

Annual Financial Report

Year Ended
June 30, 2015



REPORT OF INDEPENDENT AUDITORS

To The Commissioners
of the Washington Suburban Sanitary Commission:

Report on Financial Statements

We have audited the accompanying financial statements of Washington Suburban Sanitary Commission (WSSC), which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSSC as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes A and P to the financial statements, as of June 30, 2015, the Washington Suburban Sanitary Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Therefore, prior year balances have been restated resulting in a decrease in net position of \$147.6 million as of June 30, 2013 and an increase in net position of \$17.5 million as of June 30, 2014 over previously reported balances.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management discussion and analysis on pages 3-10, the schedule of changes in net pension liability and related ratios and related notes on page 42, the schedule of contributions and related notes on pages 43 - 44, and the schedule of historical other postemployment benefits information on page 45 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.

Washington, DC *BCA Watson Rre LLP*
September 15, 2015

**WASHINGTON SUBURBAN SANITARY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Unaudited)**

This section of the Washington Suburban Sanitary Commission (WSSC) annual financial report presents our discussion and analysis of WSSC's financial performance for the fiscal years ended June 30, 2015 and 2014. GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The statement is effective for periods beginning after June 15, 2014. To comply with GASB Statement No. 68, prior year balances were restated resulting in a net \$130.1 million decrease in net position as of June 30, 2014. A summary of the transactions and the impact of the restatements are illustrated in Note P of the financial statements.

FINANCIAL HIGHLIGHTS

Fiscal Year 2015

- WSSC maintained AAA bond ratings from Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
- In December 2014, WSSC issued \$250 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer mains.
- In June 2015, WSSC issued \$35.0 million in Series A and \$55.0 million in Series B Bond Anticipation Notes.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its tenth year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce sanitary sewer overflows. Costs of these remedial measures are estimated at \$1,881 million and are projected to be expended over at least 12 years, \$1,071 million of which is expected to be incurred after fiscal year 2015. The costs for each fiscal year are or will be included in WSSC's budget and six-year capital improvements program.
- WSSC's operating revenues rose \$21.3 million due to a 6.0% increase in water and sewer billing rates.
- Operating expenses increased \$21.6 million, or 4.3%, during fiscal year 2015. Intermunicipal agency sewage disposal expenses increased \$16.9 million, \$7.0 million of which represents increased operations and maintenance costs of the Blue Plains facility in comparison to FY14, while the remainder is a result of the settlement and adjustment of WSSC's share of actual expenses in prior fiscal years. WSSC expended \$2.7 million on new programs for condition assessment of non-PCCP pipe and acoustic fiber optic monitoring. Also, an additional \$2.3 million was spent on roadways impacted by pipeline rehabilitation.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by \$493.6 million, while overall debt increased \$222.7 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of \$105.8 million, and capital contributions of \$87.1 million.

GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. To comply with GASB Statement No. 65, prior year balances were restated resulting in a net \$4.1 million decrease in net position as of June 30, 2013. A summary of the transactions and the impact of the restatements are illustrated in Note P of the financial statements.

Fiscal Year 2014

- WSSC maintained AAA bond ratings from Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
- In April 2014, WSSC issued \$150 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer mains.
- In April 2014, WSSC sold \$47,395,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to refund \$52,830,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 4.25%. The net proceeds of \$52,955,000 (including a premium of \$5,560,000) were used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The April 2014 refunding will reduce WSSC's total debt service payments over the next 9 years by \$5,439,000 and provide an economic gain of \$5,103,000.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its ninth year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce sanitary sewer overflows. Costs of these remedial measures are estimated at \$1,825 million and are projected to be expended over 12 years, \$1,229 million of which is expected to be incurred after fiscal year 2014. The costs for each fiscal year are or will be included in WSSC's budget and capital improvements program.
- WSSC's operating revenues rose \$26.4 million due to a 6.4% increase in water and sewer billing rates.
- Operating expenses increased \$18.3 million, or 3.7%, during fiscal year 2014. Additions to capital assets placed in service in recent years resulted in a \$9.1 million escalation in depreciation and amortization expenses. The remaining increase in depreciation represents the write-off of net book values for assets that were decommissioned upon completion of upgraded or replacement facilities and equipment. Contributions for other postemployment benefits exceeded actuarially required costs, reducing the liability by \$3.7 million.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by \$454.5 million, while overall debt increased \$76.6 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of \$108.4 million, and capital contributions of \$100.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - management's discussion and analysis and the required financial statements. The required financial statements consist of:

- Balance sheets
- Statements of revenues, expenses, and changes in net position
- Statements of cash flows
- Notes to the financial statements

The balance sheets provide a snapshot of WSSC's financial position at June 30, the end of the fiscal year. WSSC's balance sheets present current and long-term assets and liabilities, deferred outflows and inflows of resources, as well as net position.

WSSC's statements of revenues, expenses and changes in net position reflect activity for the fiscal years. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net position.

The statements of cash flows present WSSC's inflows and outflows of cash. Cash flows from operating activities, capital and related financing activities, and investment activities are shown separately. Cash provided by operating activities is reconciled to operating income. WSSC uses the direct method for presenting the statements of cash flows.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

WSSC operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. WSSC's financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

FINANCIAL ANALYSIS

Net Position

Fiscal Year 2015

WSSC's net position increased 4.7% to \$4,329.5 million (See Table A-1). The majority of this increase is attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 7.9% to \$6,749.0 million. Unused bond proceeds at the end of the year were \$15.2 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2015, developers constructed \$39.9 million of capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities increased to \$2,317.0 million. Capital contributions of \$47.2 (net of donated capital assets) million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes J and K of the financial statements.

Fiscal Year 2014

WSSC's net position increased 5.3% to \$4,136.6 million (See Table A-1). The majority of this increase is attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 7.8% to \$6,255.4 million. Unused bond proceeds at the end of the year were \$33.9 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2014, developers constructed \$37.5 million of capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities increased to \$2,094.3 million. Capital contributions of \$62.5 (net of donated capital assets) million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Notes J and K of the financial statements.

TABLE A-1
WSSC's Condensed Balance Sheet
(in millions of dollars)

	FY 2015	FY 2014 As Restated (Note P)	FY 2013 As Restated (Note P)	FY 2015 % Change	FY 2014 % Change
Current and other assets	\$ 353.5	\$ 437.0	\$ 615.6	(19.1)	(29.0)
Capital assets, net of accumulated depreciation	6,749.0	6,255.4	5,800.9	7.9	7.8
Total assets	7,102.5	6,692.4	6,416.5	6.1	4.3
Total deferred outflows of resources	16.6	17.9	21.2	(7.3)	(15.6)
Current and other liabilities	793.9	718.4	774.1	10.5	(7.2)
Bonds and notes payable, net of current maturities	1,968.4	1,807.7	1,735.4	8.9	4.2
Total liabilities	2,762.3	2,526.1	2,509.5	9.4	0.7
Total deferred inflows of resources	27.3	47.6	0.0	(42.6)	100.0
Net position:					
Net investment in capital assets	4,262.5	4,048.2	3,865.3	5.3	4.7
Restricted for growth construction	12.6	37.1	42.5	(66.0)	(12.7)
Unrestricted	54.4	51.3	20.4	6.0	151.5
Total net position	\$ 4,329.5	\$ 4,136.6	\$ 3,928.2	4.7	5.3

Changes in Net Position

Fiscal Year 2015

WSSC's operating revenues rose \$21.3 million (See Table A-2) due to a 6.0% increase in water and sewer billing rates. Conversely, income from front foot benefit assessments and house connection charges continued to decline. Front foot benefit extensions and related house connections have been built primarily by outside developers for in excess of fifteen years. Assessments for construction by WSSC prior to that time are collected over the remaining term of the debt utilized to finance the construction.

Operating expenses increased \$21.6 million, or 4.3%, during fiscal year 2015. Intermunicipal agency sewage disposal expenses increased \$16.9 million, \$7.0 million of which represents increased operations and maintenance costs of the Blue Plains facility in comparison to FY14, while the remainder is a result of the settlement and adjustment of WSSC's share of actual expenses in prior fiscal years. WSSC expended \$2.7 million on new programs for condition assessment of non-PCCP pipe and acoustic fiber optic monitoring. Also, an additional \$2.3 million was spent on roadways impacted by pipeline rehabilitation.

The net changes in revenues and expenses during the year resulted in a 2.4% decrease in income before capital contributions to \$105.8 million. Capital contributions decreased by 12.9% to \$87.1 million. Grant revenue declined \$12 million due to the close out of Enhanced Nutrient Removal (ENR) construction projects for WSSC and Blue Plains wastewater facilities. Donated assets, constructed and contributed by developers, increased \$2.4 million.

Fiscal Year 2014

WSSC's operating revenues rose \$26.4 million (See Table A-2) due to a 6.4% increase in water and sewer billing rates. Conversely, income from front foot benefit assessments and house connection charges continued to decline. Front foot benefit extensions and related house connections have been built primarily by outside developers for approximately fifteen years. Assessments for construction by WSSC prior to that time are collected over the remaining term of the debt utilized to finance the construction.

Operating expenses increased \$18.3 million, or 3.7%, during fiscal year 2014. Additions to capital assets placed in service in recent years resulted in a \$9.1 million escalation in depreciation and amortization expenses. The remaining increase in depreciation represents the write-off of net book values for assets that were decommissioned upon completion of upgraded or replacement facilities and equipment. Contributions for other postemployment benefits exceeded actuarially required costs, reducing the liability by \$3.7 million.

The net changes in revenues and expenses during the year resulted in a 3.2% decrease in income before capital contributions to \$108.4 million. Capital contributions decreased by 20.8% to \$100.0 million. Grant revenue declined almost \$50.0 million due to the close out of Enhanced Nutrient Removal (ENR) construction projects for WSSC and Blue Plains wastewater facilities. Donated assets, constructed and contributed by developers, increased \$16.0 million.

