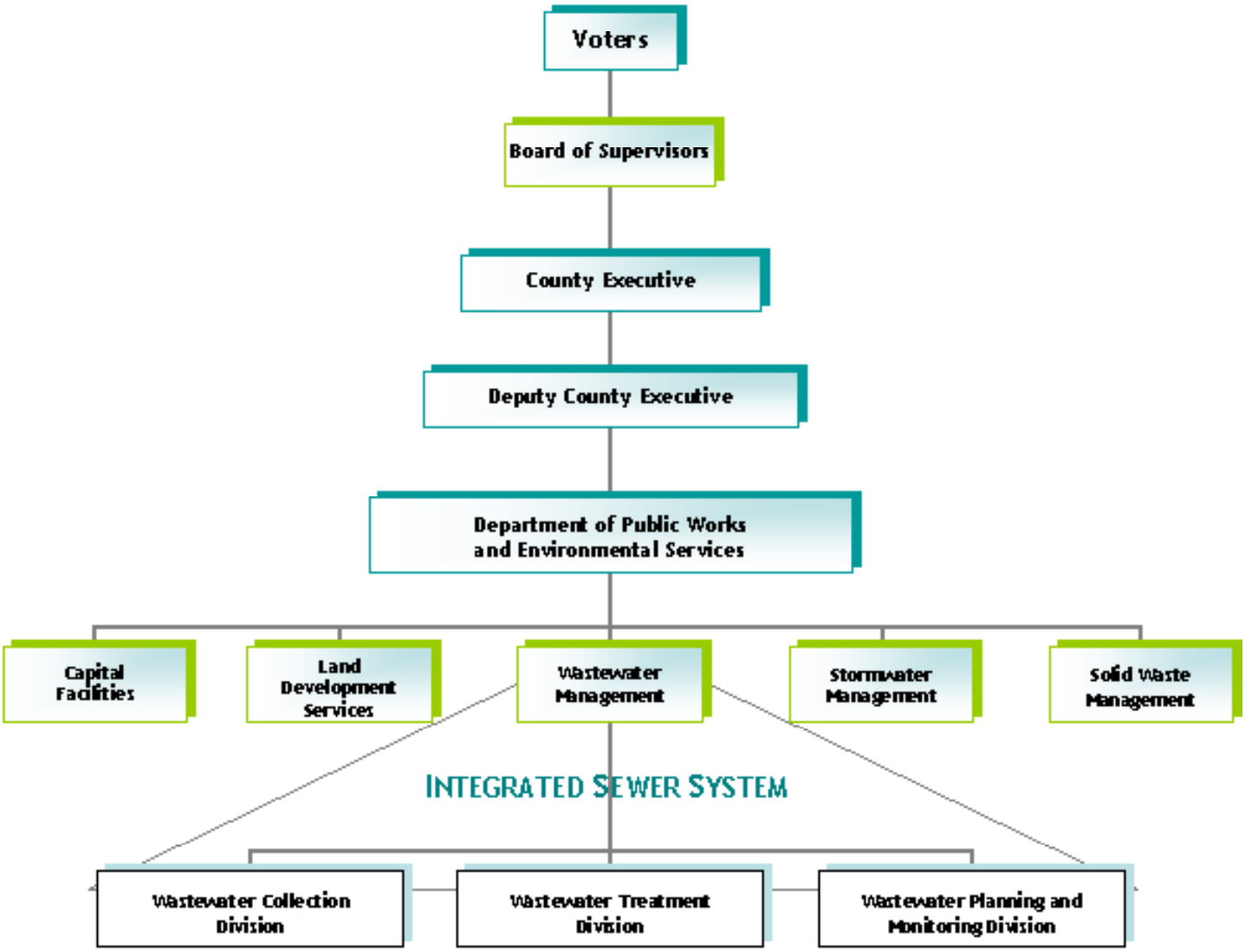
ORGANIZATION OF THE INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA



This report was prepared by:

County of Fairfax, Virginia
Wastewater Management Program and Department of Finance

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Wastewater Management Program

Jeffrey B. Kent, Financial Manager
Robin Henderson, Fiscal Administrator
Dianne L. Love
Yvonne T. Sullivan
Charese Willis

Department of Finance

Christopher J. Pietsch, Director
Richard Modie Jr., Chief, Financial Reporting Division
Betty A. Barnuevo, CPA, Financial Reporting Manager
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Anand Goutam, CPA
Rochanie Perera
Michael Sandler

Fairfax County Wastewater Management

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Financial Section

Fairfax County
Wastewater Management

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KPMG LLP
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1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of Integrated Sewer System, an enterprise fund of the County of Fairfax, Virginia, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 financial statements.

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

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Integrated Sewer System, an enterprise fund of the County of Fairfax, Virginia as of June 30, 2014 and 2013, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The introductory section on pages V-XII and the statistical section on pages 35-60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

Washington, DC
November 4, 2014

Integrated Sewer System County of Fairfax, Virginia
Management's Discussion and Analysis *(unaudited)*
June 30, 2014 and 2013

This section of the County of Fairfax, Virginia Integrated Sewer System's (System) Comprehensive Annual Financial Report presents a discussion and analysis of the System's financial performance for the fiscal years that ended on June 30, 2014 and 2013.

The System is a County of Fairfax, Virginia (County) business-type activity that is funded separately from other County activities. The System is accounted for separately in an enterprise fund, and it is included in the County's Comprehensive Annual Financial Report.

We encourage readers to consider the information presented here in conjunction with the System's financial statements and notes to the financial statements to enhance their understanding of the System's financial performance.

Financial Highlights

The System's total net position (assets less liabilities) were $1,012.0 million at June 30, 2014, compared to $970.1 million at June 30, 2013.

Operating revenues of $188.2 million exceeded operating expenses of $146.7 million, which include depreciation and amortization of $55.6 million, by $41.5 million. After factoring in non-operating revenues and expenses – availability fees, investment revenue, interest expense, and capital contributions, the result was a $41.9 million increase in net position for fiscal year 2014, which compares to a $33.3 million increase in net position for fiscal year 2013.

The System's cash and cash equivalents decreased by $49.3 million during fiscal year 2014. This decrease compares to a $71.1 million increase in the prior fiscal year and is primarily due to an increase of net cash outflow of approximately $30.0 million from the purchase and acquisition of capital assets and purchased capacity. Capital asset acquisitions made during both fiscal years 2014 and 2013 were funded with available resources.

Overview of the Financial Statements

The financial section of this annual report consists of (1) the independent auditors' report, (2) this management's discussion and analysis, and (3) the financial statements of the System. The financial statements, which include notes to explain information in the financial statements and to provide more detailed data, report information about the System using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private sector companies. The following required financial statements provide both short-term and long-term information about the System's overall financial status.

Statement of Net Position

The Statement of Net Position presents information on all of the System's assets and liabilities, with the difference between the two reported as net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). It provides a basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

Statement of Revenues, Expenses, and Changes in Net Position

All of the revenues and expenses for the fiscal year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the System's operations for the fiscal year and can be used to determine whether the System has successfully recovered all of its expenses through its user fees and charges and its other revenues.

Statement of Cash Flows

The Statement of Cash Flows reports all cash receipts, cash payments, and changes in cash from operating, investing, and capital and related financing activities. This statement provides information about all the sources and uses of cash and the net change in the balance of cash and cash equivalents for the fiscal year.

FINANCIAL ANALYSIS OF THE SYSTEM

Net Position

Net position may serve as a useful indicator of an entity's financial position. The following table presents a summary of the Statements of Net Position for the System as of June 30, 2014, 2013, and 2012:

Summary of Net Position
As of June 30
($ in millions)

	2014	$ Change	% Change	2013	$ Change	% Change	2012
Assets:							
Current assets:							
Unrestricted	$ 150.6	(8.9)	(5.6)	$ 159.5	22.8	16.7	$ 136.7
Restricted	96.0	(35.9)	(27.2)	131.9	57.7	77.8	74.2
Noncurrent assets:							
Capital assets (net)	1,419.7	68.8	5.1	1,350.9	47.4	3.6	1,303.5
Total assets	1,666.3	24.0	1.5	1,642.3	127.9	8.4	1,514.4
Deferred Outflows of Resources	17.4	(0.6)	(3.3)	18.0	11.9	195.1	6.1
Liabilities:							
Current liabilities	48.0	5.3	12.4	42.7	6.0	16.3	36.7
Noncurrent liabilities	622.0	(23.6)	(3.7)	645.6	100.7	18.5	544.9
Total liabilities	670.0	(18.3)	(2.7)	688.3	106.7	18.3	581.6
Deferred Inflows of Resources	1.7	(0.2)	(10.5)	1.9	(0.2)	(9.5)	2.1
Net position:							
Net investment in capital assets	843.3	64.5	8.3	778.8	9.7	1.3	769.1
Restricted	43.1	(1.0)	(2.3)	44.1	(6.9)	(13.5)	51.0
Unrestricted	125.6	(21.6)	(14.7)	147.2	30.5	26.1	116.7
Total net position	$ 1,012.0	41.9	4.3	$ 970.1	33.3	3.6	$ 936.8

Nearly 83.3%, 80.3%, and 82.1% of the System's total net position for the fiscal years 2014, 2013, and 2012, respectively, are represented by its investment in capital assets (e.g. treatment plants, sewer lines and equipment) net of depreciation and amortization, less the outstanding debt that was issued to acquire these assets. Although the System's investment in its capital assets is reported net of related debt, it should be noted that the resources to pay this debt must be provided from other resources, since the assets themselves are not intended to be used to liquidate these liabilities. The $41.9 and $33.3 million increases in net position in fiscal year 2014 and fiscal year 2013, respectively, were primarily the result of operating revenue exceeding total operating expenses due to increased revenue from Sales of Service.

The restricted portion of net position represents resources that are subject to external restrictions on how they may be used. Certain assets are restricted for sewer extensions and improvements and for debt service. The $1.0 million decrease during fiscal year 2014 was primarily due to a reduction in bond reserve from the Series 2014 Revenue Refunding bonds. The $6.9 million decrease during fiscal year 2013 was primarily due to higher than anticipated cash expenditures on capital projects. See Note (4) to the Financial Statements for detailed information pertaining to restricted net position.

The unrestricted component of net position represents resources that are not subject to any external restrictions as to use, hence, they are available for future operations.

Changes in Net Position

The following table summarizes the Statements of Revenues, Expenses, and Changes in Net Position for the System for the fiscal years ended June 30, 2014, 2013, and 2012:

Summary of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30
($ in millions)

	2014	$ Change	% Change	2013	$ Change	% Change	2012
Operating revenues - Sales of service	$ 188.2	14.6	8.4	$173.6	13.7	8.6	$159.9
Less operating expenses:							
Personnel services	27.6	2.0	7.8	25.6	0.9	3.6	24.7
Materials and supplies	15.6	2.4	18.2	13.2	(0.8)	(5.7)	14.0
Contractual services and other	47.9	0.3	0.6	47.6	0.9	1.9	46.7
Depreciation and amortization	55.6	1.2	2.2	54.4	2.0	3.8	52.4
Total operating expenses	146.7	5.9	4.2	140.8	3.0	2.2	137.8
Operating Income	41.5	8.7	26.5	32.8	10.7	48.4	22.1
Nonoperating revenues (expenses):							
Availability fees	24.0	3.6	17.6	20.4	(8.5)	(29.4)	28.9
Investment and other revenues	0.6	(1.1)	(64.7)	1.7	1.0	142.9	0.7
Interest and other expenses	(28.3)	0.4	(1.4)	(28.7)	(2.5)	9.5	(26.2)
Total nonoperating revenues (expenses)	(3.7)	2.9	(43.9)	(6.6)	(10.0)	(294.1)	3.4
Income/(Loss) before contributions	37.8	11.6	44.3	26.2	0.7	2.7	25.5
Capital contributions	4.1	(3.0)	(42.3)	7.1	(6.9)	(49.3)	14.0
Change in net position	41.9	8.6	25.8	33.3	(6.2)	(15.7)	39.5
Total net position at beginning of year	970.1	33.3	3.6	936.8	39.5	4.4	897.3
Total net position at end of year	$1,012.0	41.9	4.3	$970.1	33.3	3.6	$936.8

The System's operating revenues consist of volumetric service charges and a service base charge to County users and to neighboring jurisdictions, which reflect a 5.9% and 9.0% rate increase implemented during fiscal years 2014 and 2013, respectively. The $8.7 and $10.7 million increases in operating gain in fiscal years 2014 and 2013, respectively, were primarily the result of increases in operating revenues tied to the service charge and base charge increases which exceeded increases in operating expenses. Operating expenses increased $5.9 million in fiscal year 2014 due primarily to increases in material and supplies, and personnel services and $3.0 million in fiscal year 2013 due primarily to increases in depreciation and amortization.

