Comprehensive Annual Financial Report

For the fiscal years ended June 30, 2017
and June 30, 2016

2017

UPPER OCCOQUAN SERVICE AUTHORITY
Regional Water Reclamation System, Centreville, VA

Upper Occoquan Service Authority is officially known
as Upper Occoquan Sewage Authority


Prepared by the Finance Department

Comprehensive Annual Financial Report

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as Upper Occoquan Sewage Authority

From Intake to Outflow, Serving the Community Comes First

In 1971, the Virginia Water Control Board, with the counsel and recommendations of the Virginia Department of Health, adopted a bold and innovative policy to protect the critical Occoquan Reservoir: creation of the Upper Occoquan Service Authority (UOSA), a regional agency tasked with providing state-of-the-art treatment for wastewater generated in the Occoquan Watershed, and the Occoquan Watershed Monitoring Laboratory, an independent organization to continuously monitor the watershed and provide advice on protective measures for the Reservoir.

The result: water quality in the Occoquan Reservoir has steadily improved even as population growth in UOSA's service area has required the water reclamation efforts to increase dramatically. Today the Millard H. Robbins, Jr. Regional Water Reclamation Plant operates as one of the nation's largest and most successful facilities of its kind.

To every person at UOSA, a key measure of success is our relationship with the community. Serving the community means safely reclaiming water in an economically and technologically sustainable manner that supports health, industry, and nature – within the local community and beyond.

The community doesn't see what goes into making their water clean, they just trust that their water is safe. That is the way it should be. From the safe delivery of wastewater to the treatment plant to the final disinfection step, UOSA strives to be a good neighbor that provides a superior water product that protects the environment, augments the water supply and improves water quality in the Occoquan Reservoir.

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION (Unaudited)

COMPLIANCE SECTION


934
VIRGINIA
181-173L

Intake: UOSA in the Community

Efforts and infrastructure to ensure the safe and environmentally sound collection and conveyance of wastewater occur long before the wastewater reaches the UOSA wastewater reclamation facility. A collection system, which consists of a vast network of sewer pipes and pump stations throughout the community, carries wastewater to the UOSA plant. We call the collected wastewater, "influent".

An important part of influent collection and conveyance is the prevention of sanitary sewer overflows (SSOs) that could enter waterways and potentially affect the water quality in the Occoquan Watershed. Proper operation and maintenance of the collection system is essential to preventing SSOs from occurring. As a committed *Good Steward* to the community, UOSA takes this responsibly very seriously.

Community members have likely seen UOSA staff entering manholes in the Service Area. They are inspecting, cleaning, and repairing the system to ensure the influent is contained and makes it safely to the UOSA plant. UOSA personnel continuously maintain the pipes, manholes and pump stations, located throughout the community, through visual inspections and the use of remotely controlled robotic camera technology. This technology is an efficient and cost effective technique used to discover and repair blockages and pipe leaks.

So, whenever you see UOSA employees in the community, rest assured that they are working to ensure that "all systems are go" and are operating properly.

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Upper Occoquan Service Authority

Leader in Water Reclamation and Reuse

14631 COMPTON ROAD, CENTREVILLE, VIRGINIA 20121-2506
(703) 830-2200

October 31, 2017

Board of Directors
Upper Occoquan Service Authority
14631 Compton Road
Centreville, Virginia 20121-2506

Dear Members of the Board:

The Comprehensive Annual Financial Report (CAFR) of the Upper Occoquan Service Authority (UOSA) for the fiscal year ended June 30, 2017, is submitted herewith. This CAFR has been prepared by UOSA's Finance Department in accordance with accounting principles generally accepted in the United States of America and conforms to the requirements of the Governmental Accounting Standards Board (GASB).

Management is responsible, in all material respects, for the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of UOSA.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) found in the financial section of the CAFR and should be read in conjunction with it.

A brief history of UOSA, its fiscal operations, and selected accomplishments are presented below.

Organization and Function

UOSA was formed on March 3, 1971, by concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Towns (now Cities) of Manassas and Manassas Park. UOSA's discharge flows via Bull Run to the Occoquan Reservoir, a major water supply source for approximately 2 million people in the Northern Virginia communities of Fairfax, Loudoun, Prince William and Alexandria served by the Fairfax County Water Authority (FCWA).

Studies in 1969-1970 concluded that inadequately treated sewage discharged by eleven secondary treatment plants in the Occoquan Watershed was largely responsible for the serious water quality problems in the Occoquan Reservoir. To remedy the problems, the Virginia State Water Control Board (SWCB) (now the Department of Environmental Quality) in 1971 adopted a comprehensive policy for the Occoquan Watershed (Occoquan Policy). A principal requirement of the Occoquan Policy was the construction of a regional water reclamation facility to replace the eleven existing treatment plants. UOSA was created to address this mandate.

UOSA was created under the provisions of the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, *Code of Virginia* of 1950 as amended) to construct, finance and operate the regional water reclamation facility mandated by the Occoquan Policy. The first of nine construction contracts was awarded in early 1974 and UOSA began operation of the treatment facility on June 26, 1978.

The National Pollutant Discharge Elimination System (NPDES) permit issued to UOSA by the SWCB and the United States Environmental Protection Agency (EPA) contained some of the most stringent discharge limits in the United States. UOSA has consistently met these limits and, as a result, eliminated wastewater as a source of pollution in the Occoquan Watershed. Further, the water reclaimed by UOSA contributes significantly to the water supply of Northern Virginia. Tenacious pursuit of an enhanced environment is a continuous activity for UOSA.

UOSA is a public body politic, corporate, and an instrumentality of the Commonwealth of Virginia. The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction. The UOSA Executive Director is responsible to the Board of Directors for the day-to-day operations of UOSA. The organization is comprised of four Divisions: Finance, Operations and Maintenance, Treatment Process and Technical Services.

Reporting Entity

This CAFR includes all funds and accounts of UOSA. As described above, UOSA provides wastewater treatment and water reclamation services to four Member Jurisdictions on a wholesale basis. In accordance with accounting principles generally accepted in the United States of America for governmental entities, there are no component units to be included in the reporting entity.

Economic Condition and Outlook

UOSA's service area is located in the Greater Washington D.C. metropolitan area, which is ranked as the fifth largest regional economy in the United States. The Washington D.C. metropolitan area provides close proximity to the federal government and continues to be a premier location for corporate headquarters. It is also the home to twenty Fortune 500 company headquarters. There have been five major corporate headquarters relocations to the area since 2008 – DXC Technology (formerly CSC), Hilton Worldwide, Volkswagen Group of America, Northrop Grumman and SAIC. Other industry leaders located within the Member Jurisdictions include Booz Allen Hamilton, Micron Technology, Lockheed Martin, General Dynamics and Inova Health System. In addition, Nestlé announced in February 2017 that it will move its USA headquarters to northern Virginia.

The Greater Washington D.C. area unemployment rate is consistently below the national average and has the highest median household income in the United States. The area has a highly educated workforce and is ranked number one among major metropolitan areas for the percent of population with graduate or professional degrees. While the U.S. government is a significant employer and customer of services, which provides a stable economic foundation, in recent years the region has become one of the country's leaders in Professional and Business Services. As a result, the economy is increasingly fueled by private sector growth. The economic forecast from the Center for Regional Analysis at George Mason University indicates that the region's economy will continue to grow, but at a slower pace than previous years due to the estimated impact of lower federal spending. Residential housing values have continued to increase as the residential real estate market has improved.

UOSA's service area population has steadily increased over the last ten years. With its expansion to 54 million gallons per day of capacity, UOSA continues to supply essential wastewater reclamation services to the four Member Jurisdictions in the service area.

Major Initiatives

To meet future needs resulting from increases in population and associated wastewater flows in its service area, UOSA developed an expansion program, Project 54, which included a variety of major additions and improvements to its wastewater treatment and delivery system.

Project 54 included a two-phased expansion of UOSA's treatment capacity from 27 million gallons per day (mgd) to 54 mgd. The second phase of construction, Contract 54, incorporated process modifications and improved technologies that resulted in facilities that were easier to operate and maintain. Contract 54 was completed and UOSA received an operating permit to process 54 million gallons of wastewater a day beginning February 1, 2005.

UOSA's Capital Improvement Plan (CIP) identifies additional projects that have either been completed or programmed to be completed over the next nine years. Primary project categories included the expansion of UOSA's delivery system to accommodate full build-out of the UOSA service area, a nutrient reduction project to be able to comply with regulations designed to protect and restore the Chesapeake Bay and miscellaneous plant improvements including renewal and replacement projects designed to properly preserve UOSA's assets and infrastructure as they age. UOSA's Capital Improvement Plan is funded by bond issuances, low interest loans and public grants.

Internal Control Structure and Budgetary Controls

UOSA's management is responsible for establishing and maintaining an internal control structure designed to provide UOSA with reasonable, but not absolute, assurance that assets are safeguarded against loss, theft or misuse; and financial records for preparing financial statements and maintaining asset accountability are reliable. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

UOSA prepares annual budgets for Operating Expenditures, Reserve Maintenance and Debt Service. The proposed budgets are prepared by management and submitted to the Board of Directors for approval. Budgetary control is maintained at the sub-function level by a review of revenues and expenses by management. The Finance Division is responsible for monitoring expenses by function for UOSA as a whole. UOSA also utilizes an encumbrance system for budgetary control and to ensure the availability of funding before contracts or purchase orders are finalized. Appropriations lapse at year-end and may not be carried forward to the next year, except for funds appropriated for multi-year construction projects. After adoption, increases or decreases in budgets may be made only upon Board approval. The budgets for fiscal year 2017 are as originally adopted and were not amended during the year.

Long-Term Financial Planning

UOSA's Board of Directors endorsed a Capital Improvement Plan (CIP) Update in February 2017 that addresses UOSA's capital requirements through 2026. The CIP provides for treatment plant capacity that meets regulatory requirements and provides for future growth, provides for a completely updated and renewed collection and delivery system sized for build-out, and provides for the renewal and replacement of aging plant assets. The Plan of Finance projects financing through 2026 to ensure funding is available to meet capital improvement needs. Capital projects projections and the associated Plan of Finance are updated on a semi-annual basis.

Currently, a bond issue is anticipated for the second quarter of 2019 to fund the next phase of the CIP, with additional bond issues planned for 2021 and 2023.

As part of a 2016 bond issuance in June 2016, Standard & Poor's reaffirmed its rating on UOSA's outstanding revenue bonds at AAA, the highest rating that can be awarded. In addition, Fitch and Moody's both reaffirmed their respective ratings of AA+ and Aa1 as part of the refunding.

	Standard & Poor's	Fitch	Moody's
Revenue Bonds	AAA	AA+	Aa1

Each of the four Member Jurisdictions is required by the Restated Service Agreement to pay its share of the debt service. The shares of the Member Jurisdictions are based on allocated capacity as a percentage of the total capacity allocated to the four participating Member Jurisdictions or as otherwise identified for specific projects within UOSA's Service Agreement.

Completion of the second phase of the Project 54 expansion program (Contract 54) provided an increase in capacity from 32 mgd to 54 mgd. Allocation of the 54 mgd capacity, which was effective February 1, 2005, is shown in Table 1 below.

Table 1

Member Jurisdiction	Total Capacity Allocation	Percentage Of Total Capacity
Fairfax County	27.5999 mgd	51.1109%
Prince William County	15.7971 mgd	29.2539
City of Manassas	7.6893 mgd	14.2395
City of Manassas Park	2.9137 mgd	5.3957
Total	54.0000 mgd	100.0000%

Under Section 5.4 of the Service Agreement, any Member Jurisdiction may reallocate any portion of its allocated plant capacity to any other Member Jurisdiction on such terms as may be mutually agreeable, subject to the approval of UOSA. Certain Member Jurisdictions have reallocated capacity pursuant to this provision. However, pursuant to Section 5.4 of the Service Agreement a reallocation of capacity cannot alter the respective obligations of the Member Jurisdictions under the Service Agreement to pay UOSA's charges for debt service and for replacements and necessary improvements, as set forth in the Service Agreement.

Independent Audit

The Restated Service Agreement requires an annual audit be performed. UOSA's financial statements for the years ended June 30, 2017 and 2016 were audited by Cherry Bekaert LLP, an independent accounting firm selected by the Audit Committee. The fiscal year 2017 Independent Auditor's Report is presented in the financial section of this CAFR.

Awards

GFOA Certificate of Achievement for Excellence in Financial Reporting – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to UOSA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This is the twenty-eighth consecutive year UOSA has received the Certificate of Achievement for Excellence in Financial Reporting.

To be awarded a Certificate of Achievement, UOSA published an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this fiscal year 2017 report continues to conform to the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for a certificate.

NACWA Platinum Peak Performance Award – The National Association of Clean Water Agencies (NACWA) awarded a Platinum Peak Performance Award to UOSA for 2016. NACWA's National Environmental Achievement Awards Program annually recognizes individual member agencies that have made outstanding contributions to environmental protection and wastewater management by consistently meeting all National Pollution Discharge Elimination System (NPDES) permit limits. This Platinum Peak Performance Award recognized UOSA's 100% NPDES permit compliance for twelve consecutive years.

Acknowledgements

We would like to express our appreciation to all UOSA staff who assisted in the preparation of this CAFR, especially the members of the Finance Department of the Finance Division. We commend them for their professionalism, hard work and continued efforts to improve this report. This CAFR reflects our continued commitment to provide information in conformance with the highest standards of financial reporting.