TABLE A-2
WSSC's Condensed Changes in Net Position
(in millions of dollars)

	FY 2015	FY 2014 As Restated (Note P)	FY 2013 As Restated (Note P)	FY 2015 % Change	FY 2014 % Change
Operating revenues	\$ 645.6	\$ 624.3	\$ 597.9	3.4	4.4
Operating expenses	(529.1)	(507.5)	(489.2)	(4.3)	(3.7)
Net non-operating revenues (expenses)	(10.7)	(8.4)	3.3	(27.4)	(354.5)
Income before capital contributions	105.8	108.4	112.0	(2.4)	(3.2)
Capital contributions	87.1	100.0	126.3	(12.9)	(20.8)
Changes in net position	\$ 192.9	\$ 208.4	\$ 238.3	(7.4)	(12.5)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2015

As of June 30, 2015, WSSC had invested \$6,749.0 million, net of accumulated depreciation, in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of \$493.6 million, or 7.9%, over fiscal year 2014.

Fiscal Year 2014

As of June 30, 2014, WSSC had invested \$6,255.4 million, net of accumulated depreciation, in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of \$454.5 million, or 7.8%, over fiscal year 2013.

TABLE A-3
WSSC's Capital Assets
(net of depreciation and impairment losses, in millions of dollars)

	FY 2015	FY 2014 As Restated (Note P)	FY 2013 As Restated (Note P)	FY 2015 % Change	FY 2014 % Change
Land and rights of way	\$ 78.9	\$ 78.0	\$ 78.0	1.2	0.0
Construction in progress	1,366.5	1,359.4	1,241.2	0.5	9.5
Water supply	1,665.1	1,418.7	1,309.3	17.4	8.4
Sewage disposal	2,162.7	1,936.1	1,714.7	11.7	12.9
General construction	1,387.2	1,381.8	1,385.0	0.4	(0.2)
Intangible assets	42.5	38.8	39.1	9.5	(0.8)
Other	46.1	42.6	33.6	8.2	26.8
Total capital assets	\$ 6,749.0	\$ 6,255.4	\$ 5,800.9	7.9	7.8

Capital assets completed and placed in service increased \$153.3 million or 32.6%, in comparison to fiscal year 2014. Rehabilitation or replacement of water and sewer mains and related house connections increased 56.9%, or \$127.8 million. Also, construction of joint-use facilities rose \$54.6 million. Major additions to capital assets being depreciated during fiscal years 2015 and 2014 are illustrated in Tables A-4 and A-5, respectively.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2015
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	\$ 270.6	\$ 49.9	\$ 3.3
House connections	7.0	17.7	4.1
Water meters	1.1	1.1	
Water filtration plants	0.2		
Water pumping stations	(2.2)		
Wastewater treatment facilities		0.1	
Water storage facilities	7.8		
Wastewater pumping stations		2.8	
Multi-use facilities			5.5
Joint-use facilities		212.2	
Miscellaneous assets	0.1	2.4	
Constructed and contributed by developers:			
House connections			6.5
Water and sewer mains			33.4
Total fiscal year 2015 additions to capital assets being depreciated	\$ 284.6	\$ 286.2	\$ 52.8

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2014
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	\$ 122.9	\$ 53.4	\$ 1.6
House connections	7.9	35.4	3.6
Water meters	0.9	0.9	
Water filtration plants	9.8		
Water pumping stations	4.1		
Wastewater treatment facilities		3.5	
Water storage facilities	1.5		
Wastewater pumping stations		8.7	
Joint-use facilities		157.6	
Miscellaneous assets	0.3	20.7	
Constructed and contributed by developers:			
House connections			4.7
Water and sewer mains			32.8
Total fiscal year 2014 additions to capital assets being depreciated	\$ 147.4	\$ 280.2	\$ 42.7

Bonds and Notes Payable

Fiscal Year 2015

At the end of fiscal year 2015, bonds and notes outstanding totaled \$2,317.0 million, a \$222.7 million increase in comparison to the previous fiscal year. In December 2015, WSSC issued \$250.0 million of Consolidated Public Improvement Bonds to fund new construction, rehabilitation and replacement of water and sewer mains.

On June 24, 2015, the Commission issued \$35.0 million in Series A and \$55.0 million in Series B Bond Anticipation Notes.

Fiscal Year 2014

At the end of fiscal year 2014, bonds and notes outstanding totaled \$2,094.3 million, a \$76.6 million increase in comparison to the previous fiscal year. In April 2014, WSSC issued \$150 million of Consolidated Public Improvement Bonds to fund new construction on rehabilitation and replacement of water and sewer mains.

In April 2014, WSSC sold \$47,395,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to refund \$52,830,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 4.25%. The net proceeds of \$52,955,000 (including a premium of \$5,560,000) were used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The April 2014 refunding will reduce WSSC's total debt service payments over the next 9 years by \$5,439,000 and provide an economic gain of \$5,103,000.

In accordance with GASB 65, deferred amounts from debt refundings are illustrated as Deferred Outflows or Inflows of Resources on the Balance Sheet. This change was implemented in fiscal 2014 and balances for and 2013 and 2012 were restated (See Note P).

TABLE A-6
WSSC's Bonds and Notes Payable
(in millions of dollars)

	FY 2015	FY 2014 As Restated (Note P)	FY 2013 As Restated (Note P)	FY 2015 % Change	FY 2014 % Change
Water supply	\$ 847.2	\$ 778.9	\$ 725.9	8.8	7.3
Sewage disposal	1,230.0	1,041.1	970.0	18.1	7.3
General construction	239.8	274.3	321.8	(12.6)	(14.8)
Total	2,317.0	2,094.3	2,017.7	10.6	3.8
Current maturities	348.5	286.6	282.3	21.6	1.5
Long-term portion	1,968.5	1,807.7	1,735.4	8.9	4.2
Total bonds and notes payable	\$ 2,317.0	\$ 2,094.3	\$ 2,017.7	10.6	3.8

Bond Ratings

Fitch Ratings, Moody's Investors Service, and Standard & Poor's assigned and affirmed ratings of 'AAA', 'Aaa', and 'AAA', respectively, on WSSC's outstanding water supply, sewage disposal and general construction general obligation bonds. The agencies identified strengths of the Commission in support of their ratings which include a sizeable, diverse tax base in Montgomery and Prince George's Counties, good finances characterized by the self-supporting nature of the water and sewer system, and a skilled management team.

Limitations on Debt

Maryland law limits the amount of bonds and notes WSSC may have outstanding at any time. This limitation is generally based on legislated percentages of the real property assessable tax base and personal property and operating real property assessments within the Washington Suburban Sanitary District. As of June 30, 2015 and 2014, the calculated limits were \$9,289.7 million and \$9,197.3 million, respectively. WSSC's outstanding debt was significantly below those limits.

BUDGET

WSSC's operating and capital budgets are prepared annually utilizing the debt service method of accounting. These financial statements are presented in accordance with accounting principles generally accepted in the United States. Because different methods of accounting are utilized, comparisons of budgeted and actual revenues and expenses have not been presented.

CONTACT INFORMATION

Any questions regarding this report can be directed to the Finance Office at 14501 Sweitzer Lane, Laurel, Maryland, 20707. A copy of the report is also available on WSSC's website at www.wsscwater.com.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014
(in thousands)

	<u>2015</u>	<u>2014</u> As Restated (Note P)
ASSETS		
Current assets:		
Cash (Note B)	\$ 39,800	\$ 41,302
Investments (Note B)	132,494	179,226
Receivables (Note C)	128,684	129,543
State grants receivable	10,348	24,793
Prepaid expenses	1,521	719
Materials and supplies, at average cost	15,663	13,513
Total current assets	328,510	389,096
Non-current assets:		
Capital assets, net of accumulated depreciation (Note D)	6,748,989	6,255,441
Investments restricted for capital construction (Note B)	15,225	33,882
Note receivable (Note E)	9,753	9,695
Federal and State grants receivable	-	4,375
Total non-current assets	6,773,967	6,303,393
Total assets	7,102,477	6,692,489
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension contributions (Note L)	10,483	10,249
Deferred amount from debt refunding (Note F)	6,138	7,602
Total deferred outflows of resources	16,621	17,851
Total assets and deferred outflows of resources	\$ 7,119,098	\$ 6,710,340

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

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2015 AND 2014
(in thousands)

	<u>2015</u>	<u>2014</u> As Restated (Note P)
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Notes J and K)	\$ 348,542	\$ 286,628
Accounts payable and accrued liabilities	105,958	99,944
Accrued bond and note interest payable	14,469	14,695
Deposits and unearned revenue	3,402	3,032
Total current liabilities	472,371	404,299
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes J and K)	1,968,428	1,807,662
Accounts payable and accrued liabilities	88,872	83,056
Net pension liability (Note L)	175,477	167,849
Other postemployment benefits liability (Note M)	27,458	33,071
Deposits, unearned revenue and other long-term liabilities (Note I)	29,691	30,216
Total non-current liabilities	2,289,926	2,121,854
Total liabilities	2,762,297	2,526,153
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension differences between projected and actual plan investments (Note L)	19,560	47,585
Deferred amounts from pension differences between expected and actual experience (Note L)	7,696	-
Total deferred inflows of resources	27,256	47,585
Total liabilities and deferred inflows of resources	2,789,553	2,573,738
NET POSITION		
Net investment in capital assets	4,262,522	4,048,257
Restricted for growth construction	12,653	37,069
Unrestricted	54,370	51,276
Total net position	4,329,545	4,136,602
Total liabilities, deferred inflows of resources and net position	\$7,119,098	\$6,710,340

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

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(in thousands)