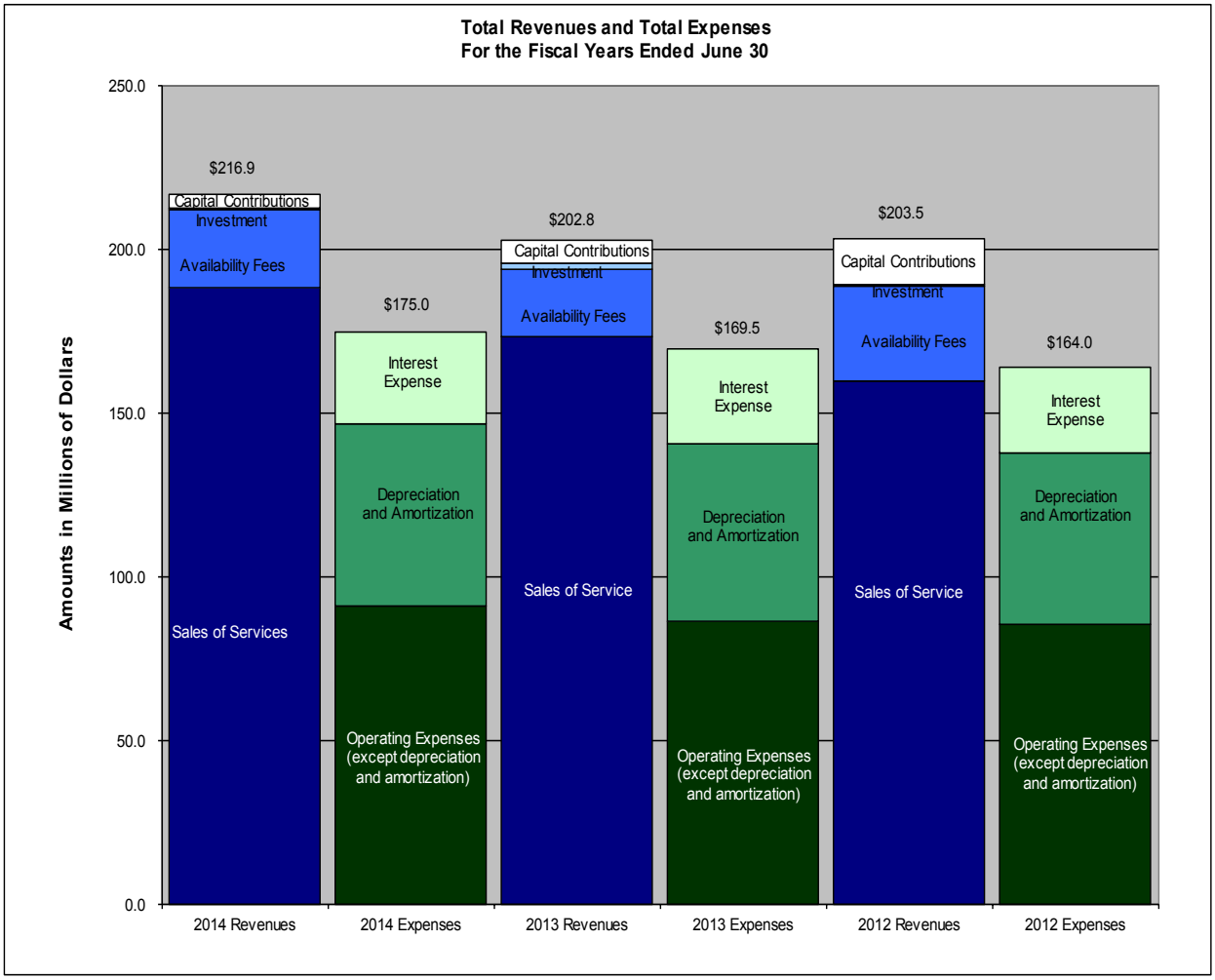
Sewer rates are established by the Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually as part of the County's annual strategic planning and budgeting processes and are revised as necessary to ensure that rates generate revenues equitably from new and existing customers, based on the allocation of capital and operating costs, so that growth pays for growth.

System operations and upgrades are funded primarily through sewer service charges to existing customers based on water consumption, in 1,000 gallons, as measured by a water service meter. System expansion and increased treatment capacity is funded primarily through availability fees, one-time charges collected from new sewer

customers prior to connection to the System.

The System owns and operates one treatment facility rated at 67.0 MGD, has a 22.6 MGD capacity entitlement in a joint venture facility, and has acquired capacity entitlements totaling 67.5 MGD at five facilities owned by neighboring jurisdictions. The System's share of renovation, upgrade, and expansion costs at non-System-owned facilities is reported as purchased capacity and amortized over thirty years.

A graphic comparison of total revenues, including capital contributions, to total expenses for fiscal years 2014, 2013, and 2012 is shown below:



CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The System's gross investment in capital assets as of June 30, 2014, amounted to $2,272.6 million, or $1,419.7 million after deducting accumulated depreciation and amortization, as summarized in the table below:

Capital Assets As of June 30 ($ in millions)							
	2014	$ Change	% Change	2013	$ Change	% Change	2012
Land	$ 17.4	-	-	$ 17.4	-	-	$ 17.4
Easement	0.4	-	-	0.4	-	-	0.4
Construction in progress	116.9	1.8	1.6	115.1	29.5	34.5	85.6
Buildings and improvements	1,191.2	56.4	5.0	1,134.8	25.1	2.3	1,109.7
Equipment	12.3	0.1	0.8	12.2	0.6	5.2	11.6
Purchased capacity	934.4	65.4	7.5	869.0	45.4	5.5	823.6
Gross capital assets	2,272.6	123.7	5.8	2,148.9	100.6	4.9	2,048.3
Accumulated depreciation and amortization	(852.9)	(54.9)	6.9	(798.0)	(53.2)	7.1	(744.8)
Total capital assets, net	$1,419.7	68.8	5.1	$1,350.9	47.4	3.6	$1,303.5

The $123.7 million increase in gross capital assets during fiscal year 2014 reflects the following major capital asset additions, which were funded with available resources:

The ongoing improvement costs of the System's wastewater treatment facilities at its Noman M. Cole Pollution Control Plant amounted to $44.1 million.

The System's share of the ongoing upgrade costs of the Arlington County, Alexandria Sanitation Authority, and the District of Columbia's wastewater treatment facilities, which provide service to certain County residents, was $1.0 million, $32.9 million, and $31.4 million, respectively.

Improvements to sewer lines and pumping stations in the System, other than donations from developers, totaled $10.8 million.

Developers contributed sewer lines and manholes valued at $3.5 million.

Additional information relative to the System's capital assets is contained in Note (5) to the Financial Statements.

Long-term Debt

The following is a summary of the System's gross outstanding long-term debt as of June 30, 2014, 2013, and 2012:

Gross Outstanding Debt As of June 30 ($ in millions)							
	2014	$ Change	% Change	2013	$ Change	% Change	2012
Sewer revenue bonds	$ 296.6	(15.2)	(4.9)	$311.8	85.1	37.5	$226.7
Subordinated bonds:							
Sewer Revenue bonds	42.7	(5.1)	(10.7)	47.8	(4.7)	(9.0)	52.5
System's share of UOSA's debt	277.3	(6.0)	(2.1)	283.3	10.3	3.8	273.0
Total outstanding debt	$ 616.6	(26.3)	(4.1)	$642.9	90.7	16.4	$552.2

The $296.6 million of outstanding sewer revenue refunding bonds and sewer revenue bonds issued in 2014, 2012, 2009, and 2004 by the System are currently rated AAA by Fitch and S&P and Aa1 by Moody's. These high credit ratings have enabled the County to sell bonds on behalf of the System at interest rates lower than those obtained by most sewer authorities, thereby achieving savings throughout the life of the bonds.

In April 2014, the System took advantage of lower market interest rates and issued $61.8 million of Series 2014 Sewer Revenue Refunding Bonds with an average interest rate of 4.1% to advance refund $69.7 million of the outstanding Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.6%.

In August 2012 and June 2009, the System issued Sewer Revenue Bonds in the amounts of $90.7 million and $152.3 million with average interest rates of 4.5% and 4.7%, respectively, to provide funds for upgrade costs allocable to the County at certain wastewater treatment facilities that are owned by, or that provide service to, the County, the purchase of additional capacity at certain wastewater treatment facilities, and the cost of certain additions, extensions, and improvements to the County's sewage collection, treatment, and disposal systems.

In June 2002 and June 2001, the System issued twenty-year subordinated sewer revenue bonds in the amounts of $50 million and $40 million at interest rates of 3.7% and 4.1%, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority, to fund its share of the ongoing expansion costs of the Alexandria Renew Enterprises' (ARE) wastewater treatment facilities, which provide service to some of the System's customers. In September 2012, the System executed a rate reduction agreement with VRA reducing the interest rates on these bonds to 2.3%. As of June 30, 2014, the outstanding balance of the subordinated Sewer Revenue Bonds is $42.7 million.

The Upper Occoquan Sewage Authority (UOSA), a joint venture which operates a regional sewage facility, issued regional sewer system revenue refunding bonds in November 2013, May 2013, February 2007, and November 2004 to refund certain of its outstanding bonds. In December 2010 and 2007, UOSA issued $85.2 million and $119.7 million of Regional Sewer System Revenue Bonds, of which the System's share is $34.1 million and $53.9 million, respectively, to finance the cost of certain capital improvements. In fiscal year 2012, UOSA entered into VRA loans 2011A and 2011B to fund costs related to the Energy Service project and phase 1 of the Nutrient Compliance Improvement project (P1NR), respectively. As of June 30, 2014, the System's share of UOSA's outstanding debt is $277.3 million.

The System is required by the covenants of the 2009 General Bond Resolution to generate net revenues (defined as all revenues except grants and contributed assets, less operating expenses, except depreciation and amortization) at least equal to the debt service on its sewer revenue bonds each year. The ratios of net revenues to debt service for the senior sewer revenue bonds are 5.56 and 6.01 for fiscal years 2014 and 2013, respectively. The fiscal year 2014 ratio is less favorable than fiscal year 2013 ratio due to a 21% increase in debt service requirement for the first full year of debt service for Series 2012 bonds which exceeded the 11% increase in net revenues. Taking all long-term debt into account, the ratios are 2.53 and 2.46 for fiscal years 2014 and 2013, respectively. The fiscal year 2014 ratio is more favorable than fiscal year 2013 ratio due to a 11% increase in net revenues which exceeded the 8% increase in debt service requirement for the Series 2012 bonds. Additional information related to the debt coverage ratios is contained in Table 3 of the Statistical Section.

Additional information relative to the System's long-term debt can be found in Note (8) to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The following factors, decisions and conditions are expected to have a significant effect on the financial position and the results of operations for fiscal year 2015 and beyond:

The sewer service charge rate to System users will increase from $6.55 to $6.62 per 1,000 gallons of water consumption and the sewer service base charge will increase from $12.79 to $15.86 for residential customers for fiscal year 2015. Subsequent rate increases for the sewer service charge to $6.65, $6.68, and $6.75 along with increases to the sewer service base charge to $20.15, $24.68, and $27.62 for fiscal years 2016, 2017, and 2018, respectively, have also been approved. The base charge for commercial customers is based on the meter size.

Sewer availability fees have not been increased for fiscal year 2015. Also, no fee increases for fiscal years 2016, 2017, and 2018 have been approved. Unit sales of sewer availability taps averaged 174 per month during the first quarter of fiscal year 2015, compared to 180 per month during the comparable period of fiscal year 2014.

Interest rates on short-term investments through the first quarter of fiscal year 2015 have been approximately 0.39%, a decrease from fiscal year 2014 rates.

The System's adopted budget for operating expenses, excluding depreciation and amortization, for fiscal year 2015 is $97.9 million.

The System's adopted budget for capital asset acquisitions for fiscal year 2015 is $83.7 million, to be funded with available resources and bond proceeds. This budget includes $23.6 million for the rehabilitation and renovation of the System's sewer lines, $5.1 million for upgrades to the county-owned treatment plant, and the System's share of the upgrade costs of the Alexandria Renew Enterprises', Arlington's, and the District of Columbia's wastewater treatment facilities in the amounts of $37.2 million, $0.3 million, and $17.5 million, respectively.

Contacting the System's Financial Management

This financial report is designed to provide the System's customers and investors and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the County of Fairfax, Virginia, Department of Finance, 12000 Government Center Parkway, Fairfax, Virginia, 22035.

FAIRFAX COUNTY WASTEWATER MANAGEMENT

Quality of Water = Quality of Life

Fairfax County
Wastewater Management

Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

		2014	2013
Assets			
Current assets:			
Cash and investments on deposit with the County of Fairfax, Virginia	$	97,243,744	113,392,387
Accrued interest receivable		-	2,774
Due from intergovernmental units (note 2):			
Service charges		28,482,807	23,590,652
Unbilled service charges		24,316,539	21,929,559
Inventories and other		559,841	611,099
Total unrestricted		150,602,931	159,526,471
Restricted assets (note 4):			
Cash and investments on deposit with the County of Fairfax, Virginia		61,694,477	94,875,160
Cash with fiscal agent (note 3)		13,238,425	15,035,893
Investments (note 3)		21,097,057	21,920,400
Total restricted		96,029,959	131,831,453
Total current assets		246,632,890	291,357,924
Long-term assets:			
Capital assets (note 5):			
Non-depreciable:			
Land		17,407,323	17,407,323
Easement		406,829	406,829
Construction in progress		116,847,901	115,149,188
Depreciable/amortizable:			
Buildings, improvements, and sewer lines		1,191,232,826	1,134,776,078
Equipment		12,342,537	12,179,421
Purchased capacity		934,345,410	869,047,701
Gross capital assets		2,272,582,826	2,148,966,540
Accumulated depreciation and amortization		(852,941,450)	(798,031,157)
Total capital assets, net		1,419,641,376	1,350,935,383
Total assets		1,666,274,266	1,642,293,307
Deferred Outflows of Resources			
Deferred loss on refunding of debt		17,383,929	18,000,552
Total assets and deferred outflows of resources	$	1,683,658,195	1,660,293,859

See accompanying notes to the financial statements.

continued

		2014	2013
Liabilities			
Current liabilities:			
Accrued salaries and wages	$	1,020,555	671,023
Accounts payable and accrued liabilities		3,739,430	1,183,979
Contracts payable		12,069,676	10,271,510
Due to County of Fairfax, Virginia		-	270,125
Accrued interest payable		6,065,503	7,241,935
Compensated absences (note 8)		1,345,208	1,223,124
Bonds payable (note 8 and 9)		23,787,280	21,800,736
Total current liabilities		48,027,652	42,662,432
Long-term liabilities:			
Compensated absences (note 8)		807,594	964,124
Bonds payable (note 8 and 9)		621,179,245	644,676,583
Total long-term liabilities		621,986,839	645,640,707
Total liabilities		670,014,491	688,303,139
Deferred Inflows of Resources			
Deferred gain on refunding of debt		1,695,556	1,931,477
Total liabilities and deferred outflows of resources		671,710,047	690,234,616
Net position			
Net investment in capital assets		843,276,715	778,825,722
Restricted for (note 4):			
Sewer extensions and improvements		29,878,043	29,078,061
Debt service		13,238,425	15,035,893
Unrestricted		125,554,965	147,119,567
Total Net position	$	1,011,948,148	970,059,243

See accompanying notes to the financial statements.