Respectfully Submitted,

Charles P Boepple

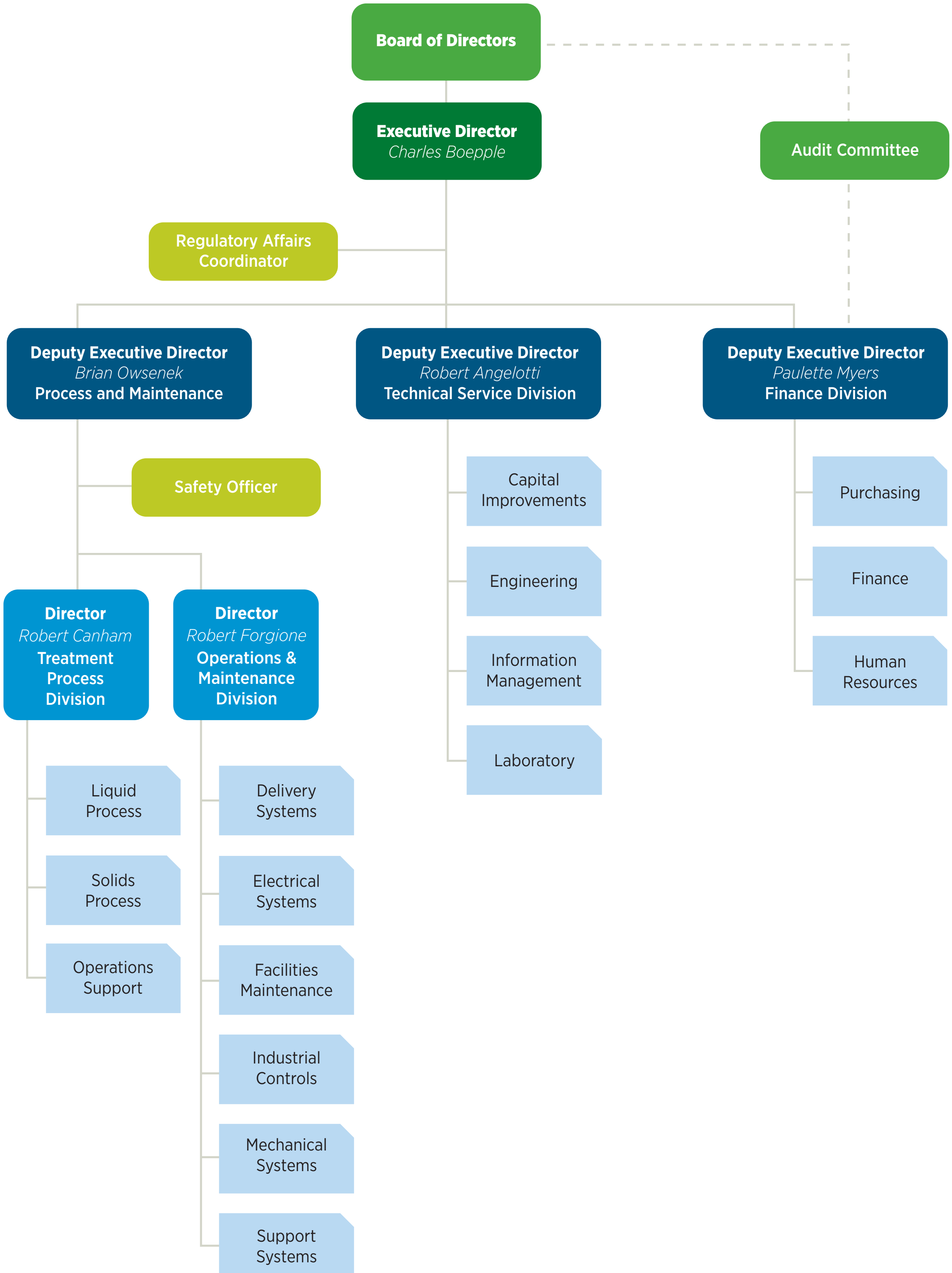
Charles P. Boepple
Executive Director

Paulette E. Myers

Paulette E. Myers
Deputy Executive Director – Finance Division

Organizational Chart

June 30, 2017



Directory of Board Members and Officials

June 30, 2017

Board of Directors and Officers	Position	Member Jurisdiction/Affiliation
John M. Weber	Chairman	City of Manassas
John W. di Zerega	Vice-Chairman	Fairfax County
Dean E. Dickey	Secretary	Prince William County
Shahram Mohsenin	Treasurer	Fairfax County
Nancy Vehrs	Member	Prince William County
William C. Boyce, Jr.	Member	City of Manassas
Jeanette M. Rishell	Member	City of Manassas Park
Gary Fields	Member	City of Manassas Park
Paulette E. Myers	Assistant Treasurer	UOSA Staff
June A. Mahoney	Assistant Secretary	UOSA Staff

Officials	Position
Charles P. Boepple	Executive Director
Brian L. Owsenek	Deputy Executive Director – Process & Maintenance
Paulette E. Myers	Deputy Executive Director – Finance Division
Robert W. Angelotti	Deputy Executive Director – Technical Services Division

Certificate of Achievement

June 30, 2017

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Upper Occoquan Service Authority

Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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DANGER
PERMIT - REQUIRED
CONFINED SPACE
DO NOT ENTER
INFLUENT
FILTER INFLUENT
BACKWASH TO WASTE

Treatment: Exceeding Standards for a Safe Community

UOSA treats the influent wastewater to drinking water standards through a complex and delicate process. UOSA employees take great pride in executing this treatment, well aware that the treated water is used to augment the water supply in the Occoquan Reservoir, a primary drinking water supply for Northern Virginians.

The treatment process consists of five steps:

1. Conventional Treatment—Removes a large percentage of incoming pollutants (solids, ammonia, nitrogen) and prepares the water for more advanced treatment steps.
2. Chemical Advanced Treatment—Removes phosphorus to below 0.10 mg/L and serves as a barrier to pathogens and viruses, captures excess organics, and precipitates heavy metals.
3. Physical Advanced Treatment—Removes suspended solids and synthetic organic compounds.
4. Disinfection—Consists of chlorination and dechlorination and is the final pathogen barrier.
5. Digestion & Solids Handling—Processes that convert organic solid wastes into high-quality fertilizer pellets.

Because UOSA discharges to a drinking water supply, UOSA's VPDES discharge permit limits are much more stringent when compared to other wastewater treatment facilities. UOSA consistently meets and exceeds these limits. We are very proud that we are recognized for this excellence having received, since 2009, the National Association of Clean Water Agencies Peak Performance Platinum Award, which recognizes 100% permit compliance over a consecutive five-year period.

UOSA is truly committed to producing the highest quality purified water possible for our community.

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REPORT OF INDEPENDENT AUDITOR

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Cherry Bekaert LLP
CPAs & Advisors

Independent Auditor's Report

To the Board of Directors
Upper Occoquan Service Authority
Centreville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Upper Occoquan Service Authority ("UOSA") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the UOSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UOSA as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19-27 and the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Funding progress for Other Postemployment Benefits (OPEB) on pages 61-63 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UOSA's basic financial statements. The introductory section and statistical section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of UOSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UOSA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
October 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following discussion and analysis of the Upper Occoquan Service Authority's financial performance provides a narrative overview of the financial activities of UOSA for the year ended June 30, 2017. This analysis should be read in conjunction with the basic financial statements, which are located in the next section of this CAFR.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $63.8 million at June 30, 2017 compared to $77.1 million at June 30, 2016.
- UOSA's total net position decreased by $13.3 million, or 17.3%, for fiscal year 2017 compared to a increase of $8.2 million, or 11.9%, for fiscal year 2016.
- The decrease in net position for the current year is attributable to a $12.6 million decrease in net investment in capital assets and a $0.7 million decrease in unrestricted net position.
- Fiscal year 2017 operating revenues decreased by 2.0% to $28.3 million while operating expenses increased by 6.6% to $59.7 million, which includes depreciation expense of $31.1 million.
- Capital contributions from the Member Jurisdictions were $17.2 million and $31.2 million for fiscal years 2017 and 2016, respectively.

Overview of the Financial Statements

UOSA operates as a single enterprise fund, which is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

This CAFR is presented in three main sections: introductory, financial and statistical. The introductory section includes the letter of transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, a list of Board members and officers and an organizational chart.

The financial section contains the Independent Auditor's Report, Management's Discussion and Analysis and the basic financial statements as follows:

- Statements of Net Position – These statements include all of UOSA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. They contain information about the nature and amounts of investments in resources and obligations to creditors as well as provide a basis for evaluating the capital structure of UOSA and assessing its liquidity and flexibility.
- Statements of Revenues, Expenses and Changes in Net Position – These statements reflect revenue and expense activity for UOSA and measure the success of its operations.
- Statements of Cash Flows – These statements present the cash provided and used in operating, investing, and capital and related financing activities.
- Notes to the Financial Statements – The notes to the financial statements provide necessary disclosures essential to a full understanding of the data provided in the financial statements.

The statistical section includes selected financial, operational and demographic information about UOSA and its Member Jurisdictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Financial Analysis of UOSA's Financial Position and Results of Operations

The table presented below provides a summary of UOSA's financial position and operations for fiscal year 2017 and fiscal year 2016.

Condensed Statements of Net Position
June 30,

	2017	2016	Change Amount	Change %
Assets				
Current & other assets	$ 128,760,240	$ 131,367,902	$ (2,607,662)	-2.0%
Capital assets, net	459,477,342	483,087,085	(23,609,743)	-4.9
Total Assets	588,237,582	614,454,987	(26,217,405)	-4.3
Deferred Outflows of Resources	22,793,659	24,335,773	(1,542,114)	-6.3
Liabilities				
Current liabilities	35,459,240	32,242,507	3,216,733	10.0
Long-term liabilities	511,507,124	528,233,393	(16,726,269)	-3.2
Total Liabilities	546,966,364	560,475,900	(13,509,536)	-2.4
Deferred Inflows of Resources	230,926	1,165,632	(934,706)	-80.2
Net Position				
Net investment in capital assets	4,881,817	17,499,650	(12,617,833)	-72.1
Restricted	65,770,178	65,741,986	28,192	0.0
Unrestricted (deficit)	(6,818,044)	(6,092,408)	(725,636)	11.9
Total Net Position	$ 63,833,951	$ 77,149,228	$ (13,315,277)	-17.3

During fiscal year 2017, net position decreased by $13,315,277; significant factors attributable to the decrease were as follows:

- Net investment in capital assets decreased by $12,617,833, primarily due to a decrease in net capital assets related to UOSA's Capital Improvement Program that was partially offset by a decrease in outstanding debt.
- Restricted net position increased by $28,192, primarily due to an increase in receivables and investments partially offset by an increase in accrued interest payable.
- Unrestricted net position decreased by $725,636, primarily due to an increase in accounts payable, accrued expenses and net pension liability partially offset by an increase in cash and investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The table presented below provides a summary of UOSA's financial position and operations for fiscal year 2016 and fiscal year 2015.

Condensed Statements of Net Position
June 30,

	2016	2015	Change Amount	Change %
Assets				
Current & other assets	$ 131,367,902	$ 101,359,334	$ 30,008,568	29.6%
Capital assets, net	483,087,085	499,127,046	(16,039,961)	-3.2
Total Assets	614,454,987	600,486,380	13,968,607	2.3
Deferred Outflows of Resources	24,335,773	23,659,227	676,546	2.9
Liabilities				
Current liabilities	32,242,507	33,689,910	(1,447,403)	-4.3
Long-term liabilities	528,233,393	518,875,480	9,357,913	1.8
Total Liabilities	560,475,900	552,565,390	7,910,510	1.4
Deferred Inflows of Resources	1,165,632	2,660,211	(1,494,579)	-56.2
Net Position				
Net investment in capital assets	17,499,650	12,973,662	4,525,988	34.9
Restricted	65,741,986	63,184,498	2,557,488	4.0
Unrestricted (deficit)	(6,092,408)	(7,238,154)	1,145,746	-15.8
Total Net Position	$ 77,149,228	$ 68,920,006	$ 8,229,222	11.9

During fiscal year 2016, net position increased by $8,229,222; significant factors attributable to the increase were as follows:

- Net investment in capital assets increased by $4,525,988, primarily due to an increase in restricted cash and cash equivalents resulting from additional borrowing for future capital projects. This was partially offset by a decrease in capital assets due to a slowdown in construction related to the wastewater treatment plant and an increase in outstanding debt.
- Restricted net position increased by $2,557,488, primarily due to an increase in restricted cash and cash equivalents resulting from the proceeds of the 2016A bond issue and the addition of the 2016B Debt Service Reserve Fund; partially offset by increases in bonds payable related to unspent construction funds.
- Unrestricted net position increased by $1,145,746, primarily due to an increase in cash and cash equivalents partially offset by an increase in the net pension liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Revenues and Expenses

The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2017 and fiscal year 2016.

Condensed Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30,

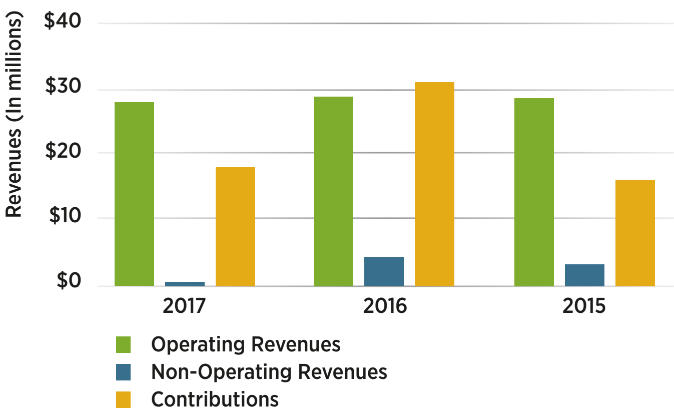
					Change		
		2017		2016		Amount	%
Operating Revenues	$	28,328,572	$	28,916,953	$	(588,381)	-2.0%
Operating Expenses							
Operations		28,603,967		28,567,042		36,925	0.1
Depreciation		31,105,822		27,443,984		3,661,838	13.3
Total Operating Expenses		59,709,789		56,011,026		3,698,763	6.6
Operating Loss		(31,381,217)		(27,094,073)		(4,287,144)	-15.8
Non-operating revenues, net		836,283		4,136,204		(3,299,921)	-79.8
Capital contributions		17,229,657		31,187,091		(13,957,434)	-44.8
Change in Net Position		(13,315,277)		8,229,222		(21,544,499)	-261.8
Total net position, beginning of year		77,149,228		68,920,006		8,229,222	11.9
Total Net Position, End of Year	$	63,833,951	$	77,149,228	$	(13,315,277)	-17.3

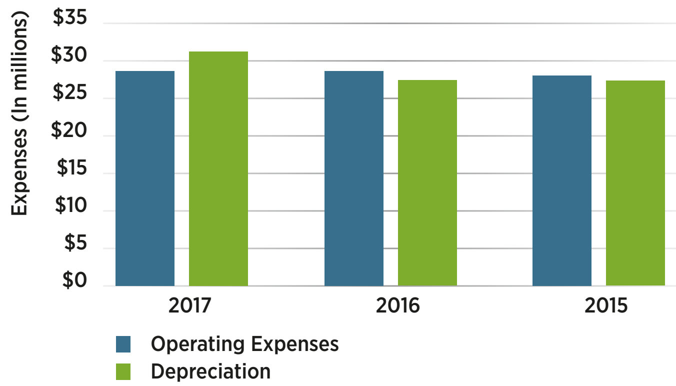
The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2016 and fiscal year 2015.

