Agenda

Alexandria Renew Enterprises Board of Directors Meeting -
Tuesday, November 17, 2020 6:00 p.m.
Virtual

Due to the COVID-19 pandemic emergency, the November 17, 2020 Board of Directors meeting of Alexandria Renew Enterprises is being held electronically pursuant to Virginia Code Section 2.2-3708.2 (A)(3), the Continuity of Government ordinance adopted by the City Council on June 20, 2020 and/or Section 4.0-00(g) in HB29 and HB30 to undertake essential business.

The Board of Directors and staff are participating from remote locations through a video conference call on Zoom.

Links:
https://zoom.us/webinar/register/WN_HXNppqwpRgquqOch_IkgrA

After registering, you will receive a confirmation email containing information about joining the webinar.

Submission of written statements is encouraged. Written statements may be emailed to the Board Secretary at lorna.huff@alexrenew.com.

Public comment will be received at this meeting. If you wish to speak during public comment, please email or call the Board Secretary (703) 549-3381 ext. 2260 in advance so you can be put on the speakers list. A recording of the meeting will be posted on the alexrenew.com website after the meeting.

No.	Item	Presenter	Action Required
1.	Call Meeting to Order (6:00 p.m.)	Chairman	
2.	Approval of Agenda (6:03 p.m.)	Chairman	Approval
3.	Explanation of Required Procedures for an Electronic Meeting (6:15 p.m.)	Mr. Rak	Information
4.	Public Comment Period (6:35 p.m.)	Chairman	
5.	Consent Calendar (6:37 p.m.) (Minutes of September 15, 2020 Meeting) (Tab 1)	Chairman	Approval
6.	New Business (6:55 p.m.) *A.* Review and Approve Design/Build Contract for RiverRenew Tunnel System (under separate cover)	Chairman Ms. Pallansch	Approval
7.	Board of Director Reports (7:15 p.m.) *A.* Finance & Audit Committee: Recommendation to Endorse FY2020 Annual Audit (Tab 3)	Mr. Johnson	Approval
8.	CEO Reports (7:20 p.m.) (Tab 4)	Ms. Pallansch	Information
9.	Adjourn (7:25 p.m.)	Chairman	

Times shown in parentheses are approximate. If you need an interpreter, translator, materials in alternate format or other accommodations, please call (703) 549-3381 at least three business days prior to the meeting.

The next Regular Board meeting is scheduled for Tuesday, December 15, 2020 @ 6:00 p.m.

Minutes of the 876th Meeting - Virtual
"Celebrating Over 60 Years of Continuous Environmental Excellence"
Alexandria Renew Enterprises
6:00 p.m., Tuesday, September 15, 2020

On Tuesday, September 15, at 6:00 p.m., Alexandria Renew Enterprises held a virtual Board of Directors meeting with the following present:

Members:	Mr. John Hill, Chairman Mr. James Beall, Vice Chairman Mr. William Dickinson, Secretary-Treasurer Mr. Bruce Johnson, Member Ms. Adriana Caldarelli, Member
Staff:	Ms. Karen Pallansch, Chief Executive Officer Ms. Liliana Maldonado, Deputy General Manager, Engineering & Planning Mr. Blake Hamilton, Director of Environmental Performance Ms. Christine McIntyre, Director of Finance Ms. Allison Deines, Senior Policy Analyst Ms. Caitlin Feehan, Program Manager Mr. Alan Holtz, Director of Information Systems Ms. Lorna Huff, Secretary to the Board
Counsel:	Mr. Jonathan Rak, McGuireWoods, LLP
Consultants:	Mr. Justin Carl, Owner's Advisor, Brown and Caldwell
Fairfax County Representative:	Mr. Shahram Mohsenin, Director Fairfax County Wastewater Planning & Monitoring Division
City Representative:	Ms. Erin Bevis-Carver, Acting Division Chief T&ES/Sanitary Sewer Infrastructure Division

Call to Order

The Chairman called the meeting to order at 6:01 p.m.

Approval of Agenda

The Chairman requested that members review the Agenda and inquired if there were changes. There being no changes, the Chairman requested a motion to approve the Agenda. Mr. Dickinson moved and Mr. Beall seconded. The Board unanimously approved.

Explanation of Procedures

The Chairman recognized Mr. Rak who provided the following statement:

The September 15, 2020 Meeting of the Alexandria Renew Enterprises Board of Directors is being held electronically pursuant to Virginia Code Section 2.2-3708.2(A)(3), the Continuity of government ordinance adopted by the City Council on April 18, 2020 and/or Section 4-0.00(g) in HB29 and HB30 to undertake essential business. All of the members of the Board and staff are participating from remote locations through a video conference call on Zoom. Public notice of the meeting includes the link for web access and phone numbers for dial-in access. In accordance with the applicable law, this meeting is being recorded and the recording will be posted on the Alexandria Renew website following the meeting.

Although we have invited public comment, no one has signed up as requested in the public notice. No items on the agenda otherwise require a public hearing.

In compliance with the special procedures for electronic meetings, only items necessary to continue operations of Alexandria Renew and the discharge of its lawful purposes, duties, and responsibilities will be discussed during today's meeting. All votes during this meeting will require a roll call.

Please let me know if you have any questions about the procedures for this meeting.

Public Comment Period

There were no members of the public in attendance and wishing to speak. The Chairman closed the public comment period.

Consent Calendar

A. Review and Approve Minutes from the June 16, 2020 Board Meeting

The Chairman asked members to review the Minutes from the June 16, 2020 meeting and inquired if there were any questions or changes. There being no questions or changes, he requested a motion to approve the Consent Agenda. Mr. Beall moved and Mr. Dickinson seconded. The Chairman called the roll and all members voted Aye.

There being no additional discussion, the Chairman moved to CEO Recommendations and Reports.

CEO Recommendations and Reports

Ms. Pallansch discussed her CEO Report and provided updates on AlexRenew's activities for the month. Ms. Pallansch reported that work between Howard University and AlexRenew on detecting Covid-19 in wastewater was going well. Dr. Delgado Vela, project lead, recently received a grant from the National Science Foundation for work in this area. She noted additional material enclosed in the board package to inform members of on-going research in this area.

August was a rainy month at AlexRenew. The plant reached maximum peak flows. There were no overflows in the plant or collection system. Ms. Pallansch commended staff for managing flow with limited staffing.

Signage was posted at Robinson Terminal and around the City, informing citizens that work on the RiverRenew program is imminent. Ms. Pallansch referenced an information piece on the RiverRenew program from WJLA. Pre-work begins at Outfall 001 that includes removal of the RTN Warehouse. A video will be available on the AlexRenew website showing how the site will be developed.

Ms. Pallansch noted the RiverRenew Dashboard highlighting the new format to correspond with the Dashboard provided to the Council Board Workgroup. She encouraged members to share this with their colleagues.

She then noted on the financials that revenues are still strong but was uncertain whether that is sustainable. She reported on the graph showing delinquencies of 250,000. The SEC extended the moratorium on shut-offs to October 5.

Ms. Pallansch has requested that the Finance and Audit Committee reschedule their upcoming meeting to Monday, November 9, due to the difficulty performing an audit electronically and preparing documents for scanning.

Ms. Pallansch completed her report and inquired if members had questions or comments. Mr. Dickinson inquired on whether the Council Board Workgroup was still meeting. Ms. Pallansch reported that the group is not meeting but they receive a quarterly report including the new dashboard.

Mr. Dickinson further thanked Ms. Caldarelli for providing information on Dr. Gomez who will be making a presentation to a local citizens' association group. He inquired if AlexRenew should publicize its participation in the Covid-19 study. Ms. Pallansch reported that AlexRenew has noted their participation on the AlexRenew website and in its social media. He additionally inquired about reporting on CSO discharges during the heavy rains and the limited change in water usage considering that hotels and schools are not operating at capacity.

Ms. Pallansch reported that AlexRenew prepares an annual report to DEQ on CSO discharges. The limited revenue decrease indicates that most of the usage in the City is residential not commercial.

Mr. Beall inquired that at this point the pandemic has not had a significant effect on revenue. Ms. Pallansch reported that AlexRenew has not seen significant effects as of yet. The organization is doing well considering under the circumstances. She commended the Finance Department for maintaining its operations.

New Business

A. Election of Officers

Mr. Hill reported that he had discussions with members regarding election of officers. He reported that members wanted to maintain the current slate of officers. He then requested a motion to approve the current slate of officers. Mr. Dickinson moved for the current slate with John Hill as Chairman, Jim Beall as Vice Chairman, and William Dickinson as Secretary-Treasurer. Ms. Caldarelli seconded. The Chairman called the roll and all members voted Aye. The Board unanimously approved the current slate.

B. Review and Endorse Stakeholder Advisory Group (SAG)

Ms. Pallansch reported that AlexRenew had two prior SAGs. The first was run by the City. The second recently completed their work. As AlexRenew begins the design/build process, they would like to get a SAG onboard. The SAG will review and monitor the design/build construction process and communicate with the community as well as bring community concerns to RiverRenew.

The SAG will be an 8-member group with at-large members. They will focus on areas of construction around Outfalls 001, 002, 003 and 004. Members will serve one-year terms beginning January 2021. The terms are renewable for one year with a maximum duration of 3 years. AlexRenew will publish a solicitation to get the names of candidates. The City Manager or his designee, and Ms. Pallansch will review the names and make the selection. Staff wanted to bring this to the Board for their endorsement of the process.

Mr. Dickinson inquired on the size of prior SAGS. Ms. Pallansch reported that this is a smaller group to make it more manageable. Ms. Caldarelli inquired whether this will be determined geographically. Ms. Pallansch reported that the geographic was already set as part of the solicitation. Criteria for candidates include areas of expertise, especially in construction and involvement with local groups.

There were no additional questions or comments, the Chairman requested a motion to endorse the SAG process. Mr. Beall moved and Mr. Dickinson seconded. The Chairman called the roll and all members voted Aye. The Board unanimously approved.

The Chairman commended the AlexRenew organization for continuing operations and keeping the RiverRenew project on time during the pandemic. He further commended the Board and CEO for their leadership.

There were no additional questions or comments, the Chairman requested a motion to adjourn. Mr. Beall moved and Mr. Johnson seconded. The Board unanimously approved.

The meeting adjourned at 7:30 p.m.

APPROVED: ______________________________

Secretary-Treasurer

INTERNAL MEMORANDUM

TO: AlexRenew Board of Directors

FROM: Karen Pallansch, Chief Executive Officer

DATE: November 17, 2020

SUBJECT: Joint Action Item: Recommendation to Award the RiverRenew Tunnel System Project to Traylor-Shea Joint Venture

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Issue:

To design and construct the RiverRenew Tunnel System Project (Project), AlexRenew must award a contract to the Successful Proposer resulting from the two-step design-build procurement process associated with Request for Qualifications/Proposals 19-079.

Recommendation:

Staff respectfully recommends that the Board of Directors authorize the Chief Executive Officer (CEO) to enter into a contract with Traylor-Shea Joint Venture (TSJV) in the amount of $454,400,000 from November 2020 through September 2025.

Budget and Funding:

Funding for the Project is included in the approved FY2021 CIP budget as debt bonding to be secured through the Federal Water Infrastructure Finance and Innovation Act (WIFIA) and the Virginia Clean Water Revolving Loan Fund (CWRLF) programs.

Discussion:

The Project is being implemented by AlexRenew to comply with a 2017 law to control the discharge of combined sewer overflows to Alexandria's waterways. Solicitations associated with the contract were conducted in accordance with AlexRenew's *Procedures for the Procurement of Construction Management and Design-Build* (rev. December 19, 2017), the Virginia Public Procurement Act, and Virginia Code Title 2.2, Chapter 43.1 on Construction Management and Design-Build Contracting.

The two-step design-build procurement process included Request for Qualifications (RFQ) and Request for Proposals (RFP) periods. The RFQ was released in June 2019 and eight (8) design-build teams provided Statements of Qualifications in response to the RFQ. In October 2019, AlexRenew shortlisted three (3) design-build teams bringing the RFQ period to a close.

In February 2020, AlexRenew released the RFP Documents to the shortlisted design-build teams. Following an extensive collaboration period with the shortlisted teams between March and July 2020, Technical and Price Proposals were received by AlexRenew in September 2020.

AlexRenew evaluated Proposals based upon the criteria set forth in RFP, with the Technical Proposal having an overall weighting of fifty percent (50%) and the Price Proposal having an overall weighting of fifty percent (50%). AlexRenew used this as the basis for a best value selection. Table 1 summarizes the evaluation results of Technical and Price Proposals.

Table 1. Summary of RFP-19-079 Technical and Price Proposal Evaluation

Item	TSJV	Proposer A	Proposer B
Technical Proposal Score (out of 100 points)	66.1	49.3	67.1
Price Proposal ($ millions)	$453.5	$469.1	$589.6M
Price Proposal Score (out of 100 points)	100.0	96.7	76.9
Total Score (out of 100 points)	**83.1**	**73.0**	**72.0**

Following evaluation of the Technical Proposals, TSJV was determined to be the Successful Proposer by providing the best value based on a 50 percent technical and 50 percent price weighting. As part of contract negotiations, AlexRenew coordinated with TSJV to incorporate innovative design and construction approaches into the contract. These approaches significantly improve the long-term operability and maintenance of the tunnel system, help manage long term operational costs and resulted in an updated contract value to $454.4 million.

Congruence with AlexRenew Strategic Plan:

This action enables AlexRenew's strategy of Operational Excellence.

ACTION TAKEN:

APPROVED: ______ DISAPPROVED: ______

APPROVED WITH MODIFICATION: ______

MODIFICATIONS: ____________________

ALEXANDRIA
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Report of Audit Results to the Audit Committee

June 30, 2020

YHB CPAs & Consultants

50 South Cameron St.
Winchester, VA 22601

540.662.3417
YHBcpa.com
540.662.4211

October 8, 2020

Audit and Finance Committee
Alexandria Renew Enterprises
Alexandria, Virginia

We are pleased to present this report related to our audit of the financial statements of Alexandria Renew Enterprises (the Authority) as of and for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

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

Yount, Hyde & Barbour, P.C.

YOUNT, HYDE & BARBOUR, P.C.

Required Communications

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

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 30, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated June 30, 2020 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Unbilled Accounts Receivable is a significant accounting estimate of the Authority. Usage from the last billing cycle through the end of the month is accrued based on the following month billing reports provided by Greater Cincinnati Water Works. The allowance for doubtful accounts is a significant accounting estimate. Management bases the estimate for the allowance for doubtful accounts on identification of accounts likely to be uncollectible.

Area	Comments
Accounting Policies and Practices (continued)	Management states applicable investments at fair value, which is a significant accounting estimate. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The net pension liability is a significant accounting estimate. Management relies on certified actuarial valuations for calculation of the net pension liability.
Basis of Accounting	The financial statements were prepared on the assumption that the Authority will continue as a going concern.
Audit Adjustments	Adjustments recorded during the audit process, other than those that are clearly trivial, are shown as an attachment.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Departure from the Auditor's Standard Report	The financial statements of the Authority include required supplementary information. In light of this, we plan to include an other matters paragraph in the auditor's report. Below is a draft of the paragraph to be included in the auditor's report: ***Other Matters*** *Required Supplementary Information* *Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison schedules, schedule of changes in the net pension (asset)/liability and the schedule of employer contributions 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 the 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.*

Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters. We are aware the Authority contracted Moore Stephens Lovelace, an independent accounting and consulting services firm to assist with the preparation of the Comprehensive Annual Financial Report for the year ended June 30, 2020.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Other Information in Documents Containing Audited Financial Statements	With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.
Material Weaknesses in Internal Control Over Financial Reporting	We have not identified any material weaknesses in internal control over financial reporting during our audit of the financial statements.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, is attached.

Alexandria Renew Enterprises (the Authority)
Upcoming Accounting Pronouncements
As of June 30, 2020

The Authority will adopt the following new accounting standards issued by GASB by the required effective dates:

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2021.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principal that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 90, *Majority Equity Interests*, clarifies majority equity interest reporting rules. This Statement requires that a government's majority equity interest in a legally separate organization should be reported as an investment if that equity interest meets GASB's definition of an investment. This Statement will be effective for the year ending June 30, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. An issuer should not recognize a conduit debt obligation as a liability; however, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain criteria are met. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing issues that have been identified during implementation and application of certain GASB Statements. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement will be effective for the year ending June 30, 2023.

The Authority has not yet evaluated the effects, if any, of adopting these standards.