	<u>2015</u>	<u>2014</u> As Restated (Note P)
OPERATING REVENUES:		
Water consumption, sewer use and service charges	\$ 585,109	\$ 559,907
Front foot benefit assessments	24,698	30,926
House connection charges	6,100	7,978
Other	29,737	25,547
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Total operating revenues	645,644	624,358
OPERATING EXPENSES:		
Operations	97,155	97,145
Maintenance	147,881	142,069
Intermunicipal agency sewage disposal	62,529	47,859
Administrative and general	76,116	77,352
Depreciation and amortization	145,482	143,105
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Total operating expenses	529,163	507,530
	<hr/>	<hr/>
Net operating revenues	116,481	116,828
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(60,712)	(55,708)
Capitalized interest	31,640	26,753
Pension	16,460	18,151
Interest income on investments	185	290
Other interest income	1,765	2,072
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Net non-operating expenses	(10,662)	(8,442)
	<hr/>	<hr/>
Income before capital contributions	105,819	108,386
	<hr/>	<hr/>
Capital contributions (Note G)	87,124	99,982
	<hr/>	<hr/>
Changes in net position	192,943	208,368
	<hr/>	<hr/>
Net position, beginning of the year (as originally reported)		4,075,795
		<hr/>
Restatement for GASB 68 (Note P)		(147,561)
		<hr/>
Net position, beginning of the year (as restated for 2014)	4,136,602	3,928,234
	<hr/>	<hr/>
Net position, end of year	\$ 4,329,545	\$ 4,136,602
	<hr/> <hr/>	<hr/> <hr/>

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

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(in thousands)

	<u>2015</u>	<u>2014</u>
		As Restated (Note P)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	\$ 576,992	\$ 548,623
Receipts from front foot benefit assessments	28,135	35,334
Receipts from house connection charges	5,691	8,781
Receipts from other customer and miscellaneous	72,356	58,095
Payments to employees	(173,697)	(166,911)
Payments to District of Columbia Water & Sewer Authority	(55,620)	(37,626)
Payments to suppliers and others	(193,568)	(194,375)
Net cash provided by operating activities	<u>260,289</u>	<u>251,921</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bonds and notes	393,963	308,763
Capital contributions	105,361	104,660
Bond redemptions and note repayments	(175,833)	(235,182)
Interests payments, premiums and discounts on bonds and notes	(53,159)	(44,673)
Capital assets construction	(614,158)	(595,946)
Net cash used in capital and related financing activities	<u>(343,826)</u>	<u>(462,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	567,126	986,578
Purchases of investments	(501,744)	(791,583)
Pension	16,460	18,151
Interest income received	193	371
Net cash provided by investing activities	<u>82,035</u>	<u>213,517</u>
Net decrease in cash	(1,502)	3,060
Cash, beginning of year	41,302	38,242
Cash, end of year	<u>\$ 39,800</u>	<u>\$ 41,302</u>
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenue	\$ 116,481	\$ 116,828
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	159,735	154,266
Changes in assets, liabilities and deferred inflows and outflows of resources:		
Receivables, net	859	(12,767)
Materials and supplies	(2,150)	(91)
Prepaid expenses	(803)	(489)
Deferred outflows of resources	(183)	(640)
Accounts payable and accrued liabilities	3,896	8,274
Unearned revenue	370	966
Deferred inflows of resources	(20,329)	47,585
Net pension liability	6,821	(59,060)
Long-time OPEB liability	(4,408)	(2,951)
Net cash provided by operating activities	<u>\$ 260,289</u>	<u>\$ 251,921</u>

Noncash capital financing activities:

Capital assets of \$39,919 and \$37,503 were acquired through contributions from developers in 2015 and 2014, respectively.

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

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Suburban Sanitary Commission (WSSC) is a bi-county political subdivision of the State of Maryland, created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Significant accounting policies are summarized below.

Operating and Non-operating Revenues and Expenses

Revenues and expenses derived from financing and investment activities are classified as non-operating revenues and expenses. All other revenues and expenses are classified as operating.

Water and sewer service rates are established to provide sufficient funds to recover operating costs and debt service relating to the water supply and sanitary sewer systems. Water and sewer revenues are recognized as water is delivered to the system.

Estimated intermunicipal agency sewage disposal expenses are paid quarterly. Adjustments resulting from audits and/or reconciliations of WSSC's share of estimated and actual expenses are recognized in the year of settlement.

Front foot benefit and house connection assessments levied on properties where water and/or sanitary sewer service is available are the principal source of funds to service general construction bond debt. Front foot benefit assessments are recorded as operating revenue ratably over the levy year; house connection assessments and fees are recognized as operating revenue over the life of the bonds issued to finance the house connections.

Capital Contributions

In July 1993, a system development charge (SDC) was established to help finance the cost of expanding water and sewage systems to accommodate growth in the Washington Suburban Sanitary District. System development charges are recorded as capital contributions when received.

Developer fees and charges are established to recover costs related to services provided to outside developers for the construction of capital assets. These fees are recorded as capital contributions when received.

Federal and State grants are recognized as capital contributions when related capital costs are incurred.

Donated assets consist principally of capital assets constructed by developers and subsequently donated to WSSC. They are recorded at estimated fair value using developers' estimated costs to construct the assets or WSSC's estimated costs to construct similar assets. The capital assets, and related capital contributions, are recognized upon completion of construction.

A small portion of capital assets is related to donated assets acquired or constructed under a Department of Defense (DOD) contract executed during fiscal 2005 to operate and maintain the water and sewer systems at Bolling Air Force Base. Costs incurred by WSSC to acquire or enhance these systems are reimbursed by DOD and, consequently, recognized as capital assets and capital contributions.

WSSC follows Governmental Accounting Standards Board Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" (GASB No. 33). GASB No. 33 requires recognition of all contributions of capital assets, including donated assets, as revenues (capital contributions in the Statements of Revenues, Expenses and Changes in Net Position).

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include water and sewer lines, water distribution, wastewater collection and multi-purpose facilities, capital equipment and fleet. Capital assets are stated at historical costs, which include related payroll, payroll taxes, fringe benefits, administrative costs and interest capitalized during construction if applicable. Costs incurred for the purchase of software and water and wastewater capacity are treated as intangibles and amortized over the estimated useful life of the asset or the term of the contractual agreement.

Depreciation and Amortization

Capital assets are depreciated using the straight-line method over the estimated service lives of the property, which averaged 49 and 48 years in fiscal 2015 and 2014, respectively.

Inventory

Materials and supplies inventory is recorded utilizing a perpetual (moving average) cost methodology and is reduced for estimated losses due to obsolescence.

Bond Refunding Costs

The difference between the reacquisition price and the carrying value of refunded bonds is deferred and amortized to operations (see Note F).

Pension

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 net position of the Washington Suburban Sanitary Commission Employees Retirement Plan (the Plan) and additions to/deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. 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.

Compensated Absences

Employees earn annual leave based on length of service. Accumulated annual leave in excess of 360 hours at the end of each year is transferred to sick leave. At termination, employees will be paid for unused annual leave but will not receive any pay or time off for unused sick leave. At retirement, an employee may convert unused annual leave to sick leave. Unused sick leave at retirement may be credited to an employee's total service time for retirement benefit purposes. Annual leave earned but unused is accrued as a liability.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

Reclassifications

The 2014 financial statements reflect certain reclassifications to conform with the 2015 presentation.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Capital assets, as defined above, net of related outstanding debt represent the largest portion of WSSC's net position, or net investment in capital assets.

Net position associated with unspent SDC proceeds is restricted for growth construction.

Unrestricted net position is the residual amount not included in the other classifications.

Accounting Changes

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012 and was implemented in fiscal year 2014.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local government employers about financial support for pensions that is provided by other entities. GASB has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement addresses an issue relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. Both of these statements were effective for periods beginning after June 15, 2014, and were implemented in fiscal year 2015. Corresponding balances in 2014 were restated (See Note P).

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. WSSC's management is evaluating the impact of the pronouncement on its financial statements. .

B. CASH AND INVESTMENTS

At June 30, 2015 and 2014, cash per WSSC's records amounted to \$39,800,000 and \$41,302,000, respectively, and per reported bank balances was \$48,748,000 and \$48,625,000, respectively. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name under a tri-party collateral agreement with M&T and BNY Mellon.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

B. CASH AND INVESTMENTS (continued)

WSSC's investment policy conforms to Maryland laws on the investment of public monies. Consequently, WSSC is authorized to invest in the investment types identified in the table below. The table also identifies certain provisions of the Maryland law or WSSC investment policy, which address interest rate risk, credit risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Government securities	1 year	None	None
Federal agency securities	1 year	None	None
Bankers' acceptances	6 months	None	20%
Collateralized repurchase agreements	1 year	None	20%
Commercial paper	1 year	5%	None
Certificates of deposit	1 year	None	20%

Any investment with a maturity in excess of 1 year must be approved by the Treasurer and will be limited to U.S. Government and Federal agency securities. The aggregated value of investments with any one bank or broker will not exceed 20% of the total investment portfolio at the time of investment, unless approved by the Investment Manager or Treasurer.

Custodial credit risk is the risk that, in the event of a failure of a financial institution, WSSC would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Maryland State law requires that collateral shall be maintained for all deposits and certificates of deposit with amounts in excess of Federal insurance coverage. State law also requires the securities collateralizing repurchase agreements have a market value of at least 102 percent of the principal of the investment plus accrued interest. At June 30, 2015 and 2014, all WSSC investments, or the collateral securities for such investments, were held by various Trust Companies in WSSC's name. None of these investments required securities to be held by a broker's or dealer's trust department or agent in WSSC's name.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2015 and 2014, all of WSSC's investments had remaining maturities of 1 year or less.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. WSSC may invest in bankers' acceptances and commercial paper having a short-term rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization. WSSC does not have a formal policy for other investment types; however virtually all remaining investments are in, or collateralized by, Federal agency securities. Actual ratings as of June 30, 2015 and 2014 are presented below for each investment type.