Condensed Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30,

					Change		
		2016		2015		Amount	%
Operating Revenues	$	28,916,953	$	28,504,352	$	412,601	1.4%
Operating Expenses							
Operations		28,567,042		27,980,290		586,752	2.1
Depreciation		27,443,984		27,175,511		268,473	1.0
Total Operating Expenses		56,011,026		55,155,801		855,225	1.6
Operating Loss		(27,094,073)		(26,651,449)		(442,624)	-1.7
Non-operating revenues, net		4,136,204		2,353,974		1,782,230	75.7
Capital contributions		31,187,091		16,102,978		15,084,113	93.7
Change in Net Position		8,229,222		(8,194,497)		16,423,719	-200.4
Total net position, beginning of year		68,920,006		85,220,482		(16,300,476)	-19.1
Cumulative effect of change in accounting principle		-		(8,105,979)		8,105,979	N/A
Total Net Position, End of Year	$	77,149,228	$	68,920,006	$	8,229,222	11.9

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)





Operating Revenues

Operating revenue is derived primarily from billings to the Member Jurisdictions for treatment of sewage. The billings to the four Member Jurisdictions are based on the approved budget and actual monthly flows.

Current Year. Compared to fiscal year 2016, operating revenue decreased by $588,381, net of a $2,402,621 credit to the Member Jurisdictions for the fiscal year 2017 Operations and Maintenance budget surplus. The variance was due primarily to a larger credit to the Member Jurisdictions in 2017.

Prior Year. Compared to fiscal year 2015, operating revenue increased by $412,601, net of a $888,741 credit to the Member Jurisdictions for the fiscal year 2016 Operations and Maintenance budget surplus. The variance was due primarily to increases in operating costs.

Operating Expenses

Operating expenses reflect the cost of services associated with the operation of the treatment plant and delivery systems.

Current Year. Operations expenses increased by $36,925 compared to fiscal year 2016. The increase was due to higher personnel expense and increased contract services costs. This was largely offset by lower chemical pricing and usage, lower miscellaneous expenses, favorable natural gas pricing, and decreased usage and pricing for electrical power costs.

Prior Year. Operations expenses increased by $586,752 compared to fiscal year 2015. The increase was due to higher personnel expense and increased health insurance costs. This was coupled with higher facility maintenance, contract services and miscellaneous expenses. This was partially offset by lower electrical power costs due to staff initiatives to reduce consumption, lower fuel pricing and usage as well as lower chemical and insurance costs.

Non-Operating Revenues

Current Year. Non-operating revenues decreased by $3,299,921 in fiscal year 2017 due to a decrease in revenue in excess of expenses from restricted accounts and a decrease in the Build America Bonds subsidy. This was partially offset by a decrease in bond issuance costs.

Prior Year. Non-operating revenues increased by $1,782,230 in fiscal year 2016 due to lower bond issuance costs, an increase in the Build America Bonds subsidy and a decrease in asset disposal losses. This was partially offset by a decrease in revenue in excess of expenses from restricted accounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Capital Assets

At the close of fiscal year 2017, UOSA had $459,477,342 invested in capital assets. This amount represents a net decrease of $23,609,743 or about 5% under fiscal year 2016.

Capital Assets at June 30, (net of accumulated depreciation)

	2017	2016	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ -	0.0%
Treatment plant and reservoir	296,392,645	313,634,315	(17,241,670)	-5.5
Interceptor sewers	50,736,541	51,891,975	(1,155,434)	-2.2
Pumping stations	91,612,586	96,282,782	(4,670,196)	-4.9
Mobile equipment	411,907	396,944	14,963	3.8
Office furniture and equipment	413,961	595,846	(181,885)	-30.5
Vehicles	468,881	464,851	4,030	0.9
Construction in progress	12,237,209	12,616,760	(379,551)	-3.0
Totals	$ 459,477,342	$ 483,087,085	$ (23,609,743)	-4.9

Major additions in fiscal year 2017, at cost, included:

Construction in Progress:	
Plant and delivery system expansion and improvements	$ 4,336,666
Treatment Plant and Reservoir:	
General plant improvements and assets placed in service (removed from construction in progress)	4,307,263
Interceptor Sewers:	
Interceptor upgrades and improvements	425,557
Vehicles:	
Fleet vehicles	150,710
Pump Station:	
Flat Branch Pump Station	139,511

This information should be read in conjunction with note 5 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

At the close of fiscal year 2016, UOSA had $483,087,085 invested in capital assets. This amount represents a net decrease of $16,039,961 or about 3% under fiscal year 2015.

Capital Assets at June 30,
(net of accumulated depreciation)

	2016	2015	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ -	0.0%
Treatment plant and reservoir	313,634,315	327,508,615	(13,874,300)	-4.2
Interceptor sewers	51,891,975	52,584,278	(692,303)	-1.3
Pumping stations	96,282,782	90,775,821	5,506,961	6.1
Mobile equipment	396,944	439,750	(42,806)	-9.7
Office furniture and equipment	595,846	842,045	(246,199)	-29.2
Vehicles	464,851	458,370	6,481	1.4
Construction in progress	12,616,760	19,314,555	(6,697,795)	-34.7
Totals	$ 483,087,085	$ 499,127,046	$ (16,039,961)	-3.2

Major additions in fiscal year 2016, at cost, included:

Pump Station:	
Flat Branch Pump Station and Force Main	$ 9,428,709
Construction in Progress:	
Plant and delivery system expansion and improvements	7,072,030
Treatment Plant and Reservoir:	
DCS Control Systems, Clarifier and H/1 improvements and assets placed in service (removed from construction in progress)	5,237,637
Vehicles:	
Fleet vehicles	146,464
Interceptor Sewers:	
Manhole Bull Run #1-3	115,487

This information should be read in conjunction with note 5 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Debt Administration

Current Year. At June 30, 2017, the total principal balance due on UOSA's outstanding debt was $486,352,000 compared to $502,964,000 at June 30, 2016. The decrease in outstanding debt from fiscal year 2016 is equal to $16,612,000, which reflects a decrease in bonds payable of $11,390,000 and a reduction in loans payable of $5,222,000.

At June 30, 2017, the total outstanding bonds payable balance was $443,170,000. The decrease reflects the retirement of the 2010A Series Bonds and principal payments on the 1995A Series Bonds and 2013A Series Bonds.

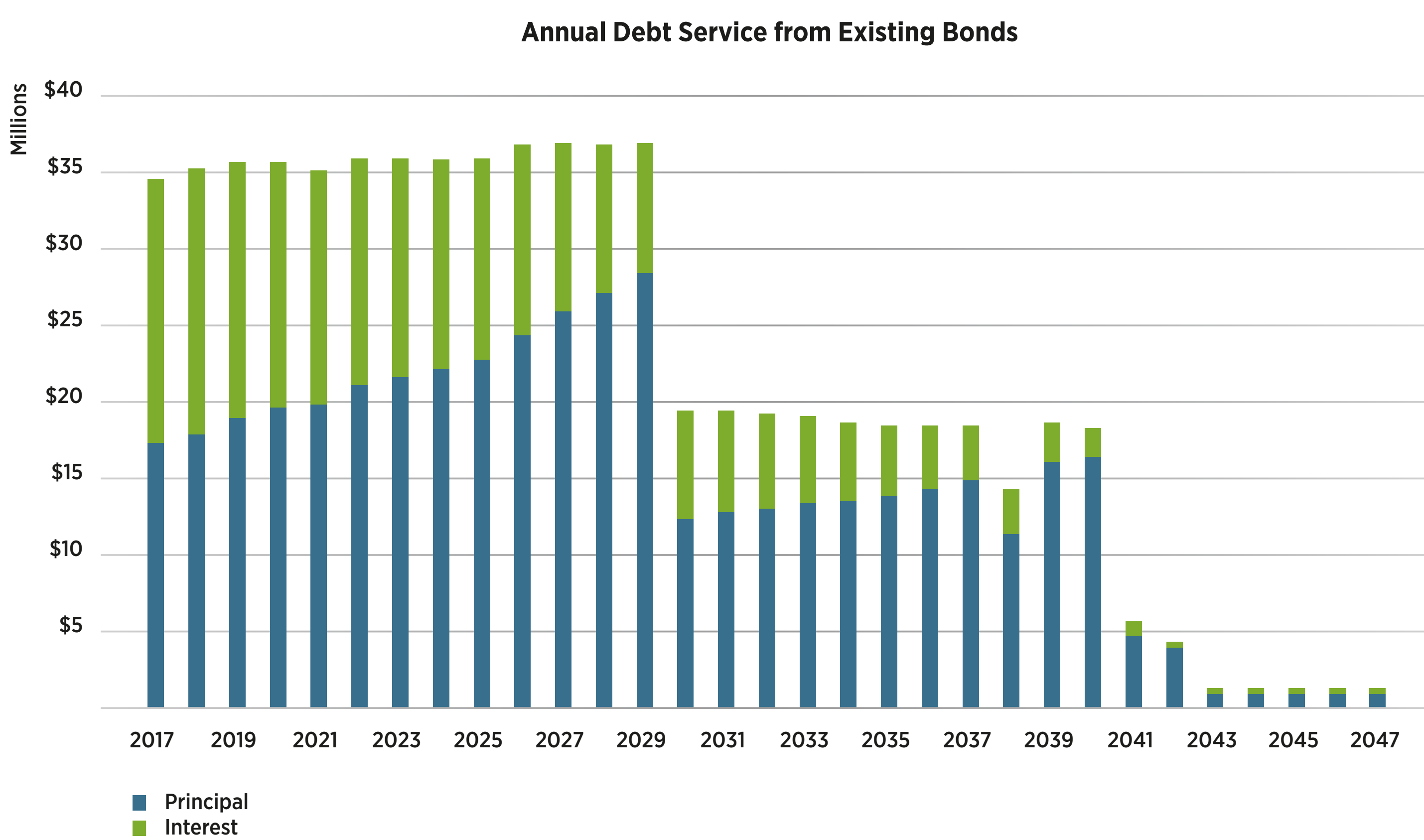
At June 30, 2017, the total outstanding loan balance was $43,182,000. The decrease consisted of principal payments for the 2013B Series loan and the VRA (2011A & B) loans.

Prior Year. At June 30, 2016, the total principal balance due on UOSA's outstanding debt was $502,964,000 compared to $499,116,000 at June 30, 2015. The increase in outstanding debt from fiscal year 2015 is equal to $3,848,000, which reflects an increase in bonds payable of $9,015,000 and a reduction in loans payable of $5,167,000.

At June 30, 2016, the total outstanding bonds payable balance was $454,560,000. The increase reflects the issuance of the 2016A and 2016B Series Bonds; partially offset by the defeasance of the remaining 2007B Series Bonds and debt retirements of the 2004 Series Bonds, 2010A Series Bonds and 2013A Series Bonds.

At June 30, 2016, the total outstanding loan balance was $48,404,000. The decrease consisted of principal payments for the 2013B Series loan and the VRA (2011A & B) loans.

This information should be read in conjunction with the transmittal letter and note 6 to the audited financial statements in order to obtain more detailed information on UOSA's long-term debt.



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Economic Factors and Next Year's Budget

- UOSA's adopted Annual Budget for fiscal year 2018 is $70.0 million and is primarily comprised of $35.2 million (50.4%) in capital financing costs, $30.4 million (43.6%) in operating expenses, and $4.2 million (6.0%) in reserve maintenance expenses. The total represents an increase of $821,741 or 1.19% from fiscal year 2017. The increase is primarily due to modest increases for Operations and Maintenance and Debt Service Budgets.

- The average daily flow projection for fiscal year 2018 is 34.2 million gallons per day (mgd), which remains unchanged from fiscal year 2017.

- UOSA's Capital Improvements Program (CIP) includes $170.4 million in forecasted capital projects for plant renewal and improvements, delivery system improvements and expansion, and nutrient removal through 2026. Budgeted spending for calendar year 2018 is $23.5 million.

- Due to recent bond refundings and remaining funds available, the next bond issuance has been deferred to mid 2019 with additional bond issues planned for 2021 and 2023, which will fund CIP through 2026.

- The fiscal year 2018 budget reflects efforts to reduce costs by securing fixed pricing for natural gas and treatment plant electrical power, and through the continued use of a cogeneration facility that will produce power from digester gas.

- UOSA's favorable loss experience and risk management efforts resulted in a continuation of the 5.0% premium reduction from VML Insurance for liability, automobile and public officials liability insurance.

Contacting UOSA's Financial Management

This financial report is designed to provide a general overview of UOSA's finances to all interested parties. Questions about this report or requests for additional financial information should be addressed to UOSA's Deputy Executive Director - Finance Division at the Upper Occoquan Service Authority, 14631 Compton Road, Centreville, VA 20121-2506, or by telephone at (703) 830-2200, or visit UOSA's website at www.uosa.org.