Integrated Sewer System County of Fairfax, Virginia
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

		2014	2013
Operating revenues:			
Sales of service	$	188,168,475	173,553,631
Operating expenses:			
Personnel services		27,576,508	25,607,805
Materials and supplies		15,635,981	13,238,456
Contractual services		47,658,923	47,167,159
Depreciation and amortization		55,558,575	54,358,299
Professional fees and other		240,007	427,705
Total operating expenses		146,669,994	140,799,424
Operating income		41,498,481	32,754,207
Nonoperating revenues (expenses):			
Availability charges		24,007,197	20,477,318
Investment earnings		484,332	1,409,377
Interest expense		(26,960,382)	(28,052,165)
Bond issuance costs		(343,229)	(699,561)
Amortization of deferred gains/(losses) on UOSA bond refinancings		(994,404)	151,242
Gain on disposal of capital assets		122,334	187,421
Total nonoperating revenues (expenses)		(3,684,152)	(6,526,368)
Income before contributions		37,814,329	26,227,839
Capital contributions:			
Grants from the Commonwealth of Virginia		591,814	1,107,952
From developers		3,482,762	5,954,792
Total capital contributions		4,074,576	7,062,744
Change in net position		41,888,905	33,290,583
Total net position at beginning of year		970,059,243	936,768,660
Total net position at end of year	$	1,011,948,148	970,059,243

See accompanying notes to the financial statements.

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Receipts from customers and users	$	180,889,340	173,657,339
Payments to employees		(27,531,547)	(25,571,218)
Payments to suppliers and contractors		(59,130,036)	(60,584,089)
Net cash provided by operating activities		94,227,757	87,502,032
Cash flows from capital and related financing activities:			
Capital grants received		591,814	1,107,952
Availability charges received		24,007,197	20,477,318
Principal payments on revenue bonds		(20,872,354)	(17,217,217)
Interest payments on revenue bonds		(27,124,425)	(27,091,441)
Revenue/Refunding bonds issued, including premium		69,117,462	105,867,439
Escrow for refunded bonds		(71,381,994)	-
Payment of bond issuance costs		(343,229)	(699,561)
Payment to revenue bonds escrow agent		-	(5,404,101)
Purchases of capital assets, other than purchased capacity		(55,488,324)	(50,380,282)
Acquisition of purchased capacity		(65,297,709)	(40,650,962)
Proceeds from the sale of capital assets		126,560	187,421
Net cash used by capital and financing activities		(146,665,002)	(13,803,434)
Cash flows from investing activities:			
Sales of restricted investments		25,054,560	18,170,534
Purchases of restricted investments		(22,433,747)	(22,132,264)
Interest received		487,106	1,412,216
Net cash provided/(used) by investing activities		3,107,919	(2,549,514)
Net (decrease)/increase in cash and cash equivalents		(49,329,326)	71,149,084
Cash and cash equivalents at beginning of year		208,267,547	137,118,463
Cash and cash equivalents at end of year	$	158,938,221	208,267,547
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	41,498,481	32,754,207
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization		55,558,575	54,358,299
Changes in assets and liabilities:			
(Increase) decrease in intergovernmental receivables		(7,279,135)	103,708
(Increase) decrease in inventories and other assets		51,258	(30,130)
Increase (decrease) in accounts payable and accrued liabilities		2,600,412	(1,975,115)
Increase (decrease) in contracts payable		1,798,166	2,291,063
Total adjustments		52,729,276	54,747,825
Net cash provided by operating activities	$	94,227,757	87,502,032
Noncash investing, capital, and financing activities:			
Capital contributions - from developers	$	3,482,762	5,954,792
Net increase in long-term debt resulting from the issuance of loans/revenue bonds by UOSA		2,520,436	4,785,859
Increase in fair value of investments not classified as cash and cash equivalents		23,729	89,561

See accompanying notes to the financial statements.

Fairfax County Wastewater Management

Quality of Water = Quality of Life

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The County of Fairfax, Virginia Integrated Sewer System (System) is an enterprise fund of the County of Fairfax, Virginia (County), and provides sewer services to approximately 1.0 million residents through a County-wide sewer system of over 3,400 miles of sewer lines. The sewer service area, approximately 234 square miles, is defined and controlled through the County of Fairfax Board of Supervisors (Board). The System is governed by the Board and managed and operated separately as the Wastewater Management Program, one of five major activities of the County's Department of Public Works and Environmental Services.

As a County business-type activity, System financial information is separately accounted for in an enterprise fund and is included in the County's Comprehensive Annual Financial Report (CAFR).

These financial statements are only of the operations of the System and are not intended to present the financial position, changes in financial position, or, where applicable, cash flows of the County.

(b) Basis of Accounting

The System is required to recover the costs of providing services, including capital costs, through user charges. Accordingly, the System uses enterprise fund accounting, an economic resources measurement focus, and the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recorded as incurred. The System defines operating revenues and expenses as those directly related to providing sewer services. Operating revenues consist of charges to System users. Operating expenses include personnel, materials and supplies, services purchased from other local jurisdictions, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses; these include sewer availability fees, investment earnings and interest on outstanding debt.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

(d) Tax Status

The System, as part of a local government, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income taxes is made.

(e) Sewer Service Charges

The major sources of revenue for the System are sales to existing customers for continuing sewer service. Customers are charged for sewer service based on metered water usage in addition to a base charge, which is determined by meter size. Sewer service charges are designed to recover the costs of operation and maintenance of the System, as well as debt service and capital project costs attributable to supporting or improving wastewater treatment services to the System's customers. Sewer service charges are recorded as operating revenue.

(f) Unbilled Service Charges

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year. This estimated receivable is calculated by prorating water consumption and billings for certain prior months.

(g) Availability Charges

New customers connecting to the System are required to pay an availability fee before obtaining a building permit in the County. Availability fees are used to recover the construction and financing costs associated with expanding System capacity. Availability fees are reported as nonoperating revenue.

(h) Cash and Investments on Deposit with the County of Fairfax, Virginia

The System maintains the majority of its available cash in a cash and investment pool administered by the County. Such amounts are considered to be cash equivalents for purposes of the Statements of Cash Flows. To optimize investment returns, the System's funds are invested together with all other County pooled funds, all of which are fully insured or collateralized. The County allocates, on a monthly basis, any investment earnings based on the System's average balance in pooled cash and investments, less an administrative charge.

(i) Flow Assumption for Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted assets are available for use, it is the System's policy to use restricted resources first, then unrestricted assets when needed. See Note 4 for additional information regarding restricted assets.

(j) Investments

Investments consist primarily of U.S. government securities that mature in less than one year from the date of purchase and discount government-sponsored enterprise (GSE) securities, which are stated at amortized cost.

(k) Inventories

Inventories are carried at cost using an average unit cost method. The System's inventories consist of operating supplies and certain system replacement parts.

(l) Capital Assets

Capital assets that individually cost $5,000 or more with a useful life of more than one year are capitalized and recorded at cost. Contributed capital assets are recorded at their estimated fair value on the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	10-50 years
Sewer lines	50 years
Buildings	20-50 years
Purchased capacity	99 years
Improvements	15-25 years
Equipment	5-20 years
Software	5-20 years

For constructed assets, all costs necessary to bring such assets to the condition and location necessary for the intended use, including interest on related debt, are initially treated as construction in progress and subsequently as buildings, improvements, or purchased capacity once the assets are substantially complete. Depreciation and amortization on constructed assets begin when the assets are substantially ready for their intended use.

(m) Retirement Plan

Employees of the System participate in the Fairfax County Employees' Retirement System (Retirement Plan). The System's contributions, based on a contractually fixed rate established by Board, are reported as personnel services.

(n) Compensated Absences

Employees earn vacation pay based on a prescribed formula, which allows employees with less than 10 years of service to accumulate a maximum of 240 hours and employees with 10 years or more of service to accumulate a maximum of 320 hours of vacation benefits as of the end of each calendar year. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate and certain employer-related fringe benefits are used to calculate the year end accruals. At June 30, 2014 and 2013, the System accrued $2,152,802 and $2,187,248, respectively, for such compensated absences.

(o) Intergovernmental Agreements

The County has entered into several intergovernmental agreements for the purpose of sharing sewage flow and treatment facility costs. The payments to other governmental units made to reimburse operating costs are reported as expenses in the year incurred. The interest payments for debt service are reported as nonoperating expenses. The payments made for construction costs for facility capacity expansions are reported as purchased capacity (see notes 5 and 9). Through these capital payments, the System has exclusive entitlements to treatment capacities at other governmental sewage treatment facilities.

(2) Due from Other Governmental Entities

Amounts due from other governmental entities consist of customer service charges, which are billed and collected by Fairfax Water and other local water authorities, and sales of sewer services to other jurisdictions which utilize the System's sewage treatment and collection facilities.

The Board appoints the members of the board of Fairfax Water; however, the County's accountability does not extend beyond making the appointments. During fiscal years 2014 and 2013, Fairfax Water collected approximately $149.4 million and $136.0 million on behalf of the System. As of June 30, 2014 and 2013, the System has receivables of approximately $41.5 million and $32.1 million, respectively, due from Fairfax Water and $11.3 million and $13.4 million, respectively, due from other billing agents.

(3) Deposits and Investments

The System's available cash is invested in the County's cash and investment pool. The County maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Investment Committee, which is comprised of the chief financial officer and certain key management and investment staff.

The Code of Virginia (Code) authorizes the County and the System to purchase the following types of investments:

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips
- Negotiable certificates of deposits and bank notes
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Commonwealth of Virginia and its instrumentalities

- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local government units located within other states
- Savings accounts or time deposits in any bank or savings institution within the Commonwealth that complies with the Code

However, the County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, or security lending programs.

(a) Interest Rate Risk

The System's investment in the pool is covered by the County's policy to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

(b) Credit Risk

It is also the County's policy to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. Based on the County's investment policy, the pooled investments are limited to relatively low risk types of securities and are diversified so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody's Watchlist or S&P's Credit Watch with a short term negative rating. The policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government-sponsored enterprise (GSE) instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be rated by at least two of the following: Moody's, with a minimum rating of Prime 1; S&P, with a minimum rating of A-1; Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1; or by Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody's, or another nationally recognized rating agency.
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Banker's acceptances must have a rating by at least two of the following: Moody's P-1, S&P A-1, Fitch F-1 and Duff and Phelps D-1.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

The portfolio weighted average maturity for the County's entire cash and investment pool were 97.6 and 78.3 days, respectively, as of June 30, 2014 and 2013. As of June 30, 2014 and 2013, the County's portfolio consisted of investments with credit quality ratings as shown below:

	AA	A1	AAA-m	Aaf/S1	Unrated	Total
2014	14.6	72.0	2.0	2.5	8.9	100.0
2013	16.7	73.3	3.3	0.0	6.7	100.0

(c) Concentration of Credit Risk

The County's investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

Repurchase agreements and mutual funds	30%	maximum
Bank notes, banker's acceptances and negotiable certificates of deposit	40%	maximum
Commercial paper	35%	maximum
Corporate notes	25%	maximum
US Treasury and agency securities	100%	maximum
Non-negotiable certificates of deposits	40%	maximum

In addition, not more than 5% of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, banker's acceptances, corporate notes, and bank notes.

(d) Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the County's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the pooled investments purchased by the County are insured or registered or are securities held by the County or its agent in the County's name.

Additional information and information by investment type related to the interest rate risk and the credit risk pertaining to the entire cash and investment pool can be found in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

Certain investments are separately held by the System apart from the County's cash and investment pool and are made in accordance with bond indentures. All of these investments, which are summarized below at carrying value as of June 30, 2014, and 2013, are insured, registered or held by the System or its agent in the System's name:

	2014	2013
U.S. Treasury securities	$ 21,121,159	21,948,230
Money Market Mutual Fund	13,211,452	3,505,433
Mutual Fund - SNAP	2,871	11,502,630
Total	$ 34,335,482	36,956,293

(4) RESTRICTED ASSETS AND RESTRICTED NET POSITION

As of June 30, 2014 and 2013, the System had restricted cash and investments of $96,029,959 and $131,831,453 respectively, for certain purposes in order to manage its funds in accordance with the 1985 General Bond Resolution (the Resolution), as modified through July 2009. The Resolution requires that the System must set aside or restrict funds for certain purposes, including sewer construction, extensions and improvements, establishing a long-term debt service reserve, and funding current debt service requirements.

The System's restricted assets and restricted net position as of June 30, 2014 and 2013, are as follows:

	2014	2013
Assets are restricted for:		
Extensions and improvements	$ 55,491,199	88,671,882
Long-term debt service requirements:		
Sewer revenue bonds:		
Series 2004, 2009, 2012, & 2014	21,097,057	21,920,400
Subordinated sewer revenue bonds:		
2001 VRA	2,791,079	2,791,079
2002 VRA	3,412,199	3,412,199
Total long-term debt service requirements	$ 27,300,335	28,123,678
Current debt service requirements	13,238,425	15,035,893
Total restricted assets	$ 96,029,959	131,831,453
Less related debt:		
Unspent bond proceeds	(25,613,156)	(59,593,821)
Long-term debt service requirements	(27,300,335)	(28,123,678)
Total restricted net position	$ 43,116,468	44,113,954

(5) CAPITAL ASSETS

Changes in capital assets for the years ended June 30, 2014 and 2013, are as follows:

	Balances June 30, 2013	Increases	Decreases	Balances June 30, 2014
Capital assets:				
Non-depreciable:				
Land	$ 17,407,323	-	-	17,407,323
Easement	406,829	-	-	406,829
Construction in progress	115,149,188	54,713,477	(53,014,764)	116,847,901
Depreciable/amortizable:				
Buildings	88,398,832	-	-	88,398,832
Improvements and sewer lines	1,046,377,246	56,456,748	-	1,102,833,994
Equipment	12,179,421	815,623	(652,507)	12,342,537
Purchased capacity	869,047,701	65,297,709	-	934,345,410
Total capital assets	$ 2,148,966,540	177,283,557	(53,667,271)	2,272,582,826
Accumulated depreciation/amortization for:				
Buildings	(39,208,470)	(2,141,086)	-	(41,349,556)
Improvements and sewer lines	(492,990,829)	(23,971,951)	-	(516,962,780)
Equipment	(8,375,346)	(964,246)	648,282	(8,691,310)
Purchased capacity	(257,456,512)	(28,481,292)	-	(285,937,804)
Total accumulated depreciation/ amortization	$ (798,031,157)	(55,558,575)	648,282	(852,941,450)
Total capital assets, net	$ 1,350,935,383	121,724,982	(53,018,989)	1,419,641,376