WSSC investments are recorded at amortized cost. Recorded amounts approximate fair value.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2015 (in thousands):

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Remaining Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Repurchase agreements	Aaa	1 year or less	\$ 17,727	\$ 17,727
Federal agency securities	Aaa	1 year or less	<u>129,992</u>	<u>129,998</u>
Total investments (includes \$27,878 restricted for capital projects and \$15,225 which is classified as non-current)			<u>\$147,719</u>	<u>\$147,725</u>

Investments at June 30, 2014 (in thousands):

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Remaining Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Repurchase agreements	Aaa	1 year or less	\$ 23,139	\$ 23,139
Federal agency securities	Aaa	1 year or less	<u>189,969</u>	<u>189,973</u>
Total investments (includes \$70,951 restricted for capital projects and \$33,882 which is classified as non-current)			<u>\$213,108</u>	<u>\$213,112</u>

On August 5, 2011, Standard & Poor's downgraded the U.S. government's credit rating to AA+ and issued a negative outlook. Moody's Investor Services and Fitch Ratings maintained their respective Aaa and AAA ratings, but changed the outlook to negative on June 2, 2011 and November 28, 2011, respectively. Standard & Poor's, Fitch and Moody's Investor Services revised the credit rating outlook for the U.S. government from negative to stable on June 10, 2013, June 28, 2013 and July 18, 2014, respectively, which was confirmed by all with the fiscal year 2015 and 2014 issuances.

WSSC records investments in money market instruments such as repurchase agreements and U.S. government securities with original maturities at acquisition of less than 1 year at cost, which approximates fair value.

Concentration of credit risk is the risk of loss due to the magnitude of WSSC's investment in the securities of any single issuer. The investment policy of WSSC contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount at June 30, 2015 (in thousands)</u>
FHLB	Federal agency securities	\$129,992

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount at June 30, 2014 (in thousands)</u>
FNMA	Federal agency securities	\$164,975
FHLMC	Federal agency securities	24,994

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

C. RECEIVABLES

Receivables consisted of the following at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Front foot benefit assessments accrued and billed	\$ 13,313	\$ 17,006
Water and sewer services unbilled	55,758	54,954
Water and sewer services billed	57,873	49,544
Miscellaneous	13,186	17,482
	<u>140,130</u>	<u>138,986</u>
Less allowance for doubtful accounts	(11,446)	(9,443)
Total receivables, net	<u>\$ 128,684</u>	<u>\$ 129,543</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning</u> <u>Balance</u> Restated	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land and rights of way	\$ 78,013	\$ 880	\$ —	\$ 78,893
Construction in progress	1,359,444	591,093	(584,059)	1,366,478
Total capital assets not being depreciated	<u>1,437,457</u>	<u>591,973</u>	<u>(584,059)</u>	<u>1,445,371</u>
Capital assets being depreciated:				
Water supply	2,021,189	284,594	(686)	2,305,097
Sewage disposal	2,765,973	286,178	(44)	3,052,107
General construction	2,457,642	52,756	(2,000)	2,508,398
Intangible assets	51,091	5,492	—	56,583
Other	135,940	16,690	(5,815)	146,815
Total capital assets being depreciated	<u>7,431,835</u>	<u>645,710</u>	<u>(8,545)</u>	<u>8,069,000</u>
Less accumulated depreciation for:				
Water supply	(602,495)	(38,207)	686	(640,016)
Sewage disposal	(829,876)	(59,586)	44	(889,418)
General construction	(1,075,827)	(47,382)	2,000	(1,121,209)
Intangible assets	(12,309)	(1,714)	—	(14,023)
Other	(93,344)	(13,160)	5,788	(100,716)
Total accumulated depreciation	<u>(2,613,851)</u>	<u>(160,049)</u>	<u>8,518</u>	<u>(2,765,382)</u>
Capital assets being depreciated, net	<u>4,817,984</u>	<u>485,661</u>	<u>(27)</u>	<u>5,303,618</u>
Total capital assets, net	<u>\$ 6,255,441</u>	<u>\$1,077,634</u>	<u>\$ (584,086)</u>	<u>\$ 6,748,989</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

D. CAPITAL ASSETS (continued)

Restated (see Note P) capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land and rights of way	\$ 78,013	\$ —	\$ —	\$ 78,013
Construction in progress	1,241,162	551,634	(433,352)	1,359,444
Total capital assets not being depreciated	<u>1,319,175</u>	<u>551,634</u>	<u>(433,352)</u>	<u>1,437,457</u>
Capital assets being depreciated:				
Water supply	1,877,772	147,395	(3,978)	2,021,189
Sewage disposal	2,493,971	280,241	(8,239)	2,765,973
General construction	2,416,633	42,706	(1,697)	2,457,642
Intangible assets	50,359	732	—	51,091
Other	121,546	19,497	(5,103)	135,940
Total capital assets being depreciated	<u>6,960,281</u>	<u>490,571</u>	<u>(19,017)</u>	<u>7,431,835</u>
Less accumulated depreciation for:				
Water supply	(568,427)	(38,046)	3,978	(602,495)
Sewage disposal	(779,247)	(56,596)	5,967	(829,876)
General construction	(1,031,643)	(45,525)	1,341	(1,075,827)
Intangible assets	(11,267)	(1,042)	—	(12,309)
Other	(87,961)	(10,430)	5,047	(93,344)
Total accumulated depreciation	<u>(2,478,545)</u>	<u>(151,639)</u>	<u>16,333</u>	<u>(2,613,851)</u>
Capital assets being depreciated, net	<u>4,481,736</u>	<u>338,932</u>	<u>(2,684)</u>	<u>4,817,984</u>
 Total capital assets, net	 <u>\$ 5,800,911</u>	 <u>\$ 890,566</u>	 <u>\$ (436,036)</u>	 <u>\$6,255,441</u>

Purchased software and related development stage costs of \$5.5 million and \$0.7 million were capitalized in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* in fiscal years 2015 and 2014, respectively. Costs of \$8.5 million are included in the Construction in Progress balance as of June 30, 2015 and will commence amortization upon implementation of the software. Intangible assets include the balance of costs placed in service, net of accumulated amortization, of \$6.0 million and \$1.7 million in fiscal 2015 and 2014, respectively.

An intangible asset for purchased capacity has been established for WSSC's share of capital costs in the Jennings Randolph Reservoir (Bloomington Dam). The Reservoir provides backup and peak-day water supply to WSSC and is operated by the U.S. Army Corps of Engineers, Baltimore District. WSSC funds 50% of the capital costs, and intangible asset balances of \$27.9 million and \$28.2 million, for fiscal years 2015 and 2014, respectively, are included above.

In addition, WSSC participates in the funding of capital costs for the Mattawoman and Poolesville Wastewater Treatment Plants through agreements with Charles County and the Town of Poolesville, respectively. In exchange for this participation, WSSC obtains the right to discharge wastewater from the Washington Suburban Sanitary District into said facilities. Asset balances, net of accumulated amortization, totaling \$8.6 million and \$9.0 million, for fiscal years 2015 and 2014, respectively, are included in intangible assets above.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

D. CAPITAL ASSETS (continued)

The amount shown in the statements of revenues, expenses and changes in net assets for depreciation and amortization does not include depreciation of vehicles and equipment. Depreciation of these assets, \$13.2 million in fiscal 2015 and \$10.4 million in fiscal 2014, is classified with other related operating and maintenance costs.

E. NOTE RECEIVABLE

On April 4, 2007, WSSC entered into a Purchase and Sale Contract with Montgomery County for the County's purchase of WSSC's property which previously was the site of a biosolids composting facility. On January 15, 2009, the closing date of the sale, WSSC received a promissory note in the amount of \$10,000,000 from Montgomery County.

Interest accrues at a rate of 4.43%, commencing six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by Montgomery County is \$400,000 and is due on July 15, 2009 and annually thereafter. Payments shall be allocated first to interest, then to principal. At June 30, 2015 and 2014, the balance of this Note Receivable was \$9.7 million.

As Montgomery County develops the property, additional payments become due when a 'Payment Event' occurs. A 'Payment Event' is defined as a sale or ground lease of a parcel or the commencement of initial construction on a parcel. The additional payment shall be applied to the minimum annual payment amount. Montgomery County is obligated to pay additional payments for amounts in excess of the minimum annual payment.

The principal portion of additional payments shall be at least determined based upon the ratio of the developable square feet (DSF) of the sold or developed parcel to the sum of the DSF of the sold or developed parcel plus the total DSF of the unsold parcels. Interest shall be the outstanding unpaid interest accrued as of the date of the applicable Payment Event.

The promissory note matures upon the earlier of January 15, 2024, (fifteenth anniversary of the date of the note) or the date for the Payment Event for the last parcel for which an additional payment is due.

F. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that is applicable to a future period. Reported examples include:

- (a) Deferred losses on bond refundings resulting from the difference between the carrying value of the refunded debt and its reacquisition price
- (b) Contributions to the Retirement Plan subsequent to the measurement date of the net pension liability and before the end of WSSC's reporting period
- (c) Differences between expected and actual experience in the measurement of the total pension liability
- (d) Net difference between projected and actual earnings on pension plan investments

Deferred inflows of resources represent an acquisition of net assets that is applicable to a future period. Reported examples include:

- (a) Differences between expected and actual experience in the measurement of the total pension liability
- (b) Net difference between projected and actual earnings on pension plan investments

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

G. CAPITAL CONTRIBUTIONS

Capital contributions consisted of the following for the years ended June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
System development charges	\$ 25,884	\$ 27,945
Developer fees	3,978	5,238
Federal and State grants	17,343	29,296
House connections	6,467	4,709
Other construction projects	33,452	32,794
Total	<u>\$ 87,124</u>	<u>\$ 99,982</u>

H. COMPENSATED ABSENCE LIABILITY

Compensated absence liability activity consisted of the following for the years ended June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Compensated absence liability – beginning of year	\$ 11,154	\$ 10,849
Increases (incurred)	9,503	8,986
Decreases	(9,370)	(8,681)
Compensated absence liability – end of year	<u>\$ 11,287</u>	<u>\$ 11,154</u>

This liability is included in accounts payable and accrued expenses on the balance sheet.