AlexRenew

Year End: June 30, 2020

Journal Entries: Adjusting

Date: 7/1/2019 To 6/30/2020

Number	Date	Name		Account No	Debit	Credit
		Net Income (Loss) Before Adjustments				
1	6/30/2020	ALX-NET REVENUE-GEN		10-3001-00000		-462.63
1	6/30/2020	ALX-MISCELLANEOUS	AF-ADMIN	10-6190-10000	462.63	
		To agree net position to PY audited financial statements				
					462.63	-462.63
PBC.002	6/30/2020	SDS-CLEARING-GEN		50-0000-00000		-64,677,248.46
PBC.002	6/30/2020	SDS-BUILDING-GEN		50-0414-00000	28,020.07	
PBC.002	6/30/2020	SDS-PLANT EQUIP-GEN		50-0455-00000	1,167,111.21	
PBC.002	6/30/2020	SDS-PLANT ARLINGTON COUNTY CAPACITY RIGHTS-GEN		50-0459-00000	291,525.00	
PBC.002	6/30/2020	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN		50-0490-00000	342,137.12	
PBC.002	6/30/2020	SDS-VEHICLES-GEN		50-0510-00000	16,988.34	
PBC.002	6/30/2020	SDS-INFRASTRUCTURE/PLANT-GEN		50-0531-00000	2,925,369.09	
PBC.002	6/30/2020	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN		50-0595-00000	51,501,472.64	
PBC.002	6/30/2020	SDS-CONSTRUCTION INPROCESS*GENL FD-GEN		50-0596-00000	8,404,624.99	
		PBC Entry - to record FA addiitons				
					64,677,248.46	-64,677,248.46
PBC.003	6/30/2020	SDS-ISSUANCE COST-GEN		50-0507-00000		-264.09
PBC.003	6/30/2020	SDS-ACCUM DEPR.*BLGD -GEN		50-0589-00000		-2,383,273.66
PBC.003	6/30/2020	SDS-ACCUM DEPR.*PLANT-GEN		50-0590-00000		-13,463,768.06
PBC.003	6/30/2020	SDS-ACCUM DEPR.*PLANT/EQUIP-GEN		50-0591-00000		-2,506,941.20
PBC.003	6/30/2020	SDS-ACCUM DEPR. * ARL CTY-GEN		50-0592-00000		-1,030,500.97
PBC.003	6/30/2020	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN		50-0593-00000		-553,551.34
PBC.003	6/30/2020	SDS-ACCUM DEPR*VEHICLES-GEN		50-0594-00000		-43,580.09
PBC.003	6/30/2020	SDS-DEPRECIATION BUILDING-GEN		50-6026-00000	2,383,273.66	
PBC.003	6/30/2020	SDS-DEPRECIATION PLANT-GEN		50-6027-00000	15,970,709.26	
PBC.003	6/30/2020	SDS-DEPRECIATION OFFICE-GEN		50-6028-00000	553,551.34	
PBC.003	6/30/2020	SDS-DEPRECIATION VEHICLES-GEN		50-6029-00000	43,580.09	
PBC.003	6/30/2020	SDS-AMORTIZATION EXPENSE-GEN		50-6049-00000	1,030,765.06	
		PBC Entry - Record depreciation FY20				
					19,981,879.41	-19,981,879.41

PBC.004	6/30/2020	SDS-BUILDING-GEN	50-0414-00000		-3,964.60
PBC.004	6/30/2020	SDS-PLANT EQUIP-GEN	50-0455-00000		-910,244.97
PBC.004	6/30/2020	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000		-667,431.20
PBC.004	6/30/2020	SDS-ACCUM DEPR.*BLGD -GEN	50-0589-00000	148.68	
PBC.004	6/30/2020	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000	56,047.45	
PBC.004	6/30/2020	SDS-ACCUM DEPR.*PLANT/EQUIP-GEN	50-0591-00000	147,211.06	
PBC.004	6/30/2020	SDS-GAIN/LOSS ON PROPERTY-GEN	50-5006-00000	1,404,342.41	
PBC.004	6/30/2020	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000		-18.21
PBC.004	6/30/2020	SDS-DEPRECIATION PLANT-GEN	50-6027-00000		-26,090.62
		PBC Entry - Record fixed asset retirements FY20			
				1,607,749.60	-1,607,749.60
PBC.005	6/30/2020	SDS-CLEARING-GEN	50-0000-00000	113,624.70	
PBC.005	6/30/2020	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000		-113,624.70
		PBC Entry - REcord fixed asset CIP transfer			
				113,624.70	-113,624.70
PBC.006	6/30/2020	SDS-CLEARING-GEN	50-0000-00000		-113,624.70
PBC.006	6/30/2020	SDS-BUILDING-GEN	50-0414-00000	113,624.70	
		PBC Entry - Record fixed asset addtions - transfer from CIP			
				113,624.70	-113,624.70
PBC.007	6/30/2020	ALX-DUE TO/FROM SDS-GEN	10-2630-00000	158,388.06	
PBC.007	6/30/2020	ALX-ENGINEERING AF-ENGINEERING	10-6370-12000		-81,996.37
PBC.007	6/30/2020	ALX-ENGINEERING ALX ONLY-ENGINEERING	10-6380-12000		-76,391.69
PBC.007	6/30/2020	IRR-DUE TO/FROM SDS-GEN	30-2630-00000	4,325,615.27	
PBC.007	6/30/2020	IRR-PROJECT MANAGEMENT-PROCESS ADMIN	30-4010-16000		-171,334.93
PBC.007	6/30/2020	IRR-BUILDINGS-BUILDINGS	30-4140-16100		-38,151.45
PBC.007	6/30/2020	IRR-SECURITY UPGRADES	30-4481-20130		-1,588,646.76
PBC.007	6/30/2020	IRR-PLANT EQUIP-ENG*CENTRATE PRETREATMENT	30-4550-12069		-54,997.73
PBC.007	6/30/2020	IRR-PLANT EQUIP-RAW SEWAGE PUMPING	30-4550-16011		-24,711.77
PBC.007	6/30/2020	IRR-PLANT EQUIP-FINE SCREENING	30-4550-16012		-17,206.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-BIOLOGICAL REACTOR BASINS	30-4550-16021		-130,941.44
PBC.007	6/30/2020	IRR-PLANT EQUIP-RAS PUMPING	30-4550-16025		-39,654.72
PBC.007	6/30/2020	IRR-PLANT EQUIP-TERTIARY SLUDGE PUMPING	30-4550-16033		-76,829.17
PBC.007	6/30/2020	IRR-PLANT EQUIP-FILTER BACKWASH PUMPING	30-4550-16035		-5,324.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-UV DISINFECTION	30-4550-16037		-38,240.50
PBC.007	6/30/2020	IRR-PLANT EQUIP-PLANT WATER (W3)	30-4550-16055		-188,927.51
PBC.007	6/30/2020	IRR-PLANT EQUIP-GRAVITY THICKENING	30-4550-16060		-107,121.90
PBC.007	6/30/2020	IRR-PLANT EQUIP-VFA CENTRATE RECYCLE	30-4550-16067		-13,290.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-DIGESTER GAS	30-4550-16072		-243,416.98
PBC.007	6/30/2020	IRR-PLANT EQUIP-STEAM BOILER AND FEEDWATER SYS	30-4550-16074		-136,329.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-CENTRIFUGE DEWATERING	30-4550-16080		-69,726.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-BIO PASTEURIZATION	30-4550-16085		-156,948.90
PBC.007	6/30/2020	IRR-PLANT EQUIP-MAJOR ELECTRICAL	30-4550-16095		-839,131.07
PBC.007	6/30/2020	IRR-PLANT EQUIP-OPS*BIOLOGICAL REACTOR BASINS	30-4550-17021		-6,393.00
PBC.007	6/30/2020	IRR-PLANT EQUIP-OPS*GRAVITY THICKENING	30-4550-17060		-191,070.05
PBC.007	6/30/2020	IRR-INFO SYSTEMS & OTHER-ADMIN INFO SYS	30-4900-10089		-16,313.56
PBC.007	6/30/2020	IRR-INFO SYSTEMS & OTHER-ENG*INFORMATION SYSTEMS	30-4900-12089		-42,556.51

PBC.007	6/30/2020	IRR-INFO SYSTEMS & OTHER-INFORMATION SYSTEMS	30-4900-16089		-111,363.98
PBC.007	6/30/2020	IRR-VEHICLES/MOVEABLE EQUIP-VEHICLES/MOVEABLE EQUI	30-5100-16094		-16,988.34
PBC.007	6/30/2020	GFD-TRFR TO/FROM SDS-GEN	40-2326-00000	8,800,600.80	
PBC.007	6/30/2020	GFD-FINAL DESIGN-NORTH POTOMAC YARDS PUMP STATION	40-4360-77465		-61,620.34
PBC.007	6/30/2020	GFD-CONSTRUCTION PERMITTING LEGAL-RR TUNNEL SYSTEM	40-4510-77220		-8,095,877.65
PBC.007	6/30/2020	GFD-Capital Funding Fees-PAC System Upgrade	40-4710-77020		-21,225.00
PBC.007	6/30/2020	GFD-WEB DESIGN-CSR	40-6164-10100		-100,819.25
PBC.007	6/30/2020	GFD-ARLINGTON COUNTY-FINANCE	40-6435-11000		-291,525.00
PBC.007	6/30/2020	GFD-CONSTRUCTION-ENVIRONMNTL CNTR	40-7011-77050		-3,631.56
PBC.007	6/30/2020	GFD-CONSTRUCTION-WET WEATHER MGT TUNNEL	40-7011-77220		-61,752.00
PBC.007	6/30/2020	GFD-Capital Funding Costs-WET WEATHER STORAGE TUNN	40-7016-77220		-164,150.00
PBC.007	6/30/2020	SDS-CLEARING-GEN	50-0000-00000	64,677,248.46	
PBC.007	6/30/2020	SDS-TRANSFERS FROM CONSTRUCTION FUND-GEN	50-2336-00000		-51,392,644.33
PBC.007	6/30/2020	SDS-TRANSFERS FROM GENERAL FUND-GEN	50-2348-00000		-8,800,600.80
PBC.007	6/30/2020	SDS-TRANSFERS FROM IRR-GEN	50-2357-00000		-4,325,615.27
PBC.007	6/30/2020	SDS-DUE TO/FROM ALEX-GEN	50-2630-00000		-158,388.06
PBC.007	6/30/2020	CFD-TRANSFER TO/FROM SDS-GEN	60-2326-00000	51,392,644.33	
PBC.007	6/30/2020	CFD-PROJECT MANAGEMENT-RR TUNNEL SYSTEM	60-4010-77220		-3,490,107.09
PBC.007	6/30/2020	CFD-PLANNING-Tertiary Settle Tanks	60-4110-77001		-35,964.40
PBC.007	6/30/2020	CFD-PLANNING-Tertiary Filters	60-4110-77002		-28,810.66
PBC.007	6/30/2020	CFD-PLANNING-WRRF Plant-Wide	60-4110-77003		-150,944.69
PBC.007	6/30/2020	CFD-PLANNING-RR TUNNEL SYSTEM	60-4110-77220		-675,817.30
PBC.007	6/30/2020	CFD-PRELIMINARY ENGINEERING-RR TUNNEL SYSTEM	60-4210-77220		-4,431,031.70
PBC.007	6/30/2020	CFD-SCHEMATIC DESIGN-RR TUNNEL SYSTEM	60-4310-77220		-6,969,114.50
PBC.007	6/30/2020	CFD-FINAL DESIGN -PAC SYSTEM UPGRADE	60-4360-77020		-10,362.66
PBC.007	6/30/2020	CFD-FINAL DESIGN -RR BLDG J DECOMMISSIONING	60-4360-77222		-7,215.27
PBC.007	6/30/2020	CFD-PROCUREMENT-PAC SYSTEM UPGRADE	60-4410-77020		-13,316.24
PBC.007	6/30/2020	CFD-PROCUREMENT-RR TUNNEL SYSTEM	60-4410-77220		-594,131.14
PBC.007	6/30/2020	CFD-PROCUREMENT-RR 116 MGD EXPANSION	60-4410-77221		-18,629.02
PBC.007	6/30/2020	CFD-CONSTRUCTION PERMITTING -RR TUNNEL SYSTEM	60-4510-77220		-368,707.33
PBC.007	6/30/2020	CFD-CONSTRUCTION-PAC SYSTEM UPGRADE	60-4610-77020		-8,851,904.19
PBC.007	6/30/2020	CFD-CONSTRUCTION-RR TUNNEL SYSTEM	60-4610-77220		-2,910,005.26
PBC.007	6/30/2020	CFD-CONSTRUCTION-RR 116 MGD EXPANSION	60-4610-77221		-2,889,426.96
PBC.007	6/30/2020	CFD-CONSTRUCTION-RR BLDG J DECOMMISSIONING	60-4610-77222		-17,124,468.57
PBC.007	6/30/2020	CFD-CONSTRUCTION-PLC UPGRADE	60-4610-77225		-854,100.99
PBC.007	6/30/2020	CFD-CONSTRUCTION-Fiber Optic Backbone Upgrade	60-4610-77227		-989,189.65
PBC.007	6/30/2020	CFD-CONSTRUCTION-HMI UPGRADE	60-4610-77464		-521,932.67
PBC.007	6/30/2020	CFD-VALUE ENGINEERING-MAIN DEAMONIFICATION	60-7010-77150		-49,902.99
PBC.007	6/30/2020	CFD-CONSTRUCTION-INFORMATION TECHNOLOGY	60-7011-77035		-142,245.00
PBC.007	6/30/2020	CFD-SDC-MAIN DEAMONIFICATION	60-7012-77150		-42,476.42
PBC.007	6/30/2020	CFD-SERVICES DURING CONSTRUCTION-SECURITY	60-7012-77160		-215,756.30
PBC.007	6/30/2020	CFD-COMMISSIONING-MAIN DEAMONIFICATION	60-7013-77150		-7,083.33
		PBC Entry - Remove CIP additions from R&M accounts			
				129,354,496.92	-129,354,496.92

PBC.008	6/30/2020	ALX-REFUND TO FAIRFAX COUNTY-GEN	10-0165-00000		-893,783.34
PBC.008	6/30/2020	ALX-FAIRFAX O & M CHARGES-GEN	10-5051-00000	893,783.34	
		PBC Entry - FY20 Fairfax Allocation adjustment			
				893,783.34	-893,783.34
PBC.009	6/30/2020	ALX-DEFERRED INFLOW OPEB-GEN	10-2362-00000		-340,155.00
PBC.009	6/30/2020	ALX-DEFERRED OUTFLOWS OPEB-GEN	10-2363-00000	87.00	
PBC.009	6/30/2020	ALX-OPEB-GEN	10-2635-00000	440,339.00	
PBC.009	6/30/2020	ALX-OPEB * LIABILITY-HUMAN RESOURCES	10-6074-13000		-100,271.00
		PBC - Record FY20 OPEB adjustment to actuarial report.			
				440,426.00	-440,426.00
				217,183,295.76	**-217,183,295.76**

October 8, 2020

Yount, Hyde & Barbour, P.C.
P.O. Box 2560
Winchester, VA 22604

This representation letter is provided in connection with your audit of the basic financial statements Alexandria Renew Enterprises as of and for the year ended June 30, 2020 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of October 8, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 30, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions and interfund transactions, interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as amended.

7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. We have no direct or indirect legal or moral obligation for any debt of the organization, public or private, that is not disclosed in the financial statements.

10. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.

11. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

12. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.

13. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act because we have received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit. YHB has been engaged to perform the Single Audit.

14. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

15. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

    b. Additional information that you have requested from us for the purpose of the audit;

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and

    d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.

17. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

18. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.

20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

21. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

22. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

23. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize and report financial data.

24. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

25. We agree with the findings of the specialists in evaluating net pension and other post-employment benefit plans (the Plans) and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

    In addition, we believe that the actuarial assumptions and methods used by the actuaries for funding purposes and for determining accumulated benefits of the Plans are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan's actuary.

26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

27. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

28. With respect to Required Supplementary Information (Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions, Schedule of OPEB Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Investment Returns – OPEB Trust) presented as required by Government Accounting Standards Board to supplement the basic financial statements:

a. We acknowledge our responsibility for the presentation of such required supplementary information.

b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

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

29. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

30. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

31. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

32. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

33. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of waste or abuse that could be quantitatively or qualitatively material to the financial statements.

34. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

35. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

36. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.

37. Has a process to track the status of audit findings and recommendations.

38. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

39. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

40. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

41. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

42. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

43. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

44. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes has been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

45. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

46. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

47. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

48. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.

49. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).

50. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

51. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

52. Management has disclosed to the auditor any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

53. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

54. Management is responsible for taking corrective action on audit findings of the compliance audit.

55. There have been no prior audit findings or communications by federal awarding agencies and pass-through entities.

56. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

57. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

58. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

59. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

60. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

61. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

62. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

63. If applicable, management has considered the results of subrecipient monitoring and audits and has made any necessary adjustments to the auditee's own books and records.

64. Management has charged costs to federal awards in accordance with applicable cost principles.

65. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

66. The reporting package does not contain protected personally identifiable information.

67. Management has accurately completed the appropriate sections of the data collection form.

68. If applicable, management has disclosed all contracts or other agreements with service organizations.

69. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

70. Management will make the audited financial statements readily available to the intended users of the schedule no later than the issuance date by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.