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FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

Assets and Deferred Outflows of Resources	2017	2016
Current Assets		
Cash and cash equivalents (notes 1 and 2)	$ 7,477,070	$ 7,085,506
Investments	1,250,000	-
Accounts receivable (notes 1 and 3)	367,895	302,884
Accrued interest receivable	8,465	-
Inventory	3,273,962	3,308,282
Prepaid expenses	239,140	114,171
Restricted assets (notes 1 and 4):		
Cash and cash equivalents (notes 1 and 2)	37,499,588	77,080,678
Investments (notes 1 and 2)	10,814,694	-
Reserve maintenance receivable	2,474,248	2,056,909
Accrued interest receivable	180,872	108,102
Total Current Assets	63,585,934	90,056,532
Non-Current Assets		
Restricted assets (notes 1 and 4):		
Investments (notes 1 and 2)	63,374,306	39,511,370
Arbitrage rebate receivable (note 13)	1,800,000	1,800,000
Capital assets (notes 1 and 5):		
Utility plant and equipment	840,147,719	832,756,526
Other	9,408,529	9,413,980
Accumulated depreciation	(409,519,727)	(378,903,793)
Land	7,203,612	7,203,612
Construction in progress	12,237,209	12,616,760
Capital assets, net	459,477,342	483,087,085
Total Non-Current Assets	524,651,648	524,398,455
Total Assets	588,237,582	614,454,987
Deferred Outflows of Resources (note 1)		
Deferred amount on refunding	19,691,675	22,025,582
Deferred outflows related to pensions (notes 1 and 7)	3,101,984	2,310,191
Total Deferred Outflows of Resources	22,793,659	24,335,773
Total Assets and Deferred Outflows of Resources	$ 611,031,241	$ 638,790,760

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET POSITION (continued)

June 30, 2017 and 2016

Liabilities, Deferred Inflows of Resources and Net Position	2017	2016
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,555,724	$ 2,823,036
Accrued salaries and benefits	323,656	28,901
Accrued bond interest payable (note 6)	9,270,017	8,386,035
Accrued loan interest payable (note 6)	351,029	396,840
Contract retainage payable	3,918	378,415
Income received in advance	2,490	1,260
Revenue bonds payable, net (note 6)	13,710,181	13,154,967
Virginia Resources Authority (VRA) loans payable (note 6)	812,206	792,109
Loans payable, net (note 6)	4,510,000	4,430,000
Compensated absences payable	1,920,019	1,850,944
Total Current Liabilities	35,459,240	32,242,507
Long-Term Liabilities		
Landfill closure and postclosure obligation (note 12)	4,209,205	4,086,999
Contract retainage payable	23,789	-
Revenue bonds payable, net (note 6)	456,963,377	470,673,558
VRA loans payable (note 6)	15,204,983	16,017,189
Loans payable, net (note 6)	22,655,000	27,165,000
Compensated absences payable	398,394	390,863
Net other postemployment benefit obligation (note 8)	1,896,247	1,740,321
Net pension liability (notes 1 and 7)	10,156,129	8,159,463
Total Long-Term Liabilities	511,507,124	528,233,393
Total Liabilities	546,966,364	560,475,900
Deferred Inflows of Resources (note 1)	230,926	1,165,632
Net Position		
Net investment in capital assets	4,881,817	17,499,650
Restricted		
Capital projects	1,863,543	1,801,339
Repairs and replacement	6,424,559	6,051,352
Debt service	57,482,076	57,889,295
Unrestricted (deficit)	(6,818,044)	(6,092,408)
Total Net Position	63,833,951	77,149,228
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 611,031,241	$ 638,790,760

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues (notes 1 and 9)	$ 28,328,572	$ 28,916,953
Operating Expenses (notes 1 and 10)		
Operations expenses	28,603,967	28,567,042
Depreciation expense	31,105,822	27,443,984
Total Operating Expenses	59,709,789	56,011,026
Operating Loss	(31,381,217)	(27,094,073)
Non-Operating Revenues (Expenses)		
Interest income	54,239	37,019
Federal Build America Bonds subsidy	1,424,065	2,134,567
Bond issuance costs	-	(780,444)
Loss on sale of assets	(84,328)	(40,328)
Other	801	900
Revenue in excess of expenses from restricted accounts (note 11)	(558,494)	2,784,490
Total Non-Operating Revenues, Net	836,283	4,136,204
Net Loss before Capital Contributions	(30,544,934)	(22,957,869)
Capital contributions (note 11)	17,229,657	31,187,091
Change in Net Position	(13,315,277)	8,229,222
Total net position, beginning of year	77,149,228	68,920,006
Total Net Position, End of Year	$ 63,833,951	$ 77,149,228

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from localities	$ 33,202,478	$ 33,320,771
Payments to employees for services	(18,499,721)	(18,621,367)
Payments to suppliers for goods and services	(9,236,147)	(10,486,947)
Net Cash Provided by Operating Activities	5,466,610	4,212,457
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt issuance	-	61,945,000
Defeasance of long-term debt	-	(42,215,000)
Bond issuance costs	-	(780,444)
Collections for debt service	34,281,633	33,370,421
Federal Build America Bonds subsidy	1,424,065	2,134,567
Interest payments on long-term debt	(18,712,474)	(17,779,677)
Principal payments on long-term debt	(16,612,108)	(15,595,632)
Acquisition & construction of capital assets	(8,688,320)	(10,864,339)
Proceeds from sale of capital assets	4,743	67,830
Construction funding	-	14,559,567
Net Cash (Used in) Provided by Capital and Related Financing Activities	(8,302,461)	24,842,293
Cash Flows from Investing Activities		
(Purchase) sale of investments	(37,546,485)	616,015
Interest on investments	1,192,810	1,007,680
Net Cash (Used in) Provided by Investing Activities	(36,353,675)	1,623,695
Net (Decrease) Increase in Cash and Cash Equivalents	(39,189,526)	30,678,445
Cash and Cash Equivalents, Beginning of Year	84,166,184	53,487,739
Cash and Cash Equivalents, End of Year	$ 44,976,658	$ 84,166,184
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (31,381,217)	$ (27,094,073)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	31,105,822	27,443,984
Changes in assets and liabilities:		
Net change in accounts receivable, accounts payable, prepaid expenses and inventory	2,004,224	301,981
Net OPEB obligation	155,926	172,673
Net change in pension contributions	270,167	(389,206)
Collections for reserve maintenance	4,084,438	4,505,659
Payments for reserve maintenance costs	(772,750)	(728,561)
Net Cash Provided by Operating Activities	$ 5,466,610	$ 4,212,457
Noncash Investing, Capital, and Financing Activities		
Decrease (increase) in fair value of investments not classified as cash and cash equivalents	$ (1,618,856)	$ 892,403
Loss on disposals	(89,071)	(108,157)
Increase in landfill closure and postclosure care liability	(122,206)	(129,222)

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES:

(a) Reporting Entity:

The Upper Occoquan Service Authority (UOSA) is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act (now the Virginia Water and Waste Authorities Act) whose principal purpose is the reclamation of wastewater to protect Northern Virginia's Occoquan Reservoir as a potable water supply source. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax County, Prince William County, the City (formerly Town) of Manassas and the City (formerly Town) of Manassas Park (collectively the "Member Jurisdictions"). The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction.

The obligations of UOSA and its Member Jurisdictions are set forth in a Restated Service Agreement. Under the Restated Service Agreement, UOSA is obligated to process all wastewater delivered to it by the Member Jurisdictions up to their allotted capacities. The Member Jurisdictions are obligated to pay charges for the wastewater processing. These charges include Operations and Maintenance, Reserve Maintenance (the cost of replacements and necessary improvements which do not increase the system capacity), and Debt Service on the loans and bonds issued to finance construction of the UOSA facilities.

As required by accounting principles generally accepted in the United States of America for governmental entities, the financial statements of the reporting entity include all the funds and accounts of UOSA (the primary government). There are no component units to be included in the reporting entity.

(b) Basis of Presentation and Accounting:

The accounting policies of UOSA conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements when they become effective. GASB is the independent organization that establishes the accounting and financial reporting standards for state and local governments that follow generally accepted accounting principles.

UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of UOSA. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities or result from non-exchange transactions and ancillary services.

(c) Budget and Budgetary Accounting:

The Board of Directors adopts an annual budget for operations and maintenance as required by the Restated Agreement of Trust administered by the Trustee, U.S. Bank National Association. The budget is based on projected wastewater flow and may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases or decreases in the budget may be made only upon Board approval. The charges to the four Member Jurisdictions, based on the budget and monthly flow, are adjusted upon completion of the annual audit for any deficit or available surplus in the operating account. The deficit or available surplus in the operating account is recorded as a receivable or liability respectively, at year-end. The budget is prepared on the accrual basis of accounting. Budgetary control is maintained at the sub-function level. A review of revenues and expenses compared to the budget is conducted with the Board of Directors on a monthly and quarterly basis. Unexpended budgeted amounts for the operating account lapse at year-end and may not be carried forward to the next year. Design and construction budgets and related funds are multi-year and do not lapse annually.

(d) Cash and Cash Equivalents:

UOSA considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

(e) Investments:

UOSA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application,* which prescribes that certain investments be reported at their fair value, with the change in fair value being reported as revenue.

(f) Accounts Receivable:

Management expects all receivables to be fully collectible; therefore, no allowance for bad debts is maintained. Receivables relate to reserve maintenance, septage facility usage and selected meter stations and pump stations, the latter two of which are operated on behalf of others.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

(g) Inventories:

Inventories consist of chemicals, fuels and maintenance parts. Inventories are carried at the lower of cost or market. Cost is determined on an average cost basis for chemicals, fuels and maintenance parts.

(h) Capital Assets:

Capital assets consist of the water reclamation system, vehicles, furniture and equipment valued at historical cost. In addition to property and equipment, other direct acquisition costs, construction period net interest costs, and certain administrative costs during the construction period have been capitalized. When appropriate, costs are reduced by interest earned on construction funds. The capitalization threshold for capital assets is $5,000. The assets are depreciated using the straight-line method.

Capital Assets	Estimated Useful Lives
Treatment Plant and Reservoir	15 – 50 years
Interceptor Sewers	20 – 50 years
Pumping Stations	10 – 50 years
Mobile Equipment	5 – 10 years
Office Furniture and Equipment	5 – 15 years
Vehicles	8 years

(i) Deferred Outflows and Deferred Inflows of Resources:

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. UOSA currently reports deferred amounts on bond refundings and deferred outflows related to pensions (see note 7) as deferred outflows of resources.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. UOSA currently reports deferred inflows related to pensions (see note 7) as deferred inflows of resources.

(j) Pensions:

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

(k) Deferred Compensation Plan:

UOSA offers its employees a deferred compensation plan in accordance with Internal Revenue Code, Section 457. The funds are held in a trust and managed by a third party. Therefore, UOSA is no longer reporting such assets and associated liabilities on its statement of net position as stated under GASB Statement No. 32 (*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*). UOSA's contributions to the deferred compensation plan for the fiscal years ended June 30, 2017 and 2016 were $232,679 and $238,847, respectively.

(l) Compensated Absences:

UOSA's employee benefits program provides for the earning and accumulation of vacation and sick leave. The accumulation of vacation leave is limited to 240 hours for employees with less than 10 years of service and 320 hours for 10 or more years. Accumulated vacation hours in excess of the limit are transferred to sick leave. Accrued vacation leave balances are paid to employees who terminate employment. The liability for accrued vacation leave as of June 30, 2017 and 2016, was $1,376,835 and $1,312,564 respectively.

Sick leave may be accumulated up to 480 hours for employees in the VRS Hybrid plan and up to 1040 hours for all other full-time employees. Sick leave accumulation was not limited prior to July 1, 2015 and hours accumulated prior to that date are not subject to the current policy limits. A portion is paid upon termination based on years of service and does not exceed 25% of the total accumulated balance. As of June 30, 2017 and 2016, the liability for accrued sick leave was $941,578 and $929,243 respectively.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

(m) Risk Management:

UOSA is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. UOSA purchases insurance coverage for risks including workers' compensation, automobiles, boiler/machinery use, land use, public officials' liability, crime, general liability, and earthquake. UOSA has not incurred any environmental losses through June 30, 2017 and in the past three years there were no insurance settlements that exceeded insurance coverage. Costs resulting from non-insured losses will be charged to operations when incurred.

(n) Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Restricted Assets:

Restricted assets present constraints on resources that are either externally imposed by creditors, contributors, laws and regulation of other governments or imposed by law through state statute.

(p) New Accounting Pronouncements:

UOSA implemented the following GASB pronouncement for the fiscal year ended June 30, 2017:

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73* addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements.

2. CASH AND INVESTMENTS:

(a) Cash and Cash Equivalents:

At June 30, 2017 and 2016, all cash of UOSA is maintained in accounts covered by Federal deposit insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

Under the Act, banks holding public deposits in excess of the amounts insured by Federal deposit insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similar to Federal deposit insurance. Savings institutions are required to collateralize 100% of deposits in excess of Federal deposit insurance limits.

Unrestricted cash and cash equivalents consist of bank deposits and petty cash funds.

Unrestricted Cash and Cash Equivalents	2017	2016
Cash	$ 7,477,070	$ 7,085,506
Total Unrestricted Cash and Cash Equivalents	$ 7,477,070	$ 7,085,506

Restricted cash and cash equivalents consist of bank deposits and money market fund investments in debt service and project fund accounts held by a Trustee.