I. DEPOSITS, UNEARNED REVENUE AND OTHER LONG-TERM LIABILITIES

Deposits, unearned revenue and other long-term liabilities, reflected as non-current liabilities on the Balance Sheet, consisted of the following at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Unearned revenue for house connections	\$ 18,261	\$ 18,950
Unearned front foot benefit revenue	1,063	1,320
Other unearned revenue	1,187	965
Construction deposits	1,835	1,835
House connection deposits	4,773	4,804
Other	2,572	2,342
Total	<u>\$ 29,691</u>	<u>\$ 30,216</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

J. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Bonds and notes payable:					
Water supply	\$ 736,643	\$ 140,000	\$ (72,200)	\$ 804,443	\$ 179,357
Sewage disposal	983,477	253,960	(71,047)	1,166,390	126,584
General construction	260,318	3	(32,587)	227,734	42,601
	<u>1,980,438</u>	<u>393,963</u>	<u>(175,834)</u>	<u>2,198,567</u>	<u>348,542</u>
Plus unamortized premium/discount	<u>113,852</u>	<u>18,933</u>	<u>(14,382)</u>	<u>118,403</u>	<u>—</u>
Total bonds and notes payable	<u>\$ 2,094,290</u>	<u>\$ 412,896</u>	<u>\$ (190,216)</u>	<u>\$ 2,316,970</u>	<u>\$ 348,542</u>

Bonds and notes payable activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Bonds and notes payable:					
Water supply	\$ 685,188	\$ 177,705	\$ (126,250)	\$ 736,643	\$ 136,038
Sewage disposal	912,966	202,110	(131,599)	983,477	100,004
General construction	308,702	58,887	(107,271)	260,318	50,586
	<u>1,906,856</u>	<u>438,702</u>	<u>(365,120)</u>	<u>1,980,438</u>	<u>286,628</u>
Plus unamortized premium/discount	<u>110,852</u>	<u>17,458</u>	<u>(14,458)</u>	<u>113,852</u>	<u>—</u>
Total bonds and notes payable	<u>\$ 2,017,708</u>	<u>\$ 456,160</u>	<u>\$ (379,578)</u>	<u>\$ 2,094,290</u>	<u>\$ 286,628</u>

In accordance with GASB 65, deferred amounts from debt refundings are now illustrated as Deferred Outflows or Inflows of Resources on the Balance Sheet. This change was implemented in fiscal 2014 and balances for 2013 and 2012 were restated (See Note P).

The unamortized amounts above represent premiums received on outstanding debt issuances.

Bonds payable accrue interest at rates ranging from 0.8% to 6.0%, with an effective interest rate of 3.78% at June 30, 2015. All bonds payable at June 30, 2015, exclusive of refunded bonds, are due serially through the year 2044. Generally, the bonds are callable at a premium after a specified number of years.

In December 2014 and April 2014, WSSC issued \$250 million and \$150 million, respectively, of Consolidated Public Improvement Bonds to fund new construction on rehabilitation and replacement of water and sewer mains.

In September 2009, WSSC issued \$180 million of Consolidated Public Improvement Bonds in two series; \$90 million in Tax-Exempt Bonds, Series 2009A and \$90 million in Taxable Build America Bonds - Direct Payment to the Issuer, Series 2009B. In September 2010, WSSC issued \$240 million of Consolidated Public Improvement Bonds in two series; \$120 million in Tax-Exempt Bonds, Series 2010A and \$120 million in Taxable Build America Bonds - Direct Payment to the Issuer, Series 2010B. The American Recovery and Reinvestment Act of 2009 created the Build America Bonds program. This program is intended to assist state and local municipalities in issuing debt. One provision of the program is for issuance of taxable Build America Bonds to finance capital expenditures while providing a federal subsidy of 35% of the interest payment to the issuer. Due to government sequestration enacted in March 2013, the December 1, 2014 and June 1, 2015 subsidies were reduced by 2.5%. The subsidy is payable over the life of the issue, and in the schedule below it is assumed that the remainder of subsidy payments will be made at the original 35%.

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J. BONDS AND NOTES PAYABLE (continued)

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, for the next five years are as follows (in thousands):

<u>Year ended</u> <u>June 30</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Requirements</u>	<u>Build America</u> <u>Bond Subsidies</u>
2016	\$348,542	\$ 82,051	\$ (3,279)
2017	135,263	75,715	(3,279)
2018	133,348	69,357	(3,279)
2019	127,334	66,405	(3,279)
2020	124,297	60,266	(3,279)

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, in five-year increments for fiscal years after 2018 are as follows (in thousands):

<u>Year ended</u> <u>June 30</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Requirements</u>	<u>Build America</u> <u>Bond Subsidies</u>
2021-2025	\$559,898	\$ 222,673	(12,736)
2026-2030	435,768	115,814	(4,556)
2031-2035	176,809	46,564	—
2036-2040	83,712	24,495	—
2041-2045	73,596	7,114	—

Bond Anticipation Notes (the Notes) are remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from 0.02% to 0.11% during fiscal 2015, and from 0.02% to 0.12% during fiscal 2014. Any or all buyers of the Notes may demand payment from WSSC's remarketing agent upon seven days' notice. WSSC's remarketing agents are prepared to remarket the Notes in such eventuality. The Notes were sold under a bank line of credit agreement which acts as a guarantee of liquidity for the Notes in the event that the Notes cannot be remarketed. On August 28, 2013, the Commission replaced the series "A" notes with two separate series (A&B), each backed by their own line of credit. The maximum amount available under each line of credit which expires in August 2016 and is subject to certain conditions is \$107.5 million. In aggregate, the total line of credit is \$215 million.

At June 30, 2015 and 2014, \$210.0 million and \$150.1 million respectively, of the Notes were outstanding. WSSC expects to redeem these Notes with proceeds of future bond issues or annual amortization. On June 24, 2015, the Commission issued \$35.0 million in Series A Notes and \$55.0 million in Series B Notes. On February 26, 2014, WSSC issued \$50.0 million in Series B Notes. The Commission redeemed \$30.1 million and \$30.0 million in Notes on June 1, 2015 and June 2, 2014, respectively, as part of the water, sewer and general debt service amortization. The Notes are treated as bonds, and as such, are expected to be amortized over a 20-year term. However, because these Notes are callable, the entire \$210.0 million has been included in current maturities (fiscal 2016 principal maturities), and an estimated \$7.4 million has been included in the fiscal 2016 interest requirements. Additional estimated interest requirements at prevailing rates through 2034 on these Notes, assuming future redemption from proceeds of bonds, would total \$77.4 million.

On July 15, 2005, WSSC commenced work on a utility service contract with the U.S. Department of Defense to operate and maintain the Bolling Air Force Base water distribution and wastewater collection systems. Under the terms of this contract, WSSC acquired the existing water and sewer systems for \$1.0 million and \$4.3 million, respectively. Corresponding notes payable accrue interest at 7.0% over a 30-year term.

WASHINGTON SUBURBAN SANITARY COMMISSION
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J. BONDS AND NOTES PAYABLE (continued)

Since November 1989, WSSC has participated in a loan program established by the State of Maryland to loan money to Maryland municipalities for local water and sewer projects. The program, known as the Maryland Water Quality Revolving Loan Fund, is designed to offer these municipalities loans at reduced interest rates. As of June 30, 2015, WSSC borrowed \$353.0 million from the program. The total principal balance outstanding as of June 30, 2015 and 2014 was \$248.0 million and \$201.7 million, respectively.

Proceeds of notes payable to the Federal government were used to make improvements to the Jennings Randolph Reservoir for backup and peak-day water supply. The note payable accrues interest at 3.25% and balances outstanding at June 30, 2015 and 2014 were \$22.8 million and \$23.3 million, respectively.

WSSC is in compliance with all terms of its debt agreements at June 30, 2015 and 2014.

K. BOND REFUNDINGS

In April 2014, WSSC sold \$47,395,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to refund \$52,830,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 4.25%. The net proceeds of \$52,955,000 (including a premium of \$5,560,000) were used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The April 2014 refunding will reduce WSSC's total debt service payments over the next 9 years by \$5,439,000 and provide an economic gain of \$5,103,000.

As a result of the refundings, the refunded bonds are considered to be defeased and the liability is not reflected in the financial statements.

No refunding bonds were sold in fiscal year 2015.

WSSC has sold refunding bonds totalling \$3,371,580,000 for the purpose of refunding and defeasing \$3,252,855,000 of outstanding bonds. The purpose of these refundings was to reduce total debt service payments over the remaining life of the refunded bonds and to obtain an economic gain (difference between the present value of the old and new debt service payments) from the transactions.

Prior to fiscal 1994, these refundings were accounted for in accordance with Statement of Financial Accounting Standards No. 76, *Extinguishment of Debt*. At the time of the respective refundings, WSSC recognized extraordinary losses aggregating approximately \$89,726,000 resulting from the issuance of additional principal. However, interest savings over the remaining terms of the refunded bonds are estimated to aggregate approximately \$191,863,000.