ALEXNDRIA RENEW ENTERPRISES

Karen L. Pallansch, P.E., BCEE
Chief Executive Officer

Christine McIntyre
Director of Finance

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Winchester, VA 22601
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and the fiduciary fund of Alexandria Renew Enterprises, as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise Alexandria Renew Enterprises' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the fiduciary fund of Alexandria Renew Enterprises, as of June 30, 2020, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alexandria Renew Enterprises' basic financial statements. The Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020 on our consideration of Alexandria Renew Enterprises' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alexandria Renew Enterprises' internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 8, 2020

ALEXANDRIA RENEW ENTERPRISES

Alexandria, Virginia

SINGLE AUDIT REPORTING PACKAGE

June 30, 2020

C O N T E N T S

YHB CPAs & Consultants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity and fiduciary fund of Alexandria Renew Enterprises as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Alexandria Renew Enterprises' basic financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alexandria Renew Enterprises' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alexandria Renew Enterprises' internal control. Accordingly, we
do not express an opinion on the effectiveness of Alexandria Renew Enterprises' internal control.
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 8, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Alexandria Renew Enterprises
Alexandria Virginia

Report on Compliance for Each Major Federal Program

We have audited Alexandria Renew Enterprises' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Alexandria Renew Enterprises' major federal program for the year ended June 30, 2020. Alexandria Renew Enterprises' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Alexandria Renew Enterprises' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alexandria Renew Enterprises' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Alexandria Renew Enterprises' compliance.

Opinion on Each Major Federal Program

In our opinion, Alexandria Renew Enterprises complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Alexandria Renew Enterprises is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alexandria Renew Enterprises' internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alexandria Renew Enterprises' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and fiduciary fund of Alexandria Renew Enterprises as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Alexandria Renew Enterprise's basic financial statements. We issued our report thereon dated October 8, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 8, 2020

ALEXANDRIA RENEW ENTERPRISES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number(s)	Passed Through to Subrecipients	Federal Expenditures
Passed through Virginia Resources Authority				
U.S. Department of Environmental Protection Agency:				
Capitalization Grant for Clean Water State Revolving Funds	66.458	CS-51001-19	n/a	$ 2,811,332
Total Expenditures of Federal Awards				$ 2,811,332

The accompanying notes are an integral part of this schedule.

ALEXANDRIA RENEW ENTERPRISES

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alexandria Renew Enterprises under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Alexandria Renew Enterprises, it is not intended to and does not present the financial position, changes in net position or cash flows of Alexandria Renew Enterprises.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Virginia Water Facilities Revolving Fund

For the Virginia Water Facilities Revolving fund loan listed in the Schedule of Expenditures of Federal Awards, the Authority had the following loan balance outstanding at June 30, 2020:

Federal CFDA	Grant Number	Loan Number	Balance Outstanding
66.458	CS-510001-19	C-515652E-01	$ 2,326,523

Note 4. Indirect Cost Rate

Alexandria Renew Enterprises does not have a negotiated indirect cost rate. Entities that do not have a negotiated rate can elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Alexandria Renew Enterprises is not using the 10 percent de minimis indirect cost rate. The contract awards specify the maximum amount of indirect costs that are allowed to be reimbursed under each program.

ALEXANDRIA RENEW ENTERPRISES

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	None Reported.
Noncompliance material to financial statements noted?	No.

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No.
• Significant deficiency(ies) identified?	None Reported.
Type of auditor's report issued on compliance for major programs:	Unmodified.
Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No.

Identification of major programs:

CFDA: 66.458 Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs	$750,000
Did the auditee qualify as low-risk auditee?	No.

II. Section II - Financial Statement Findings — None.

III. Section III - Federal Award Findings and Questioned Costs — None.

IV. Summary Schedule of Prior Audit Findings — None.

ALEXANDRIA RENEW ENTERPRISES

Alexandria, Virginia

ALLOCATION OF CURRENT EXPENSES

FOR THE YEAR ENDED
JUNE 30, 2020

ALLOCATION OF CURRENT EXPENSES FOR OPERATIONS AND MAINTENANCE OF THE SEWAGE TREATMENT DISPOSAL SYSTEM BETWEEN ALEXANDRIA RENEW ENTERPRISES AND THE BOARD OF SUPERVISORS OF FAIRFAX COUNTY, VIRGINIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

We have audited the accompanying allocation of current expenses for operations and maintenance of the sewage treatment disposal system (the "schedule") between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia (the "County") and the related notes to the schedule for the year ended June 30, 2020, in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

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

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the allocation of current expenses for operations and maintenance of the sewage treatment disposal system between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia for the year ended June 30, 2020, in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998.

Report on Audited Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Alexandria Renew Enterprises as of and for the year ended June 30, 2020, and the related notes to the financial statements. Our report thereon dated October 8, 2020, expressed an unmodified opinion on those financial statements.

This report is intended solely for the information and use of the Board and management of Alexandria Renew Enterprises and the County and is not intended to be and should not be used by anyone other than these specified parties.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 8, 2020

ALEXANDRIA RENEW ENTERPRISES

Allocation of 2019 - 2020 Current Expenses for Operations and Maintenance of the Sewage Treatment Disposal System
Between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia

For the Year Ended June 30, 2020

Item	Total Current Expense	Less: Portion applicable to facilities used solely by Alexandria — Administration	Less: Portion applicable to facilities used solely by Alexandria — Pumping Stations	Current Joint Expense
Personnel Services:				
Administration	$ 2,761,322	$ 186,013	$ 8,288	$ 2,567,021
Operation and Maintenance	6,936,052	125,558	25,534	6,784,960
Total personnel services	9,697,374	311,571	33,822	9,351,981
Contractual services:				
Employee Retirement	938,915	30,167	3,275	905,473
Employee Welfare	2,683,545	86,221	9,360	2,587,964
Property and liability insurance	472,105	- -	17,940	454,165
Utility service	3,452,848	- -	6,977	3,445,871
Equipment				
-Operations and maintenance	1,230,156	242,205	73,129	914,822
Structure and grounds				
-Operations and maintenance	- -	- -	- -	- -
Process chemicals	1,746,218	- -	- -	1,746,218
Professional Services	1,534,072	293,867	- -	1,240,205
Customer Billing	1,198,497	1,198,497	- -	- -
Sewage Disposal Service				
-Arlington County	1,150,208	1,150,208	- -	- -
Residuals disposal	991,265	- -	- -	991,265
General expenses	1,621,770	46,756	- -	1,575,014
Total contractual services	17,019,599	3,047,921	110,681	13,860,997
Total current expenses	$ 26,716,973	$ 3,359,492	$ 144,503	$ 23,212,978

Computation of Share of 2019 - 2020 Current Expenses for Operations and Maintenance of the Sewage Disposal System
Used Jointly by Alexandria Renew Enterprises and Fairfax County to be Assumed by Fairfax County

Total Current Expenses		$ 26,716,973
Portion Applicable to Joint Use		$ 23,212,978
Total Sewage Flow Received at Treatment Plant	12,961,990 MG	
Portion Contributed by Fairfax County	6,008,244 MG	
Percentage of Total Flow Contributed by Fairfax County	46.35%	
Fairfax County's Share of Costs		$ 10,759,863
LESS: Payments Received from Fairfax County		11,653,646
Total balance due to Fairfax County from Alexandria Renew Enterprises		$ 893,783

See Accompanying Notes to Schedule.

Note 1. Basis of Presentation

The accompanying Schedule of Allocation of 2019 - 2020 Current Expenses for Operations and Maintenance of the Sewage Treatment Disposal System between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia (the "County"), is presented in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998, on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, except for the changes in pension plan actuarial adjustments.

Note 2. Estimates

Management uses estimates and assumptions in preparing the Schedule of Allocation. Actual results could differ from those estimates. Management also applies judgment in allocating certain expenses among various line items, and in estimating the expenses attributable only to Alexandria Renew Enterprises.

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Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia

Management and the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

Independent Accountant's Report

We have examined management of Alexandria Renew Enterprises' assertion that the census data reported to the Virginia Retirement System by Alexandria Renew Enterprises during the year ended June 30, 2020, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia. Management of Alexandria Renew Enterprises is responsible for its assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the census data reported to the Virginia Retirement System by Alexandria Renew Enterprises during the year ended June 30, 2020, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia, is fairly stated, in all material respects.

This report is intended solely for the information and use of Alexandria Renew Enterprises and the Auditor of Public Accounts of the Commonwealth of Virginia and is not intended to be and should not be used by anyone other than these specified parties.

YOUNT, HYDE & BARBOUR, P.C.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 8, 2020

Appendix A

We identified one control environment during this review for which Alexandria Renew Enterprises was responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which Alexandria Renew Enterprises was responsible:

Required Audit Procedure	Population Size	Sample Size	Risks and Other Considerations Used to Determine Sample Size	Deviations Disclosed
Review of Census Data Elements	124	35	AICPA Audit Sampling Audit Guide dated December 1, 2019, Chapter 3, *Nonstatistical and Statistical Audit Sampling in Tests of Controls,* Table 3-4, *Limited Effect of Population Size on Sample Size,* using parameters of 10% Risk of Overreliance, 10% Tolerable Rate of Deviation, and 1% expected population deviation rate.	None.
Review of Eligibility of Newly Enrolled Members Reported to the VRS	24	6	AICPA Audit Sampling Audit Guide dated December 1, 2019, Chapter 3, *Nonstatistical and Statistical Audit Sampling in Tests of Controls,* Table 3-5, *Testing Operating Effectiveness of Small Populations*.	None.
Review of Monthly *my*VRS Navigator Contribution Confirmation Reconciliations	12	4	Same as above	None.
Review of *my*VRS Navigator System Access	3	3	Same as above	None.

YOUR INVESTMENTS AT WORK

Adapting to Deliver Healthier Waterways

ALEXANDRIA renew ENTERPRISES®

2020 | **Comprehensive Annual Financial Report**
For the Fiscal Year Ended June 30, 2020
Alexandria, Virginia

ALEXANDRIA RENEW ENTERPRISES

ALEXANDRIA, VA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

Prepared by the Finance Department

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ALEXANDRIA RENEW ENTERPRISES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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Introductory Section

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ALEXANDRIA RENEW ENTERPRISES
TRANSMITTAL LETTER

November 17, 2020

To the Board of Directors of Alexandria Renew Enterprises and Our Customers and Stakeholders:

The Comprehensive Annual Financial Report (CAFR) for Alexandria Renew Enterprises (AlexRenew) for the fiscal year ended June 30, 2020 is submitted herewith. This report has been prepared in accordance with generally accepted accounting principles (GAAP) as recommended by the Governmental Accounting Standards Board (GASB) and audited by a firm of independent certified public accountants.

This report presents the financial position of AlexRenew; demonstrates compliance with applicable finance-related legal and contractual provisions; and reflects the principle of full disclosure, allowing readers to gain maximum understanding of AlexRenew's financial position. The accuracy of the data represented, as well as the completeness and fairness of the presentation, including all disclosures, is the responsibility of AlexRenew. To the best of our knowledge and belief, this report is accurate in all material respects and presents fairly the financial position and results of operations of AlexRenew.

Yount, Hyde & Barbour, P.C., an independent registered public accounting firm have audited AlexRenew's financial statements for the year ended June 30, 2020. The independent auditor's report is presented in the financial section of the CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a general overview and analysis of the accompanying financial statements. This letter of transmittal is prepared to complement the MD&A and should be read in conjunction with it.

FY20 is also the first full 12-month period since AlexRenew changed its fiscal year cycle effective July 1, 2019. The prior fiscal period ended June 30, 2019 (FP19) and covered a 9-month short period; as a result, certain comparisons to FY20 throughout this report are omitted, adjusted or explained, due to the differing time periods covered by the most recent FY20 and the prior FP19.

PROFILE OF ALEXRENEW

Established in 1952 by the Alexandria City Council, AlexRenew's chartered mission is to clean wastewater and protect public health and the environment. AlexRenew cleans approximately 35 million gallons of wastewater per day and employs approximately 100 environmental stewards that serve more than 329,000 customers in the City of Alexandria (City) and parts of Fairfax County. AlexRenew owns approximately $1 billion in total assets, including three pump stations, two service chambers, four intercepting sewers, four combined sewer outfalls, and a water resource recovery facility.

AlexRenew is governed by a five-member citizen Board of Directors (Board) and is a political subdivision of the Commonwealth of Virginia created under the Virginia Water and Waste Authorities Act. AlexRenew is an independent, special-purpose government unit with administrative and financial independence from the City. The Board appoints the Chief Executive Officer, who is responsible for the daily management of AlexRenew.

LOCAL ECONOMY

The City has experienced a stable economy over the last decade, and this trend is expected to continue despite some fluctuation attributable to the ongoing COVID-19 pandemic. As an inner suburb to Washington, DC, the City has been historically impacted in various ways due to fluctuations in federal spending, but has proved resilient during past economic crises. While the City's unemployment rate increased due to the pandemic – measured at 7.8% as of July 2020 – it remains below the national unemployment rate of 10.5% and the Virginia unemployment rate of 8.0% and has been steadily declining each month since March 2020.

The largest sectors of employment by total wages in the City are professional, scientific, and technical services, and public administration. The U.S. Patent and Trademark Office, National Science Foundation and a number of non-profits and associations maintain headquarters in the City and Amazon's announcement that it will build part of its new second corporate headquarters in nearby National Landing is also expected to impact the jobs picture positively.

City real estate values have continued to rise as the overall value of Alexandria's taxable property increased 4.15% from January 2019 to February 2020, reflecting stable to moderate increases in value across nearly all residential and commercial property types. On a year-over-year basis, residential values posted an increase of 5.32%, while commercial property values increased by 2.80%.

LONG-TERM FINANCIAL PLANNING

For more than a decade, AlexRenew has employed rate modeling to analyze, evaluate and implement an annual and long-term fee structure to support the financial obligations of our enterprise. The rate model incorporates historical financial results along with the projected needs of the organization, based on the annual operating budget, expected contributions from Fairfax County, and the annual update to the ten-year Capital Improvement Program (CIP) budgeted projections. The CIP is a key element in planning for and managing to future regulatory compliance through large-scale capital investment. AlexRenew's long-term financial planning process ensures adherence to AlexRenew's

Indenture and financial policies and that we appropriately consider future needs of the Alexandria community in setting rates and managing fiscal position.

INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROLS

The AlexRenew Board approves an annual operating and capital budget each June for the fiscal year period July 1 of the current year through June 30 of the following year. AlexRenew's annual operating and capital budget is a modified accrual basis document with revenues established based upon available resources. AlexRenew bills customers monthly for wastewater treatment based on water consumption at rates approved by the Board and receives monthly contributions from Fairfax County for operating and capital costs based on the service agreement between the County and AlexRenew.

AlexRenew's management establishes and maintains an internal accounting control structure that ensures the utility's assets are safeguarded against loss, theft or misuse, and maintains accurate and reliable financial records for the preparation of financial statements and representations made by AlexRenew. AlexRenew's internal accounting control structure provides reasonable, but not absolute, assurance that objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits derived from the controls. The evaluation of costs and benefits rests with AlexRenew.

FINANCIAL DISCUSSION

Financial Condition and Overview

AlexRenew's financial condition remained strong at year-end. AlexRenew achieved all legal requirements, as prescribed by the master trust indenture and service agreements, and AlexRenew's policy targets while maintaining sufficient liquidity and a responsible unrestricted net position. AlexRenew's Board-adopted financial policy includes requirements to maintain debt service coverage of 1.50x on senior parity debt and at least 120 days of the current years budgeted amount for operating and maintenance expenses in reserves.

AlexRenew maintained appropriate fiscal and business discipline as it implemented the FY20 operating and maintenance budget resulting in a moderate operating budget excess, strengthening the organization's overall financial position.

AlexRenew has two primary sources of revenue – wastewater treatment charges assessed to City customers and contributions from Fairfax County based on the service agreements. AlexRenew's Board approved and implemented a rate increase at the beginning of FY20 that resulted in increased revenue production and helped fund the multiple capital projects that are ongoing at the water resource recovery facility. Receipt of the $25 million grant secured by the City from the Commonwealth also helped fund increased capital spending, which totaled over $64 million, including improvement, repairs and replacements of existing assets. Major capital projects funded included, among others; Process Air Compressor upgrades; Programmable Logic Controller equipment and network improvements; updates to the Human Machine Interface system that runs the facility; and preliminary engineering work and other plant improvements, including security upgrades, associated with the RiverRenew program.

At the start of FY20, AlexRenew had not issued long-term debt since 2017. Due to the increase in planned and actual levels of capital spending, AlexRenew issued two debt facilities during FY20. AlexRenew closed a bond issue of up to $10.4 million through the Virginia Resources Authority and drew $2.3 million in proceeds during FY20 to fund AlexRenew's portion of incurred expenses related to the Process Air Compressor upgrade project. AlexRenew also entered into a Line of Credit debt financing transaction with a commercial bank to provide up to $30 million in interim financing for RiverRenew construction. AlexRenew drew $8.3 million on the Line of Credit during FY20 to fund capital expenses associated with RiverRenew. The FY21 capital budget has been approved at approximately $69 million and includes funding for general capital improvements, improvement, repair and rehabilitation of existing assets, as well as a significant funding component for RiverRenew. Looking forward, AlexRenew will continue to emphasize best practices and fiscal discipline to ensure its financial resiliency and to sustain a strong financial position.