	Balances June 30, 2012	Increases	Decreases	Balances June 30, 2013
Capital assets:				
Non-depreciable:				
Land	$ 17,370,540	36,783	-	17,407,323
Easement	371,381	35,448	-	406,829
Construction in progress	85,651,793	48,647,937	(19,150,542)	115,149,188
Depreciable/amortizable:				
Buildings	88,398,832	-	-	88,398,832
Improvements and sewer lines	1,021,344,142	25,033,104	-	1,046,377,246
Equipment	11,617,382	1,889,262	(1,327,223)	12,179,421
Purchased capacity	823,610,880	45,436,821	-	869,047,701
Total capital assets	$ 2,048,364,950	121,079,355	(20,477,765)	2,148,966,540
Accumulated depreciation/amortization for:				
Buildings	(37,020,421)	(2,188,049)	-	(39,208,470)
Improvements and sewer lines	(469,656,322)	(23,334,507)	-	(492,990,829)
Equipment	(8,732,243)	(813,409)	1,170,306	(8,375,346)
Purchased capacity	(229,434,178)	(28,022,334)	-	(257,456,512)
Total accumulated depreciation/ amortization	$ (744,843,164)	(54,358,299)	1,170,306	(798,031,157)
Total capital assets, net	$ 1,303,521,786	66,721,056	(19,307,459)	1,350,935,383

Changes in purchased capacity, net of accumulated amortization, for the years ended June 30, 2014 and 2013, in relation to each jurisdiction, are detailed as follows:

	Balances June 30, 2013	Additions	Amortization	Balances June 30, 2014
Purchased capacity, net:				
Blue Plains	$ 147,702,325	31,359,094	(6,015,865)	173,045,554
UOSA	214,009,306	-	(10,783,096)	203,226,210
Alexandria Renew Enterprises	186,986,477	32,916,466	(9,345,956)	210,556,987
Arlington County	43,451,277	1,022,149	(1,631,168)	42,842,258
Prince William County Service Authority	547,200	-	(30,400)	516,800
Loudoun Water	18,894,604	-	(674,807)	18,219,797
Total purchased capacity, net	$ 611,591,189	65,297,709	(28,481,292)	648,407,606

	Balances June 30, 2012	Additions	Amortization	Balances June 30, 2013
Purchased capacity, net:				
Blue Plains	$ 125,753,666	27,684,879	(5,736,220)	147,702,325
UOSA	219,855,900	4,887,136	(10,733,730)	214,009,306
Alexandria Renew Enterprises	186,476,120	9,757,750	(9,247,393)	186,986,477
Arlington County	41,944,005	3,107,056	(1,599,784)	43,451,277
Prince William County Service Authority	577,600	-	(30,400)	547,200
Loudoun Water	19,569,411	-	(674,807)	18,894,604
Total purchased capacity, net	$ 594,176,702	45,436,821	(28,022,334)	611,591,189

(6) Retirement Plans

Employees of the System participate in the Fairfax County Employees' Retirement System (Retirement Plan), a cost-sharing multiple-employer defined benefit pension plan, which covers substantially all County employees who are not members of the Virginia Retirement System or other County-funded retirement plans.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, (b) for Plans A and B, attain the age of 50 with age plus years of creditable service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of creditable service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two-week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0% or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. The Retirement Plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. The benefit for early retirement is actuarially reduced and payable at early termination.

The contribution requirements of the Retirement Plan members are established and may be amended by County ordinances. Members may elect to join Plan A, Plan B, Plan C, or Plan D. Plan A and Plan C require member

contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation.

For fiscal years 2014, 2013, and 2012, the System contributed at the contractually fixed rates of 19.30%, 19.05% and 17.20%, respectively, of annual covered payroll. These rates were established by the Board to cover the actuarially-determined normal cost plus administrative expenses of the Retirement Plan. In the event the Retirement plan's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120% or falls below 90%, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

The System's contributions to the Retirement Plan for the years ended June 30, 2014, 2013, and 2012, were approximately $2,735,000, $2,912,000, and $2,545,000, respectively, which represent the System's allocated share of the County's funding requirements.

Information relating to the Retirement Plan as a whole is available in the County's June 30, 2014 CAFR. In addition, the Retirement Plan issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Fairfax County Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030, or by calling (703) 279-8200.

(7) Other Post-employment Benefits

The System participates in the County's program to subsidize the health benefit coverage of certain retirees and surviving spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. The amount of monthly subsidy provided by the County is based on years of service and ranges from $15 per month to $175 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at $100 per month unless their years of service entitle them to receive a higher monthly subsidy. Beginning in fiscal year 2008, the subsidy is funded under the guidance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the County to recognize the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment.

In addition, the System participates in a County program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees who choose to participate in this cost-sharing program.

The cost associated with the System's retirees for the years ended June 30, 2014, 2013, and 2012 were approximately $985,000, $972,000, and $935,000 respectively.

Additional information regarding these programs is available in the County's CAFR for the year ended June 30, 2014.

(8) LONG-TERM LIABILITIES

The following is a summary of the changes in the System's long-term liabilities for the fiscal years ended June 30, 2014 and 2013:

	Balances June 30, 2013	Increases	Decreases	Balances June 30, 2014	Current Portions
Compensated absences	$ 2,187,248	1,384,713	(1,419,159)	2,152,802	1,345,208
Sewer Refunding Revenue Bonds - 2014 Series		61,755,000	-	61,755,000	-
Sewer Revenue Bonds - 2012 Series	90,710,000	-	(1,440,000)	89,270,000	1,475,000
Sewer Revenue Bonds - 2009 Series	144,890,000	-	(2,670,000)	142,220,000	2,805,000
Sewer Refunding Revenue Bonds - 2004 Series	76,235,000	-	(72,900,000)	3,335,000	3,335,000
Premium on Sewer Refunding Revenue Bonds (net)	23,590,621	7,362,462	(2,531,338)	28,421,745	1,358,022
Subordinated Revenue Bonds - 2001	20,247,399	-	(2,328,867)	17,918,532	2,383,917
Subordinated Revenue Bonds - 2002	27,534,588	-	(2,781,381)	24,753,207	2,847,128
Subordinated UOSA Revenue Bonds	283,269,711	2,520,436	(8,497,106)	277,293,041	9,583,213
	$ 668,664,567	73,022,611	(94,567,851)	647,119,327	25,132,488

	Balances June 30, 2012	Increases	Decreases	Balances June 30, 2013	Current Portions
Compensated absences	$ 2,157,541	1,467,184	(1,437,477)	2,187,248	1,223,124
Sewer Revenue Bonds - 2012 Series	-	90,710,000	-	90,710,000	1,440,000
Sewer Revenue Bonds - 2009 Series	147,430,000	-	(2,540,000)	144,890,000	2,670,000
Sewer Revenue Bonds - 2004 Series	79,280,000	-	(3,045,000)	76,235,000	3,155,000
Premium on Sewer Refunding Revenue Bonds (net)	9,277,922	14,708,040	(395,341)	23,590,621	885,609
Subordinated Revenue Bonds - 2001	22,384,157	-	(2,136,758)	20,247,399	2,328,867
Subordinated Revenue Bonds - 2002	30,103,437	-	(2,568,849)	27,534,588	2,781,381
Subordinated UOSA Revenue Bonds	273,056,094	17,140,227	(6,926,610)	283,269,711	8,539,879
	$ 563,689,151	124,025,451	(19,050,035)	668,664,567	23,023,860

(a) Sewer Revenue Bonds

The System issues bonds under the 1985 General Bond Resolution (Resolution) adopted by the County Board of Supervisors. The Resolution includes a rate covenant under which the System has agreed that it will charge reasonable rates for the use of services rendered by the System. Furthermore, the System will adjust the rates, from time to time, to generate net revenues sufficient to provide an amount equal to 100% of its annual principal and interest requirements and the System's annual commitments to fund its proportionate share of other jurisdictions' debt service requirements. Persuant to the Resolution, the System is required to maintain a reserve equal to the lesser of (i) the maximum principal and interest requirements of the outstanding bonds for any bond year and (ii) 125% of the average annual principal and interest for any bond year. In the opinion of the System's management, the System is in compliance with all Resolution covenants.

Payment of the principal and interest on all Sewer revenue bonds is secured by a pledge of gross revenues derived from the System after provisions for payment of the operating expenses of the System. The bonds do not constitute general obligations of the County, and authorization to issue any additional debt rests with the Board. In addition, the System is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage.

On October 14, 2004, the System issued $94,005,000 of Sewer Revenue Refunding Bonds (the Series

2004 Bonds) with an average interest rate of 4.61% to advance refund $91,430,000 of the outstanding Series 1996 Bonds with an average interest rate of 5.82%. The Net proceeds were used to redeem the Series 1996 Bonds on July 15, 2006.

On June 17, 2009, the System issued $152,255,000 of Sewer Revenue Bonds (the Series 2009 Bonds) with an average interst rate of 4.72% to fund upgrade costs allocable to the System at certain treatment facilities.

On August 8, 2012, the System issued $90,710,000 of Sewer Revenue Bonds (the Series 2012 Bonds) with an average interest rate of 4.54% to fund upgrade costs allocable to the System at certain treatment facilities that are owned by, or that provide service to, the County, the purchase of additional capacity at certain wastewater treatment facilities for the benefit of the County and the costs of certain additions, extensions, and improvements to the County's sewage collection, treatment, and disposal systems.

On April 16, 2014, the System took advantage of lower market interest rates and issued $61,755,000 of Sewer Revenue Refunding Bonds (the Series 2014 Bonds) with an average interest rate of 4.14% to refund $69,745,000 of the outstanding Series 2004 Bonds with an average interest rate of 4.61%. The Net proceeds were used to redeem the Series 2004 Bonds on July 15, 2014.

The outstanding bonds as of June 30, 2014, consist of $61,755,000; $89,270,000; $142,220,000; and $3,335,000 of Series 2014 Revenue Refunding Bonds, Series 2012 Revenue Bonds, Series 2009 Revenue Bonds, and Series 2004 Revenue Refunding Bonds, respectively, that bear interest at varying rates and mature in varying amounts, as follows:

	Series 2014			Series 2012			Series 2009			Series 2004		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	$	1,901,681	1,901,681	1,475,000	4,079,675	5,554,675	2,805,000	6,845,025	9,650,025	3,335,000	83,375	3,418,375
2016	3,175,000	2,513,250	5,688,250	1,530,000	4,026,950	5,556,950	2,950,000	6,701,150	9,651,150			
2017	3,275,000	2,432,375	5,707,375	1,600,000	3,956,350	5,556,350	3,105,000	6,549,775	9,654,775			
2018	3,425,000	2,297,625	5,722,625	1,680,000	3,874,350	5,554,350	3,260,000	6,390,650	9,650,650			
2019	3,610,000	2,121,750	5,731,750	1,770,000	3,788,100	5,558,100	3,430,000	6,223,400	9,653,400			
2020	3,830,000	1,935,750	5,765,750	1,860,000	3,697,350	5,557,350	3,605,000	6,047,525	9,652,525			
2021	4,035,000	1,739,125	5,774,125	1,955,000	3,601,975	5,556,975	3,790,000	5,862,650	9,652,650			
2022	4,255,000	1,531,875	5,786,875	2,055,000	3,501,725	5,556,725	3,985,000	5,668,275	9,653,275			
2023	4,485,000	1,313,375	5,798,375	2,160,000	3,396,350	5,556,350	4,190,000	5,463,900	9,653,900			
2024	4,735,000	1,082,875	5,817,875	2,270,000	3,285,600	5,555,600	4,405,000	5,249,025	9,654,025			
2025	4,995,000	839,625	5,834,625	2,385,000	3,169,225	5,554,225	4,605,000	5,046,800	9,651,800			
2026	5,205,000	636,675	5,841,675	2,510,000	3,046,850	5,556,850	4,795,000	4,858,800	9,653,800			
2027	5,390,000	477,750	5,867,750	2,640,000	2,918,100	5,558,100	4,990,000	4,663,100	9,653,100			
2028	5,570,000	299,425	5,869,425	2,765,000	2,789,888	5,554,888	5,195,000	4,459,400	9,654,400			
2029	5,770,000	100,975	5,870,975	2,895,000	2,662,538	5,557,538	5,435,000	4,219,625	9,654,625			
2030				3,025,000	2,529,338	5,554,338	5,710,000	3,941,000	9,651,000			
2031				3,165,000	2,390,063	5,555,063	6,005,000	3,648,125	9,653,125			
2032				3,310,000	2,244,375	5,554,375	6,310,000	3,340,250	9,650,250			
2033				3,465,000	2,091,938	5,556,938	6,635,000	3,016,625	9,651,625			
2034				3,625,000	1,932,413	5,557,413	6,975,000	2,676,375	9,651,375			
2035				3,790,000	1,765,575	5,555,575	7,335,000	2,318,625	9,653,625			
2036				3,965,000	1,591,088	5,556,088	7,710,000	1,942,500	9,652,500			
2037				4,150,000	1,408,500	5,558,500	8,105,000	1,547,125	9,652,125			
2038				4,340,000	1,217,475	5,557,475	8,520,000	1,131,500	9,651,500			
2039				4,540,000	1,017,675	5,557,675	8,955,000	694,625	9,649,625			
2040				4,750,000	808,650	5,558,650	9,415,000	235,375	9,650,375			
2041				4,965,000	590,063	5,555,063						
2042				5,195,000	361,463	5,556,463						
2043				5,435,000	122,288	5,557,288						
Total	$ 61,755,000	21,224,131	82,979,131	89,270,000	71,865,925	161,135,925	142,220,000	108,741,225	250,961,225	3,335,000	83,375	3,418,375

(b) Subordinated Sewer Revenue Bonds

In June 2001 and June 2002, the System issued 20-year subordinated sewer revenue bonds in the amounts of $40,000,000 and $50,000,000, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA). The proceeds have been used to finance a portion of the System's share of the expansion and upgrade costs of the Alexandria Renew Enterprises' wastewater treatment facilities, which provide service to certain County residents. In September 2012, the System executed a rate reduction agreement with VRA reducing the interest rates on these bonds from 4.10% and 3.75% per annum, respectively, to 2.35% per annum and the required semi-annual debt service payments from $1,499,642 and $1,818,894, respectively to $1,395,539 and $1,706,099, respectively. The rate reduction agreement resulted in interest savings of $1,769,745 and $2,143,099, respectively. These bonds are subordinated to all outstanding prior bond issues of the System and payments for operation and maintenance expenses.