Effective July 1, 1993, WSSC adopted GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. GASB No. 23 requires deferral of the difference between the reacquisition price and the carrying amount of the old debt. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized to interest on bonds and notes through the year 2029 using the proportionate-to-stated interest method. Amortization totaling \$1,464,000 and \$1,854,000 in fiscal 2015 and 2014, respectively, was recorded as interest on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net position.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

K. BOND REFUNDINGS (continued)

Details of the current and prior years' refunding are shown in the table below (in thousands):

<u>Date of Refunding</u>	<u>Amount of Refunded Bonds</u>	<u>Remaining Term at Refunding Date</u>	<u>Amount of Refunding Bonds</u>	<u>Estimated Interest Savings</u>	<u>Extraordinary Loss Previously Recognized</u>	<u>Deferred Loss/(Gain)</u>
04-15-14	\$ 52,830	9 years	\$ 47,395	\$ 2	\$ -	\$ (663)
04-09-13	105,820	14 years	101,560	4,926	-	4,098
11-25-09	79,730	20 years	83,965	5,622	-	4,467
10-15-06	80,360	19 years	82,285	5,544	-	1,989
03-15-04	63,980	20 years	62,510	731	-	2,880
02-01-04	271,815	19 years	266,395	10,059	-	14,941
10-28-03	14,500	11 years	15,780	3,107	-	1,103
09-15-03	70,485	11 years	70,590	5,435	-	2,352
03-01-03	454,905	17 years	428,945	22,269	-	23,612
04-15-02	43,610	10 years	43,705	4,483	-	904
12-01-01	100,150	14 years	100,095	9,672	-	(110)
15-15-97	42,400	14 years	45,265	4,967	-	2,712
01-01-97	74,375	23 years	79,600	7,467	-	4,595
01-15-94	437,695	22 years	435,675	84,556	-	42,761
11-01-93	243,835	22 years	278,730	38,845	-	28,155
03-01-93	127,975	21 years	139,705	12,908	7,730	-
06-01-92	50,475	20 years	54,775	4,896	4,200	-
11-15-91	88,355	24 years	95,435	8,083	5,580	-
05-15-91	229,775	23 years	248,865	22,276	10,944	-
03-01-90	48,395	21 years	53,885	6,700	4,216	-
10-15-86	64,160	22 years	74,680	15,000	9,182	-
05-15-86	149,055	29 years	174,490	27,000	18,542	-
07-15-85	111,750	23 years	118,015	18,000	11,002	-
04-01-84	24,765	23 years	29,210	8,000	3,797	-
09-01-77	221,660	23 years	242,025	69,000	14,533	-

The refunded bonds continue to be general obligations of WSSC until redeemed or called. However, the net proceeds of the refunding bonds were applied toward the purchase of U.S. Government obligations (held in escrow) with maturities and interest sufficient to meet debt service and call premiums, if any, on the refunded bonds. The holders of the refunded bonds have first lien on all assets held in escrow. Refunded bonds outstanding at June 30, 2015 and 2014, which amounted to \$50.0 million and \$129.7 million, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

L. RETIREMENT PLAN

Plan Description

The Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), a single employer contributory defined benefit retirement plan, was established in 1967 to provide retirement and death benefits for the employees of the Washington Suburban Sanitary Commission ("WSSC") under conditions set forth in the Plan Document based on an employee's age, length of service, and compensation. The Retirement Plan Document is amended from time to time, with the Plan last amended on December 18, 2012. The Plan may be amended by Commission resolution or by the Executive Director on behalf of the Commission.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

L. RETIREMENT PLAN (continued)

WSSC implemented the Open Version of the Plan on July 1, 1978. Members of the Plan as of June 30, 1978 had an option to be included in the Open Version. This option expired December 31, 1978. The Open Version is mandatory for new employees. It generally provides for reduced employee contributions and benefits.

As of December 31, 2014 and 2013, there were 1,540 and 1,525 employees, respectively, participating in the Open Version of the Plan, and 9 and 12 employees, respectively, participating in the Closed Version of the Plan, a total of 1,549 and 1537 employee participants, respectively.

As of December 31, 2014 and 2013, there were 1,542 and 1,517 retirees and/or beneficiaries, respectively, receiving benefits from the Plan, and there were 86 and 74 terminated vested employees, respectively, not yet receiving benefits. Thirteen and five employees retired in fiscal years 2014 and 2013, respectively, and began receiving benefits in subsequent fiscal years.

Actuarial studies are performed at least once every two years as of June 30th and the measurement date for the net pension liability is December 31st.

Contributions

WSSC funds annual pension plan costs based upon a level percentage of payroll costs. WSSC's contribution, which is paid in a lump sum on July 1 each year, amounted to \$21.0 and \$20.5 million on July 1, 2014 and 2013, respectively. At December 31, 2014 and 2013, \$10.5 and \$10.2 million, respectively, of these contributions were recorded as deferred outflows of resources on the Balance Sheet. For the years ended December 31, 2014 and 2013, the Plan recognized WSSC's contributions of \$20.7 and \$19.8 million, respectively.

Pension Benefits

The Plan provides for 100% vesting of retirement benefits after five years of credited service.

Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of:

1. 2.1% of final average monthly compensation multiplied by the Closed Version credited service, plus
2. 1.4% of final average monthly compensation multiplied by the Open Version credited service where the sum of Closed Version credited service and Open Version credited service, exclusive of accumulated sick leave service is subject to a maximum of 36 years.

The Plan provides options for disability and early retirement to eligible participants or their surviving spouses.

The Plan provides for periodic cost of living increases to retirement benefits. Participants covered by the Closed Version will receive an increase two months following a sustained increase in the Consumer Price Index of 3% or more. Participants in the Open Version receive an increase each March 1, based on the preceding calendar year's increase in the Consumer Price Index. The first increase may be pro-rated depending on the time of retirement.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
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L. RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2014</u>	<u>2013</u>
Inflation	3.50%	3.50%
Salary increases	5.00%	5.00%
Investment rate of return	8.00%	8.00%

The mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females. The GAM83 tables with 10-year set forward were used for the valuation of disabled members.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience analysis prior to 2010. The next comprehensive funding and assumption review is scheduled for 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and the final investment return assumption are summarized in the following table:

	<u>2014</u>	<u>2013</u>
Asset class: Domestic equity	5.70%	5.70%
International equity - developed	5.80%	5.80%
International equity - emerging	6.80%	6.80%
Fixed income – investment	2.30%	2.30%
Fixed income - high yield	4.10%	4.10%
Treasuries (cash equivalent)	0.75%	0.75%
Real estate	4.10%	4.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2066.

Therefore, the discount rate represents the single equivalent rate resulting from discounted at the long term expected rates of return until 2066 and discounting with the 20 year municipal bond index rate of 3.15% thereafter.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
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L. RETIREMENT PLAN (continued)

Other Key Actuarial Assumptions

The other key actuarial assumptions that determined the total pension liability as of December 31, 2014 and 2013 included:

Valuation date	July 1, 2014	July 1, 2014
Measurement date	December 31, 2014	December 31, 2013
Inflation	3.50%	3.50%
Salary increased including inflation	5.00%	5.00%

Changes in the Net Pension Liability

Changes in the Net Pension Liability for the years ended December 31, 2014 and 2013 were as follows (in thousands):

	Increase (Decrease)		
	Total Pension <u>Liability</u> (a)	Plan Fiduciary Net <u>Position</u> (b)	Net Pension <u>Liability</u> (a) – (b)
Balances at 12/31/13	\$ 904,618	\$ 736,769	\$ 167,849
Changes for the year:			
Service cost	11,099	-	11,099
Interest	67,318	-	67,318
Differences between expected and actual experience	(8,658)	-	(8,658)
Contributions – employer	-	20,732	(20,732)
Contributions – employee	-	3,823	(3,823)
Net investment income	-	37,576	(37,576)
Benefit payments, including refunds of employee contributions	(54,935)	(54,935)	-
Administrative expense*	-	-	-
Net change	14,824	7,196	7,628
Balances at 12/31/14	\$ 919,442	\$ 743,965	\$ 175,477
Plan's fiduciary net position as a percentage of the total pension liability	80.91%		

WASHINGTON SUBURBAN SANITARY COMMISSION
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L. RETIREMENT PLAN (continued)

Balances at 12/31/12	\$ 881,408	\$ 656,158	\$ 225,250
Changes for the year:			
Service cost	10,541	-	10,541
Interest	66,214	-	66,214
Contributions – employer	-	19,769	(19,769)
Contributions – employee	-	3,653	(3,653)
Net investment income	-	110,734	(110,734)
Benefit payments, including refunds of employee contributions	(53,545)	(53,545)	-
Administrative expense*	-	-	-
Net change	<u>23,210</u>	<u>80,611</u>	<u>(57,401)</u>
Balances at 12/31/13	<u>\$ 904,618</u>	<u>\$ 736,769</u>	<u>\$ 167,849</u>
 Plan's fiduciary net position as a percentage of the total pension liability	 81.45%		

*Administrative expenses are paid directly by WSSC

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.65%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate (in thousands).

	1% Decrease <u>6.65%</u>	Current Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
WSSC's net pension liability (2014)	\$ 279,342	\$ 175,477	\$ 87,246
WSSC's net pension liability (2013)	270,040	167,849	81,041

Pension Expense

For the years ended June 30, 2015 and 2014, WSSC recognized pension expense as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Pension cost distributions:		
Operating	\$ 20,052	\$ 23,209
Non-operating	(16,460)	(18,151)
Capital	<u>5,476</u>	<u>5,843</u>
Total pension expense	<u>\$ 9,068</u>	<u>\$ 10,901</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
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L. RETIREMENT PLAN (continued)

Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources related to pensions were reported for the years ended June 30, 2015 and 2014 from the following sources (in thousands):

	<u>Deferred Inflows of Resources</u>
Balances as of June 30, 2015	
Differences between expected and actual experience	\$ (7,696)
Net difference between projected and actual earnings on pension plan investments	<u>(19,560)</u>
Total	<u>\$ (27,256)</u>
 Balances as of June 30, 2014	
Net difference between projected and actual earnings on pension plan investments	<u>\$ (47,585)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Year ended June 30</u>	<u>Amortization</u>
2016	(\$8,826)
2017	(8,826)
2018	(8,826)
2019	3,070
2020	(962)
Thereafter	(2,886)

Historical trend information showing the Plan's progress is presented in the Plan's December 31, 2014 comprehensive annual financial report, which can be requested from WSSC's offices.

Retirement Restoration Plan

Effective July 1, 1995, WSSC established the Washington Suburban Sanitary Commission Employees' Retirement Restoration Plan (the Restoration Plan), a non-qualified plan. The purpose of the Restoration Plan is to restore most of the benefits foregone by participants in the WSSC Employees' Retirement Plan when such benefits are limited by the maximum benefit provisions of Section 415 of the Internal Revenue Code. During fiscal years 2015 and 2014, the Restoration Plan paid benefits totaling \$27,000 and \$35,000 respectively.