<u>Investment Policy</u>
AlexRenew manages the investment of its cash and other financial instruments in strict accordance with the Code of Virginia, other applicable laws and regulations, and the Board-adopted investment policy. AlexRenew focuses on maintaining capital preservation and liquidity while achieving a market return on financial resources.

<u>Capital Assets</u>
AlexRenew's capital assets are currently valued at nearly $1 billion. This is reflective of a significant capital program in recent years that will continue as the RiverRenew program is implemented, which is expected to include meaningful capital investment. In building and managing the long-term capital improvement plan, AlexRenew will be particularly conscious of the implications for its customers and its overall financial stability.

MAJOR INITIATIVES

AlexRenew continues to make progress on RiverRenew, its program to remediate the pollution stemming from the City's combined sewer system. Three of four projects are currently under construction and on-schedule to be complete by April 2021, despite the ongoing pandemic. The largest of the four projects, the tunnel system, remained on-track to issue notice to proceed for construction in December 2020.

AlexRenew also progressed the identification of funding sources for the RiverRenew program through receipt of the $25 million in grant monies secured by the City of Alexandria from the Commonwealth of Virginia, as well as preliminary approval from state and federal loan programs expected to contribute debt financing towards the tunnel construction in the coming years. The debt associated with RiverRenew and other capital needs are expected to increase in the coming years and are expected to be repaid through annual rate increases.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to AlexRenew for its CAFR for the fiscal period ended June 30, 2019. This was the 11th year that AlexRenew has received this prestigious award. The GFOA awards a Certificate of Achievement to financial reports that clearly convey the financial position and results of operations of the governmental entity. The report must be easy to read, thorough, and efficiently organized, in addition to satisfying GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and standards.

During FY20, AlexRenew hosted its first Artist-in-Resident, selected in partnership with the City's Office of the Arts – Sto Len. Sto is featured on the front cover of the CAFR and the images included throughout show local water bodies and photographs of AlexRenew's water treatment processes, from which Sto drew inspiration for his art. Due to COVID-19 impacts, Sto's approach was tweaked to virtual settings, with two art workshops completed in FY20 and more planned in the future.

AlexRenew received a Risk Management Performance Award in FY20 from the Virginia Risk Sharing Association (VRSA) in recognition of our focus on risk and safety education and training.

The independent auditors have rendered their unmodified opinion on AlexRenew's financial statements for the fiscal year ended June 30, 2020. The independent auditors' report is presented as the first component of the financial section of this report. Management's Discussion and Analysis (MD&A) follows the independent auditors' report, and provides a general overview and analysis of the accompanying financial statements.

Thank you to the AlexRenew staff, and in particular its small and talented finance team, and the professionals at MSL P.A., an independent accounting and consulting firm that contributed to preparation of this report, whose hard work and dedication has made possible the preparation of this CAFR. Thank you to the AlexRenew Board of Directors as well, for their vision, leadership and passion for the mission and the important work done by every employee at AlexRenew.

Regards,

Karen Pallansch

Karen Pallansch, P.E., BCEE, WEF Fellow
Chief Executive Officer
Alexandria Renew Enterprises

Christine McIntyre

Christine McIntyre
Director of Finance
Alexandria Renew Enterprises

ALEXANDRIA RENEW ENTERPRISES

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

BOARD OF DIRECTORS

John Hill - Chairman
James Beall - Vice Chairman
William Dickinson - Secretary/Treasurer
Bruce Johnson
Adriana Caldarelli

Shahram Mohsenin, Fairfax County Representative

CHIEF EXECUTIVE OFFICER (CEO)

Karen L. Pallansch, P.E., BCEE

INDEPENDENT AUDITORS

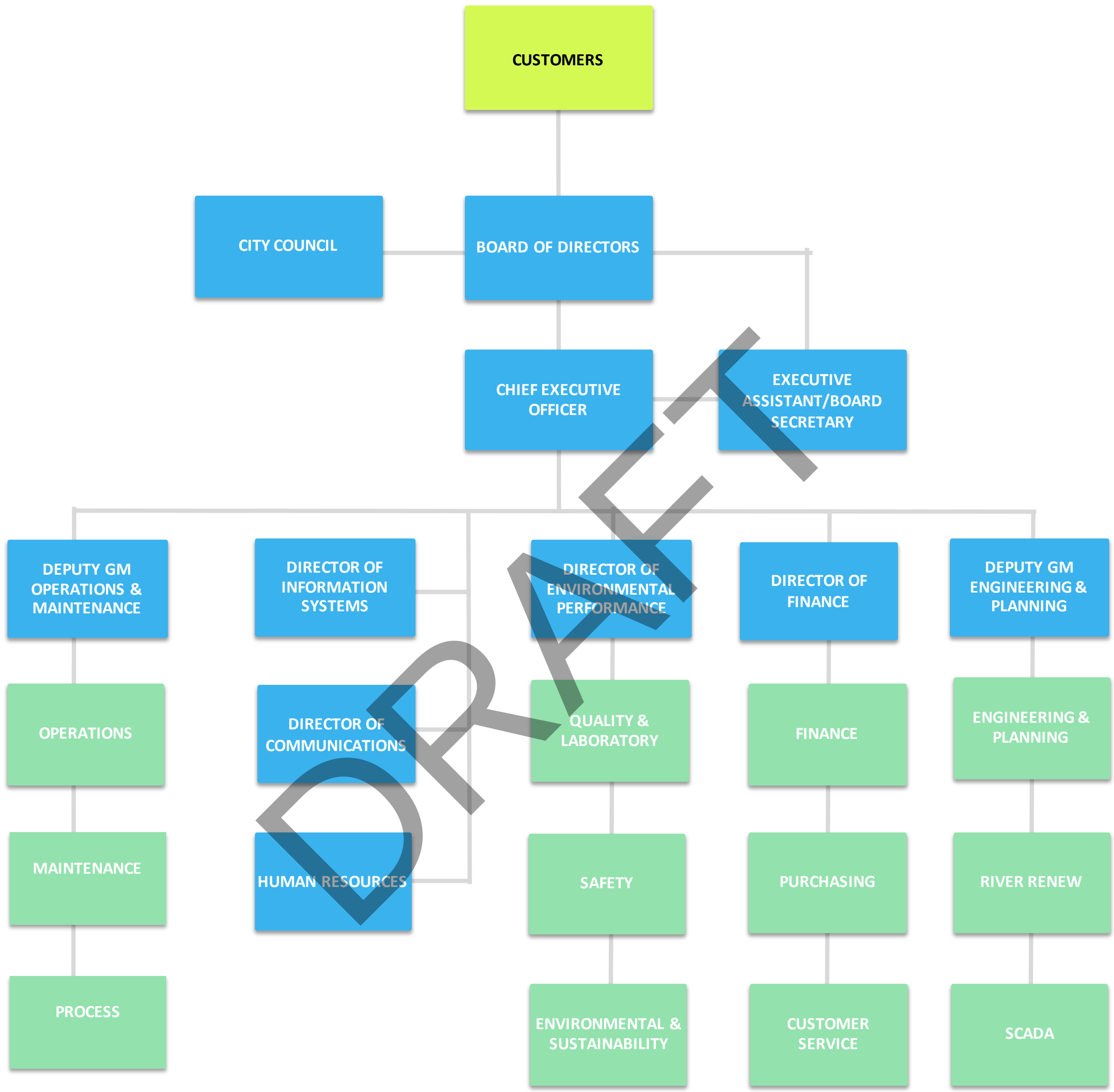
Yount, Hyde & Barbour, P.C.

ALEXANDRIA RENEW ENTERPRISES

BOARD OF DIRECTORS

Pictured from top left to right: Chairman John Hill, Vice Chairman James Beall
Bottom Row from left to right: Mr. William Dickinson (Secretary/Treasurer), Mr. Bruce Johnson, and Ms. Adrianna Caldarelli

ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alexandria Renew Enterprises
Virginia

For its Comprehensive Annual Financial Report
For the Nine Months Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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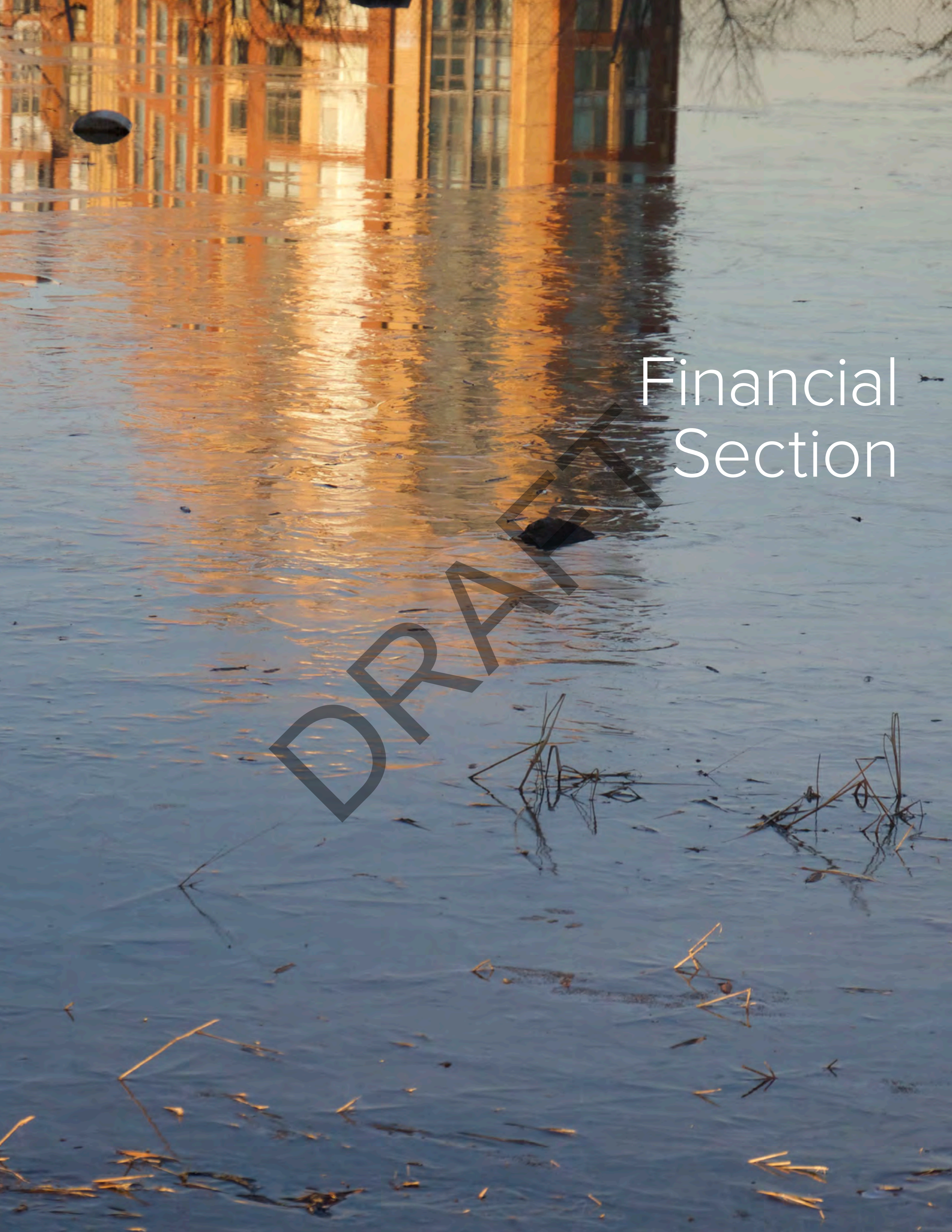

Financial Section

YHB CPAs & Consultants

50 South Cameron St.
Winchester, VA 22601

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YHBcpa.com
540.662.4211

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and the fiduciary fund of Alexandria Renew Enterprises, as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise Alexandria Renew Enterprises' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the fiduciary fund of Alexandria Renew Enterprises, as of June 30, 2020, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alexandria Renew Enterprises' basic financial statements. The Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020 on our consideration of Alexandria Renew Enterprises' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alexandria Renew Enterprises' internal control over financial reporting and compliance.

Winchester, Virginia
October 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alexandria Renew Enterprises presents the following review of its financial activities for the fiscal year ended June 30, 2020 (FY20). Readers of these financial statements are encouraged to consider this information together with the accompanying financial statement notes to obtain a comprehensive view of the system's financial position and operating results for the FY20.

Summary of Organization and Business

On May 15, 2012, the Board of Directors of the Alexandria Sanitation Authority approved an amendment to its bylaws to permit the use of "Alexandria Renew Enterprises" (AlexRenew) as the trade name of the organization. Throughout this document, the term "Authority" will be used in reference to the Alexandria Sanitation Authority, Alexandria Renew Enterprises or AlexRenew.

The Authority is a public body organized and created under the Virginia Water and Waste Authorities Act of the Code of Virginia of 1950, as amended. The Authority was created by the City Council of the City of Alexandria (City Council) in 1952 to "acquire, construct, improve, extend, operate and maintain a sewage disposal system".

Five citizen members appointed by the City Council to four-year staggered terms govern the Authority as its Board of Directors (Board).

In 1953, the Authority and neighboring Fairfax County (County) executed a service agreement by which the Authority would build a sewage treatment plant in which the County would purchase a reserved treatment capacity (Service Agreement). The Service Agreement further provides that the County will share in the cost of capital improvements to the sewage treatment system based on its reserved capacity and will also share in annual operating and maintenance expenses in proportion to the County's actual use as measured by the volume of sewage it contributed to the sewage treatment system. The Service Agreement was last amended and restated in October 1998. The major provisions relating to the County's reserved capacity (60%), payment of capital and upgrade costs, and calculation of its share of the payment of operating costs remained unchanged.

The Authority receives no financial support from the City of Alexandria (City) and has no taxing power. The revenues of the Authority are derived from wastewater treatment charges based on metered water consumption and meter size for Alexandria users, and payments from the County for its proportional share of operating expenses, replacement and renewal expense, and capital costs.

Audit Assurance

The unmodified (clean) opinion of our independent external auditors, Yount, Hyde & Barbour, P.C., is included in this report.

The financial section presents management's discussion and analysis of the Authority's financial condition and activities for FY20. This financial section information should be read in conjunction with the financial statements.

Financial Highlights

The following are key financial highlights for FY20:

- The Authority treated 12.9 billion gallons of wastewater during FY20. This represents a 12.9% increase in wastewater treated. This increase in treated wastewater is primarily a result of only nine months of activity in the prior fiscal period.

- The County contributed 6.0 billion gallons of wastewater flow to the Authority in FY20, which accounted for approximately 46% of the wastewater treated at the Authority's facilities and is within the County's allocation per the Service Agreement.

Financial Highlights (Continued)

- The Authority experienced a marginal increase of 0.3% to 26,671 in number of accounts in FY20 relative to the prior fiscal period.

- The ongoing COVID-19 pandemic impacted the community the Authority serves in many ways. As a critical infrastructure industry, the Authority adjusted its operations to keep its essential workforce healthy and maintain continuity of service during this challenging time. The pandemic did not have a material impact on flows to the facility or on water consumption in FY20. The FY20 revenue budget was achieved and the primary impact of the pandemic during the fiscal year was increased spending in certain expense categories such as cleaning, office equipment, and personal protective equipment.

- Wastewater treatment fee revenues are derived from two primary charges: a base charge and a volumetric charge. The base charge is a fixed rate that varies by customer served and the volumetric charge is a usage charge based on metered water sales. The volumetric charge approved by the Board for FY20 was $7.63 per 1,000 gallons of water and represents a 13% increase as compared with the prior fiscal period. The Base charge approved by the Board was $10.83 per month for residential customers and varies based on meter size for commercial customers, again representing an increase as compared to the prior fiscal period.

- Wastewater treatment charges of $43.8 million were 54.6% higher in FY20 compared to the prior fiscal period. This increase is the result of only nine months of activity for the prior fiscal period, as well as implementation of the rate increase described above.

- Senior debt service coverage, on an accrual basis was 1.97x for FY20. This exceeded the 1.10x required by the Authority's Master Indenture of Trust (Indenture) and 1.50x established by the Board's Financial Policies. The Authority issued two debt facilities in FY20 to fund construction – a Series 2019 bond issue of up to $10.4 million through the Virginia Resources Authority and a Line of Credit debt financing transaction with a commercial bank of up to $30 million. Included in the coverage calculation above is $2.3 million in proceeds the Authority drew from the Series 2019 bonds during FY20. The Authority also drew $8.3 million on the Line of Credit, which is secured at the subordinate lien and will be eventually repaid from cash or proceeds of a future issuance of long-term debt.