Restricted Cash and Cash Equivalents	2017	2016
Cash	$ 4,168,366	$ 4,085,054
Money market funds held by trustee	33,331,222	72,995,624
Total Restricted Cash and Cash Equivalents	$ 37,499,588	$ 77,080,678

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

(b) Investments:

As of June 30, 2017 and 2016, the fair value of UOSA's investments, with their respective credit ratings, was as follows:

		Fair Value	
Investment Type	**Credit Rating**	**2017**	**2016**
Unrestricted Investments			
Certificate of deposit	N/A	$ 1,250,000	$ -
Restricted Investments			
U.S. Securities	AAA	74,189,000	39,511,370
Total Investments		$ 75,439,000	$ 39,511,370

(1) Credit Risk:

UOSA's Investment Policy (Policy) authorizes UOSA to invest in (1) obligations of the United States, the Commonwealth of Virginia, the Federal National Mortgage Association, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Financing Corporation (FICO), and Student Loan Marketing Association, (2) commercial paper with a maturity of 270 days or less rated prime 1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Corporation, and (3) repurchase agreements.

(2) Concentration of Credit Risk:

The Policy places no limit on the amount UOSA may invest in any one issuer. UOSA had investment types at June 30, 2017 and 2016 that exceed 2% of the total investments.

	2017		2016	
Investment Type (Restricted & Unrestricted)	**Fair Value**	**% of Total Investments**	**Fair Value**	**% of Total Investments**
U.S. Treasury notes and bills	$ 64,267,444	85%	$ 39,511,370	100%
Federal Home Loan Bank	5,647,464	7	-	-
Federal National Mortgage Association	4,274,092	6	-	-
Certificate of deposit	1,250,000	2	-	-
Total Investments	$ 75,439,000	100%	$ 39,511,370	100%

(3) Interest Rate Risk:

The Policy limits the investment of funds in the operating and restricted asset accounts in obligations of the following maturities:

- Operating Account - Not to exceed date needed for payment of operating expenses
- Restricted Asset Accounts:
  Construction Fund - Not to exceed date needed for payment of construction costs
  Reserve Maintenance - Not to exceed seven years
  Revenue Bond - Not to exceed date needed for payment of principal and interest

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

As of June 30, 2017 and 2016, UOSA had the following investments and maturities:

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2017	Original Maturity (in years): 1 year or less	1-2 Years	More than 2 Years
U.S. securities	$ 74,189,000	$ 10,814,694	$ 16,712,182	$ 46,662,124
Certificate of deposit	1,250,000	1,250,000	-	-
Total Investments	$ 75,439,000	$ 12,064,694	$ 16,712,182	$ 46,662,124

Investment Type (Restricted)	Fair Value at June 30, 2016	Original Maturity (in years): 1 year or less	1-2 Years	More than 2 Years
U.S. securities	$ 39,511,370	$ -	$ 11,149,166	$ 28,362,204
Total Investments	$ 39,511,370	$ -	$ 11,149,166	$ 28,362,204

(4) Custodial Credit Risk:

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in UOSA's name. As of June 30, 2017 and 2016, all of UOSA's investments and money market funds classified as cash equivalents are held in a bank's trust department in UOSA's name, and therefore UOSA is not exposed to custodial credit risk.

(5) Fair Value Measurement:

UOSA categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

UOSA has the following recurring fair value measurements:

- U.S. Treasury securities of $64.3 million and $39.5 million as of June 30, 2017 and 2016 respectively, are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- U.S. Agency securities of $9.9 million and $0 as of June 30, 2017 and 2016 respectively, are valued using significant other observable inputs (Level 2 inputs).

3. ACCOUNTS RECEIVABLE:

Accounts receivable consists of the following at June 30, 2017 and 2016:

	2017	2016
Fairfax County	$ 257,623	$ 261,287
Prince William County	4,436	2,107
City of Manassas	10,928	6,509
Other	94,908	32,981
Total	$ 367,895	$ 302,884

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

4. RESTRICTED ASSET ACCOUNTS:

UOSA's restricted assets are accounted for within the Enterprise Fund accounts rather than through separate fund entities. Therefore, in accordance with the Restated Agreement of Trust and Supplements administered by the Trustee, UOSA had the following restricted asset accounts in operation at June 30, 2017:

Reserve Maintenance - This account receives all revenue derived by UOSA to pay the cost of replacements and necessary improvements that do not increase the system capacity or scope. In accordance with Section 606 of the Restated Agreement of Trust, UOSA charges and collects from the Member Jurisdictions amounts sufficient to make the current balance in the Reserve Maintenance account equal to the greater of (1) $2,000,000, (2) the estimated cost of replacements and necessary improvements which do not increase the system capacity or scope as set forth in the current fiscal year budget, or (3) the amount certified by UOSA's consulting engineer, provided, however, that if such amount certified by the consulting engineer is greater, UOSA may charge and collect the amount over a period not to exceed five fiscal years, so long as the amount on deposit at all times during the year is at least equal to the amount required to pay the cost of replacements and improvements which do not increase the system capacity or scope.

Revenue Bonds - These accounts receive all revenue derived by UOSA to pay the principal and interest on the bonds. At all times, there is on deposit in the Revenue Bond Interest Accounts the amount of interest on the bonds accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Principal Accounts the amount of principal due on the outstanding bonds during the next succeeding twelve months accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Sinking Fund Accounts the amount of any sinking fund installment due within the next succeeding twelve months accrued to the last day of the current month with respect to any Bonds that are subject to redemption, in accordance with Section 607 of the Restated Agreement of Trust and the First Supplemental Restated Agreement of Trust.

Bond Debt Reserve - This account contains at all times an amount deposited from the proceeds of UOSA's bonds sufficient to cover the maximum amount payable on account of principal and interest in any fiscal year (the Required Reserve) in accordance with the Restated Agreement of Trust, Section 608. According to Section 608, in lieu of the Required Reserve or any portion of it, the account may contain on deposit a surety bond or an insurance policy payable to the Trustee for the benefit of the bondholders, in an aggregate amount equal to the difference between the Required Reserve and the amount on deposit in the Debt Reserve Account.

Construction - This account receives proceeds from the issuance of bonds and is used to pay for construction in accordance with the Restated Agreement of Trust, as supplemented, Section 501.

As of June 30, 2017 and 2016 the Restricted Asset Accounts are summarized below:

	2017			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 6,645,676	$ 4,168,366	$ 26,685,546	$ 37,499,588
Investments	33,888,752	-	40,300,248	74,189,000
Arbitrage rebate receivable	1,800,000	-	-	1,800,000
Reserve maintenance receivable	-	2,474,248	-	2,474,248
Accrued interest receivable	63,544	-	117,328	180,872
Total	$ 42,397,972	$ 6,642,614	$ 67,103,122	$ 116,143,708

	2016			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 45,941,586	$ 4,085,054	$ 27,054,038	$ 77,080,678
Investments	-	-	39,511,370	39,511,370
Arbitrage rebate receivable	1,800,000	-	-	1,800,000
Reserve maintenance receivable	-	2,056,909	-	2,056,909
Accrued interest receivable	1,339	-	106,763	108,102
Total	$ 47,742,925	$ 6,141,963	$ 66,672,171	$ 120,557,059

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

5. CAPITAL ASSETS:

(a) Changes in capital assets for the years ended June 30, 2017 and 2016 as follows:

	2017				
	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Non-depreciable Capital Assets					
Land	$ 7,203,612	$ -	$ -	$ -	$ 7,203,612
Construction in progress	12,616,760	5,892,801	-	(6,272,352)	12,237,209
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	631,959,866	6,914,313	(390,769)	-	638,483,410
Interceptor sewers	69,685,972	476,923	-	-	70,162,895
Pumping stations	127,993,865	245,546	-	-	128,239,411
Mobile equipment	3,116,823	159,180	(14,000)	-	3,262,003
Other:					
Office furniture and equipment	7,739,438	18,029	(17,549)	-	7,739,918
Vehicles	1,674,542	150,710	(156,641)	-	1,668,611
Total Capital Assets	$ 861,990,878	$ 13,857,502	$ (578,959)	$ (6,272,352)	$ 868,997,069

	2016				
	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Non-depreciable Capital Assets					
Land	$ 7,203,612	$ -	$ -	$ -	$ 7,203,612
Construction in progress	19,314,555	8,682,473	-	(15,380,268)	12,616,760
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	624,745,563	7,388,762	(174,459)	-	631,959,866
Interceptor sewers	68,980,079	705,893	-	-	69,685,972
Pumping stations	118,109,084	9,884,781	-	-	127,993,865
Mobile equipment	3,044,245	72,578	-	-	3,116,823
Other:					
Office furniture and equipment	7,768,113	11,496	(40,171)	-	7,739,438
Vehicles	1,570,373	146,464	(42,295)	-	1,674,542
Total Capital Assets	$ 850,735,624	$ 26,892,447	$ (256,925)	$ (15,380,268)	$ 861,990,878

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

(b) Changes in accumulated depreciation for the years ended June 30, 2017 and 2016 follow:

	2017			
	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Depreciable Capital Assets				
Utility Plant and Equipment:				
Treatment plant and reservoir	$ 318,325,551	$ 24,068,689	$ (303,475)	$ 342,090,765
Interceptor sewers	17,793,997	1,632,357	-	19,426,354
Pumping stations	31,711,083	4,915,742	-	36,626,825
Mobile equipment	2,719,879	144,217	(14,000)	2,850,096
Other:				
Office furniture and equipment	7,143,592	198,137	(15,772)	7,325,957
Vehicles	1,209,691	146,680	(156,641)	1,199,730
Total Accumulated Depreciation	$ 378,903,793	$ 31,105,822	$ (489,888)	$ 409,519,727

	2016			
	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Depreciable Capital Assets				
Utility Plant and Equipment:				
Treatment plant and reservoir	$ 297,236,948	$ 21,182,940	$ (94,337)	$ 318,325,551
Interceptor sewers	16,395,801	1,398,196	-	17,793,997
Pumping stations	27,333,263	4,377,820	-	31,711,083
Mobile equipment	2,604,495	115,384	-	2,719,879
Other:				
Office furniture and equipment	6,926,068	233,655	(16,131)	7,143,592
Vehicles	1,112,003	135,989	(38,301)	1,209,691
Total Accumulated Depreciation	$ 351,608,578	$ 27,443,984	$ (148,769)	$ 378,903,793

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

6. LONG-TERM DEBT:

(a) Bonds Payable:

UOSA issues revenue bonds to provide funds for acquisition and construction of major capital facilities and for refunding higher-interest revenue bonds. Bonds payable as of June 30, 2017, consist of the following:

$288,600,000 Regional Sewerage System Revenue Bonds, Series 1995A; dated December 1, 1995, principal maturing annually with interest from 4.30% to 6.00% payable semiannually through July 1, 2029.

Of the total 1995A series bonds issued, $225,965,000 has been currently refunded from the proceeds of future bond issuances and is considered defeased. Accordingly, the liability relating to these bonds has been removed from UOSA's financial statements.

$85,180,000 Regional Sewerage System Revenue Bonds, Series 2010; dated December 23, 2010, principal maturing annually with interest from 3.50% to 6.00% payable semiannually through July 1, 2043.

$101,615,000 Regional Sewerage System Revenue Refunding Bonds, Series 2013A; dated May 30, 2013, principal maturing annually with interest from 0.35% to 2.90% payable semiannually through July 1, 2026.

$163,885,000 Regional Sewerage System Revenue Refunding Bonds, Series 2014; dated December 23, 2014, principal maturing annually with interest from 4.00% to 5.00% payable semiannually through July 1, 2041.

$20,915,000 Regional Sewerage System Revenue Bonds, Series 2016A; dated June 16, 2016, principal maturing annually with interest from 3.00% to 5.00% payable semiannually through July 1, 2048.

$41,030,000 Regional Sewerage System Revenue Refunding Bonds, Series 2016B; dated June 16, 2016, principal maturing annually starting July 1, 2035 with interest from 3.00% to 4.00% payable semiannually through July 1, 2038.

For each outstanding bond series, principal payments are made annually on July 1 and interest is payable semi-annually on January 1 and July 1. Future debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 11,925,000	$ 16,399,216	$ 28,324,216
2019	12,440,000	16,223,197	28,663,197
2020	13,330,000	15,653,078	28,983,078
2021	13,925,000	15,040,415	28,965,415
2022	14,030,000	14,566,714	28,596,714
2023-2027	117,215,000	64,916,370	182,131,370
2028-2032	100,640,000	39,822,472	140,462,472
2033-2037	65,785,000	24,166,988	89,951,988
2038-2042	77,935,000	10,312,575	88,247,575
2043-2047	13,800,000	1,046,055	14,846,055
2048-2049	2,145,000	64,875	2,209,875
	$ 443,170,000	$ 218,211,955	$ 661,381,955

(b) Virginia Resources Authority Loans Payable:

In July 2011, UOSA entered into a financing agreement with Virginia Resources Authority (VRA) for the purpose of funding the costs related to the Energy Service (ESCO) Project, including the replacement of an existing blower system and the installation of a generator and cogeneration unit which uses biogas to produce heat and electricity. The loan was authorized under the Virginia Water Facilities Revolving Fund (VWFRF) for $6.1 million, at 2.93% per annum for a term of twenty years. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each June 1 and December 1, beginning in June 2013. The outstanding loan balance at June 30, 2017 was $4,643,574.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

In December 2011, UOSA entered into a second financing agreement with VRA for the purpose of funding Phase 1 of the Nutrient Compliance Improvement Project (P1NR), together with related project expenses. The loan was authorized under the VWFRF for $13.9 million, at 2.35% per annum for a term of twenty years. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each March 1 and September 1, beginning in March 2014. The outstanding loan balance at June 30, 2017 was $11,373,615.