WASHINGTON SUBURBAN SANITARY COMMISSION
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M. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

WSSC provides healthcare, prescription drug, dental and life insurance benefits to retirees and their dependents, and pays a portion of the related costs. All full time active employees who retire or are disabled directly from WSSC and meet the eligibility criteria can participate. The Washington Suburban Sanitary Commission Other Postemployment Benefits Trust (the "Trust") is a single-employer contributory fund established in 2007 to provide life insurance and medical benefits for the Retiree Plan participants and beneficiaries of WSSC under conditions set forth by the Trust Agreement. The provision of postemployment benefits is determined under a set of personnel policies (herein referred to, collectively, as the "Plan").

Eligibility for post retirement health care benefits requires a minimum of two years participation in a WSSC sponsored plan immediately prior to retirement. At the end of fiscal 2014, substantially all of WSSC's retired employees (or beneficiaries) are eligible for those benefits. WSSC contributes up to 77% of the amount of health care insurance costs for eligible retired employees and their families.

Employees who retired in 1982 and after are eligible for life insurance benefits. The amount of retiree life insurance begins at 85% of the employee's salary as of the day immediately prior to retirement, and decreases over a four-year period, until coverage equals either 25% of that salary or \$5,000, whichever is greater.

Funding Policy

The required contribution is based on projected pay-as-you-go obligations, with an additional amount to prefund benefits as determined annually by WSSC. For fiscal year 2015, WSSC contributed \$22.4 million, including \$12.4 million for current claims and/or premiums (approximately 55% percent of total claims and/or premiums) and an additional \$10.0 million to fund the Trust. Retirees receiving benefits contributed \$3.8 million or approximately 23% of the total claims and/or premiums, through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

WSSC's annual OPEB cost 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 over thirty years, beginning with the year that the phase-in funding ends.

The long-term OPEB liability is estimated based on existing WSSC policies regarding retiree healthcare benefits. This level of coverage is not guaranteed in the future. The obligation will be periodically re-evaluated.

WSSC's annual OPEB cost and long-term liability for fiscal years 2014 and 2013 were (in thousands):

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 16,890	\$ 13,995
Correction to the prior year contribution	(2,604)	-
Interest on long-term OPEB liability	2,480	2,757
Annual OPEB cost	<u>16,766</u>	<u>16,752</u>
Phase-in funding	(10,000)	(9,000)
Benefits paid	<u>(12,379)</u>	<u>(11,437)</u>
Increase in long-term OPEB liability	(5,613)	(3,685)
Long-term OPEB liability – beginning of year	<u>33,071</u>	<u>36,756</u>
Long-term OPEB liability – end of year	<u>\$ 27,458</u>	<u>\$ 33,071</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
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M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

WSSC's annual OPEB cost, the percentage of annual OPEB cost contributed and the long-term OPEB liability for fiscal years 2015 and 2014 were (in thousands):

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Long-term <u>OPEB Liability</u>
6/30/2015	\$16,766	133.5%	\$27,458
6/30/2014	16,752	122.0%	33,071

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 19.0% funded. The actuarial accrued liability for benefits at June 30, 2013 was \$217.2 million, and with assets of \$41.3 million, the resulting unfunded actuarial liability (UAAL) was \$175.9 million. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$103.9 million, and the ratio of the UAAL to the covered payroll was 169.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Trust 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 is presented as required supplementary information following the notes to the financial statements in Schedule B. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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 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.

As of the last valuation, WSSC had 1,485 retired employees and 1,424 active employees who participated in health plans, excluding spouses and dependents. Life insurance plan participation was 1,207 and 1,424, respectively for retirees and active employees. The average age is 69.2 and 47.5 respectively for retirees and active employees.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial assumptions used in the most recent valuation, as of June 30, 2013, are as follows:

Actuarial cost method	Projected unit credit cost method.
Discount rate	7.5%
Yearly increase in medical/prescription costs	Medical claims and retiree premiums will increase at an annual trend rate of 8.0% pre-65 and 6.0% post-65 for 2013, grading down to an ultimate rate of 5.5% in 2018 for pre-65 and 5.5% in 2018 for post-65.
Mortality rates after retirement	Retirement Plan–2000 Combined Health Mortality Table for non-disability retirees; 1983 Group Annuity Mortality Table (Corrected) set forward 10 years for Males/Females for disability retirees.
Retirement age assumptions	Ranging from 50 to 69
Coverage	100% of current retirees are covered and 100% of current active employees will elect coverage at least two years prior to retirement age under the medical and life insurance plans.
Amortization method	30 year amortization of the unfunded Actuarial Accrued Liability as a level dollar.

N. DEFERRED COMPENSATION PLAN

WSSC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

O. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2016 are not expected to exceed \$681 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated \$366 million at June 30, 2015.

The Commission, the District of Columbia (the District), the District of Columbia Water and Sewer Authority (DC Water), Fairfax County, Virginia, Montgomery County, Maryland, and Prince Georges County, Maryland are parties to a regional agreement (the Blue Plains Intermunicipal Agreement of 2012) that provides for dedicated allocation of sewage flow capacity for wastewater treatment at the Blue Plains facility in Washington DC. The parties have demonstrated their willingness to share in the burdens associated with the demands for regional wastewater collection and treatment and biosolids management. Therefore, WSSC has executed an equitable arrangement for determining WSSC's share of capital costs in relationship to its allocated flow capacity and for payment of the WSSC share of operating and maintenance costs related to its actual flow to Blue Plains. Currently, the Commission has a capacity entitlement of 169.60 MGD, which is approximately 45.8% of the Plant's total capacity of 370 MGD.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

O. COMMITMENTS AND CONTINGENCIES (continued)

For fiscal years 2015 and 2014, the Commission paid \$135.7 million and \$170.2 million, respectively, to fund its share of construction costs. The Commission estimates its share of the construction costs over the next seven years to be \$437.6 million, of which \$105.8 million is expected to be incurred in fiscal year 2016 and the balance over fiscal years 2017 to 2022. In addition, for fiscal years 2015 and 2014, the Commission made total payments of \$54.3 million and \$36.3 million, respectively, to DC Water for its share of operating and maintenance costs.

WSSC administers several federal and state grants. The grant funds expended are subject to compliance audits by the grantors.

The United States Department of Justice, the United States Environmental Protection Agency and the Maryland Department of the Environment (collectively, "the Regulators") alleged, in previous years, that sanitary sewer overflows ("SSOs") from WSSC's sanitary sewer collection system were violations of the Federal Clean Water Act and analogous State law. Federal agencies have pursued similar enforcement actions nationally against public wastewater treatment system owners. WSSC contested this action and the initial remedial measures proposed by the Regulators. Negotiations to resolve the enforcement action through the entry of a mutually agreeable Consent Decree began in March 2002. In July 2005, a proposed Consent Decree was executed between WSSC, the Regulators and four environmental groups in which WSSC agreed to undertake certain remedial measures to eliminate and/or reduce SSO occurrences. The proposed Consent Decree was approved by the U.S. District Court with an official start date of December 7, 2005. Costs of these remedial measures are estimated at \$1,881 million and are to be expended over at least 12 years, \$1,071 million of which is expected to be incurred after fiscal year 2015. The costs are included in WSSC's budget and capital improvements program. WSSC also agreed to pay civil penalties totaling \$1.1 million. These costs were accrued in fiscal 2005, and paid in fiscal 2006.

In February 2014, the Potomac Riverkeeper, Inc. ("PR") and the Chesapeake Bay Foundation, Inc. ("CBF") filed a complaint for injunctive relief and penalties in U.S. District Court in Maryland alleging violations of the Clean Water Act ("CWA") by the Commission (the "Issuer"). In May 2014, the Maryland Department of the Environment ("MDE") notified the Issuer of its intention to file its own CWA complaint against the Issuer, although MDE has yet to do so. Negotiations among PR, CBF, MDE and the Issuer to resolve these claims by another Consent Decree have extended over multiple months. The proposed Consent Decree contemplates retention of one or more experts to prepare reports recommending short and long-term capital projects at the Issuer's Potomac Water Filtration Plant that are designed to attain proposed performance metrics. As of June 30, 2015, and to the date of the audit report, the proposed Consent Decree has yet to be approved by the U.S. District Court and the aforementioned experts have yet to be retained by the Issuer. Therefore, a final remediation strategy, the budget and final impact of costs are yet to be determined, but will be incorporated into the Commission's financial statements once known.

WSSC is involved in judicial and administrative proceedings. These actions include personal injury, property damage, personnel and environmental claims, and various claims filed by contractors against WSSC for cost overruns on construction contracts. While the outcomes of these matters are uncertain, it is the opinion of management and WSSC's General Counsel that resolution of all claims outstanding will not have a material adverse effect on the financial position or changes in net position of WSSC.

WSSC purchases insurance on its property (structures, contents, boiler and machinery, etc.) for physical damages where it has been determined that a reasonable amount of exposure exists. In addition, WSSC is self-insured for workers' compensation in accordance with the statutory requirements of the State of Maryland. The workers' compensation accrued liability includes an estimate for claims incurred but not yet reported to the claims administrator. WSSC also maintains crime and terrorism insurance and fiduciary liability policies having various self-insured retention levels.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

O. COMMITMENTS AND CONTINGENCIES (continued)

WSSC is self-insured for all public liability. Each year, funds are budgeted for normal claims. However, should the past loss experience change, or should a catastrophic loss occur in excess of applicable insurance coverage, funds for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue since a self-insurance fund has not been established.

General liability and workers' compensation claim activity consisted of the following at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Claim liability - beginning of year	\$19,265	\$18,431
Current year claims and changes in estimates	5,867	6,831
Claim payments	<u>(4,578)</u>	<u>(5,997)</u>
Claim liability - end of year	<u>\$20,554</u>	<u>\$19,265</u>

This liability is included in accounts payable and accrued expenses on the balance sheet.

During fiscal 2015 and 2014, WSSC leased a variety of equipment with annual rental payments of approximately \$672,000 and \$588,000, respectively.

P. RESTATEMENTS

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The statement is effective for periods beginning after June 15, 2014. To comply with GASB Statement No. 68, prior year balances were restated resulting in a net \$147.6 million decrease in net position as of June 30, 2013.