As of June 30, 2014, the principal and interest payment schedule for the 2001 and 2002 subordinated revenue bonds is as follows:

	2001 Subordinated Revenue Bonds			2002 Subordinated Revenue Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	$ 2,383,917	407,162	2,791,079	2,847,128	565,071	3,412,199
2016	2,440,268	350,811	2,791,079	2,914,428	497,771	3,412,199
2017	2,497,951	293,128	2,791,079	2,983,320	428,879	3,412,199
2018	2,556,998	234,081	2,791,079	3,053,839	358,360	3,412,199
2019	2,617,441	173,638	2,791,079	3,126,026	286,173	3,412,199
2020	2,679,312	111,767	2,791,079	3,199,920	212,279	3,412,199
2021	2,742,645	48,433	2,791,078	3,275,559	136,639	3,412,198
2022	-	-	-	3,352,987	59,211	3,412,198
Total	$ 17,918,532	1,619,020	19,537,552	24,753,207	2,544,383	27,297,590

(c) Upper Occoquan Sewage Authority (UOSA) Debt

In January 1995, UOSA, a joint venture, issued $288,600,000 of Regional Sewer System Revenue Bonds to finance the cost of expanding the capacity of its wastewater treatment facilities from 32 million gallons per day (MGD) to 54 MGD and $42,260,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to finance a prior expansion. On December 15, 2003, UOSA issued $58,150,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is $36,848,116, to advance refund the outstanding Series 1993 bonds, resulting in a $1,514,494 accounting gain, which is being amortized over the life of the Series 2003 Bonds. On November 9, 2004, UOSA issued $49,395,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is $31,866,527, to advance refund a portion of the outstanding Series 1995 Bonds, resulting in a $619,329 accounting gain, which is being amortized over the life of the Series 2004 Bonds. On July 1, 2005, UOSA issued $82,465,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is $53,201,198, to advance refund another portion of the outstanding Series 1995 Bonds, resulting in a $1,909,604 accounting gain, which is being amortized over the life of the Series 2005 Bonds. In February 2007, UOSA issued $90,315,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is $58,265,521, to advance refund another portion of the outstanding Series 1995 Bonds, resulting in a $83,868 accounting loss, which is being amortized over the life of the Series 2007 Bonds. In December 2007, UOSA issued $119,715,000 of Regional Sewer System Revenue Bonds, of which the System's share is $53,925,458, to finance the cost of expanding its wastewater treatment and conveyance facilities. In December 2010, UOSA issued $85,180,000 of Regional Sewer System Revenue Bonds, of which the System's share is $34,113,615, to finance the cost of certain capital improvements. In fiscal

year 2012, UOSA entered into VRA loans 2011A and 2011B to fund costs related to the Energy Service (ESCO) project and Phase 1 of the Nutrient Compliance Improvement Project (P1NR), respectively. In fiscal year 2013, UOSA issued $101,615,000 of Regional Sewer System Revenue Refunding Bonds of which the System's share is $65,555,566, to refund the outstanding Series 2005 Bonds reducing total debt service payments over future years by approximate $4.9 million.

In fiscal year 2014, UOSA issued $37,735,000 of Regional Sewer System Revenue Refunding Bonds of which the System's share is $23,911,671, to refund the outstanding Series 2003 Bonds. Although the refunding resulted in an accounting loss of $2,520,436 which is being amortized over the life of the Series 2013B Bonds, the System reduced total interest payments over future years by approximately $2.1 million.

The System's share of UOSA's total outstanding debt at June 30, 2014, is $277,293,041 and it is subordinate to the Sewer Revenue Bonds issued by the System.

As of June 30, 2014, the System is obligated to fund its proportionate share of outstanding UOSA Regional Sewer System Revenue and Refunding Bonds, as follows:

UOSA			
Fiscal Year	Principal	Interest	Total
2015	$ 9,583,213	10,408,243	19,991,456
2016	10,060,394	10,055,150	20,115,544
2017	10,443,086	9,670,648	20,113,734
2018	10,827,280	9,287,553	20,114,833
2019	11,227,836	8,884,138	20,111,974
2020	11,653,215	8,460,058	20,113,273
2021	11,753,882	8,013,243	19,767,125
2022	14,984,051	7,769,527	22,753,578
2023	12,886,289	7,434,169	20,320,458
2024	13,208,776	7,112,076	20,320,852
2025	13,620,631	6,757,262	20,377,893
2026	21,526,029	6,377,458	27,903,487
2027	15,694,307	5,532,383	21,226,690
2028	16,378,760	4,845,835	21,224,595
2029	17,099,777	4,128,389	21,228,166
2030	5,144,230	3,378,399	8,522,629
2031	5,370,108	3,157,460	8,527,568
2032	5,598,565	2,925,394	8,523,959
2033	5,756,226	2,683,185	8,439,411
2034	5,729,905	2,433,954	8,163,859
2035	5,797,577	2,181,579	7,979,156
2036	6,045,835	1,930,994	7,976,829
2037	6,307,358	1,669,620	7,976,978
2038	6,581,893	1,394,511	7,976,404
2039	6,869,443	1,107,385	7,976,828
2040	7,195,281	781,182	7,976,463
2041	6,360,715	439,347	6,800,062
2042	1,760,148	139,946	1,900,094
2043	1,828,231	71,300	1,899,531
Total	$ 277,293,041	139,030,388	416,323,429

(9) Commitments and Contingencies

(a) Cost Sharing Agreement with Alexandria Renew Enterprises (ARE)

The System is obligated under an agreement with the ARE to share in the construction and operating costs and debt service requirements for ARE's sewage treatment facility. Currently, the System has a capacity entitlement of 32.4 MGD, which is 60% of the facility's total capacity of 54 MGD. Although the System is allowed one nonvoting representative at the meetings of ARE, the System has no significant influence in the management of the treatment facilities. In addition, the System has no direct ongoing equity interest in the assets or liabilities of ARE. Accordingly, the System does not account for this commitment as a joint venture.

The ARE facility completed major improvements to meet new water quality standards in 2005. A new construction program to build enhanced nutrient removal facilities has been initiated. The System paid ARE $32,916,466 and $9,757,751 for purchased capacity in fiscal years 2014 and 2013, respectively, to fund its share of the construction and land acquisition costs; the System estimates its share of the remaining construction costs to be $137,542,000, of which $45,359,000 is expected to be incurred in fiscal year 2015 and the balance over fiscal years 2016 to 2024. In addition, the System made total payments of $13,133,545 and $12,786,521 to ARE during fiscal years 2014 and 2013, respectively, for its share of the ARE's operating costs.

(b) Cost-Sharing Agreement with the District of Columbia (District)

The System is obligated under the 2012 Blue Plains Intermunicipal Agreement (2012 IMA), which replaced the 1985 IMA, between the County; the District; the District of Columbia Water and Sewer Authority (DC Water); Montgomery County, Maryland; Prince George's County, Maryland; and the Washington Suburban Sanitary Commission to share the construction and operating costs of the Blue Plains Wastewater Treatment Plant, which is operated by DC Water. Currently, the System has a capacity entitlement of 31 MGD, which is approximately 8.4% of the Plant's total capacity of 370 MGD. DC Water has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The System has no significant control over plant operations and construction and no ownership interest in the assets of DC Water. Accordingly, the System does not account for this commitment as a joint venture.

The Blue Plains Plant is currently undergoing a major renovation of its sludge disposal systems along with nitrogen removal upgrades. The System paid DC Water $31,359,095 and $27,684,900 for purchased capacity in fiscal years 2014 and 2013, respectively, to fund its share of construction costs; the System estimates its share of the remaining construction costs to be $137,217,000, of which $17,455,000 is expected to be incurred in fiscal year 2015 and the balance over fiscal years 2016 to 2024. In addition, the System made total payments of $11,815,951 and $13,214,346 to DC Water during fiscal years 2014 and 2013, respectively, for its share of the Plant's operating costs.

(c) Joint Venture – Upper Occoquan Sewage Authority (UOSA)

UOSA is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act on March 3, 1971, by a concurrent resolution of the governing bodies of the County, Prince William County, and the Cities of Manassas and Manassas Park to finance, construct, and operate a regional sewage treatment facility. Currently, the System has a capacity entitlement of 22.6 MGD, which is 42% of the facility's total capacity of 54 MGD. The governing body of UOSA is an eight member board of directors consisting of two members from each participating jurisdiction appointed to four year terms. The UOSA

Board of Directors adopts an annual operating budget based on projected sewage flows.

The County has no explicit and measurable interest in UOSA but does have an ongoing financial responsibility for its share of UOSA's construction costs, operating costs, and annual debt service. The System paid UOSA $0 and $101,277 for purchased capacity in fiscal years 2014 and 2013, respectively, to fund its share of construction costs. In addition, the System made total payments to UOSA of $12,276,384 and $12,635,433 in fiscal years 2014 and 2013, respectively, to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2013, and 2012, (the most recent available audited financial information) is shown below. The complete financial statements for UOSA can be obtained by writing to UOSA at 14631 Compton Road, Centreville, Virginia 20121.

	2013	2012 (Restated)
Total assets	$ 627,740,768	630,240,481
Deferred outflows of resources	10,636,054	7,348,912
Total liabilities	(548,166,869)	(540,833,757)
Total net assets	$ 90,209,953	96,755,636
Operating revenues	$ 26,918,771	26,284,637
Operating expenses	(49,846,103)	(47,732,629)
Nonoperating revenues, net	4,011,892	8,953,289
Capital contributions	12,369,757	13,064,440
Increase/(Decrease) in net assets	$ (6,545,683)	569,737

(d) Cost Sharing Agreement with Arlington County, Virginia (Arlington)

The System is obligated under the 1989 Sewage Conveyance Treatment and Disposal Agreement with Arlington to share the construction and operating costs of the sewage treatment facility owned and operated by Arlington. Currently, the System has a capacity entitlement of 3 MGD, which is 7.5% of the facility's total capacity of 40 MGD. The System has no direct ongoing equity interest in the facility's assets and liabilities. Furthermore, the System has no significant influence in the management of Arlington's treatment facility. Accordingly, the System does not account for this commitment as a joint venture.

The Arlington facility has recently completed a major upgrade to meet new water quality standards. The System paid Arlington $1,022,149 and $3,107,056 for purchased capacity in fiscal years 2014 and 2013, respectively, to fund its share of the construction costs; the System estimates its share of the remaining construction costs to be $6,516,000, of which $1,474,000 is expected to be incurred in fiscal year 2015 and the balance over fiscal years 2016 to 2024. In addition, the System made total payments of $2,225,036 and $2,174,228 to Arlington during fiscal years 2014 and 2013, respectively, for its share of Arlington's operating costs.

(e) Cost Sharing Agreement with Loudoun County, Virginia, Sanitation Authority (Loudoun Water)

The System is obligated under the Broad Run Water Reclamation Facility Capacity Agreement with Loudoun Water to share the construction and operating costs and debt service requirements of the sewage treatment facility owned and operated by Loudoun Water. Currently, the System has a capacity entitlement of 1.0 MGD, which is 9.0% of the facility's total capacity of 11 MGD. The System has no direct ongoing interest in the facility's assets and liabilities. Furthermore, the System has no significant influence in the management of Loudoun Water's treatment facility. Accordingly, the System does not account for this commitment as a joint venture.

The System will incur operating costs once it starts to deliver flows to Loudoun Water's facilities which has not happened to date and is not expected to start in fiscal year 2015. The Broad Run Plant is a new facility; therefore, no construction or debt service requirements are expected in the near future.

(f) Other Commitments

At June 30, 2014 and 2013, the System had contractual commitments of approximately $37,027,000 and $47,902,000 respectively, for construction of various sewer projects, excluding the ARE, District, UOSA, Arlington County, and Loudoun Water contractual commitments noted above.

(g) Other Contingencies

The System is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of the management of the System and the County, as well as the County Attorney, that any losses which may ultimately be incurred as a result of those suits and claims will not be material to the System's financial statements.

(10) Risk Management

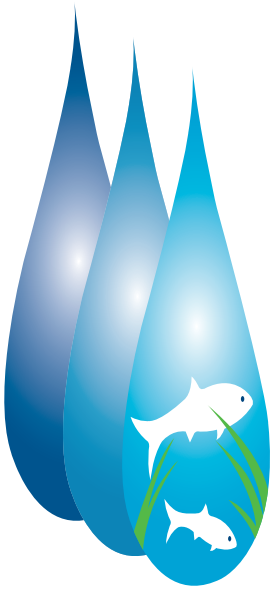
The System is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the System participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies. The System is charged by the County for costs associated with workers' compensation, vehicle and general liability risks, and the costs associated with other risks are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's CAFR for the fiscal year ended June 30, 2014.

(11) Implementation of New Accounting Pronouncements

In Fiscal Year 2014, the County implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The implementation of this new standard did not have a material impact on the system's financial statements for fiscal year 2014.

In Fiscal Year 2014, the County implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this new standard did not have a material impact on the system's financial statements for fiscal year 2014.

Fairfax County Wastewater Management



Quality of Water = Quality of Life

Fairfax County Wastewater Management

Quality of Water = Quality of Life

Statistical Section

Fairfax County
Wastewater Management

Quality of Water = Quality of Life

1.0 FINANCIAL TRENDS

Financial trends information is intended to assist users in understanding and assessing how the System's financial position has changed over time. There are four tables presented in this section.

TABLE 1.1 - NET POSITION BY COMPONENT (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	Restated 2013	2012	2011	2010
Net investment in capital assets	$ 843,276,715	778,825,722	769,135,097	722,703,848	748,697,093
Restricted	43,116,468	44,113,954	51,055,374	93,427,366	44,371,666
Unrestricted	125,554,965	147,119,567	116,578,189	81,180,178	76,855,173
Total net position	$1,011,948,148	970,059,243	936,768,660	897,311,392	869,923,932

	Fiscal Year				
	2009	2008	2007	2006	2005
Net investment in capital assets	$ 757,858,955	757,799,128	789,479,735	786,263,108	787,889,313
Restricted	35,945,622	28,251,270	46,489,817	57,514,949	56,463,753
Unrestricted	84,277,881	109,530,192	61,756,541	61,442,481	63,234,893
Total net position	$ 878,082,458	895,580,590	897,726,093	905,220,538	907,587,959

Source: Fairfax County Wastewater Management Program

Notes:

(a) Certain amounts for fiscal years 2005, 2009, and 2012 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period.