Future debt service requirements for principal and interest are as follows:

	2011A Loan		2011B Loan		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2018	$ 240,590	$ 134,307	$ 571,616	$ 263,940	$ 1,210,453
2019	247,691	127,206	585,126	250,431	1,210,454
2020	255,002	119,896	598,959	236,598	1,210,455
2021	262,528	112,370	613,117	222,440	1,210,455
2022	270,277	104,621	627,610	207,947	1,210,455
2023-2027	1,475,853	398,634	3,367,720	810,064	6,052,271
2028-2032	1,706,891	167,597	3,785,019	392,765	6,052,272
2033-2034	184,742	2,706	1,224,448	28,886	1,440,782
Total	$ 4,643,574	$ 1,167,337	$ 11,373,615	$ 2,413,071	$ 19,597,597

(c) Loan Payable:

In November 2013, UOSA issued the 2013B Series Regional Sewerage System Revenue Refunding Bonds for the purpose of refunding the 2003 Series Regional Sewerage System Revenue Refunding Bonds. The 2013B Series issuance is a direct bank loan for $37.7 million at 1.85% per annum for a term of eight years. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest is payable on a semi-annual basis each January 1 and July 1, beginning July 1, 2014 and principal is payable on an annual basis each July 1, beginning July 1, 2014. The outstanding loan balance at June 30, 2017 was $27,165,000.

Future debt service requirements for principal and interest are as follows:

	2013B Loan		
Fiscal Year	Principal	Interest	Total
2018	$ 4,510,000	$ 459,590	$ 4,969,590
2019	4,595,000	375,596	4,970,596
2020	4,680,000	290,034	4,970,034
2021	4,765,000	202,904	4,967,904
2022	4,845,000	114,252	4,959,252
2023	3,770,000	34,778	3,804,778
Total	$ 27,165,000	$ 1,477,154	$ 28,642,154

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

(d) Changes in Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the years ended June 30, 2017 and 2016:

	2017				
	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds Payable					
1995A Series	$ 47,215,000	$ -	$ 8,520,000	$ 38,695,000	$ 8,960,000
2010A Series	1,815,000	-	1,815,000	-	-
2010B Series	79,975,000	-	-	79,975,000	1,905,000
2013A Series	99,725,000	-	1,055,000	98,670,000	1,060,000
2014 Series	163,885,000	-	-	163,885,000	-
2016A Series	20,915,000	-	-	20,915,000	-
2016B Series	41,030,000	-	-	41,030,000	-
	454,560,000	-	11,390,000	443,170,000	11,925,000
Premium (discount) on bonds payable (net)	29,268,525	-	1,764,967	27,503,558	1,785,181
Net Bonds Payable	483,828,525	-	13,154,967	470,673,558	13,710,181
Loans Payable:					
Loan payable (2013B Series)	31,595,000	-	4,430,000	27,165,000	4,510,000
VRA loans payable (2011A & 2011B Series)	16,809,298	-	792,109	16,017,189	812,206
Landfill closure and postclosure obligation	4,086,999	122,206	-	4,209,205	-
Contract retainage payable	378,415	27,707	378,415	27,707	3,918
Compensated absences payable	2,241,807	1,774,818	1,698,212	2,318,413	1,920,019
Net other postemployment benefit obligation	1,740,321	155,926	-	1,896,247	-
Net pension liability	8,159,463	5,043,835	3,047,169	10,156,129	-
Total	$ 548,839,828	$ 7,124,492	$ 23,500,872	$ 532,463,448	$ 20,956,324

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

	2016				
	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Bonds Payable					
1995A Series	$ 47,215,000	$ -	$ -	$ 47,215,000	$ 8,520,000
2004 Series	7,935,000	-	7,935,000	-	-
2007B Series	42,215,000	-	42,215,000	-	-
2010A Series	3,545,000	-	1,730,000	1,815,000	1,815,000
2010B Series	79,975,000	-	-	79,975,000	-
2013A Series	100,775,000	-	1,050,000	99,725,000	1,055,000
2014 Series	163,885,000	-	-	163,885,000	-
2016A Series	-	20,915,000	-	20,915,000	-
2016B Series	-	41,030,000	-	41,030,000	-
	445,545,000	61,945,000	52,930,000	454,560,000	11,390,000
Premium (discount) on bonds payable (net)	25,299,583	5,448,402	1,479,460	29,268,525	1,764,967
Net Bonds Payable	470,844,583	67,393,402	54,409,460	483,828,525	13,154,967
Loans Payable:					
Loan payable (2013B Series)	35,940,000	-	4,345,000	31,595,000	4,430,000
VRA loans payable (2011A & 2011B Series)	17,630,983	-	821,685	16,809,298	792,109
Landfill closure and postclosure obligation	3,957,777	129,222	-	4,086,999	-
Contract retainage payable	1,077,442	156,258	855,285	378,415	378,415
Compensated absences payable	2,173,675	1,712,667	1,644,535	2,241,807	1,850,944
Net other postemployment benefit obligation	1,567,648	172,673	-	1,740,321	-
Net pension liability	5,971,656	6,096,028	3,908,221	8,159,463	-
Total	$ 539,163,764	$ 75,660,250	$ 65,984,186	$ 548,839,828	$ 20,606,435

7. PENSIONS:

(a) Plan Description:

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Hybrid Opt-In Election – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Retirement Contributions – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members may also be eligible to purchase periods of leave without pay. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions they make.

Calculating the Benefit – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

Certain exceptions to COLA effective dates described above are effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Plan 2

Plan 2 is the same as Plan 1 except for the following:

Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Benefit Component: The benefit is based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement.

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of credible service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage

Eligible employees (including Plan 1 and Plan 2 opt-ins) participate in an employer-paid program.

(b) Employees Covered by Benefit Terms:

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	77
Inactive Members:	
Vested inactive members	25
Non-vested inactive members	25
Inactive members active elsewhere in VRS	26
Total Inactive Members	76
Active members	175
Total Covered Employees	328

(c) Contributions:

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to UOSA by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Through June 30, 2012, UOSA had assumed the 5% member contribution. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. UOSA's Board adopted resolutions to implemeånt the withholding and related salary increases at 1% effective July 1, 2012, an additional 2% effective July 1, 2013, and the remaining 2% effective July 1, 2014. In addition, UOSA is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. UOSA's contractually required contribution rate for the year ended June 30, 2017 was 8.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from UOSA were $1,136,849 and $1,233,195 for the years ended June 30, 2017 and June 30, 2016, respectively.

(d) Net Pension Liability:

UOSA's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Actuarial Assumptions

The total pension liability was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0% However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.10	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	-1.50	-0.02
Total	100.00%		5.83%
Inflation			2.50
Expected Arithmetic Nominal Return*			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by UOSA for UOSA's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 53,953,589	$ 45,794,126	$ 8,159,463
Changes for the year:			
Service cost	1,297,203	-	1,297,203
Interest	3,718,171	-	3,718,171
Differences between expected and actual experience	(298,056)	-	(298,056)
Contributions - employer	-	1,233,195	(1,233,195)
Contributions - employee	-	696,937	(696,937)
Net investment income	-	818,981	(818,981)
Benefit payments, including refunds of employee contributions	(1,673,711)	(1,673,711)	-
Administrative expenses	-	(28,118)	28,118
Other changes	-	(343)	343
Net changes	3,043,607	1,046,941	1,996,666
Balances at June 30, 2016	$ 56,997,196	$ 46,841,067	$ 10,156,129

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 49,436,093	$ 43,464,437	$ 5,971,656
Changes for the year:			
Service cost	1,281,686	-	1,281,686
Interest	3,406,233	-	3,406,233
Differences between expected and actual experience	1,380,819	-	1,380,819
Contributions - employer	-	1,225,219	(1,225,219)
Contributions - employee	-	666,439	(666,439)
Net investment income	-	2,016,563	(2,016,563)
Benefit payments, including refunds of employee contributions	(1,551,242)	(1,551,242)	-
Administrative expenses	-	(26,861)	26,861
Other changes	-	(429)	429
Net changes	4,517,496	2,329,689	2,187,807
Balances at June 30, 2015	$ 53,953,589	$ 45,794,126	$ 8,159,463

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of UOSA using the discount rate of 7.00%, as well as what UOSA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
UOSA's Net Pension Liability at June 30, 2016	$ 17,743,726	$ 10,156,129	$ 3,835,481
UOSA's Net Pension Liability at June 30, 2015	$ 15,479,016	$ 8,159,463	$ 2,071,932

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

For the years ended June 30, 2017 and 2016, UOSA recognized pension expense of $1,399,142 and $851,864, respectively.

At June 30, 2017, UOSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 757,425	$ 230,926
Net difference between projected and actual earnings on pension plan investments	1,207,710	-
Employer contributions subsequent to the measurement date	1,136,849	-
Total at June 30, 2017	$ 3,101,984	$ 230,926

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

At June 30, 2016, UOSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,069,122	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,165,632
Employer contributions subsequent to the measurement date	1,241,069	-
Total at June 30, 2016	$ 2,310,191	$ 1,165,632

$1,136,849 and $1,241,069, reported as deferred outflows of resources related to pensions resulting from UOSA's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2018	$ 265,812
2019	265,813
2020	753,201
2021	449,383
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

(a) Plan Description:

UOSA administers a single-employer defined post-employment health care benefit plan ("the Plan"). The Plan provides post-employment health care benefits to eligible employees who have retired from UOSA on or after July 1, 1999. In order to participate, retirees must meet the requirements of the Virginia Retirement System (VRS) and have attained age 55 with at least ten years of service. The benefit levels, employee contributions and employer contributions are governed, and can be amended, by UOSA's Board of Directors. Separate financial statements were not issued for the Plan.

Retirees under the age of 65 and their dependents (spouse and children) are eligible to obtain health insurance from the same medical plans available to active employees provided the retiree was previously enrolled in UOSA's, or another, group medical plan for a minimum of one year immediately prior to retirement. UOSA contributes 2% towards the total cost of the selected coverage for every year of accrued service up to 40 years. Partial years of service are counted in increments of one month. Participation in UOSA's health insurance plan ends once the retiree becomes eligible for Medicare at age 65. At that time, the retiree's dependents will be offered health care coverage under COBRA and the Medicare eligible retiree is provided a monthly health care subsidy based on years of service to help offset any expenses not covered by Medicare. UOSA pays each participating Post-65 retiree $5 per month per year of service with a subsidy minimum of $50 and maximum of $150. Employees who retired prior to age 65 do not need to participate in the health insurance plan to receive the monthly health care subsidy at age 65. The health care benefits end at the death of the retiree.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

Current UOSA Pre-65 retirees who qualify for health insurance benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

(b) Membership:

At June 30, 2017, membership consisted of the following:

Number of Participants	
a. Active employees with UOSA health coverage	154
b. All active employees	170
c. Pre-65 retirees	19
d. Post-65 retirees	31

(c) Funding Policy:

The contribution requirements of plan members are established and may be amended by UOSA's Board of Directors. UOSA is not required to fund the Plan for an amount greater than the pay-as-you-go balance necessary to provide current benefits to retirees. As of June 30, 2017, UOSA has not established a trust fund to irrevocably segregate assets to fund the OPEB liability; however, UOSA's Board of Directors designated $175,000 in fiscal year 2017, $145,000 in fiscal year 2016, $145,000 in fiscal year 2015, $300,000 in fiscal year 2014 and $250,000 in each of the four preceding fiscal years for a total of $1,765,000 towards future OPEB funding. For the fiscal years ended June 30, 2017 and 2016, UOSA paid $202,074 and $154,327, respectively, in pay-as-you-go expenses on behalf of the Plan.

(d) Annual OPEB Cost and Net OPEB Obligation:

UOSA's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

UOSA's annual OPEB cost, the actual amount contributed, and the net OPEB obligation for the fiscal years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Discount Rate	3.5%	3.5%
Annual required contribution (ARC)	$ 388,000	$ 350,000
Interest on net OPEB obligation	61,000	55,000
Adjustment to annual required contribution	(91,000)	(78,000)
Annual OPEB Cost (Expense)	358,000	327,000
Pay-As-You-Go annual employer contribution	(202,074)	(154,327)
Increase in Net OPEB Obligation	155,926	172,673
Net OPEB obligation, beginning of year	1,740,321	1,567,648
Net OPEB Obligation, End of Year	$ 1,896,247	$ 1,740,321

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

The table below summarizes the trend information for UOSA's annual OPEB obligations:

Three Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 366,000	35.0%	$ 1,567,648
June 30, 2016	327,000	47.2	1,740,321
June 30, 2017	358,000	56.4	1,896,247

(e) Funded Status:

For the year ended June 30, 2017, UOSA's OPEB funding progress of the Plan is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded Actuarial Accrued Liability (UAAL) (2-1)	Funded Ratio (1/2)	Annual Covered Payroll (3)	UAAL as Percentage of Covered Payroll [(2-1)/3]
July 1, 2016	$ -	$ 4,195,000	$ 4,195,000	0.0%	$ 14,269,184	29.4%
July 1, 2015	-	3,748,000	3,748,000	0.0	14,652,368	25.6

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, also presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(f) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a 2.5% payroll growth rate. The medical trend assumption was based on the Society of Actuaries Long-Run Medical Cost Trend Model. The initial health care cost trend rate was 5.90% decreasing gradually to the ultimate rate of 4.00% in 2082. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017 was twenty-two years. Additional information as of the latest actuarial valuation follows.