- Total assets and deferred outflows of resources for FY20 were $892.4 million. Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (Net Position) in the amount of $751.8 million for FY20. Of the total Net Position, $29.7 million were unrestricted and available to support operations for FY20. The increase in total assets is a result of the multiple improvement, replacement and construction projects for plant infrastructure, equipment and the RiverRenew program to remediate the combined sewer outfall (CSO) assets donated by the City in the prior fiscal year.

- Capital assets net of depreciation and amortization increased $43.3 million in FY20. The increase is primarily due to increased capital expenditures.

- Payments from the County of $10.8 million in FY20 represented the County's share of operating costs based upon their proportional contribution to total plant flow. County payments were $7.9 million in prior fiscal period. This payment increase is the result of only nine months of activity for the prior fiscal period.

- Total operating expenses, excluding depreciation and amortization, for FY20 increased 56.1% compared to fiscal period 2019 (FP19). This increase in operating expenses, equal to $9.66 million, was due in part to there being only nine months of activity for the prior fiscal period, but was also related to increased spending in certain areas. Relative to the prior period, spending increased for repairs and replacements, including security upgrades at the facility to prepare for major construction associated with RiverRenew, as well as administrative expenses such as computer maintenance contracts, an upgrade to the Authority's billing system, customer outreach, and needs related to the COVID-19 response such as enhanced cleaning, office equipment and personal protective equipment.

Required Financial Statements

The Authority's financial statements are prepared using generally accepted accounting principles for governmental units operated as proprietary fund. As a result, the financial statements of the Authority report financial information using the flow of economic resources measurement focus, which is similar to those used by private sector companies. These statements offer current and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides summary information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). The assets and liabilities are presented in a classified format, which lists current and other balances.

The statement of revenue, expenses, and changes in net position measures whether the Authority has successfully recovered its operating and non-operating costs through its wastewater treatment rates and other fees. The Authority's rates are determined via a rate modeling process that incorporates an array of factors focused on the cost of capture, conveyance, treatment and discharge of wastewater. The rate model is updated and evaluated annually, or as circumstances warrant, to ensure the Authority recovers its full cost of service.

The statement of cash flows provides information about the Authority's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, and the total change in cash during the reporting period.

In 2014, the Authority established an Other Post-Employment Benefits (OPEB) Trust Fund to fund its OPEB. It was established within the Virginia Pooled OPEB Trust Fund (Trust Fund), sponsored by the Virginia Municipal League and the Virginia Association of Counties. The Trust Fund is an investment permitted for participating municipal employers to accumulate assets to pay future OPEB benefits to retirees and their beneficiaries. The financial statements include the Statements of Fiduciary Net Position and the statements of changes in fiduciary net position for FY20.

The Notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The Notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis:

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, evaluation and comparison.

The following table reflects the Authority's net position at June 30, 2020, and June 30, 2019:

Condensed Statements of Net Position
(in Millions of Dollars)

	6/30/2020	6/30/2019	$ Change	% Change
Current unrestricted assets	$ 56.91	$ 44.90	$ 12.01	26.7 %
Current restricted assets	29.80	30.37	(0.57)	(1.9) %
Capital Assets, net	803.16	759.84	43.32	5.70 %
Total Assets	889.87	835.11	54.76	6.6 %
Deferred Outflows	2.48	1.62	0.86	53.09 %
Current liabilities	40.07	20.79	19.28	92.7 %
Long-term liabilities	98.97	106.65	(7.68)	(7.20) %
Total Liabilities	139.04	127.44	11.60	9.1 %
Deferred Inflows	1.51	1.21	0.30	24.79 %
Net Investment in capital assets	696.49	649.68	46.81	7.2 %
Restricted	25.58	26.36	(0.78)	(3.0) %
Unrestricted	29.73	32.04	(2.31)	(7.2) %
Total Net Position	$ 751.80	$ 708.08	$ 43.72	6.2 %

Financial Analysis (Continued)

The following table reflects the Authority's comparative revenues, expenses, and changes in net position for the fiscal year ending June 30, 2020 and the nine-month period ending June 30, 2019:

Condensed Statements of Revenues, Expenses and Changes in Net Position
(in Millions of Dollars)

	6/30/2020	6/30/2019	$ Change	% Change
Revenues				
Program revenues:				
Wastewater Treatment Fees & Miscellaneous	$ 43.79	$ 28.32	15.47	54.60 %
Fairfax County Wastewater Fees	10.76	7.93	2.83	35.70 %
General revenues:				
Investment Income	1.33	1.24	0.09	7.30 %
Total Revenues	55.88	37.49	18.39	49.10 %
Program expenses				
Depreciation and Amortization expenses	19.98	14.91	5.07	34.00 %
Other Operating Expenses	26.88	17.22	9.66	56.10 %
Non-operating Expenses	4.88	3.78	1.10	29.10 %
Total Expenses	51.74	35.91	15.83	44.10 %
Changes in Net Position before Capital Contributions	4.14	1.58	2.56	162.00 %
Capital Contributions	39.58	7.85	31.73	404.20 %
Changes in Net Position	43.72	9.43	34.29	363.6 %
Net Position:				
Beginning	708.08	698.65	9.43	0.01 %
Ending	$ 751.80	$ 708.08	$ 43.72	0.06 %

Financial Analysis (Continued)

The following table summarizes other selected information of the Authority at June 30, 2020 and June 30, 2019:

Other Selected Information

	6/30/2020	6/30/2019	Difference	% Change
Selected data:				
Employees at year end	104	102	2	2 %
Alexandria accounts	26,671	26,594	77	0 %
Wastewater treated (millions of gallons)	12,961	11,480	1,481	13 %
Portion contributed by Fairfax County (millions of gallons)	6,008	5,820	188	3 %
Percentage contributed by Fairfax County	46.35 %	50.69 %	(4.34) %	(8.56) %
Rates, Residential Customers:				
Charge per 1000 gallons of water consumption	$ 7.63	$ 6.77	$ 0.86	12.7 %
Base Charge	10.83	9.61	1.22	12.7 %
Average residential customer bill (based on 4,000 gallon per month water usage):				
Per year	$ 496.20	$ 440.28	$ 55.92	12.7 %
Per quarter	124.05	110.07	13.98	12.7 %
Per month	41.35	36.69	4.66	12.7 %
Rates, Commercial Customers:				
Charge per 1000 gallons of water consumption	$ 7.63	$ 6.77	$ 0.86	12.7 %
Base Charge				
Water Meter Size				
5/8"	$ 32.49	$ 28.83	3.66	12.7 %
3/4"	64.97	28.83	36.14	125.4 %
1"	81.22	72.07	9.15	12.7 %
1-1/2"	162.43	144.16	18.27	12.7 %
2"	259.88	230.65	29.23	12.7 %
3"	487.28	432.47	54.81	12.7 %
4"	812.13	720.77	91.36	12.7 %
6"	1,624.26	1,441.56	182.70	12.7 %
8"	2,598.81	2,306.50	292.31	12.7 %

General Trends and Significant Events

The Authority's service area within the City can be referred to as mature. The City is over 250 years old and for the most part is built-out. While there are several tracts of undeveloped land, the flows from these parcels, when developed, will not meaningfully increase the Authority's wastewater treatment charge revenue. This is particularly true given the trend for water conservation and sustainability efforts within the community.

The number of City accounts increased by 77 or 0.29% in FY20 when compared to FP19. The current number of accounts 26,671 represents a 2.9% increase for the 10-year period beginning FY10 to present.

In the prior fiscal period, the number of the accounts decreased by 87.

Financial Condition

The Authority's financial condition remained strong at fiscal year end with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, as well as operating and capital plans to meet future water quality requirements, are well balanced and under control.

Total assets and deferred outflows of resources grew $55.6 million or 6.6% during FY20. Net Position increased by $43.7 million in FY20, with a substantial portion of the change resulting in an increase in capital assets.

Results of Operations

Revenues: The Authority's revenues from operations fall into two main categories: 1) wastewater treatment and base charges to customers in the City, which are based on metered water consumption and 2) County operating expense charges for wastewater treatment for its share of operating expenses based upon metered flow to the plant. Revenues increased by $18.39 million or 49.1% over last year, which is the result of only nine months of activity for the prior fiscal period, as well as implementation of the rate increase of approximately 12.9% that took effect July 1, 2019.

Capital contributions: Total capital contributions were $39.6 million FY20, a $31.7 million increase over the prior FP19. This increase is attributable to several factors: the short prior fiscal period, increasing capital spending related to implementation of ongoing capital projects and the RiverRenew program, and most notably, receipt of the $25 million in grant monies secured by the City from the Commonwealth to reimburse the Authority for RiverRenew expenses incurred to date.

The County pays 60% unless otherwise negotiated of the cost of joint capital improvements to our water resource recovery facility based upon the Service Agreement with the Authority. These payments are recorded as non-operating revenues in the statements of revenues, expenses and changes in net position. The County's capital contributions increased by approximately $4 million year-over-year as a result of the overall increased capital spending.

Expenses:

FY20-FP19 comparison: Total operating expenses for FY20, excluding depreciation and amortization, increased by $9.7 million or 56.1% relative to FP19. The increase was partially related to the short prior period, but spending did increase in certain areas. Repairs and replacement spending increased, in part due to the installation of new security infrastructure such as gates and guard booths at the facility in order to prepare for the major construction associated with the RiverRenew tunnel system. The COVID-19 response also impacted spending during the second half of the fiscal year. In order to

Results of Operations (Continued)

maintain operations, the Authority instituted rotating schedules and invested in enhanced cleaning and various types of office equipment to accommodate the new schedules and telework where applicable. As staff continued work during the pandemic, a number of supplies were needed – basic personal protective equipment such as gloves and masks, sanitizing stations, anti-fog goggles to allow for eye protection while wearing masks, among many others. In addition to IT needs surrounding the COVID-19 response, other IT expenses increased relative to the prior period, including software used in engineering and planning as well as a major upgrade to the Authority's billing system.

Capital Assets

The Authority maintains investments in a broad range of capital assets, which includes land, buildings, sanitary sewer intercepting lines and force mains, pumping stations, a water resource recovery facility, CSO's, machinery and equipment, computers and vehicles. The Authority also owns capacity rights at the Arlington County Water Pollution Control Facility (Arlington). Pursuant to Service Agreement between the City of Alexandria, the Authority and Arlington County, the Authority pays 8.5% of the cost of capital improvements at the Arlington County Wastewater Pollution Control Facility (WPCF). Additional information on the Authority's capital assets can be found in Notes 1 and 4 of the Notes to financial statements.

The Authority maintains its equipment annually on a prioritized basis through a committed improvements, renewals and replacements fund. Under the Service Agreement, the County invests a percentage of total facility assets into this fund for adequate reinvestment to ensure continuing compliance with regulations.

The Authority finances its capital assets through rates and charges, the County capital contributions, interim financing instruments, long term debt and, when available, capital grants.

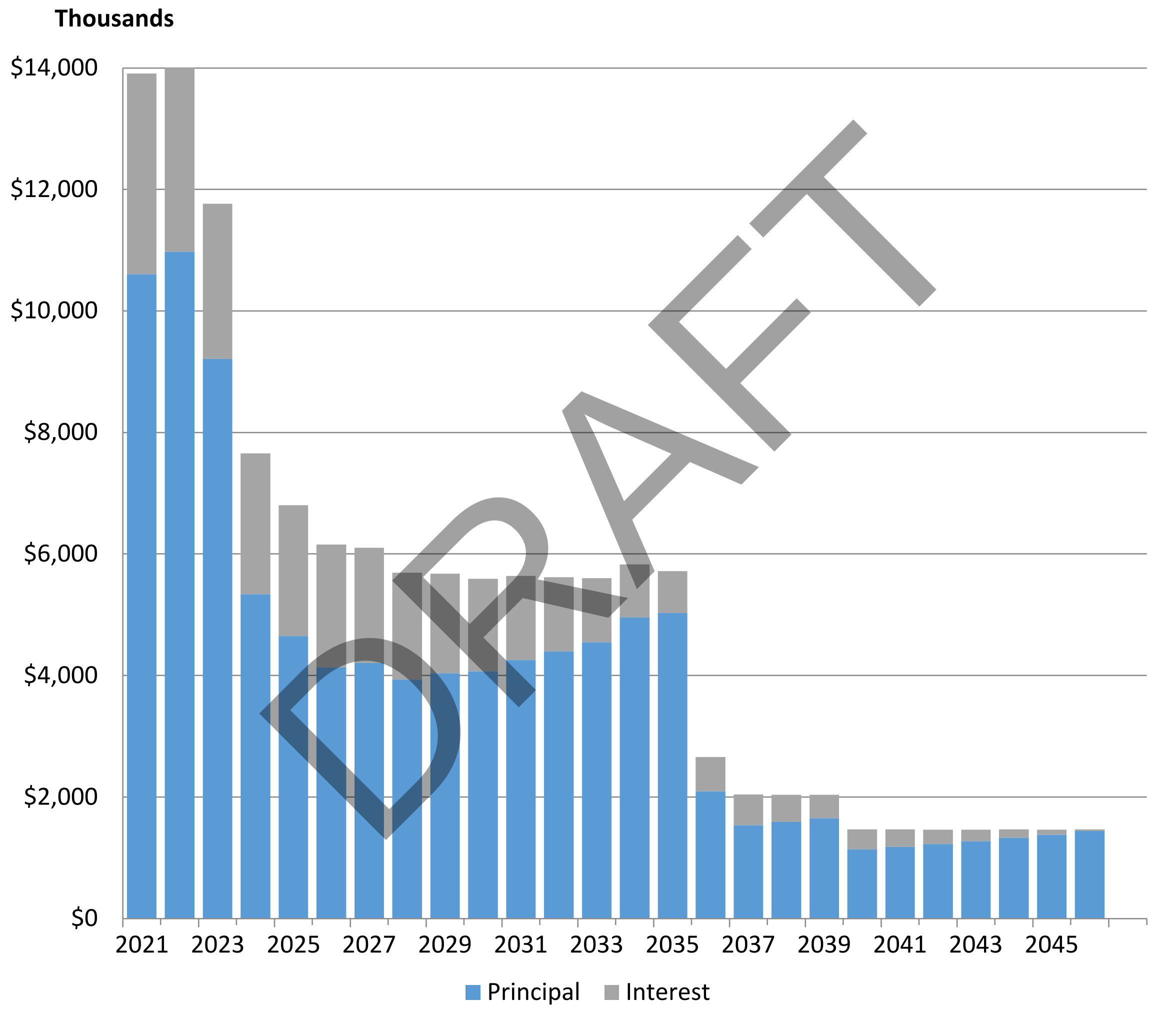
Debt Administration:

The Authority had $100.2 million in long-term debt outstanding at June 30, 2020, including $10.7 million considered short-term. Principal payments totaled $10.3 million during FY20. During FY20, the Authority issued the Series 2019 bonds in an amount of up to $10.4 million and made their first drawdown of $2.3 million. However, due to principal payments on the other bonds, long-term debt decreased during the fiscal year by $8.1 million. The Authority also issued a Line of Credit during FY20 in an amount of up to $30 million and drew $8.3 million to provide interim funding for RiverRenew construction. The Line of Credit is expected to be repaid from cash or proceeds of a future issuance of long-term debt. The Authority is in active negotiations with both the Virginia Resources Authority's Clean Water Revolving Loan Fund and the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act loan program to provide significant debt financing in future years to fund RiverRenew.

The Authority's financial strength, ability to pay current debt service (principal and interest), and future borrowing capability is demonstrated, in part, by its senior debt service coverage which is currently a strong 1.97x. Our Indenture requires the Authority to establish, fix, charge and collect rates, fees and other charges for operating and maintenance so that in each fiscal year net revenues are not less than 1.1x total debt service for the fiscal year. The Board's financial policies require the Authority to maintain a minimum debt service coverage of 1.50x total debt service for the fiscal year.

Results of Operations, (Continued)

The graph below presents principal and interest payments due each year until the revenue bonds mature in 2046. The Authority expects to structure the upcoming debt to fund the RiverRenew program to be repaid after the steep decline in existing debt service occurs in future years as shown below.



Results of Operations (Continued)

The following table calculates the performance relative to the Rate Covenant for FY20, and FP19:
(in millions)

	6/30/2020	6/30/2019	% Change
Unrestricted Operating Revenue	$ 54.55	$ 36.25	50.48 %
Total Operating Expenses			
(Less Depreciation and Replacements)	26.88	17.22	56.10 %
Net Revenue	$ 27.67	$ 19.03	45.40 %
Annual Debt Service	$ 14.02	$ 8.00	75.20 %
Revenue Covenant[1]	1.97	2.38	(17.01) %

[1] ≥ 1.10x per Indenture and 1.50x per Board Policy

Additional information on the Authority's debt can be found in Note 6 to the Financial Statements.