A summary of the transaction and the impact of the restatement are illustrated below:

- (1) The net pension liability, actuarially determined in accordance with GASB 68 requirements, has been reported. Additional pension costs and adjustments to the net pension liability were distributed across the organization based on current WSSC practice.
- (2) Contributions to the Plan from WSSC subsequent to the measurement date of the net pension liability and before the end of its reporting period have been reported as deferred outflows of resources.
- (3) WSSCs balances of deferred outflows of resources and deferred inflows of resources related to pensions, have been reported and classified as follows:
 - (a) Differences between expected and actual experience in the measurement of the total pension liability
 - (b) Net difference between projected and actual earnings on pension plan investments

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

P. RESTATEMENTS (continued)

	Fiscal 2014 as previously reported	Restatement As of July 1, 2013	Restatement As of June 30, 2014	Fiscal 2014 Restated
Current and other assets	\$ 437,048	\$	\$	\$ 437,048
Capital assets, net of accumulated depreciation	6,230,579	25,253	(391)	6,255,441
Total assets	<u>6,667,627</u>	<u>25,253</u>	<u>(391)</u>	<u>6,692,489</u>
Deferred outflows of resources	<u>7,602</u>	<u>9,519</u>	<u>730</u>	<u>17,851</u>
Total assets and deferred outflows	<u>\$ 6,675,229</u>	<u>\$ 34,772</u>	<u>\$ 339</u>	<u>\$ 6,710,340</u>
Current and other liabilities	\$ 600,899	\$ 182,333	\$ (64,741)	\$ 718,491
Bonds and notes payable, net of current maturities	1,807,662	—	—	1,807,662
Total liabilities	<u>2,408,561</u>	<u>182,333</u>	<u>(64,741)</u>	<u>2,526,153</u>
Deferred inflows of resources	<u>—</u>	<u>—</u>	<u>47,585</u>	<u>47,585</u>
Total liabilities and deferred inflows	<u>2,408,561</u>	<u>182,333</u>	<u>(17,156)</u>	<u>2,573,738</u>
Net investment in capital assets	4,078,030	(2,318)	(27,455)	4,048,257
Restricted for growth construction	37,069	—	—	37,069
Unrestricted	151,569	(145,243)	44,950	51,276
Total net position	<u>4,266,668</u>	<u>(147,561)</u>	<u>17,495</u>	<u>4,136,602</u>
Total liabilities, deferred inflows and net position	<u>\$ 6,675,229</u>	<u>\$ 34,772</u>	<u>\$ 339</u>	<u>\$ 6,710,340</u>
Operating revenues	\$ 624,358		\$ —	\$ 624,358
Operating expenses	(506,874)		(656)	(507,530)
Non-operating revenues (expenses)	(26,593)		18,151	(8,442)
Income before capital contributions	<u>90,891</u>		<u>17,495</u>	<u>108,386</u>
Capital contributions	99,982		—	99,982
Change in net position	<u>\$ 190,873</u>		<u>\$ 17,495</u>	<u>\$ 208,368</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

P. RESTATEMENTS (continued)

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. To comply with GASB Statement No. 65, prior year balances were restated resulting in a net \$4.1 million decrease in net position as of June 30, 2013. A summary of the transactions and the impact of the restatement are illustrated below:

- (1) Net unamortized gains/losses from refundings of debt are now reported as Deferred Outflows of Resources. Prior to the implementation of the GASB, they were netted against long-term liabilities and included in Bonds and Notes Payable on the Balance Sheet.
- (2) Debt issuance costs previously deferred and amortized over the term of the related debt have now been recognized as expenses, thereby reducing net position. Any unamortized issuance costs incorporated into the gain/loss calculations from refundings of debt have also been expensed.
- (3) All assets, deferred outflows, liabilities and deferred inflows have been reported in the corresponding net position category.

	Fiscal 2013 as previously reported	Restatement As of July 1, 2012	Restatement As of June 30, 2013	Fiscal 2013 Restated
Current and other assets	\$ 618,979	\$ (2,730)	\$ (619)	\$ 615,630
Capital assets, net of accumulated depreciation	5,775,658	—	—	5,775,658
Total assets	<u>6,394,637</u>	<u>(2,730)</u>	<u>(619)</u>	<u>6,391,288</u>
Deferred outflows of resources	—	11,353	354	11,707
Total assets and deferred outflows	<u>\$ 6,394,637</u>	<u>\$ 8,623</u>	<u>\$ (265)</u>	<u>\$6,402,995</u>
Current and other liabilities	591,782	—	—	591,782
Bonds and notes payable, net of current maturities	1,722,992	11,962	464	1,735,418
Total liabilities	<u>2,314,774</u>	<u>11,962</u>	<u>464</u>	<u>2,327,200</u>
Net investment in capital assets	3,989,577	(81,476)	(26,367)	3,881,734
Restricted for growth construction	42,467	—	—	42,467
Unrestricted	47,819	78,137	25,638	151,594
Total net position	<u>4,079,863</u>	<u>(3,339)</u>	<u>(729)</u>	<u>4,075,795</u>
Total liabilities and net position	<u>\$ 6,394,637</u>	<u>\$ 8,623</u>	<u>\$ (265)</u>	<u>\$6,402,995</u>
Operating revenues	\$ 597,893		\$ —	\$ 597,893
Operating expenses	(487,902)		(619)	(488,521)
Non-operating revenues (expenses)	(31,854)		(110)	(31,964)
Income before capital contributions	78,137		(729)	77,408
Capital contributions	126,296		—	126,296
Change in net position	<u>\$ 204,433</u>		<u>\$ (729)</u>	<u>\$ 203,704</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Q. SUBSEQUENT EVENTS

The WSSC has evaluated events subsequent to June 30, 2015 and through August 31, 2015, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SCHEDULE A-1
Unaudited

Total Pension Liability:	2014	2013	2005-2012**
Service cost	\$ 11,098,519	\$ 10,541,264	
Interest on total pension liability	67,317,785	66,214,298	
Effect of plan changes	-	-	
Effect of assumption changes or inputs	-	-	
Difference between expected and actual experience	(8,657,936)	-	
Benefit payments, including refunds of contributions	(54,934,361)	(53,545,268)	
Net change in pension liability	14,824,007	23,210,294	
Total pension liability, beginning of the year	904,618,041	881,407,746	
Total pension liability, end of year (a)	919,442,048	904,618,040	
Plan Fiduciary Net Pension:			
Employer contributions	20,731,968	19,768,897	
Member contributions	3,823,065	3,652,732	
Investment income net of investment expenses	37,575,760	110,734,486	
Benefit payments	(54,934,361)	(53,545,268)	
Administrative expenses	-	-	
Net change in plan fiduciary position	7,196,432	80,610,847	
Fiduciary net position, beginning of the year	736,768,598	656,157,751	
Fiduciary net position, end of year (b)	743,965,030	736,768,598	
Net Pension Liability, end of year (a-b)	\$ 175,477,018	\$ 167,849,442	
Plan fiduciary net position as a percentage of total pension liability	80.91%	81.45%	
Covered payroll	\$ 124,085,795	\$ 117,688,771	
Plan's net pension liability as a percentage of covered payroll	141.42%	142.62%	

See accompanying independent auditor's report.

*** This schedule is presented to illustrate the requirement to show information for 10 years. The Plan presents information for available years and additional years will be displayed as they become available.*

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes – There have been no changes in benefit assumptions since GASB 67 was implemented.

Changes in assumptions – There were no changes in actuarial assumptions since the prior year, or since the implementation of GASB 67.

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHEDULE A-2
Unaudited

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	\$ 17,064,448	\$ 15,260,369	\$ 1,804,079	\$ 90,298,041	16.9%
2006	18,816,521	15,752,964	3,063,557	93,212,805	16.9%
2007	20,663,778	15,755,202	4,908,576	93,226,047	16.9%
2008	18,115,582	15,832,225	2,283,357	93,681,805	16.9%
2009	13,322,921	16,337,171	(3,014,250)	96,669,651	16.9%
2010	19,248,208	17,491,535	1,756,673	103,500,207	16.9%
2011	24,526,595	18,455,605	6,070,990	109,204,763	16.9%
2012	22,748,813	18,862,636	3,886,177	111,613,231	16.9%
2013	24,242,634	19,768,897	4,473,737	117,688,771	16.8%
2014	27,284,797	20,731,968	6,552,829	124,085,795	16.7%

See accompanying independent auditor's report.

Notes to Schedule of Contributions:

Valuation date:

Actuarially determined contribution rates are calculated as of July 1st of the fiscal year in which the contributions are reported. WSSC's policy is to complete an actuarial study at least once every two years.

**WASHINGTON SUBURBAN SANITARY COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 SCHEDULE A-2
 Unaudited**

Notes to Schedule of Contributions (Continued):

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age (funding valuation uses a fixed rate of contribution and the Frozen Initial Liability cost method to determine liabilities)
Amortization method	Not applicable
Amortization period	Not applicable
Amortization period at 01/01/2014	Not applicable
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	5.00%
Investment rate of return	8.0% net of pension plan investment expenses, including inflation
Cost of living adjustments	3.50%
Retirement age	Table of rates by age and eligibility
Mortality	RP-2000 Combined Healthy Annuitant Mortality Table for Males and Females. GAM83 tables with 10-year set forward were used for the valuation of disabled members.

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF HISTORICAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) INFORMATION
SCHEDULE B
Unaudited
(In thousands)

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	\$ 11,308	\$213,159	\$201,851	5.31%	\$111,929	180.3%
2011	21,296	205,941	184,645	10.34	113,634	162.5
2013	41,300	217,196	175,896	19.02	103,943	169.2

Fiscal Year Ended <u>June 30</u>	Annual OPEB Cost	Percentage of OPEB Contributed	Long-term OPEB Liability
2013	\$20,128	94.7%	\$36,756
2014	16,752	122.0	33,071
2015	16,766	133.5	27,458

According to policy, WSSC completes an actuarial study at least once every two years. No studies were performed in 2012 and 2014, consequently results are not displayed.