Long-Run Medical Cost Trend Assumptions:	
Rate of Inflation	2.3%
Rate of Growth in Real Income / GDP per capita	1.6%
Excess Medical Cost Growth	1.3%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

9. OPERATING REVENUES:

Operating revenues consist of billings to the Member Jurisdictions for treatment of sewage. Revenues earned for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Fairfax County	$ 11,042,450	$ 11,089,622
Prince William County	10,504,709	10,568,321
City of Manassas	5,324,343	5,776,403
City of Manassas Park	1,182,080	1,209,924
Other	274,990	272,683
Total	$ 28,328,572	$ 28,916,953

10. OPERATING EXPENSES:

Operating expenses include reimbursable septage receiving facility and pump station/meter station charges. Operating expenses for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Personnel	$ 19,297,175	$ 18,376,806
Electrical power	2,314,363	2,453,673
Chemicals	1,601,337	1,916,553
Facilities operations	790,495	1,074,751
Facilities maintenance	2,289,798	2,326,757
Contract services	1,686,691	1,527,664
Administration	385,789	395,051
Insurance	418,499	378,467
Miscellaneous	(180,180)	117,320
Depreciation	31,105,822	27,443,984
	$ 59,709,789	$ 56,011,026

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

11. REVENUES AND EXPENSES FROM RESTRICTED ASSET ACCOUNTS:

The following is a schedule of revenues and expenses from restricted asset accounts for the fiscal years ended June 30, 2017 and 2016:

	2017	2016
Revenues		
Bond interest billings	$ 17,051,976	$ 16,742,897
Bond principal billings	17,229,657	16,627,524
Investment income	(399,049)	1,862,335
Construction funding	-	14,559,567
Reserve maintenance billings	4,084,438	4,389,193
	37,967,022	54,181,516
Expenses - Restricted Assets Accounts		
Bond interest	19,391,980	19,352,152
Reserve maintenance	772,750	728,561
Capital improvement projects	1,008,923	-
Landfill closure and postclosure expense	122,206	129,222
	21,295,859	20,209,935
Revenues in Excess of Expenses		
From Restricted Asset Accounts	$ 16,671,163	$ 33,971,581
Financial Statement Presentation:		
Revenue (expenses) from restricted accounts	$ (558,494)	$ 2,784,490
Capital contributions	17,229,657	31,187,091

In fiscal year 2017, UOSA capitalized 4.01% of the total interest expense using the effective interest rate. For the years ending June 30, 2017 and 2016 respectively, the total cost of interest on debt service borrowings was $18,127,236 and $18,590,363 of which $727,604 and $1,112,691 was capitalized, net of investment earnings.

UOSA and its members amended the Service Agreement to allow members to fund construction costs with cash if certain prerequisites are met. Fairfax County elected to fund their portion of the Series 2016A bonds using $14,559,567 in cash.

12. LANDFILL CLOSURE AND POSTCLOSURE COST:

State and Federal laws and regulations require UOSA to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, UOSA reports a portion of these closure and post closure care costs as an expense chargeable to restricted asset accounts in each period based on landfill capacity used as of each balance sheet date. A review of the estimated landfill closure and post closure care costs was performed by SCS Engineers in 2014. The review incorporated an aerial survey and calculated the volume consumed and volume remaining. The $4,209,205 and $4,086,999 reported as landfill closure and post closure care liability at June 30, 2017 and June 30, 2016, respectively, represents the cumulative amount reported to date based on the use of 61% and 60%, respectively, of the estimated capacity of Phase I of the landfill. UOSA will recognize the remaining estimated cost of closure and post closure care of $2,652,315 for Phase I as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Based on engineer's estimates, UOSA expects to close Phase 1 of the landfill in the year 2033. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The subsequent phases of the landfill will be constructed as required in the future.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

13. ARBITRAGE REBATE LIABILITY:

The U.S. Treasury has issued regulations on calculating the rebate due the Federal Government on arbitrage earnings and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage earnings arise when UOSA temporarily invests the proceeds of tax exempt debt in securities with yields higher than the arbitrage rate. An estimated rebate receivable increases interest income from restricted assets and is recorded as an asset on the Statement of Net Position. All estimated rebates are recorded net.

Pursuant to Section 148 of the Internal Revenue Code of 1986, UOSA was required to make an interim rebate payment, if a liability existed, within 60 days of the end of its fifth bond year. Accordingly, UOSA issued a rebate payment in the amount of $1,800,000 in August 2000 in order to satisfy minimum requirements to reduce its rebate liability. Effective March 2001, bond proceeds were invested in securities with yields lower than the arbitrage rate. As a result, a rebate receivable of $1,800,000 and $1,800,000 has been recorded for the years ended June 30, 2017 and June 30, 2016, respectively.

14. COMMITMENTS AND CONTINGENCIES:

(a) Construction:

UOSA has a major capital improvement and expansion program funded by fixed rate revenue bonds. At June 30, 2017 UOSA has outstanding commitments for contracts in progress of approximately $19,738,478.

(b) Litigation:

UOSA is contingently liable with respect to lawsuits and other claims that arise in the normal course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of UOSA's management, the resolution of these matters will not have a material, adverse effect on the financial conditions of UOSA.

(c) Letter of Credit:

As of June 30, 2017, UOSA had a letter of credit outstanding in the amount of $4,140,200 for landfill closure and $894,903 for 2011B Bond Series Debt Service Reserve.

15. CHANGE IN ACCOUNTING PRINCIPLE:

During fiscal year 2017, UOSA adopted the provisions of GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73* which addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements. Implementation of GASB 82 did not have a significant impact on the financial statements.

During fiscal year 2016, UOSA adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of GASB 72 did not have a significant impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in UOSA's Net Pension Liability and Related Ratios
Last 10 Fiscal Years*

Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability			
Service cost	$ 1,297,203	$ 1,281,686	$ 1,223,948
Interest	3,718,171	3,406,233	3,208,021
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(298,056)	1,380,819	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,673,711)	(1,551,242)	(1,649,501)
Net change in total pension liability	3,043,607	4,517,496	2,782,468
Total pension liability - beginning	53,953,589	49,436,093	46,653,625
Total Pension Liability - Ending (a)	$ 56,997,196	$ 53,953,589	$ 49,436,093
Plan Fiduciary Net Position			
Contributions - employer	$ 1,233,195	$ 1,225,219	$ 1,164,966
Contributions - employee	696,937	666,439	650,780
Net investment income	818,981	2,016,563	5,946,776
Benefit payments, including refunds of employee contributions	(1,673,711)	(1,551,242)	(1,649,501)
Administrative expenses	(28,118)	(26,861)	(31,578)
Other	(343)	(429)	314
Net change in plan fiduciary net position	1,046,941	2,329,689	6,081,757
Plan fiduciary net position - beginning	45,794,126	43,464,437	37,382,680
Plan fiduciary net position - ending (b)	$ 46,841,067	$ 45,794,126	$ 43,464,437
Net Pension Liability - Ending (a) - (b)	$ 10,156,129	$ 8,159,463	$ 5,971,656
Plan fiduciary net position as a percentage of the total pension liability - end of year	82.18%	84.88%	87.92%
Covered-employee payroll	$ 13,501,791	$ 13,390,415	$ 13,021,097
Net pension liability as a percentage of covered-employee payroll	75.22%	60.94%	45.86%

Schedule of UOSA's Pension Contributions
Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	UOSA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 1,136,849	$ 1,136,849	$ -	$ 13,850,680	8.21%
2016	1,233,195	1,233,195	-	13,501,791	9.13
2015	1,225,219	1,225,219	-	13,390,415	9.15
2014	1,164,966	1,164,966	-	13,021,097	8.95

* *Pension schedules are intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying pension notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Funding Progress for Other Post-Employment Benefits (OPEB): (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as Percentage of Covered Payroll
July 1, 2014	$ -	$ 3,909,000	$ 3,909,000	0.0%	$ 13,869,012	28.2%
July 1, 2015	-	3,748,000	3,748,000	0.0	14,652,368	25.6
July 1, 2016	-	4,195,000	4,195,000	0.0	14,269,184	29.4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2017 and 2016

PENSION TREND DATA

Note 1 – Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2 – Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Outflow: Releasing Safe Water Into the Community

UOSA's discharge of purified water has been protecting and augmenting the Occoquan Reservoir for almost forty years. Regulators and regional leaders recognize UOSA as the source of the highest quality water entering the reservoir and the augmentation increases the drought resistance and the safe yield of the water supply.

UOSA actively monitors the treatment processes through physical inspections, online instrumentation and routine sampling and analysis. Samples are collected at various points throughout the treatment process, and analyzed in UOSA's on-site laboratory, to evaluate process performance on an ongoing basis.

UOSA's laboratory is certified under the Virginia Environmental Laboratory Accreditation Program and has been accredited by Virginia Division of Consolidated Laboratory Services.

The quality of UOSA's laboratory is one of the many reasons that UOSA was one of sixty-one public and private utilities from across the U.S., Canada, and Denmark to be selected as an inaugural recipient of the Water Resources – Utility of the Future Today certificate of recognition, in September, 2016. This program celebrates innovative and forward thinking practices that provide sustainable, efficient, and value added services to their community.

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This section of UOSA's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about UOSA's overall financial health. This information has not been audited by the independent auditor.

Financial Trends

These schedules contain trend information to help the reader understand how UOSA's financial performance and well-being changed over time.

SCHEDULE 1

Net Position by Component

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2017	2016	2015	2014	2013
Net investment in capital assets	$ 4,881,817	$ 17,499,650	$ 12,973,662	$ 30,369,861	$ 40,722,834
Restricted	65,770,178	65,741,986	63,184,498	53,939,075	48,554,724
Unrestricted	(6,818,044)	(6,092,408)	(7,238,154)	911,546	932,395
Total Net Position	$ 63,833,951	$ 77,149,228	$ 68,920,006	$ 85,220,482	$ 90,209,953

	For the Fiscal Years Ended June 30				
	2012	2011	2010	2009	2008
Net investment in capital assets	$ 56,169,422	$ 59,932,774	$ 74,958,114	$ 75,653,733	$ 84,298,010
Restricted	39,704,788	35,311,765	29,302,170	28,376,495	24,495,187
Unrestricted	881,426	941,360	26,500	310,555	(1,892,653)
Total Net Position	$ 96,755,636	$ 96,185,899	$ 104,286,784	$ 104,340,783	$ 106,900,544

SCHEDULE 2

Changes in Net Position

Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income/(Loss)	Total Non-Operating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2017	$ 28,328,572	$ 59,709,789	$ (31,381,217)	$ 836,283	$ (30,544,934)	$ 17,229,657	$ (13,315,277)
2016	28,916,953	56,011,026	(27,094,073)	4,136,204	(22,957,869)	31,187,091	8,229,222
2015	28,504,352	55,155,801	(26,651,449)	2,353,974	(24,297,475)	16,102,978	(8,194,497)
2014	28,140,951	52,692,746	(24,551,795)	4,722,304	(19,829,491)	14,840,020	(4,989,471)
2013	26,918,771	49,846,103	(22,927,332)	4,011,892	(18,915,440)	12,369,757	(6,545,683)
2012	26,284,637	47,732,629	(21,447,992)	8,953,289	(12,494,703)	13,064,440	569,737
2011	26,550,922	46,964,634	(20,413,712)	2,576,240	(17,837,472)	9,736,587	(8,100,885)
2010	26,184,993	45,484,400	(19,299,407)	9,977,724	(9,321,683)	9,267,684	(53,999)
2009	25,736,882	48,139,820	(22,402,938)	11,027,772	(11,375,166)	8,815,405	(2,559,761)
2008	24,774,140	47,749,375	(22,975,235)	3,941,553	(19,033,682)	8,461,046	(10,572,636)

SCHEDULE 3

Operating Expenses
Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2017	2016	2015	2014	2013
Personnel services	$ 19,297,175	$ 18,376,806	$ 17,722,098	$ 17,890,568	$ 16,872,777
Electrical power	2,314,363	2,453,673	2,580,043	2,643,539	2,799,685
Chemicals	1,601,337	1,916,553	1,953,427	2,073,878	1,860,699
Facilities operations	790,495	1,074,751	1,173,670	930,846	974,686
Facilities maintenance	2,289,798	2,326,757	2,240,440	1,982,630	1,588,756
Contract services	1,686,691	1,527,664	1,466,536	1,722,742	1,795,315
Administration	385,789	395,051	382,920	411,197	334,241
Insurance	418,499	378,467	405,243	424,739	426,111
Miscellaneous	(180,180)	117,320	55,913	99,697	91,913
Subtotal	28,603,967	28,567,042	27,980,290	28,179,836	26,744,183
Depreciation	31,105,822	27,443,984	27,175,511	24,512,910	23,101,920
Total Operating Expenses	$ 59,709,789	$ 56,011,026	$ 55,155,801	$ 52,692,746	$ 49,846,103

	For the Fiscal Years Ended June 30				
	2012	2011	2010	2009	2008
Personnel services	$ 15,868,094	$ 15,891,902	$ 15,650,309	$ 15,223,338	$ 14,412,816
Electrical power	3,017,320	3,259,211	3,283,934	3,561,917	3,548,919
Chemicals	1,885,644	1,804,369	1,851,984	1,716,600	1,758,209
Facilities operations	1,207,874	1,246,139	1,154,530	1,271,616	1,276,952
Facilities maintenance	1,585,748	1,584,499	1,503,285	1,483,443	1,462,086
Contract services	1,628,911	1,605,501	1,587,288	1,618,702	1,611,823
Administration	359,296	342,285	363,617	395,767	388,227
Insurance	406,264	425,115	452,829	537,650	545,964
Miscellaneous	140,856	95,532	184,988	146,280	147,039
Subtotal	26,100,007	26,254,553	26,032,764	25,955,313	25,152,035
Depreciation	21,632,622	20,710,081	19,451,636	22,184,507	22,597,340
Total Operating Expenses	$ 47,732,629	$ 46,964,634	$ 45,484,400	$ 48,139,820	$ 47,749,375

SCHEDULE 4

Non-Operating Revenues and Expenses
Last 10 Fiscal Years (unaudited)

Fiscal Year	Interest Income	Federal Build America Bonds Subsidy	Bond Issuance Costs	Gain (Loss) on Sale of Assets	Revenue in Excess of Expenses from Restricted Accounts	Other	Total
2017	$ 54,239	$ 1,424,065	$ -	$ (84,328)	$ (558,494)	$ 801	$ 836,283
2016	37,019	2,134,567	(780,444)	(40,328)	2,784,490	900	4,136,204
2015	33,252	708,973	(1,236,011)	(205,303)	3,052,192	871	2,353,974
2014	37,389	1,419,476	(146,377)	(968,829)	4,381,535	(890)	4,722,304
2013	42,067	1,463,069	(1,168,995)	(1,470,689)	5,155,455	(9,015)	4,011,892
2012	38,238	2,328,402	(124,557)	(151,628)	6,854,735	8,099	8,953,289
2011	41,404	-	(3,553,003)	(97,101)	6,154,984	29,956	2,576,240
2010	29,154	-	(200,432)	(32,985)	10,177,028	4,959	9,977,724
2009	59,297	-	(210,431)	(14,447)	11,188,544	4,809	11,027,772
2008	232,339	-	(219,958)	8,693	3,859,196	61,283	3,941,553

SCHEDULE 5

Expenses by Function (A) (B)
Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Expenses (C)	Reserve Maintenance	Expansion Related	Debt Service (D)	Total
2017	$ 28,603,967	$ 772,750	$ 1,008,923	$ 36,004,088	$ 66,389,728
2016	28,567,042	728,561	-	35,964,261	65,259,864
2015	27,980,290	814,814	-	35,671,346	64,466,450
2014	28,179,836	301,695	171,000	32,227,730	60,880,261
2013	26,744,183	758,762	-	30,488,848	57,991,793
2012	26,100,007	726,002	-	30,439,603	57,265,612
2011	26,254,553	491,018	-	27,335,070	54,080,641
2010	26,032,764	598,901	-	23,450,190	50,081,855
2009	25,955,313	670,869	64,905	23,288,299	49,979,386
2008	25,152,035	747,516	-	23,994,456	49,894,007

(A) Includes general operations and restricted assets activity.