Budget Information

The Authority's budget is a modified accrual basis document with revenues established based upon available resources. The Authority bills customers monthly for wastewater treatment based on the class of customer served and the corresponding amount of water consumption metered at the customer's premise at rates approved by its Board.

The Authority's budget includes sources/revenues for new debt issues that for accounting purposes are not shown as revenues but are included on the statement of net position to comply with GAAP. Likewise, capital project spending and debt service principal payments are treated as capital outlays (expenditures) for budget purposes but are included as assets and liabilities in the statement of net position for GAAP compliance purposes. The Authority's budget expense classifications are in several cases different than the financial statement presentation as is the case for personnel services, business support and professional services.

The Authority's operating budget is categorized according to the strategic outcomes that form the Board's 2040 Vision:

> Operational Excellence: Produce top quality products from our raw wastewater by using continuous improvement efforts. This category includes expenses such as chemicals, utilities and biosolids land application and disposal.
>
> Public Engagement and Trust: Engage our community to help them become informed consumers and supporters of clean water. This category includes items such as community outreach and customer service.
>
> Watershed Stewardship: Facilitate collaboration to collectively enhance the sustainability and resilience of our water resources. This category includes expenses such as the Authority's capacity in the Arlington plant.

Budget Information, (Continued)

Adaptive Culture: Establish an organization-wide commitment to exceptional outcomes through an enthusiasm for learning, adapting, and solving problems to achieve clean water. This is the "people" budget and includes salaries, benefits, and professional development.

Effective Financial Stewardship: Provide clean water cost effectively and efficiently to support a fiscally resilient organization that contributes to the health of the local economy. This category includes items such as insurance, facility maintenance and financial software.

Capital spending is categorized according to whether the project benefits the City only or is shared with Fairfax and RiverRenew expenses are broken out from the other general capital projects. Certain expenditures for construction have been estimated net of contractual retainage not paid by contract terms until projects are complete. In some cases, the Authority has issued debt for its share of construction cost (net of County share) through the Virginia Resources Authority or funded its share of RiverRenew expenses from proceeds of the grant received in FY20.

The following Statement of Consolidated Enterprise Budget is presented to compare FY20 operations to budget estimate.

CONDENSED ENTERPRISE BUDGET FY 2020

	BUDGET	ACTUAL	Variance	Variance (%)
Revenues and Other Sources:				
Wastewater Treatment Charges	$ 43,848,000	$ 43,748,537	$ (99,463)	-0.2%
Fairfax County:				
Operating	11,653,647	10,759,863	(893,784)	-7.7%
IR&R	3,194,545	3,194,545	-	0.0%
Total	$ 58,696,192	$ 57,702,945	$ (993,247)	-1.7%
Expenditures				
Operational Excellence	6,580,708	6,764,373	183,665	2.8%
Public Engagement and Trust	2,282,186	1,969,649	(312,537)	-13.7%
Watershed Stewardship	2,933,993	2,355,398	(578,595)	-19.7%
Effective Financial Stewardship	1,943,548	1,344,628	(598,920)	-30.8%
Adaptive Culture	14,713,122	13,840,103	(873,019)	-5.9%
Operating Fund Sub-Total	28,453,556	26,274,151	(2,179,405)	-7.7%
Alex-only Improvement, Renewal & Replacement	66,000	-	(66,000)	-100.0%
Joint Improvement, Renewal & Replacement	4,319,000	5,021,263	702,263	16.3%
Alex-only Capital Projects	1,764,000	8,408,257	6,644,257	376.7%
Joint Capital - RiverRenew	23,232,000	39,479,751	16,247,751	69.9%
Joint Capital - General CIP	19,211,000	11,919,880	(7,291,120)	-38.0%
CIP/IRR Sub-Total	48,592,000	64,829,151	16,237,151	33.4%
Total	$ 77,045,556	$ 91,103,302	$ 14,057,746	18.2%
Nonoperating Revenues (Expenditures)				
Debt Service	(14,220,146)	(13,817,702)	402,444	-2.8%
Investment Income	115,000	1,327,691	1,212,691	1054.5%
Debt Proceeds	16,693,968	10,691,650	(6,002,318)	-36.0%
Grant Proceeds	-	25,000,000	25,000,000	100.0%
Fairfax County Capital Contributions	17,058,000	11,379,014	(5,678,986)	-33.3%
Total	19,646,822	34,580,653	14,933,831	76.0%
Excess of Revenues	1,297,458	1,180,296	(117,162)	-9.0%

Final Comments

FY20 continued a trend of strong financial performance by the Authority and its ability to maintain adequate liquidity and financial flexibility, ensure appropriate reserves are maintained, and meet its capital spending requirements. The Authority was fortunate to receive the $25 million in grant monies secured by the City from the Commonwealth to support its increased capital spend and also to maintain revenue performance during the pandemic. The Authority was compliant with all of its financial policies and targets and produced strong debt service coverage, setting the stage for increased issuance of debt in future years as construction spending continues to increase as the Authority implements needed improvements at the facility as well as the RiverRenew program.

Contacting the Authority's Financial Management:

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's financial position and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the Alexandria Renew Enterprises, 1800 Limerick St. Alexandria, Virginia 22314, call 703.549.3381, or visit us on the web at www.alexrenew.com.

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BASIC FINANCIAL STATEMENTS

ALEXANDRIA RENEW ENTERPRISES
STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Current assets	
Cash and cash equivalents (Note 2):	
Unrestricted	$ 31,519,794
Restricted	20,254,428
Accounts receivable, net (Note 3)	4,236,549
Due from other governments (Note 3)	91,017
Prepaid expenses	670,803
Inventory	259,078
Investments (Note 2):	
Unrestricted	20,053,221
Restricted	9,621,696
Total current assets	86,706,586
Non-current assets	
Capital assets, net of depreciation and amortization (Note 4)	803,159,845
Total non-current assets	803,159,845
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows (Note 7)	1,477,271
Other post employment benefits related deferred outflows (Note 8)	76,091
Deferred charge on refunding	924,667
Total deferred outflows of resources	2,478,029
Total assets and deferred outflows of resources	$ 892,344,460
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities	
Accounts payable and accrued expenses (Note 3)	$ 14,969,070
Due to City of Alexandria	808,698
Accrued paid time off	930,497
Line of credit (Note 5)	8,365,127
Current maturities of long-term debt (Note 6)	10,739,761
Payable from restricted assets	
Accounts payable and accrued expenses (Note 3)	3,335,756
Accrued interest payable	924,756
Total current liabilities	40,073,665
Long-term liabilities	
Accrued paid time off, less current portion	310,165
Other post employment benefits (Note 8)	308,078
Net pension liability (Note 7)	6,079,522
Long-term debt (Note 6)	92,267,691
Total long-term liabilities	98,965,456
Total liabilities	139,039,121
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows (Note 7)	800,193
Other post employment benefits related deferred inflows (Note 8)	709,452
Total deferred inflows of resources	1,509,645
Total liabilities and deferred inflows of resources	$ 140,548,766
NET POSITION	
Net investment in capital assets	696,448,748
Restricted:	
Operating	2,030,318
Parity debt service	3,605,804
Improvement, renewal & replacement	16,242,675
Capital projects	3,736,815
Unrestricted	29,731,334
Total net position	751,795,694
Total liabilities, deferred inflows of resources, and net position	$ 892,344,460

The Notes to Financial Statements are
an integral part of these statements.

ALEXANDRIA RENEW ENTERPRISES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended June 30, 2020

OPERATING REVENUES		
Wastewater treatment fees	$	43,748,538
Fairfax County wastewater fees		10,759,863
Miscellaneous		39,459
Total operating revenues		54,547,860
OPERATING EXPENSES		
Personnel services		12,934,864
Utilities		3,452,848
Chemicals		1,746,218
Operations maintenance		1,230,159
Arlington sewage disposal		1,150,208
Sludge disposal		991,265
Depreciation and amortization (Note 4)		19,981,614
Repairs and replacements, sewage disposal systems		702,635
General, administrative, customer service, and other		4,668,318
Total operating expenses		46,858,129
Operating income		7,689,731
NONOPERATING REVENUES (EXPENSES)		
Investment income		1,327,691
Interest on debt		(3,496,975)
Loss on disposed capital assets		(1,378,235)
Total non-operating revenues (expenses)		(3,547,519)
Change in net position before capital contributions		4,142,212
CAPITAL CONTRIBUTIONS		39,576,761
Change in net position		43,718,973
NET POSITION, BEGINNING		708,076,721
NET POSITION, ENDING	$	751,795,694

The Notes to Financial Statements are an integral part of these statements.

ALEXANDRIA RENEW ENTERPRISES
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 43,346,818
Cash received from Fairfax County for operations	11,083,752
Cash received from other sources	39,459
Payments to suppliers for goods and services	(13,632,891)
Payments to employees for services	(12,586,233)
Net cash provided by operations	28,250,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition/construction of capital assets	(54,496,591)
Capital contributions from Fairfax County	14,179,651
Proceeds from state grants	25,003,202
Net proceeds from debt issuance	2,326,523
Proceeds from line of credit	8,365,127
Principal payments on debt	(10,320,727)
Interest paid on borrowing	(3,695,101)
Net cash used in capital and related financing activities	(18,637,916)
CASH FLOWS FROM INVESTING ACTIVITES	
Proceeds from sales and maturities of investments	8,494,733
Purchase of investments	(5,937,324)
Interest received on investments	1,327,691
Net cash provided by investing activities	3,885,100
Net increase in cash and cash equivalents	13,498,089
CASH AND CASH EQUIVALENTS	
Beginning	38,276,133
Ending	$ 51,774,222
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents - unrestricted	$ 31,519,794
Cash and cash equivalents - restricted	20,254,428
Total cash and cash equivalents	$ 51,774,222

ALEXANDRIA RENEW ENTERPRISES
STATEMENT OF CASH FLOWS (continued)
For The Year Ended June 30, 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 7,689,731
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	19,981,614
Pension expense, net of of employer contributions	180,266
Changes in assets and liabilities	
(Increase) decrease in:	
Accounts receivable	(479,489)
Due from other governments	323,889
Prepaid expenses	69,522
Inventory	(13,350)
(Decrease) increase in:	
Accounts payable and accrued expenses	353,103
Due to City of Alexandria	79,269
Accrued paid time off	166,621
Other post employment benefits	(100,271)
Net cash provided by operating activities	$ 28,250,905
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Carrying value of disposed capital assets	$ 1,378,236
Capital asset purchases included in accounts payable at year end	$ 15,587,190

The Notes to Financial Statements are an integral part of these statements.

ALEXANDRIA RENEW ENTERPRISES
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020
OPEB Trust Fund

ASSETS		
Assets held in trust, at fair value		
Investment in pooled funds	$	877,590
NET POSITION		
Net position restricted for OPEB	$	877,590

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For The Fiscal Year Ended June 30, 2020
OPEB Trust Fund

ADDITIONS		
Contributions from employer	$	79,996
Investment Income:		
Net increase in fair value of investments		26,068
Less investment expenses		(1,448)
Net investment income		24,620
Total additions		104,616
DEDUCTIONS		
Benefits paid to participants		79,996
Total deductions		79,996
Change in net position		24,620
Total net position - beginning		852,970
Total net position - ending	$	877,590

Note 1. Description of Entity and Summary of Significant Accounting Policies

Description of Entity

On May 15, 2012, the Board amended its bylaws to adopt the name of "Alexandria Renew Enterprises" as the official trade name of the Alexandria Sanitation Authority (Authority).

The Authority is a special governmental unit created by the Alexandria City Council (City Council) in 1952 for the purpose of constructing, operating, and maintaining a wastewater treatment system for the City. The Authority is chartered by the State Corporation Commission and is an independent public body. The Authority is governed by a five-member Board who serve staggered terms and are appointed by the City Council.

Although the Board is appointed by the City Council, the Authority is not a part of the City's reporting entity and is not considered a component unit under Governmental Accounting Standards Board (GASB) Statement No. 61.

No component units are included in the Authority's financial statements.

The following is a summary of the Authority's significant accounting policies:

Basis of Presentation and Accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applicable to the enterprise fund of governmental units.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows, net of total liabilities plus deferred inflows) is segregated into net investment in capital assets, restricted, and unrestricted components.

The Authority also has a fiduciary fund for assets held by the Authority in a trustee capacity for its employees. The Authority's Other Post-Employment Benefit (OPEB) trust fund accounts for the receipt and disbursement of assets held in trust for the Authority's OPEB plan.

Note 1. Description of Entity and Summary of Significant Accounting Policies (Continued)

Change in Fiscal Year

The Authority changed its fiscal year cycle effective July 1, 2019, which is the reason the prior fiscal period ending June 30, 2019 covers a short period.

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues primarily consist of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. Contributions from Fairfax County (County) under the Service Agreement discussed in Note 4 are recorded as capital contributions.

In accordance with the Service Agreement with the County, the Authority recognizes as revenue the County's proportionate share of current operating expenses.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents.

Inventory

Inventory, consisting of items held for consumption, are valued at cost using the first-in, first-out method.

Financial Policy

The Board revised its financial policy to increase its restricted cash reserves. The Bond Master Trust Indenture requires the Authority keep 60 days of operating expenses in reserve and the Authority has appropriately restricted these amounts. The Authority's internal policy requires its restricted cash reserves to be maintained at 120 days of operating expenses at year-end; however, only the amount required by the Indenture is shown as restricted in the financial statements.

Investments

Investments are stated at fair value, except for investments in the Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP), which are external 2a7-like investment pools stated at share price. All fair market valuations are based on quoted market prices.

In accordance with the *Code of Virginia* and other applicable laws, including regulations, the Authority's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, municipal obligations, prime quality commercial paper, banker's acceptances with domestic banks, corporate notes, negotiable certificates of deposit of domestic banks, money market funds registered under the Federal Investment Act of 1940, repurchase agreements collateralized by U.S. Treasury and Federal Agency

Note 1. Description of Entity and Summary of Significant Accounting Policies (Continued)

Investments (Continued)

obligations, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP).

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board of the Commonwealth at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of $1 per share).

The Policy limits investment maturities to a maximum of five years for any investment, unless the Board approves an exception in writing. The investment policy establishes the maximum percentage of the portfolio permitted in each of the following instruments:

U.S. Treasury Obligations	100%, no limitation
Federal Agency Obligations	100%, 35% issuer limit
Municipal Obligations	10%, 3% issuer limit
Commercial Paper	25%, 3% issuer limit
Bankers' Acceptance	25%, 3% issuer limit
Corporate Notes	10%, 3% issuer limit
Negotiable Certificates of Deposit	10%, 50% issuer limit
Money Market Mutual Funds	100%, 50% issuer limit
Repurchase Agreements	35%, 35% issuer limit
LGIP	100%, no limitation

Accounts Receivable

Operating revenues are generally recognized on the basis of cycle billings rendered monthly. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for June consumption. Receivables are recorded as current assets, net of an allowance for doubtful accounts of $680,000, at June 30, 2020. The allowance is based upon historical collections.

Capital Assets

Purchased or constructed property, plant and equipment with a cost greater than $5,000 and an estimated useful life of 3 years or more is capitalized and recorded at historical cost. Interest related to costs and major improvements, renewals, and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and related infrastructure	67 years
Buildings and improvements	10-30 years
Furniture and equipment	3-15 years
Vehicles	5 years
Computers	3 years

Note 1. Description of Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets also include intangible assets, such as purchased capacity rights for the Arlington sewer treatment plant upgrade and expansion. Intangible assets are amortized over 40 years.

Accrued Paid Time-Off Benefit

The Authority's paid time-off benefit (PTO) policy permits employees to accumulate a limited amount of earned but unused PTO benefits, which will be paid to employees upon separation from service. The accrued PTO benefit is included in the statement of net position as a liability.

Allocation of Expenses

For purposes of the statement of revenues, expenses, and changes in net position, payroll taxes and fringe benefits were allocated to operations and administration based on direct salaries.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the remaining net position not included in the previous two categories.

When both restricted and unrestricted net position are available for use, it is the Authority's policy to use restricted net position first, then unrestricted as needed.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted

Note 1. Description of Entity and Summary of Significant Accounting Policies (Continued)

Fair Value Measurement (Continued)

prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

Deferred Outflows/Inflows of Resources

Deferred Outflows

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has four items that qualify for reporting in this category. The first item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five-year period. The third item is the deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The forth item is for the changes in assumptions related to OPEB. The difference will be recognized in OPEB expense over a closed five-year period.

Deferred Inflows

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of items that qualify for reporting under this category. This first item represents differences between expected and actual experience in the pension plan. These differences will be recognized in pension expense over a closed five-year period. The second item is the differences between expected and actual experience and the net difference between projected and actual earnings related to OPEB. This difference will be recognized in OPEB expense over a closed five-year period.