Unaudited - see accompanying accountants' report.

TABLE 1.2 - CHANGES IN NET POSITION (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
Operating revenues:					
Sales of service	$ 188,168,475	173,553,631	159,957,639	142,929,404	126,681,734
Operating expenses:					
Personnel services	27,576,508	25,607,805	24,735,872	24,162,541	23,131,023
Materials and supplies	15,635,981	13,238,456	13,974,834	11,429,228	11,636,425
Contractual services	47,658,923	47,167,159	46,236,052	48,655,804	47,468,305
Depreciation and amortization	55,558,575	54,358,299	52,429,103	47,130,698	46,680,568
Professional fees and other	240,007	427,705	508,080	509,330	876,238
Total operating expenses	$ 146,669,994	140,799,424	137,883,941	131,887,601	129,792,559
Operating income (loss)	41,498,481	32,754,207	22,073,698	11,041,803	(3,110,825)
Nonoperating revenues (expenses):					
Availability charges	24,007,197	20,477,318	28,959,575	11,189,312	10,668,539
Investment earnings	484,332	1,409,377	521,755	1,084,587	1,303,897
Interest expense	(26,960,382)	(28,052,165)	(25,227,137)	(25,300,800)	(25,929,969)
Amortization of bond issuance costs	(343,229)	(699,561)	(1,083,241)	(45,476)	(45,476)
Amortization of deferred amounts on refundings	(994,404)	151,242	229,931	229,931	229,931
Gain (loss) on disposal of capital assets	122,334	187,421	8,481	14,748	47,503
Total nonoperating revenues (expenses)	$ (3,684,152)	(6,526,368)	3,409,364	(12,827,698)	(13,725,575)
Loss before contributions and special item	37,814,329	26,227,839	25,483,062	(1,785,895)	(16,836,400)
Capital contributions:					
Grants from the Commonwealth	591,814	1,107,952	10,270,459	3,700,000	4,100,498
Federal Stimulus	-	-	-	4,525,425	1,974,575
From Fairfax County	-	-	-	-	78,301
From developers	3,482,762	5,954,792	3,703,747	4,160,045	2,524,500
Special items:					
Gain on sale of purchased capacity	-	-	-	16,787,885	-
Change in net position	$ 41,888,905	33,290,583	39,457,268	27,387,460	(8,158,526)

Source: Fairfax County Wastewater Management Program

Notes:

(a) Certain amounts for fiscal years 2005 & 2012 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period.

Unaudited - see accompanying accountants' report.

	Fiscal Year				
	2009	2008	2007	2006	2005
Operating revenues:					
Sales of service	$ 108,723,096	100,297,089	95,943,712	87,213,834	86,710,115
Operating expenses:					
Personnel services	22,907,919	21,569,257	20,542,951	19,823,094	19,752,758
Materials and supplies	13,774,422	11,975,303	11,464,005	11,976,080	10,772,931
Contractual services	47,861,675	45,869,419	41,209,777	40,227,839	35,915,779
Depreciation and amortization	45,575,080	45,701,515	45,846,313	45,412,396	40,242,429
Professional fees and other	762,872	456,078	446,152	677,658	784,403
Total operating expenses	$ 130,881,968	125,571,572	119,509,198	118,117,067	107,468,300
Operating income (loss)	(22,158,872)	(25,274,483)	(23,565,486)	(30,903,233)	(20,758,185)
Nonoperating revenues (expenses):					
Availability charges	11,461,530	13,909,729	19,513,484	36,144,561	31,303,560
Investment earnings	2,301,005	5,127,079	5,825,962	4,449,036	3,505,410
Interest expense	(18,309,964)	(17,224,651)	(17,650,673)	(18,138,416)	(18,020,181)
Amortization of bond issuance costs	(18,729)	(16,294)	(16,294)	(16,294)	(44,038)
Amortization of deferred amounts on refundings	229,931	229,931	229,931	235,922	140,442
Gain (loss) on disposal of capital assets	46,048	60,674	31,481	(27,923)	(43,147)
Total nonoperating revenues (expenses)	$ (4,290,179)	2,086,468	7,933,891	22,646,886	16,842,046
Loss before contributions and special item	(26,449,051)	(23,188,015)	(15,631,595)	(8,256,347)	(3,916,139)
Capital contributions:					
Grants from the Commonwealth	-	253,030	351,247	-	1,306,639
Federal Stimulus	-	-	-	-	-
From County	-	-	-	-	-
From developers	8,950,919	9,834,910	7,785,903	5,888,926	5,941,491
Special items:					
Cost of Purchased Capacity disposed	-	10,954,572	-	-	-
Change in net position	$ (17,498,132)	(2,145,503)	(7,494,445)	(2,367,421)	3,331,991

Unaudited - see accompanying accountants' report.

TABLE 1.3 - OPERATING REVENUES DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
Sewer service:					
County connections	$ 176,471,310	163,052,021	148,891,691	134,050,981	117,550,994
City of Fairfax	2,158,338	1,702,234	3,162,214	1,766,899	2,327,558
Town of Herndon	3,758,078	2,992,525	3,193,471	2,796,632	2,508,622
Arlington County	540,121	538,464	566,991	632,042	662,576
Fort Belvoir	2,431,455	2,429,616	1,842,643	1,440,178	1,617,140
City of Falls Church	1,022,967	921,702	1,030,951	1,055,703	887,498
Town of Vienna	455,670	650,817	451,532	452,817	589,075
Other (a)	563,866	651,188	348,552	390,641	296,331
Other services	766,670	615,064	469,594	343,511	241,940
Total operating revenues	$ 188,168,475	173,553,631	159,957,639	142,929,404	126,681,734

	Fiscal Year				
	2009	2008	2007	2006	2005
Sewer service:					
County connections	$ 100,493,512	92,095,867	87,893,949	79,966,998	79,082,085
City of Fairfax	1,886,339	1,902,188	2,095,041	1,902,214	1,918,704
Town of Herndon	2,221,125	2,147,874	2,302,247	2,007,822	2,090,091
Arlington County	657,186	564,330	440,374	550,118	553,268
Fort Belvoir	1,285,825	1,245,801	1,242,398	916,342	1,036,112
City of Falls Church	1,242,233	1,166,939	1,070,659	1,085,477	1,159,953
Town of Vienna	453,261	405,636	477,315	458,961	525,038
Other (a)	293,946	290,664	242,803	109,232	117,648
Other services	189,669	477,790	178,926	216,670	227,216
Total operating revenues	$ 108,723,096	100,297,089	95,943,712	87,213,834	86,710,115

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other sewer service revenues include revenues from Fairfax Water and the County's solid waste resource recovery facility.

Unaudited - see accompanying accountants' report.

TABLE 1.4 - OPERATING EXPENSES DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	$ 19,931,898	19,605,159	20,088,669	19,682,549	19,246,868
Alexandria Renew Enterprises	13,133,545	12,786,521	12,836,900	13,221,642	13,840,642
DCWASA Blue Plains	11,815,951	13,214,346	13,257,118	13,492,628	12,279,110
Upper Occoquan Sewage Authority	12,276,384	12,635,433	12,045,467	13,187,574	12,944,970
Arlington County	2,225,036	2,174,228	2,224,503	1,700,523	1,607,662
Other (b)	496,374	530,959	497,634	608,470	560,153
Total wastewater treatment expenses	59,879,188	60,946,646	60,950,291	61,893,386	60,479,405
Other operating expenses:					
Pumping, collection, and inspection	13,280,579	13,759,928	13,445,481	12,573,304	12,909,408
System repairs and renovations	115,557	280,341	500,654	348,716	537,236
Planning, engineering, and monitoring support	10,240,019	5,655,443	5,305,778	3,845,246	3,520,455
Billing and bill collection	7,596,076	5,798,767	5,252,634	6,096,251	5,665,487
Depreciation and amortization	55,558,575	54,358,299	52,429,103	47,130,698	46,680,568
Total operating expenses	$ 146,669,994	140,799,424	137,883,941	131,887,601	129,792,559

	Fiscal Year				
	2009	2008	2007	2006	2005
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	$ 21,300,335	18,933,101	18,155,049	19,221,705	17,361,416
Alexandria Renew Enterprises	14,170,985	14,125,041	13,336,025	13,595,553	12,359,112
DCWASA Blue Plains	12,516,382	11,868,018	9,279,874	9,051,453	8,753,826
Upper Occoquan Sewage Authority	13,171,944	12,634,484	12,233,492	11,015,818	9,414,103
Arlington County	1,595,998	1,502,058	1,634,568	1,391,823	959,477
Other (b)	672,775	393,200	164,410	169,006	168,949
Total wastewater treatment expenses	63,428,419	59,455,902	54,803,418	54,445,358	49,016,883
Other operating expenses:					
Pumping, collection, and inspection	13,034,159	12,316,625	11,423,464	11,325,450	11,025,968
System repairs and renovations	611,624	926,450	566,103	621,792	1,133,907
Planning, engineering, and monitoring support	3,110,606	2,819,735	2,875,051	2,218,746	3,072,209
Billing and bill collection	5,122,080	4,351,345	3,994,849	4,093,325	2,976,904
Depreciation and amortization	45,575,080	45,701,515	45,846,313	45,412,396	40,242,429
Total operating expenses	$ 130,881,968	125,571,572	119,509,198	118,117,067	107,468,300

Source: Fairfax County Wastewater Management Program

Notes:

(a) Wastewater treatment expenses are direct operating expenses, excluding depreciation and amortization.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

2.0 REVENUE CAPACITY

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the System's ability to generate its own-source revenues. There are six tables presented in this section.

TABLE 2.1 - SEWER RATE STRUCTURE (a) - LAST TEN FISCAL YEARS

Fiscal Year	Availability Charge (b) (Per Unit) Single Family Residence	Townhouse/ Apartment	Commercial Fixture	Retail Sewer Service Charge (c) (Per 1,000 gallons)	Retail Residential Sewer Service Base Charge (d) (Per Bill)
2014	$ 7,750	6,200	401	6.55	12.79
2013	7,750	6,200	401	6.55	5.50
2012	7,750	6,200	401	6.01	5.00
2011	7,750	6,200	401	5.27	5.00
2010	7,310	5,848	378	4.50	5.00
2009	6,896	5,517	357	4.10	
2008	6,506	5,205	337	3.74	
2007	6,138	4,910	318	3.50	
2006	5,874	4,699	304	3.28	
2005	5,621	4,497	291	3.20	

Connection Charge (e) - Effective July 1, 2011, the rate was increased to $152.50 per foot. Prior to this date, the rate was $6.00 per foot since december 1970.

Lateral Spur Charge (f) - The rate has been $600 per spur connection since March 1981.

Source: Fairfax County Wastewater Management Program

Notes:

(a) Sewer rates are established by the Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually by the County staff as part of the County's annual long-range planning and short-term budgeting process and revised as necessary. These rates are in effect for County customers only. Customers outside the County are billed subject to sale of service agreements.

(b) Availability Charge - This is a one-time charge collected from all new customers prior to connection to the System to cover in part the new customer's proportionate cost of System facilities beyond the collector system. Residential units pay on a per unit basis. Commercial units pay an equivalent residential (single family residence) unit fee for the first 19 plumbing fixture units, then on a per fixture unit basis for any fixture units in excess of the residential equivalent amount.

(c) Retail Sewer Service Charge - Single family residences and townhouses are billed sewer service charges quarterly based on water consumption from the previous winter quarter. Apartment and nonresidential complexes are billed based on consumption used during the billing period. These charges are collected by three water billing agents: Fairfax Water; the City of Falls Church; and the Town of Vienna.

(d) Beginning in FY 2010, a base charge of $5.00 per bill is assessed, in addition to the sewer service charge, to partially recover fixed expenses for billing, wastewater collection, engineering, planning, and administrative expenses.

(e) Connection Charge - Frequently called the front footage charge, this is a one-time charge collected from new customers prior to connection to the System as a partial repayment of County installed collector sewers.

(f) Lateral Spur Charge - This is a one-time charge that applies only to those new customers who are connecting to County installed sanitary sewers where the lateral spurs have been installed at County expense.

Unaudited - see accompanying accountants' report.

TABLE 2.2 - CUSTOMER BASE BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	149,172	148,734	147,998	147,478	146,810
DCWASA Blue Plains	88,139	87,841	87,551	87,406	86,575
Alexandria Renew Enterprises	68,207	68,035	67,805	67,229	67,069
Upper Occoquan Sewage Authority	49,288	49,239	49,188	49,109	48,889
Arlington County	10,664	10,650	10,644	10,639	10,623
Other (a)	368	367	357	348	345
Customer base	365,838	364,866	363,543	362,209	360,311

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	144,407	143,900	143,040	140,569	139,771
DCWASA Blue Plains	85,937	85,197	83,874	81,446	81,305
Alexandria Renew Enterprises	66,278	65,448	65,088	63,938	63,825
Upper Occoquan Sewage Authority	48,796	48,647	48,058	46,732	46,287
Arlington County	10,445	9,947	9,917	9,893	9,891
Other (a)	342	339	334	326	311
Customer base	356,205	353,478	350,311	342,904	341,390

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other service areas include Harbor View and Prince William County Service Authority. In addition, there are holding tank facilities in the Town of Clifton and Gunston Wiley.

Unaudited - see accompanying accountants' report.

TABLE 2.3 - CUSTOMER BASE BY SERVICE CLASS - LAST TEN FISCAL YEARS

	Fiscal Year				
Service Class	**2014**	**2013**	**2012**	**2011**	**2010**
Residential units:					
Single family	164,021	163,266	162,671	162,264	161,777
Multi-family	96,212	96,207	96,177	95,649	95,476
Townhouse	77,469	77,301	77,019	76,885	76,811
Total residential units	337,702	336,774	335,867	334,798	334,064
Nonresidential units (a)	28,136	28,092	27,676	27,411	26,247
Total customer base	365,838	364,866	363,543	362,209	360,311

	Fiscal Year				
Service Class	**2009**	**2008**	**2007**	**2006**	**2005**
Residential units:					
Single family	161,271	160,681	159,907	158,515	157,853
Multi-family	94,872	94,123	93,140	90,197	90,018
Townhouse	76,698	76,532	76,329	75,880	75,333
Total residential units	332,841	331,336	329,376	324,592	323,204
Nonresidential units (a)	23,364	22,142	20,935	18,312	18,186
Total customer base	356,205	353,478	350,311	342,904	341,390

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms, and extended-stay rooms.