(B) Excludes landfill closure expense.

(C) Excludes depreciation expense.

(D) Includes bond principal expense and bond interest less capitalized interest portion.

Revenue Capacity

These schedules contain information to help the reader assess UOSA's significant local operating revenues.

SCHEDULE 6

Operating Revenues by Source(A)
Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2017	$ 11,042,450	$ 10,504,709	$ 5,324,343	$ 1,182,080	$ 274,990	$ 28,328,572
2016	11,089,622	10,568,321	5,776,403	1,209,924	272,683	28,916,953
2015	10,955,487	10,502,823	5,636,767	1,157,162	252,113	28,504,352
2014	10,967,333	10,096,919	5,582,150	1,188,402	306,147	28,140,951
2013	10,686,168	9,376,374	5,410,249	1,084,151	361,829	26,918,771
2012	10,229,584	9,373,199	5,067,356	1,193,119	421,379	26,284,637
2011	10,630,513	9,214,947	5,124,093	1,109,184	472,185	26,550,922
2010	10,632,369	8,926,834	5,032,485	1,136,632	456,673	26,184,993
2009	10,505,561	8,748,442	4,938,754	1,062,266	481,859	25,736,882
2008	10,566,974	8,384,845	4,704,001	889,499	228,821	24,774,140

(A) Includes operating revenues and unrestricted interest income.

SCHEDULE 7

Sources of Wastewater Flow (MGD)(B)
Average Daily Flow (ADF)(A)
Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Total ADF(A) (MGD)(B)	Total Operating Expenses(C)
2017	12.010	11.703	5.977	1.313	31.003	$ 28,603,967
2016	12.749	12.205	6.465	1.408	32.827	28,567,042
2015	12.885	12.080	6.536	1.349	32.850	27,980,290
2014	13.533	12.545	6.807	1.457	34.342	28,179,836
2013	12.411	10.944	6.326	1.298	30.979	26,744,183
2012	12.608	11.167	6.206	1.374	31.355	26,100,007
2011	12.654	10.976	6.099	1.319	31.047	26,254,553
2010	13.081	10.985	6.194	1.402	31.662	26,032,764
2009	12.444	10.200	5.629	1.152	29.425	25,955,313
2008	12.559	10.128	5.763	1.141	29.591	25,152,035

(A) (ADF) = Average Daily Flow
(B) (MGD) = Million gallons per day
(C) = Excludes depreciation expense
Source: UOSA Internal Documents

SCHEDULE 8
Annual Capital Contributions by Source
Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2017	$ 10,417,531	$ 4,939,753	$ 1,084,837	$ 787,536	$ -	$ 17,229,657
2016	24,608,768	4,768,062	1,049,894	760,367	-	31,187,091
2015	9,619,148	4,587,535	1,021,787	730,997	143,511	16,102,978
2014	8,536,226	4,009,476	858,124	639,330	796,864	14,840,020
2013	6,853,730	2,850,123	502,219	480,291	1,683,394	12,369,757
2012	6,536,431	2,718,247	479,059	458,072	2,872,631	13,064,440
2011	6,244,628	2,596,805	457,553	437,601	-	9,736,587
2010	5,366,183	2,582,191	725,957	593,353	-	9,267,684
2009	5,105,171	2,456,006	690,102	564,126	-	8,815,405
2008	4,903,474	2,356,602	660,559	540,411	-	8,461,046

Debt Capacity

These schedules present information to help the reader assess the affordability of UOSA's current levels of outstanding debt, and UOSA's ability to issue additional debt in the future.

SCHEDULE 9

Ratios of Outstanding Debt
Last 10 Fiscal Years (unaudited)

Fiscal Year	Revenue Bonds	Virginia Resources Authority Loans	Direct Bank Loan	Total Outstanding Debt	UOSA Service Area Population	Per Capita (A)
2017	$ 443,170,000	$ 16,017,189	$ 27,165,000	$ 486,352,189	338,606	$ 1,436
2016	454,560,000	16,809,298	31,595,000	502,964,298	300,881	1,672
2015	445,545,000	17,630,983	35,940,000	499,115,983	299,759	1,665
2014	459,530,000	17,631,996	37,735,000	514,896,996	296,601	1,736
2013	505,950,000	15,801,854	-	521,751,854	294,696	1,770
2012	497,100,000	8,599,273	-	505,699,273	295,000	1,714
2011	506,910,000	-	-	506,910,000	289,000	1,754
2010	431,090,000	-	-	431,090,000	278,000	1,551
2009	440,005,000	-	-	440,005,000	275,000	1,600
2008	448,565,000	-	-	448,565,000	277,000	1,619

(A) Represents the total outstanding debt as a share of the population served by UOSA.

SCHEDULE 10

Revenue Bond Coverage
Last 10 Fiscal Years (unaudited)

Fiscal Year	Gross Revenue(A)	Operating Expenses(B)	Net Revenue Available for Debt Service	Total Debt Service Requirements	Debt Coverage
2017	$ 67,774,699	$ 28,603,967	$ 39,170,732	$ 33,794,974	1.16
2016	85,270,955	28,567,042	56,703,913	34,493,702	1.64
2015	69,041,770	27,980,290	41,061,481	29,780,058	1.38
2014	68,917,618	28,179,836	40,737,782	35,082,430	1.16
2013	66,328,560	26,744,183	39,584,377	34,540,736	1.15
2012	70,108,090	26,100,007	44,008,083	34,604,619	1.27
2011	61,246,069	26,254,553	34,991,516	29,907,379	1.17
2010	60,901,779	26,032,764	34,869,015	29,909,254	1.17
2009	58,598,313	25,955,313	32,643,000	30,128,185	1.08
2008	54,104,448	25,152,035	28,952,413	23,462,987	1.23

(A) Gross revenue includes operating, non-operating, and restricted revenue, except CIP revenue.

(B) Operating expenses include Operations and Maintenance expenses, except depreciation.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which UOSA's financial activities take place.

SCHEDULE 11

Principal Employers

Current Year and Nine Years Ago (unaudited)

Employer	Fiscal Year 2016 (1) Number of Employees (2)	Fiscal Year 2016 (1) Rank	Fiscal Year 2016 (1) Percentage of Total County Employment (3)	Fiscal Year 2007 (1) Number of Employees (2)	Fiscal Year 2007 (1) Rank	Fiscal Year 2007 (1) Percentage of Total County Employment (3)
Fairfax County Public Schools	24,581	1	3.93%	22,707	1	3.91%
Federal Government	23,664	2	3.79	13,359	2	2.30
Fairfax County Government	12,335	3	1.97	11,324	3	1.95
Inova Health System	7,000-10,000	4	1.36	7,000-10,000	4	1.46
George Mason University	5,000-10,000	5	1.20	-	-	-
Booz Allen Hamilton	4,000-6,999	6	0.88	7,000-10,000	5	1.46
Federal Home Loan Mortgage	4,000-6,999	7	0.88	4,000-6,999	8	0.95
General Dynamics	4,000-6,999	8	0.88	-	-	-
Science Applications International Corporation (4)	1,000-3,999	9	0.40	4,000-6,999	7	0.95
Northrup Grumman	1,000-3,999	10	0.40	7,000-10,000	6	1.46
Lockheed Martin	-	-	0.00	4,000-6,999	9	0.95
Sprint	-	-	0.00	4,000-6,999	10	0.95
Totals			15.69%			16.34%

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 2016, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 1st quarter of calendar year 2016 VEC. Employment information for fiscal year 2007 is as was presented in the 2007 Fairfax County 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 2016 is estimated at 625,030, based on Business Vital Statistics of the Fairfax Economic Development Authority. Average total County employment for fiscal year 2007 was estimated at 581,053.

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

SCHEDULE 12

Demographic Statistics
UOSA Service Area Population(A)
Last 10 Years (unaudited)

Fairfax County(B)

Calendar Year	Population	Per Capita Income	Average Unemployment(%)
2015	1,142,234	$ 75,007	3.1%
2014	1,137,538	71,752	3.5
2013	1,130,924	71,607	3.7
2012	1,118,602	68,847	4.4
2011	1,100,692	64,637	4.7
2010	1,081,726	67,094	5.1
2009	1,074,227	69,241	4.9
2008	1,050,315	70,822	2.8
2007	1,041,507	67,691	2.2
2006	1,037,311	64,698	2.2

Prince William County(B)

Calendar Year	Population	Per Capita Income	Average Unemployment(%)
2016	454,096	$ 48,146	3.7%
2015	446,094	48,132	4.4
2014	438,580	47,245	4.8
2013	430,289	46,802	5.2
2012	419,268	47,528	5.3
2011	406,392	47,586	5.7
2010	402,002	46,226	6.1
2009	374,776	45,830	5.5
2008	368,016	46,979	3.3
2007	359,174	46,145	2.5

City of Manassas(C)

Calendar Year	Population	Per Capita Income	Average Unemployment(%)
2016	*	*	3.4%
2015	41,764	*	4.1
2014	42,081	$ 48,020	5.0
2013	41,725	46,802	5.4
2012	40,742	47,528	5.6
2011	39,358	47,586	6.1
2010	37,821	46,226	7.0
2009	36,514	45,830	7.3
2008	34,656	46,979	4.2
2007	34,817	46,145	2.9

City of Manassas Park(C)

Calendar Year	Population	Per Capita Income	Average Unemployment(%)
2016	*	*	*
2015	15,700	$ 44,586	4.4%
2014	15,174	45,760	4.5
2013	14,838	28,245	5.0
2012	15,332	27,335	4.7
2011	14,387	31,670	5.2
2010	12,042	32,534	5.8
2009	11,410	33,540	6.5
2008	11,533	34,225	3.2
2007	11,527	33,886	2.4

(A) A current population of approximately 338,606 is being served by UOSA's existing water reclamation system.

(B) Represents the entire population of the Counties. UOSA serves only a portion of the population.

(C) Represents the entire population of the Cities. UOSA serves the entire population.

* Not available

Source: Member Jurisdictions

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in UOSA's financial report relates to the services UOSA provides and the activities it performs.

SCHEDULE 13

Authorized Full-Time
Equivalents by Function
Last 10 Fiscal Years (unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Treatment Process	70	70	70	69	69	69	69	69	69	69
Finance	19	17	17	17	17	17	17	17	17	17
Operations and Maintenance	54	54	54	54	54	54	54	54	54	54
Executive	7	8	8	9	9	9	9	9	9	9
Technical Services	31	32	32	32	32	32	32	32	32	31
Totals	181	181	181	181	181	181	181	181	181	180

Source: UOSA Operating Budget

SCHEDULE 14

Operating and Capital Indicators
Last 10 Fiscal Years (Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Wastewater Treatment										
Miles of sewers	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	9	9	9	9	9	9	9	9	9
Treatment capacity (MGD)	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Engineering plant capacity (MGD)	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
Annual engineering maximum plant capacity (millions of gallons)	15,330	15,330	15,330	15,330	15,330	15,330	15,330	15,330	15,330	15,330
Amount treated annually (millions of gallons)	11,334	11,983	11,892	12,535	11,308	11,445	11,332	11,560	10,754	10,849
Unused capacity (millions of gallons)	3,996	3,347	3,438	2,795	4,022	3,885	3,998	3,770	4,576	4,481
Percentage of capacity utilized	73.93%	78.17%	77.57%	81.77%	73.76%	74.66%	73.92%	75.41%	70.15%	70.77%

Source: UOSA Internal Documents

Sustainability: Safety through Sustainable Practices

Our Mission is Threefold.

First: Safety - In personnel well-being and in water quality. Few things are more important to the human race than a safe, clean water supply. That is why achieving water quality above and beyond what is required by our permit limits is routine to us. We want our staff to return home safely to their families every day and we want all the families in the region to have a safe, reliable and sustainable water supply.

Second: Protect the Environment and Recover Resources - We protect the environment through permit compliance and ensuring our collection and conveyance systems are in prime working conditions to prevent SSOs. UOSA resource recovery includes purifying water for reuse, capturing biogas for on-site power generation and creating marketable fertilizer pellets from the removed wastewater solids.

Third: Provide the best possible water at the most economical cost for our customers. UOSA has established an on-site Sustainability Team that is constantly looking for ways to recover resources and provide economically sustainable treatment without compromising quality. Many energy conservation measures have been identified and implemented that have improved sustainability at UOSA.

These sustainable practices are how we deliver our mission and keep our water clean and our community safe.

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Cherry Bekaert LLP
CPAs & Advisors

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

To the Board of Directors
Upper Occoquan Service Authority
Centreville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audit of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Upper Occoquan Service Authority ("UOSA"), as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UOSA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UOSA's internal control. Accordingly, we do not express an opinion on the effectiveness of UOSA's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
October 31, 2017


UPPER OCCOQUAN SERVICE AUTHORITY
Regional Water Reclamation System, Centreville, VA