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of all excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's LGIP, a 2a-7 like pool, and the Commonwealth of Virginia SNAP, a pooled investment fund. Both the LGIP and SNAP are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Authority's position in the pools is the same as the value of the pool shares, which are reported at amortized cost.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2020, the Authority's investments in federal agency bonds and notes, U.S. Treasury bonds and notes, Supra-National agency notes, and corporate bonds and notes were valued using a matrix pricing model, Level 2 inputs.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020, none of the Authority's investments are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority's portfolio management approach is active, allowing for periodic restructuring of the investment portfolio to take advantage of current and anticipated interest rate moves. The Authority minimizes its exposure to interest rate risk by having an average investment period of 2.5 years and a limit of less than 5 years.

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The Authority's investments as of June 30, 2020 consisted of the following:

Investment Type		Fair Value	S&P Credit Rating	Weighted Average Maturity *
Federal agency bonds and notes	$	9,010,861	AA+	1.72
U.S. Treasury bonds and notes		7,213,537	AA+	3.24
Supra-National agency notes		3,386,337	AAA	1.73
Corporate bonds and notes		1,857,903	AA to AAA	0.94
LGIP		125,147	AAAm	N/A
Total investments	$	21,593,785		

**Average maturity in years*

Interest Rate Risk (Continued)

Reconciliation of deposits and investments:

Amounts per disclosures above:			Amounts per Statement of Net Position:		
Cash and cash equivalents	$	55,875,931	Cash and cash equivalents	$	51,774,222
Long-term certificates of deposit		3,979,423	Investments		29,674,917
Total deposits		59,855,354	Total	$	81,449,139
Total investments		21,593,785			
Total	$	81,449,139			

Restricted Assets

Certain resources of the Authority are classified as restricted assets on the statement of net position. These funds are maintained in separate accounts and their use is limited by applicable bond covenants and agreements.

Note 3. Accounts Receivable, Due to/from Other Governments, and Payables

Receivables, due to/from other governments and payables were composed of the following at June 30, 2020:

Accounts receivable:	
Billed customer services	$ 2,660,039
Unbilled customer services	2,223,543
Other	32,967
Less: Allowance for uncollectible	(680,000)
Total accounts receivable	$ 4,236,549
Due from other governments:	
County of Fairfax, Virginia	$ 91,017
Accounts payable and accrued expenses:	
Accounts payable – vendors	$ 16,790,826
Retainage payable	1,227,222
Other	5,695
Accrued expenses – payroll, payroll taxes, and other	281,083
Total accounts payable and accrued expenses	$ 18,304,826

Note 4. Capital Assets

Changes in capital assets for FY2020 were as follows:

	6/30/2019	Additions	Reductions	6/30/2020
Capital assets, not being depreciated:				
Land and improvements	$ 40,172,404	$ -	$ -	$ 40,172,404
Construction in progress	50,811,953	59,906,098	(113,625)	110,605,426
Total capital assets, not being depreciated	90,984,357	59,906,098	(113,625)	150,776,830
Capital assets, being depreciated				
Plant and infrastructure	833,921,887	3,067,013	(671,396)	836,317,504
Plant equipment and office equipment	27,024,315	1,526,237	(910,245)	27,640,307
Total capital assets, being depreciated	860,946,202	4,593,250	(1,581,641)	863,957,811
Less accumulated depreciation for:				
Plant and infrastructure	(207,351,076)	(15,847,040)	56,196	(223,141,920)
Plant equipment and office equipment	(15,546,745)	(3,104,073)	147,211	(18,503,607)
Total accumulated depreciation	(222,897,821)	(18,951,113)	203,407	(241,645,527)
Total capital assets, being depreciated, net	638,048,381	(14,357,863)	(1,378,234)	622,312,284
Capital assets, being amortized				
Capacity rights	40,592,704	291,525	-	40,884,229
Less accumulated amortization for:				
Capacity rights	(9,782,997)	(1,030,501)	-	(10,813,498)
Total capital assets, being amortized, net	30,809,707	(738,975)	-	30,070,731
Total capital assets	$ 759,842,445	$ 44,809,259	$ (1,491,859)	$ 803,159,845

County of Arlington, Virginia Purchased Capacity Rights

The Authority has entered into a service agreement with the County of Arlington, Virginia (Arlington), in which the Authority purchases capacity rights to use Arlington's wastewater treatment plant. These costs are capitalized as an intangible asset. Arlington holds title to the plant.

County of Fairfax, Virginia Capacity Rights

Under the terms of the Service Agreement with the County, the County reimburses the Authority for its share of capital costs related to joint-use facilities, which varies up to 60%. In exchange for these capital contributions as presented on the statement of revenues, expenses, and changes in net position, the Authority is required to recognize and preserve an equivalent share of the capacity rights of the related facilities for the County's use.

Note 4. Capital Assets (Continued)

County of Fairfax, Virginia Capacity Rights (Continued)

Currently, the County has a capacity entitlement of 32.4 MGD, which varies up to 60% of the facility's total capacity of 54 MGD. The County is required to share in operation and maintenance costs related to the joint-use facilitates.

Note 5. Line of Credit

The Authority entered into a new revolving credit agreement with Bank of America to provide the Authority with a $30 million line of credit at a variable interest rate calculated for each month as of 80% of the one-month LIBOR (minimum of .40%) plus 30 basis points. The rate was .70% at June 30, 2020. The line of credit is to be used as interim financing for capital projects in anticipation of the issuance of future bonds to fund the RiverRenew program. The initial term of the line of credit was one year, with an expiration date of June 30, 2021. As of June 30, 2020, the Authority has drawn $8,365,127 on this line of credit. As of June 30, 2020, the unused portion of this line of credit was $21,634,873.

Note 6. Long-Term Debt

On March 15, 1999, the Authority executed a new Master Indenture of Trust for the purpose of issuing sewer revenue bonds from time-to-time. These bonds will provide funds to pay the cost, or any part of the cost, of the Sewage Disposal System additions or improvements or to refund indebtedness and obligations previously incurred for such purposes. The Authority has issued and sold sewer revenue bonds to the Virginia Clean Water Revolving Loan Fund and the Virginia Pooled Financing Program, acting by and through the Virginia Resources Authority (VRA). The Master Indenture of Trust constitutes a contract among the Authority, the Trustee and VRA governing bond issuance.

Sewer bonds consist of the following at June 30, 2020:

Sewer revenue bond, Series 2000B, $60,400,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; interest only payments due March 2002 and March 2005; semi-annual installments of approximately $2,405,000, including principal and interest at 3.85% due through September 2022.	$ 16,950,785
Sewer revenue bond, Series 2004, $22,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $742,125, including principal and interest beginning March 2006 at 3.10% due through September 2024.	6,189,601
Sewer revenue bond, Series 2006A, $3,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $105,060, including principal and interest beginning in March 2006 at 3.10% due through September 2024.	876,237

Note 6. Long-Term Debt (Continued)

Sewer revenue bond, Series 2006B, $12,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $412,313 at 3.10% due through March 2027.	5,026,796
Sewer revenue bond, Series 2009, $15,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $536,250, including principal and interest, beginning March 2011 at 3.55% due through September 2030.	8,246,399
Sewer revenue bond, Series 2011, $8,115,767; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $260,604, including principal and interest, beginning March 2014 at 2.35% due through September 2033.	5,994,360
Sewer revenue bond, Series 2014A, $12,500,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $392,261, including principal and interest, beginning March 2016 at 2.10% due through September 2035.	10,333,543
Sewer revenue bond, Series 2014B, $2,500,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $78,452, including principal and interest, beginning March 2016 at 2.10% due through September 2035.	2,009,957
Sewer revenue bond, Series 2014C, $19,515,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $399,833 to $3,203,294, including principal and interest, beginning April 2015 at 3.63%, due through April 2039.	19,215,000
Sewer revenue bond, Series 2017A, $23,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $395,774 to $1,468,613, including principal and interest, beginning October 2017 at 3.60%, due through October 2045.	23,000,000
Sewer revenue bond, Series 2019, up to $10,400,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $79,399 to $1,121,530, including principal and interest, beginning March 2022 at 1.10%, due through March 2040. Balance represents draws to date.	2,326,523
	100,169,201

Note 6. Long-Term Debt (Continued)

Plus unamortized premiums and discounts, net	2,838,251
	$ 103,007,452

The annual requirements to amortize bond principal and related interest are as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 10,602,744	$ 3,302,582	$ 13,905,326
2022	10,972,852	3,028,749	14,001,601
2023	9,207,496	2,554,621	11,762,117
2024	5,336,659	2,317,938	7,654,597
2025	4,650,849	2,153,440	6,804,289
2026-2030	20,381,164	8,841,930	29,223,094
2031-2035	23,182,729	5,219,382	28,402,111
2036-2040	8,004,708	2,239,001	10,243,709
2041-2045	6,390,000	941,325	7,331,325
2046	1,440,000	28,611	1,468,611
Total	$ 100,169,201	$ 30,627,579	$ 130,796,780

The change in debt for the fiscal period ended June 30, 2020 is as follows:

	6/30/2019	Additions	Reductions	6/30/2020	Due Within One Year
Sewer revenue bonds	$ 108,163,405	$ 2,326,523	$ (10,320,727)	$100,169,201	$ 10,602,744
Plus deferred amounts:					
Net premium	2,975,268	-	(137,017)	2,838,251	137,017
Total	$ 111,138,673	$ 2,326,523	$ (10,457,744)	$103,007,452	$ 10,739,761

During FY2020, the Authority was in compliance with the covenants associated with the outstanding bond indentures.

Note 7. Defined Benefit Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1,

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan is as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.

- **Hybrid Opt-In Election –** Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions –** Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.
- **Creditable Service –** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting –** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of the employer's contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit –** The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Note 7. Defined Benefit Pension Plan (Continued)

<u>Plan Description</u> (Continued)

<u>Plan 1</u> (Continued)

- **Average Final Compensation –** A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier –** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.
- **Normal Retirement Age –** Age 65.
- **Earliest Unreduced Retirement Eligibility –** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.
- **Earliest Reduced Retirement Eligibility –** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement –** The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
  - **Eligibility –** For members who retire with an unreduced benefit or with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - **Exceptions to COLA Effective Dates –** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability.
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Disability Coverage –** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

- **Purchase of Prior Service –** Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election –** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an ORP and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions –** Same as Plan 1.
- **Creditable Service –** Same as Plan 1.
- **Vesting –** Same as Plan 1.
- **Calculating the Benefit –** See definition under Plan 1.
- **Average Final Compensation –** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier –** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.
- **Normal Retirement Age –** Normal Social Security retirement age.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Unreduced Retirement Eligibility –** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.
- **Earliest Reduced Retirement Eligibility –** Age 60 with at least five years (60 months) of creditable service.
- **COLA in Retirement –** The COLA matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
    - **Eligibility –** Same as Plan 1.
    - **Exceptions to COLA Effective Dates –** Same as Plan 1.
- **Purchase of Prior Service –** Same as Plan 1.
- **Disability Coverage –** Same as Plan 1 except that the retirement multiplier is 1.65%.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members –** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes Political Subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members –** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable), or ORP.
- **Retirement Contributions –** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It may also count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
  - **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.
- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **COLA in Retirement –**
  - **Defined Benefit Component:** Same as Plan 2.
  - **Defined Contribution Component:** Not applicable.
  - **Eligibility:** Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates:** Same as Plan 1 and 2.
- **Disability Coverage –** Employees of Political Subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Purchase of Prior Service –**
  - **Defined Benefit Component –** Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
  - **Defined Contribution Component –** Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	90
Inactive members:	
Vested inactive members	15
Non-vested inactive members	37
Inactive members active elsewhere in VRS	9
Total inactive members	61
Active members	91
Total covered employees	242

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required contribution rate for the period ended June 30, 2020 was 7.27% of covered employee compensation. This rate was based on actuarially determined rates from actuarial valuations as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $629,286 for the fiscal period ended June 30, 2020.

Note 7. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General Employees - 15% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or setforwards for both males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate which was changed on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as, a result of the experience study, are as follows:

General Employees - Others (Non-10 Largest): Updated mortality table. Lowered rates at older ages and changed final retirement from 70 to 75. Adjusted rates to better fit experience at each year age and service through 9 years of service. Lowered disability rates and increares line of duty disability from 14% to 15%. The discount rate was decresed from 7.00% to 6.75%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class.

Note 7. Defined Benefit Pension Plan (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00 %	0.88 %	0.13 %
Credit Strategies	14.00 %	5.13 %	0.72 %
Real Assets	14.00 %	5.27 %	0.74 %
Private Equity	14.00 %	8.77 %	1.23 %
MAPS – Multi-Asset Public Strategies	6.00 %	3.51 %	0.21 %
PIP – Private Investment Partnership	3.00 %	6.29%	0.19 %
Total	100.00 %		5.13 %
	Inflation		2.50 %
* Expected arithmetic nominal return			7.63 %

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile od expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state amd teacher employer contributions, political subdivsions were also provided with an opportunity to use an alternate employer contribution rate. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined

Note 7. Defined Benefit Pension Plan (Continued)

contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	$ 49,863,561	$ 44,906,885	$ 4,956,676
Changes for the year:			
Service cost	604,713	-	604,713
Interest	3,395,405	-	3,395,405
Changes of assumptions	1,368,221	-	1,368,221
Differences between expected and actual experience	(471,796)	-	(471,796)
Contributions – employer	-	518,600	(518,600)
Contributions – employee	-	361,031	(361,031)
Net investment income	-	2,926,176	(2,926,176)
Benefit payments, including refunds of employee contributions	(2,715,552)	(2,715,552)	-
Administrative expenses	-	(30,275)	30,275
Other changes	-	(1,835)	1,835
Net changes	2,180,991	1,058,145	1,122,846
Balances at June 30, 2020	$ 52,044,552	$ 45,965,030	$ 6,079,522

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

The following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's net pension liability	$ 12,283,144	$ 6,079,522	$ 1,081,088

Note 7. Defined Benefit Pension Plan (Continued)

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

For the fiscal period ended June 30, 2020, the Authority recognized pension expense of $753,530. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 403,170
Change in assumptions	847,985	-
Net difference between projected and actual earnings on pension plan investments	-	397,023
Employer contributions subsequent to the measurement date	629,286	-
Total	$ 1,477,271	$ 800,193

The $629,286 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Addition/ (Reduction) to Pension Expense
2021	$ 231,649
2022	(205,195)
2023	(9,047)
2024	30,385

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2020, approximately $78,000 was payable to the System for the legally required contributions related to the June 2020 payroll.

(Continued)

Note 8. Other Post-Employment Benefits

The Authority provides limited post-retirement benefits, such as health, dental and vision insurance to retirees who have five or more years of service with the Authority through an agent multiple-employer defined benefit plan. The Authority pays 25% of medical insurance costs of retirees with five or more years of service. The remaining amounts of insurance premiums are paid by the retiree. Prior to fiscal 2014, the Authority also provided a post-retirement life insurance benefit to retirees. The Authority has discontinued its post-retirement life insurance coverage for retirees.

The plan does not issue separate financial statements.

As of January 1, 2020, the following employees were covered by the benefit terms:

Inactive members and dependent spouses currently receiving benefits	28
Active members	101
	129

Actuarial Methods and Assumptions

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

In the actuarial valuation, the entry age normal actuarial cost method was used. The valuation results are based on a discount rate of 6.5%, an annual payroll growth rate of 3.0%, and an annual healthcare cost trend rate of 5.1% initially, decreasing annually to a rate of 4.0%. An inflation rate of 2.5% is used in the assumptions. The unfunded liability is amortized over a closed period of 26 years at a level percentage of pay.

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

Note 8. Other Post-Employment Benefits (Continued)

Net OPEB Liability

The components of the net OPEB liability at June 30, 2020 were as follows.

Total OPEB Liability	$1,185,668
Plan fiduciary net position	(877,590)
Net OPEB liability	$ 308,078
Plan fiduciary net position as a Percentage of the total OPEB Liability	74.02%

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	$ 1,601,387	$ 852,970	$ 748,417
Changes for the year:			
Service cost	41,295	-	41,295
Interest	88,689	-	88,689
Effect of economic/demographic Gains or losses	(238,874)	-	(238,874)
Effect of assumptions Changes or inputs	(226,833)	-	(226,833)
Benefit payments	(79,996)	(79,996)	-
Employer contributions	-	79,996	(79,996)
Net investment income	-	26,068	(26,068)
Administrative expenses	-	(1,448)	1,448
Balances as of June 30, 2020	$ 1,185,668	$ 877,590	$ 308,078

Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the Authority, calculated using the discount rate of 6.50%, as well as what the Authority's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

Note 8. Other Post-Employment Benefits (Continued)

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Authority's OPEB liability	$ 1,277,300	$ 1,185,668	$ 1,103,565
Authority's fiduciary net position	877,590	877,590	877,590
Net OPEB Liability	$ 399,710	$ 308,078	$ 225,975

The following presents the Net OPEB Liability of the Authority, calculated using the current healthcare cost trend rates, as well as what the Authority's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate.