Unaudited - see accompanying accountants' report.

TABLE 2.4 - NUMBER OF SEWER CONNECTIONS SOLD (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
Service Class	**2014**	**2013**	**2012**	**2011**	**2010**
Residential units:					
Single family	168	242	299	260	290
Multi-family	2,571	1,580	3,176	630	704
Townhouse	84	218	146	108	96
Total residential units	2,823	2,040	3,621	998	1,090
Nonresidential units (b)	571	121	559	12	8
Total sewer connections sold	3,394	2,161	4,180	1,010	1,098
Additional commercial fixture units sold	12,463	17,856	12,147	11,628	10,132

	Fiscal Year				
Service Class	**2009**	**2008**	**2007**	**2006**	**2005**
Residential units:					
Single family	305	321	401	804	1,313
Multi-family	501	1,026	1,705	1,708	2,843
Townhouse	131	146	207	257	1,286
Total residential units	937	1,493	2,313	2,769	5,442
Nonresidential units (b)	20	847	810	54	137
Total sewer connections sold	957	2,340	3,123	2,823	5,579
Additional commercial fixture units sold	11,518	13,076	20,307	18,710	17,174

Source: Fairfax County Wastewater Management Program

Notes:

(a) The number of sewer connections sold include only County customers. Availability fees are generated by sewer connections sold. See Table 2.1 for the rate structure.

(b) Nonresidential units include long-term care, dorms and extended-stay rooms.

Unaudited - see accompanying accountants' report.

TABLE 2.5 - NUMBER OF NEW SEWER CONNECTIONS - LAST TEN FISCAL YEARS

	Fiscal Year				
Service Class	**2014**	**2013**	**2012**	**2011**	**2010**
Residential units:					
Single family	755	595	407	487	506
Multi-family	5	30	528	173	604
Townhouse	168	282	134	74	113
Total residential units	928	907	1,069	734	1,223
Nonresidential units (a)	44	416	265	1,164	2,883
Total new sewer connections	972	1,323	1,334	1,898	4,106

	Fiscal Year				
Service Class	**2009**	**2008**	**2007**	**2006**	**2005**
Residential units:					
Single family	590	774	1,398	656	1,629
Multi-family	749	983	2,935	187	1,239
Townhouse	166	203	451	545	1,250
Total residential units	1,505	1,960	4,784	1,388	4,118
Nonresidential units (a)	1,222	1,207	2,623	126	464
Total new sewer connections	2,727	3,167	7,407	1,514	4,582

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms and extended-stay rooms.

Unaudited - see accompanying accountants' report.

TABLE 2.6 - TEN LARGEST CUSTOMERS - CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2014			Fiscal Year 2005		
Name	Annual Revenues	Rank	Percentage of Total Operating Revenues	Annual Revenues	Rank	Percentage of Total Operating Revenues
Fairfax Hospital	$ 517,919	1	0.28 %	$ 284,069	1	0.33 %
Greenspring Village	506,771	2	0.27	-	-	-
Reston Hospital Center	268,307	3	0.14	73,588	8	0.08
Fairmont Residential	263,321	4	0.14	-	-	-
Montebello Condo Unit	224,451	5	0.12	-	-	-
Homart Development Corp.	203,085	6	0.11	126,715	3	0.15
BECO Management	181,844	7	0.10	-	-	-
Hyatt Regency Reston	145,007	8	0.08	86,389	6	0.10
ZML-Reston Town Center LLC	144,800	9	0.08	-	-	-
INOVA Health Systems - Fair Oaks Hospital	144,536	10	0.08	-	-	-
Shenandoah's Pride	-	-	-	128,106	2	0.15
Ritz-Carlton Hotel Co.	-	-	-	102,057	4	0.12
Fairview Park Marriott	-	-	-	70,462	9	0.08
Rolling Fullerton	-	-	-	87,122	5	0.10
Marriott Westfields	-	-	-	63,702	10	0.07
McLean Hotel Assoc.	-	-	-	75,188	7	0.09
Totals	$ 2,600,041		1.40 %	$ 1,097,398		1.27 %

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

3.0 DEBT CAPACITY

Debt capacity information is intended to assist users in understanding and assessing the System's debt burden and its ability to issue additional debt. There are three tables in this section.

TABLE 3.1 - RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
Senior debt:					
2014 Sewer Revenue Bonds	$ 61,755,000				
2012 Sewer Revenue Bonds	89,270,000	105,418,040	-	-	-
2009 Sewer Revenue Bonds	142,220,000	152,057,153	147,430,000	149,875,000	152,255,000
2004 Sewer Revenue Refunding Bonds	3,335,000	77,950,428	79,280,000	82,215,000	85,050,000
1996 Sewer Revenue Bonds	-	-	-	-	-
1993 Sewer Revenue Refunding Bonds	-	-	-	-	-
Total senior debt	$ 296,580,000	335,425,621	226,710,000	232,090,000	237,305,000
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	277,293,041	283,269,711	273,056,094	276,062,972	248,240,949
Virginia Resource Authority Bonds	42,671,739	47,781,987	52,487,594	56,946,896	61,236,896
Total subordinate debt	$ 319,964,780	331,051,698	325,543,688	333,009,868	309,477,845
Total outstanding debt	$ 616,544,780	666,477,319	552,253,688	565,099,868	546,782,845
Outstanding Debt Ratios:					
Per capita (a)	$ 545	596	493	522	509
Percent of personal income (a)	0.76%	0.87%	0.78%	0.73%	0.71%
Per connection (b)	$ 1,685	1,827	1,519	1,560	1,518
To operating revenues (c)	$ 3.28	3.84	3.45	3.95	4.32

	Fiscal Year				
	2009	2008	2007	2006	2005
Senior debt:					
2009 Sewer Revenue Bonds	$ 152,255,000	-	-	-	-
2004 Sewer Revenue Refunding Bonds	87,790,000	90,435,000	92,995,000	93,495,000	94,005,000
1996 Sewer Revenue Bonds	-	-	-	1,925,000	3,735,000
1993 Sewer Revenue Refunding Bonds	-	-	-	-	-
Total senior debt	$ 240,045,000	90,435,000	92,995,000	95,420,000	97,740,000
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	253,660,620	258,823,549	209,858,982	214,533,963	220,498,281
Virginia Resource Authority Bonds	65,364,033	69,334,502	73,154,261	76,829,041	80,364,355
Total subordinate debt	$ 319,024,653	328,158,051	283,013,243	291,363,004	300,862,636
Total outstanding debt	$ 559,069,653	418,593,051	376,008,243	386,783,004	398,602,636
Outstanding Debt Ratios:					
Per capita (a)	$ 532	402	362	374	390
Percent of personal income (a)	0.75%	0.59%	0.56%	0.61%	0.68%
Per connection (b)	$ 1,570	1,184	1,073	1,128	1,168
To operating revenues (c)	$ 5.14	4.17	3.92	4.43	4.60

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 4.1 for population and personal income data. Ratios are based on the population and personal income data as of the prior calendar year.

(b) See Tables 2.2 and 2.3 for customer base data.

(c) See Table 1.3 for operating revenue data.

(d) For FY2005 - 2014, amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.

Unaudited - see accompanying accountants' report.

TABLE 3.2 - PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements (e)			Debt Coverage (f)		
				Senior Debt (c)	Subordinate Debt (d)	Total	Senior	Total w/AF	Total w/o AF
2014	$ 212,782,338	91,111,419	121,670,919	21,889,744	26,107,036	47,996,780	5.56	2.53	2.03
2013	195,627,747	86,441,125	109,186,622	18,153,551	26,155,106	44,308,657	6.01	2.46	2.00
2012	189,447,450	85,454,838	103,992,612	16,334,719	25,528,010	41,862,729	6.37	2.48	1.79
2011	155,218,051	84,756,903	70,461,148	16,322,531	24,910,740	41,233,271	4.32	1.71	1.44
2010	138,701,673	83,111,991	55,589,682	10,881,182	24,297,131	35,178,313	5.11	1.58	1.28
2009	122,531,678	85,306,888	37,224,790	6,644,456	23,022,158	29,666,614	5.60	1.25	0.87
2008	119,394,571	79,870,054	39,524,517	6,637,531	21,745,381	28,382,912	5.95	1.39	0.90
2007	121,314,639	73,662,889	47,651,750	6,602,572	21,744,580	28,347,152	7.22	1.68	0.99
2006	127,779,508	72,704,671	55,074,837	6,617,769	21,320,672	27,938,441	8.32	1.97	0.68
2005	121,475,938	67,225,870	54,250,068	5,654,798	21,635,055	27,289,853	9.59	1.99	0.84

Source: Fairfax County Wastewater Management Program

Notes:

(a) Gross revenues include all revenues, except amortization of deferred gains on bond refundings.

(b) Operating expenses do not include depreciation and amortization.

(c) Senior debt includes sewer revenue bonds issued by the System and the System's share of debt of the Alexandria Sanitation Authority.

(d) Subordinate debt is paid after senior debt and operating expenses and includes debt service on the System's share of debt of UOSA Revenue Bonds and VRA Revenue Bonds.

(e) The same resources are used for all debt service requirements. See Table 3.3 for details of principal and interest amounts.

(f) The minimum senior debt service coverage should be no less than 1.25 times. The Sewer Fund changed the minimum senior debt coverage to 2.0 times in FY 2011. The Sewer Fund surpassed its total debt coverage of 1.25 times, without availability fee (AF) revenue, by FY 2014.

Unaudited - see accompanying accountants' report.

TABLE 3.3 - DEBT SERVICE REQUIREMENTS - LAST TEN FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
Senior debt:					
2012 Sewer Revenue Bonds	$ 5,556,200	1,801,401	-	-	-
2009 Sewer Revenue Bonds	9,651,900	9,652,150	9,651,213	9,652,475	4,222,501
2004 Sewer Revenue Refunding Bonds	6,681,644	6,700,000	6,683,506	6,670,056	6,658,681
Total senior debt	$ 21,889,744	18,153,551	16,334,719	16,322,531	10,881,182
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	19,903,758	19,734,931	18,890,938	18,303,668	17,660,059
Virginia Resource Authority Bonds	6,203,278	6,420,175	6,637,073	6,637,073	6,637,073
Total subordinate debt	$ 26,107,036	26,155,106	25,528,011	24,940,741	24,297,132
Total debt service requirements	$ 47,996,780	44,308,657	41,862,730	41,263,272	35,178,314

	Fiscal Year				
	2009	2008	2007	2006	2005
Senior debt:					
2004 Sewer Revenue Refunding Bonds	$ 6,644,456	6,637,531	4,623,431	4,648,581	1,048,075
1996 Sewer Revenue Bonds	-	-	1,979,141	1,969,188	4,606,723
Total senior debt	$ 6,644,456	6,637,531	6,602,572	6,617,769	5,654,798
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	16,385,086	15,108,309	15,107,508	14,683,600	14,997,983
Virginia Resource Authority Bonds	6,637,072	6,637,072	6,637,072	6,637,072	6,637,072
Total subordinate debt	$ 23,022,158	21,745,381	21,744,580	21,320,672	21,635,055
Total debt service requirements	$ 29,666,614	28,382,912	28,347,152	27,938,441	27,289,853

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

4.0 DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information is intended to assist users in understanding the socioeconomic environment within which a government entity operates and to provide information that facilitates comparisons of financial statement information over time and among governments. There are two tables presented in this section.

TABLE 4.1 - DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN CALENDAR YEARS

Calendar Year	County Population Total (a)	County Population On County Sewer (b)	Personal Income (c) (000s)	Per Capita Personal Income (c)	Unemployment Rate (d)
2013	1,130,924	935,435	$ 80,982,075	$ 71,607	3.7 %
2012	1,118,602	932,864	77,012,392	68,847	4.3
2011	1,100,692	930,350	71,145,429	64,637	4.2
2010	1,081,726	912,000	72,577,324	67,094	4.9
2009	1,074,227	878,170	74,380,758	71,982	4.8
2008	1,050,315	874,200	74,385,409	70,822	3.4
2007	1,041,507	873,500	70,500,650	67,691	2.2
2006	1,037,311	865,232	67,111,947	64,698	2.2
2005	1,033,646	852,030	63,917,568	61,837	2.5
2004	1,022,298	841,200	58,830,183	57,547	2.7

Notes:

(a) Total population data includes the Cities of Fairfax and Falls Church and is obtained from U.S. Census Bureau's American Fact Finder.

(b) Population data for those on County Sewer is obtained from the Fairfax County Wastewater Management Program.

(c) Personal income data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce and includes the Cities of Fairfax and Falls Church. Data for only Fairfax County is not available, however, it is believed that the inclusion of these Cities does not significantly affect the County's data. Fairfax County data for 2013 is estimated using percent change in per capita personal income from 2011 to 2012.

(d) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted. The previously reported estimated figures for the most recent prior year have been updated to reflect the final reported figures from the Commission.

Unaudited - see accompanying accountants' report.

TABLE 4.2 - PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2014 (1)			Fiscal Year 2005		
Employer	Number of Employees (2)	Rank	Pct. of Total County Employment (3)	Number of Employees (2)	Rank	Pct. of Tot County Employme
Fairfax County Public Schools	24,590	1	4.27 %	21,564	1	3.96
Federal Government	23,586	2	4.09	17,667	2	3.25
Fairfax County Government	12,240	3	2.12	11,547	3	2.12
Inova Health System	7,000-10,000	4	1.47	9,000-10,000	4	1.75
George Mason University	5,000-10,000	5	1.30		-	-
Booz-Allen Hamilton	4,000-6,999	6	0.95	6,000-7,000	6	1.19
Federal Home Loan Mortgage	4,000-6,999	7	0.95	3,000-4,000	8	0.64
General Dynamics	4,000-6,999	8	0.95	2,000-3,000	-	0.46
Northrup Grumman	4,000-6,999	9	0.95	6,000-7,000	5	1.19
Science Applications International Corporation (4)	4,000-6,999	10	0.95	6,000-7,000	7	1.19
Lockheed Martin	1,000-3,999		0.43	2,000-3,000	-	0.46
Computer Science Corporation	1,000-3,999		0.43	3,000-4,000	9	0.64
Navy Federal Credt Union	1,000-3,999		0.43	3,000-4,000	10	0.64
Totals			19.29 %			17.49

Source: Fairfax County Economic Development Authority (using Virginia Employment Commission data); Fairfax County Public Schools; Fairfax County Department of Management and Budget

Notes:

(1) Employment information for fiscal year 2014, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 1st quarter of calendar year 2014 VEC, which represents the most recent data available. Employment information for fiscal year 2005 is from the County fiscal year 2005 CAFR.

(2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.

(3) Percentages are based on the midpoint of the employment range.

Average total County employment for fiscal year 2014 is estimated at 576,368 according to VEC.
Average total County employment for fiscal year 2005 is estimated at 544,206.

(4) Science Applications International Corporation employment reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

Unaudited - see accompanying accountants' report.

5.0 OPERATING INFORMATION

Operating information is intended to provide contextual information about a government entity's operations and resources to assist readers in using financial statement information to understand and assess a government entity's economic condition. There are nine tables presented in this section.

TABLE 5.1 - WASTEWATER MANAGEMENT EMPLOYEES BY DIVISION (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
Division	**2014**	**2013**	**2012**	**2011**	**2010**
Planning & Administration	35	25	25	25	25
Laboratory	19	21	21	21	21
Collection	132	140	140	140	140
Treatment	129	135	135	135	135
Total	315	321	321	321	321

	Fiscal Year				
Division	**2009**	**2008**	**2007**	**2006**	**2005**
Planning & Administration	25	26	23	23	24
Laboratory	21	19	19	20	20
Collection	140	141	142	144	144
Treatment	135	135	144	144	145
Total	321	321	328	331	333

Source: Fairfax County Wastewater Management Program

Notes:

(a) Number of employees represent full time equivalents as of June 30.

Unaudited - see accompanying accountants' report.

TABLE 5.2 - TREATMENT PLANT CAPACITIES (MGD) - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	67.00	67.00	67.00	67.00	67.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Renew Enterprises	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Sewage Authority	22.60	22.60	22.60	22.60	24.60
Arlington County	3.00	3.00	3.00	3.00	3.00
Loudoun Water	1.00	1.00	1.00	1.00	-
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	157.18	157.18	157.18	157.18	158.18

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	67.00	67.00	67.00	67.00	67.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Renew Enterprises	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Sewage Authority	24.60	24.60	27.60	27.60	27.60
Arlington County	3.00	3.00	3.00	3.00	3.00
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	158.18	158.18	161.18	161.18	161.18

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

TABLE 5.3 - AVERAGE WASTEWATER FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	39.77	37.56	39.91	38.59	42.04
DCWASA Blue Plains	29.98	28.39	29.31	28.65	29.65
Alexandria Renew Enterprises	19.07	17.66	18.93	18.57	20.81
Upper Occoquan Sewage Authority	13.53	12.50	12.60	12.54	13.14
Arlington County	1.96	1.96	2.00	2.02	2.02
Loudoun Water	0.00	0.00	0.00	0.00	0.00
Other (a)	0.03	0.02	0.04	0.03	0.07
Total system flow	104.34	98.09	102.79	100.40	107.73

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	41.12	40.53	42.80	41.55	42.67
DCWASA Blue Plains	28.05	26.67	29.37	27.26	26.67
Alexandria Renew Enterprises	16.90	17.04	20.03	19.07	20.45
Upper Occoquan Sewage Authority	12.44	12.61	12.94	12.49	12.18
Loudoun Water	1.98	0.00	0.00	0.00	0.00
Arlington County	0.00	1.95	2.04	2.02	2.18
Other (a)	0.07	0.04	0.03	0.03	0.03
Total system flow	100.56	98.84	107.21	102.42	104.18

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

TABLE 5.4 - AVERAGE WASTEWATER FLOWS (MGD) BY SOURCE - LAST TEN FISCAL YEARS

	Fiscal Year				
Source	**2014**	**2013**	**2012**	**2011**	**2010**
County connections	92.26	88.72	92.75	90.85	96.79
City of Fairfax	3.20	2.63	3.15	3.00	3.46
Town of Herndon	2.66	2.27	2.46	2.47	2.59
Arlington County	1.39	1.21	1.36	1.32	1.57
Fort Belvoir	2.70	1.30	1.05	0.90	1.16
City of Falls Church	0.98	0.94	0.99	0.93	1.12
Town of Vienna	0.86	0.73	0.82	0.73	0.86
Loudoun County	0.11	0.10	0.09	0.08	0.07
Other (a)	0.18	0.19	0.12	0.12	0.11
Total system flow	104.34	98.09	102.79	100.40	107.73

	Fiscal Year				
Source	**2009**	**2008**	**2007**	**2006**	**2005**
County connections	90.51	88.63	96.56	91.52	92.64
City of Fairfax	3.27	3.49	3.50	3.65	3.80
Town of Herndon	2.40	2.40	2.48	2.61	2.77
Arlington County	1.42	1.40	1.61	1.69	1.72
Fort Belvoir	1.07	1.12	1.12	1.02	1.05
City of Falls Church	1.04	1.02	1.02	1.08	1.18
Town of Vienna	0.67	0.61	0.82	0.77	0.92
Loudoun County	0.07	0.05	0.04	-	-
Other (a)	0.11	0.12	0.06	0.08	0.10
Total system flow	100.56	98.84	107.21	102.42	104.18

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other sources of wastewater include Fairfax Water and the County's solid waste resource recovery facility.

TABLE 5.5 - MAXIMUM MONTHLY FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Recent Five Years		Past Ten Years	
Treatment Plant	**Flow**	**Month**	**Flow**	**Month**
Noman M. Cole, Jr.	49.65	Mar-10	50.19	May-08
DCWASA Blue Plains	34.75	May-14	34.75	May-14
Alexandria Renew Enterprises	26.72	Sep-11	26.72	Sep-11
Upper Occoquan Sewage Authority	15.88	Dec-09	15.96	May-08
Arlington County	2.21	Dec-09	2.33	Apr-05

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

TABLE 5.6 - AVERAGE UNUSED CAPACITY (MGD) BY TREATMENT PLANT (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	27.23	29.44	27.09	28.41	24.96
DCWASA Blue Plains	1.02	2.60	1.69	2.35	1.35
Alexandria Renew Enterprises	13.33	14.73	13.47	13.83	11.59
Upper Occoquan Sewage Authority	9.07	10.10	10.00	10.06	11.46
Arlington County	1.04	1.04	1.00	0.98	0.98
Loudoun Water	1.00	1.00	1.00	1.00	-
Other (b)	0.15	0.15	0.14	0.15	0.11
Total unused capacity	52.84	59.06	54.39	56.78	50.45

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	25.88	26.47	24.20	25.45	24.33
DCWASA Blue Plains	2.95	4.33	1.63	3.75	4.33
Alexandria Renew Enterprises	15.50	15.37	12.37	13.33	11.95
Upper Occoquan Sewage Authority	12.16	11.99	14.66	15.11	15.42
Arlington County	1.02	1.06	0.96	0.98	0.82
Loudoun Water	-	0.00	0.00	0.00	0.00
Other (b)	0.11	0.14	0.15	0.15	0.15
Total unused capacity	57.62	59.36	53.97	58.77	57.00

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

TABLE 5.7 - AVERAGE CAPACITY UTILIZATION (a) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year					
Treatment Plant	**2014**		**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	59.36	%	56.06	59.57	57.60	62.75
DCWASA Blue Plains	96.71		91.61	94.55	92.42	95.65
Alexandria Renew Enterprises	58.86		54.53	58.43	57.31	64.23
Upper Occoquan Sewage Authority	59.87		55.49	55.75	55.49	53.41
Arlington County	65.33		67.33	66.67	67.33	67.33
Loudoun Water	0.00		0.00	0.00	0.00	0.00
Other (b)	16.11		16.67	22.22	16.67	38.89
Total system capacity utilization	66.38	%	62.42	65.40	63.88	68.11

	Fiscal Year					
Treatment Plant	**2009**		**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	61.37	%	60.50	63.88	62.02	63.69
DCWASA Blue Plains	90.48		86.02	94.74	87.92	86.03
Alexandria Renew Enterprises	52.16		52.58	61.82	58.87	63.12
Upper Occoquan Sewage Authority	50.57		51.26	46.88	45.24	44.13
Arlington County	66.00		64.83	68.00	67.47	72.67
Loudoun Water	0.00		0.00	0.00	0.00	0.00
Other (b)	38.89		20.00	15.56	15.56	16.67
Total system capacity utilization	63.57	%	62.48	66.51	63.54	64.64

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Tables 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

TABLE 5.8 - AVERAGE UNIT COST OF WASTEWATER TREATMENT ($/MG) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	$ 1,509	1,551	1,379	1,367	1,254
DCWASA Blue Plains	1,080	1,275	1,239	1,290	1,135
Alexandria Renew Enterprises	1,887	1,983	1,858	1,950	1,822
Upper Occoquan Sewage Authority	2,486	2,769	2,620	2,880	2,699
Arlington County	3,110	3,039	3,050	2,305	2,178

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	$1,419	1,268	1,162	1,267	1,115
DCWASA Blue Plains	1,223	1,210	962	910	899
Alexandria Renew Enterprises	2,296	2,246	1,823	1,953	1,656
Upper Occoquan Sewage Authority	2,902	2,725	2,597	2,417	2,117
Arlington County	2,204	2,106	2,180	1,884	1,206

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

TABLE 5.9 - CAPITAL ASSET STATISTICS - LAST TEN FISCAL YEARS

Fiscal Year	Treatment Plants (a) System-Owned	Treatment Plants (a) Purchased Capacity	Number of Pumping Stations	Number of Metering Stations	Miles of Sewer Pipe
2014	1	6	59	54	3,420
2013	1	6	59	54	3,412
2012	1	6	65	54	3,398
2011	1	6	65	54	3,390
2010	1	5	65	54	3,380
2009	1	5	65	54	3,375
2008	1	5	65	54	3,353
2007	1	5	65	54	3,328
2006	1	5	65	54	3,306
2005	1	5	64	53	3,289

Source: Fairfax County Wastewater Management Program

Notes:

(a) The System owns one treatment plant, the Noman M. Cole, Jr. Plant, and has purchased capacity in treatment plants owned by other local jurisdictions - DC Water Blue Plains, Alexandria Renew Enterprises, Upper Occoquan Sewage Authority, Arlington County, Loudoun Water and Prince William County Service Authority.

Unaudited - see accompanying accountants' report.

6.0 MISCELLANEOUS INFORMATION

Miscellaneous information is additional information presented that may be of interest to readers of this report. There are two tables and a wastewater treatment plant service area map presented in this section.

TABLE 6.1 - WASTEWATER FLOW (GPD) PER CAPITA BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	103	98	104	106	116
DCWASA Blue Plains	135	129	133	137	142
Alexandria Renew Enterprises	109	101	108	112	126
Upper Occoquan Sewage Authority	108	100	101	106	111
Arlington County	71	71	72	77	77
Total system flow per capita	112	105	110	114	122
Annual rainfall, inches	48.57	39.65	46.83	40.67	41.48

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	100	99	103	101	105
DCWASA Blue Plains	109	111	123	113	110
Alexandria Renew Enterprises	97	99	116	111	121
Upper Occoquan Sewage Authority	105	107	111	107	107
Arlington County	77	79	83	82	89
Total system flow per capita	101	102	110	106	109
Annual rainfall, inches	42.32	42.39	37.62	45.93	42.71

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

TABLE 6.2 - WASTEWATER FLOW (GPD) PER CONNECTION BY TREATMENT PLANT - LAST TEN FISCAL YEARS

	Fiscal Year				
Treatment Plant	**2014**	**2013**	**2012**	**2011**	**2010**
Noman M. Cole, Jr.	267	253	269	262	286
DCWASA Blue Plains	340	323	335	328	342
Alexandria Renew Enterprises	280	260	279	276	310
Upper Occoquan Sewage Authority	275	254	256	255	268
Arlington County	184	184	188	190	190
Total system flow per connection	285	269	283	277	299

	Fiscal Year				
Treatment Plant	**2009**	**2008**	**2007**	**2006**	**2005**
Noman M. Cole, Jr.	250	247	261	256	264
DCWASA Blue Plains	263	270	301	282	272
Alexandria Renew Enterprises	239	247	292	281	302
Upper Occoquan Sewage Authority	261	260	269	267	263
Arlington County	190	196	206	205	220
Total system flow per connection	250	253	275	267	272

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying accountants' report.

WASTEWATER TREATMENT PLANT SERVICE AREA MAP

Fairfax County Wastewater Management

Quality of Water = Quality of Life

The three droplets in the logo range in color from dark to medium to light tones to signify the purification process that takes place at treatment facilities.

The end result of this process is water that is returned to the County's streams at a high level of quality that supports a healthy ecosystem and end uses such as recreational boating, swimming and fishing.

The fish—the alewife—portrayed within the droplet, along with the aquatic grasses shown, are bellwethers of a hospitable environment.

The slogan, "Quality of Water = Quality of Life," represents the care taken by Wastewater Management to produce an end product that enhances the quality of residents' environmental and recreational lives.

About The Fairfax County Wastewater Management Logo

VISION We aspire to achieve a pure and natural state of air and water quality by providing superior wastewater utility service in a spirit of teamwork and excellent customer service.

MISSION Our mission is to collect, treat, and monitor wastewater in compliance with all regulatory requirements, using state-of-the-art technology in the most effective manner. We work to improve the environment and enhance the quality of life in Fairfax County.

Fairfax County Wastewater Management

Quality of Water = Quality of Life

Fairfax County is committed to a policy of nondiscrimination in all county programs, services and activities and will provide reasonable accommodations upon request. Special accommodations/alternative information formats will be provided upon request. Call 703-324-5030, TTY 711.

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www.fairfaxcounty.gov/dpwes/wastewater

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