	1.00% Decrease	Current Trend	1.00% Increase
Authority's OPEB liability	$ 1,083,035	$ 1,185,668	$ 1,303,878
Authority's fiduciary net position	877,590	877,590	877,590
Net OPEB Liability	$ 205,445	$ 308,078	$ 426,288

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the period ended June 30, 2020, the Authority recognized OPEB Expense of ($20,275). As of June 30, 2020, the Authority reported Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 509,623
Changes in assumptions	38,902	199,829
Net difference between projected and actual earnings	37,189	-
Total	$ 76,091	$ 709,452

Note 8. Other Post-Employment Benefits (Continued)

Amounts currently reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year Ending June 30	Addition/ (Reduction) to OPEB Expense
2021	$ (96,310)
2022	(96,310)
2023	(93,282)
2024	(97,537)
2025	(105,157)
Thereafter	(144,765)

OPEB Trust

During 2014, the Authority established a trust fund to fund the cost of OPEB. The trust fund was established by the Authority with the Virginia Pooled OPEB Trust Fund (Trust), sponsored by the Virginia Municipal League and the Virginia Association of Counties, and overseen by a Board of Trustees. The Trust is established as an investment vehicle for participating employers to accumulate assets to fund OPEB Plan assets for purposes of GASB Statement No. 75 that are segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with terms of the plan.

Trust Fund Investments

Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees established investment objectives, risk tolerance, and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance.

Note 8. Other Post-Employment Benefits (Continued)

The following is the Board of Trustees' adopted asset allocation policy as of June 30, 2020:

Asset Class (Strategy)	Allocation – Portfolio I	Allocation – Portfolio II
Total Equity	59%	32%
Total Fixed Income	21%	58%
Total Real Assets	10%	5%
Diversified Hedge Funds	10%	5%
Total	100%	100%

Concentrations – There are no investments in any one organization that represents 5% or more of the OPEB Trust's fiduciary net position.

Rate of Return – For the fiscal period ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Additional investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 8 East Canal Street, Richmond, Virginia 23219.

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in the past three years.

Note 10. Commitments and Contingencies

From time to time, the Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

Note 11. New Accounting Standards

The GASB has issued the following Statements which are not yet effective.

GASB Statement No. 84, *Fiduciary Activities,* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2021.

Note 11. New Accounting Standards (Continued)

GASB Statement No. 87, *Leases,* establishes a single model for lease accounting based on the foundational principal that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 90, *Majority Equity Interests,* clarifies majority equity interest reporting rules. This Statement requires that a government's majority equity interest in a legally separate organization should be reported as an investment if that equity interest meets GASB's definition of an investment. This Statement will be effective for the year ending June 30, 2021.

GASB Statement No. 91, *Conduit Debt Obligations,* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. An issuer should not recognize a conduit debt obligation as a liability, however, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain criteria are met. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 92, *Omnibus 2020,* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing issues that have been identified during implementation and application of certain GASB Statements. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended. This Statement will be effective for the year ending June 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will be effective for the year ending June 30, 2023.

Note 11. New Accounting Standards (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement will be effective for the year ending June 30, 2023.

Management has not yet evaluated the effects, if any, of adopting these standards.

Note 12. RiverRenew Project

The Authority is managing a large, multi-year construction program called RiverRenew to address pollution from 4 combined sewer outfalls in the City. The program began in 2017 and is under a legislative deadline to be complete by July 1, 2025. The program is projected to cost between $505 and $604 million, of which approximately $65 million had been spent as of June 30, 2020. The Authority is in the process of procuring a design-build team to support the final design and construction of the largest project in the program, the Tunnel System project, and intends to award that contract at its Board meeting on November 17, 2020 and issue notice to proceed shortly thereafter. Once the contract is awarded and the price is known, the Authority plans to issue additional debt funding in FY21, through a combination of the Virginia Clean Water Revolving Loan Fund and the Water Infrastructure Finance and Innovation Act loan program, to fund the portion of the cost that is not being paid from other sources such as cash, grants, or contributions from Fairfax County. The amount of new debt to be issued by the Authority to fund the program is expected to range from approximately $331 million to $438 million. The debt service associated with the program is anticipated to be repaid over an extended 40 year period and supported by future rate increases, subject to approval by the Authority's Board over the course of the program implementation.

REQUIRED SUPPLEMENTARY INFORMATION

ALEXANDRIA RENEW ENTERPRISES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	Plan Year Ended June 30,					
Total Pension Liability	2019*	2018	2017	2016	2015	2014
Service cost	$ 604,713	$ 592,542	$ 643,808	$ 682,527	$ 771,341	$ 757,878
Interest on total pension liability	3,395,405	3,340,976	3,299,804	3,236,592	3,206,163	3,092,779
Difference between expected and actual experience	(471,796)	(414,228)	(207,089)	(598,619)	(1,127,638)	-
Change in assumptions	1,368,221	-	(485,329)	-	-	-
Benefit payments, including refunds of employee contributions	(2,715,552)	(2,767,926)	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Net change in total pension liability	2,180,991	751,364	693,078	1,043,689	296,341	1,942,412
Total pension liability - beginning	49,863,561	49,112,197	48,419,119	47,375,430	47,079,089	45,136,677
Total pension liability - ending	52,044,552	49,863,561	49,112,197	48,419,119	47,375,430	47,079,089
Plan Fiduciary Net Position						
Contributions - employer	518,600	711,111	697,581	893,151	915,790	852,928
Contributions - employee	361,031	460,389	428,499	397,795	413,212	583,295
Net investment income	2,926,176	3,175,320	4,804,505	681,557	1,789,373	5,462,840
Benefit payments, including refunds of employee contributions	(2,715,552)	(2,767,926)	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Administrative expenses	(30,275)	(28,184)	(28,599)	(25,420)	(25,361)	(29,559)
Other	(1,835)	(2,787)	(4,237)	(294)	(375)	288
Net change in plan fiduciary net position	1,058,145	1,547,923	3,339,633	(330,022)	539,114	4,961,547
Plan fiduciary net position - beginning	44,906,885	43,358,962	40,019,329	40,349,351	39,810,237	34,848,690
Plan fiduciary net position - ending	45,965,030	44,906,885	43,358,962	40,019,329	40,349,351	39,810,237
Net pension liability - ending	$ 6,079,522	$ 4,956,676	$ 5,753,235	$ 8,399,790	$ 7,026,079	$ 7,268,852
Plan fiduciary net position as a percentage of total pension liability	88%	90%	88%	83%	85%	85%
Covered payroll	$ 8,504,134	$ 9,260,472	$ 8,185,472	$ 7,802,611	$ 7,746,889	$ 8,434,533
Net pension liability as a percentage of covered payroll	71%	54%	70%	108%	91%	86%

*The Authority changed their fiscal year end in 2019, therefore only 9 months of contributions are included.

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2014 was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

ALEXANDRIA RENEW ENTERPRISES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Entity Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	$ 629,286	$ 629,286	$ -	$ 9,302,747	6.76%
6/30/2019*	429,141	429,141	-	5,956,482	7.20%
9/30/2018	723,851	723,851	-	8,455,472	8.56%
9/30/2017	740,517	740,517	-	8,273,941	8.95%
9/30/2016	844,141	844,141	-	8,216,533	10.27%
9/30/2015	858,355	956,177	(97,822)	7,746,889	12.34%

*The Authority changed their fiscal year end in 2019, therefore only 9 months of contributions are included.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

ALEXANDRIA RENEW ENTERPRISES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OBEB LIABILITY AND RELATED RATIOS

	6/30/2020	6/30/2019	9/30/2018	9/30/2017
Total OPEB Liability				
Service cost	$ 41,295	$ 29,417	$ 36,657	$ 53,055
Interest on total OPEB liability	88,689	78,720	102,653	129,354
Effect of Economic/Demographic Gains or Losses	(238,874)	-	(455,903)	-
Effect of Assumptions Changes or Inputs	(226,833)	51,628	-	-
Benefit payments	(79,996)	(81,481)	(90,513)	(92,542)
Net change in total OPEB liability	(415,719)	78,284	(407,106)	89,867
Total OPEB liability - beginning	1,601,387	1,523,103	1,930,209	1,840,342
Total OPEB liability - ending	1,185,668	1,601,387	1,523,103	1,930,209
Plan Fiduciary Net Position				
Contributions - employer	79,996	81,481	90,513	156,091
Net investment income	26,068	8,884	74,315	80,776
Benefit payments, including refunds of employee contributions	(79,996)	(81,481)	(90,513)	(123,090)
Administrative expenses	(1,448)	(1,541)	(2,279)	(2,059)
Net change in plan fiduciary net position	24,620	7,343	72,036	111,718
Plan fiduciary net position - beginning	852,970	845,627	773,591	661,873
Plan fiduciary net position - ending	877,590	852,970	845,627	773,591
Net OPEB liability - ending	$ 308,078	$ 748,417	$ 677,476	$ 1,156,618
Plan fiduciary net position as a percentage of total OPEB liability	74%	53%	56%	40%
Covered payroll	$ 6,524,150	$ 9,055,713	$ 8,480,330	$ 8,480,330
Net OPEB liability as a percentage of covered employee payroll	5%	8%	8%	14%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

ALEXANDRIA RENEW ENTERPRISES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST

Annual money-weighted rate of return, net of investment expense:

6/30/2020	3.06%
6/30/2019	1.40%
9/30/2018	9.62%
9/30/2017	12.37%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

ALEXANDRIA RENEW ENTERPRISES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

Entity Year Ended	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	$ 87,452	$ 79,996	$ 7,456	$ 9,157,997	0.87%
6/30/2019	61,997	81,481	(19,484)	6,524,150	1.25%
9/30/2018	80,163	90,513	(10,350)	9,055,713	1.00%
9/30/2017	125,355	125,542	(187)	8,480,330	1.48%
9/30/2016	121,704	122,528	(824)	8,480,330	1.44%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions (Pension)

The following changes in actuarial assumptions were made effective June 30, 2018 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Note 3. Changes of Assumptions (OPEB)

The following changes in actuarial assumptions were made effective January 1, 2020:

- Age-related claims costs assumptions were updated
- The healthcare trend assumptions were updated

STATISTICAL SECTION (UNAUDITED)

Financial Trends

Financial trend information is intended to assist users in understanding how the Authority's net position has changed over time. The tables below disclose comparative financial data.

TABLE 1

Condensed Schedules of Net Position
Last Ten Fiscal Years

	6/30/2020	6/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014[2]	9/30/2013[1]	9/30/2012	9/30/2011
Assets										
Current Assets	$ 86,706,586	$ 75,272,570	$ 77,481,606	$ 71,992,329	$ 58,517,536	$ 74,456,170	$ 86,428,544	$ 71,873,061	$ 48,735,050	$ 49,878,801
Non-current Assets	803,159,845	759,842,445	753,725,875	747,728,427	751,420,427	716,656,368	651,084,163	578,892,676	551,185,919	531,506,570
Deferred Outflows	2,478,029	1,623,327	1,924,167	3,009,750	2,193,183	2,332,861	-	-	-	-
Total Assets and Deferred Outflows	$ 892,344,460	$ 836,738,342	$ 833,131,648	$ 822,730,506	$ 812,131,146	$ 793,445,399	$ 737,512,707	$ 650,765,737	$ 599,920,969	$ 581,385,371
Liabilities										
Current Liabilities	$ 40,073,665	$ 20,797,672	$ 19,854,654	$ 18,400,831	$ 34,860,034	$ 41,395,712	$ 41,743,756	$ 24,535,900	$ 19,960,226	$ 22,766,941
Long-term Liabilities	98,965,456	106,654,528	112,799,800	127,027,777	111,329,090	121,578,497	106,414,204	100,476,050	105,147,225	108,100,791
Deferred Inflows	1,509,645	1,209,421	1,828,634	881,910	1,862,505	2,432,782	-	-	-	-
Total Liabilities and Deferred Inflows	$ 140,548,766	$ 128,661,621	$ 134,483,088	$ 146,310,518	$ 148,051,629	$ 165,406,991	$ 148,157,960	$ 125,011,950	$ 125,107,451	$ 130,867,732
Net Position										
Net Investment in Capital Assets	$ 696,448,748	$ 649,676,473	$ 638,348,836	$ 622,454,674	$ 630,741,541	$ 586,995,330	$ 537,784,921	$ 471,881,818	$ 435,451,972	$ 403,409,766
Restricted Net Position	25,615,612	26,355,198	21,357,370	29,705,073	13,652,933	11,629,933	16,799,469	16,486,146	15,795,460	16,426,547
Unrestricted Net Position	29,731,334	32,045,050	38,942,354	24,260,241	19,685,043	29,413,145	34,770,357	37,385,823	23,566,086	30,681,326
Total Net Position	$ 751,795,694	$ 708,076,721	$ 698,648,560	$ 676,419,988	$ 664,079,517	$ 628,038,408	$ 589,354,747	$ 525,753,787	$ 474,813,518	$ 450,517,639
Total Liabilities, Deferred Inflows and Net Position	$ 892,344,460	$ 836,738,342	$ 833,131,648	$ 822,730,506	$ 812,131,146	$ 793,445,399	$ 737,512,707	$ 650,765,737	$ 599,920,969	$ 581,385,371

Source: Alexandria Renew Enterprises

Notes: [1]These totals are as previously reported. A prior period adjustment was required in 2013 which modified these amounts.

[2]GASB statement No. 68 was adopted in fiscal year 2015.

Financial Trends, continued

TABLE 2

Condensed Schedules of Revenues, Expenses and Changes in Net Position

Last Ten Fiscal Years

	6/30/2020	6/30/2019[2]	9/30/2018	9/30/2017[1]	9/30/2016	9/30/2015	9/30/2014[1]	9/30/2013[1]	9/30/2012	9/30/2011
Operating Revenues										
Waste Water Treatment										
Service Charges	$ 54,508,401	$ 36,227,274	$ 49,974,184	$ 48,971,156	$ 47,139,072	$ 47,773,073	$ 48,560,009	$ 48,807,164	$ 43,082,976	$ 44,093,367
Other	39,459	23,423	16,630	127,186	81,727	26,008	6,044	3,480	486,114	139,808
Total Operating Revenues	$ 54,547,860	$ 36,250,697	$ 49,990,814	$ 49,098,342	$ 47,220,799	$ 47,799,081	$ 48,566,053	$ 48,810,644	$ 43,569,090	$ 44,233,175
Non-operating Revenues										
Investment Income	$ 1,327,691	$ 1,235,709	$ 300,954	$ 296,581	$ 453,508	$ 483,340	$ 283,273	$ 58,128	$ 132,671	$ 150,169
Sale Of Property	-	-	-	-	-	-	1,000,000	15,203,750	-	199,600
Capital Contribution	39,576,761	7,848,140	18,636,519	9,119,146	26,671,809	38,870,682	52,160,997	24,882,239	19,121,393	5,831,343
Total Non-operating Revenues	$ 40,904,452	$ 9,083,849	$ 18,937,473	$ 9,415,727	$ 27,125,317	$ 39,354,022	$ 53,444,270	$ 40,144,117	$ 19,254,064	$ 6,181,112
Total Revenues	$ 95,452,312	$ 45,334,546	$ 68,928,287	$ 58,514,069	$ 74,346,116	$ 87,153,103	$ 102,010,323	$ 88,954,761	$ 62,823,154	$ 50,414,287
Operating Expenses										
Personnel Services	$ 12,934,864	$ 7,584,511	$ 10,599,487	$ 11,607,302	$ 10,885,117	$ 11,915,152	$ 12,464,250	$ 12,038,490	$ 11,468,523	$ 10,767,106
Utilities	3,452,848	2,682,315	3,415,322	2,775,506	2,621,156	2,937,466	3,224,653	3,118,336	3,191,548	3,122,233
General and Administration	4,668,318	2,767,358	3,954,272	4,416,947	4,803,327	5,023,878	4,594,881	3,836,600	3,614,145	3,060,621
Other	5,820,485	4,184,151	5,489,505	3,868,705	4,459,109	5,245,885	5,303,574	5,475,709	6,658,616	5,477,530
Total Operating Expenses	$ 26,876,515	$ 17,218,335	$ 23,458,586	$ 22,668,460	$ 22,768,709	$ 25,122,381	$ 25,587,358	$ 24,469,135	$ 24,932,832	$ 22,427,490
Non-operating Expenses										
Depreciation/Amortization	$ 19,981,614	$ 14,909,317	$ 19,468,132	$ 18,608,157	$ 11,737,374	$ 10,238,996	$ 9,549,807	$ 10,158,793	$ 9,645,068	$ 9,419,173
Interest/Other Expenses	4,875,210	3,778,733	4,566,892	4,896,981	3,798,924	3,896,859	3,272,198	3,232,231	3,949,375	4,022,480
Total Non-operating Expenses	$ 24,856,824	$ 18,688,050	$ 24,035,024	$ 23,505,138	$ 15,536,298	$ 14,135,855	$ 12,822,005	$ 13,391,024	$ 13,594,443	$ 13,441,653
Total Expenses	$ 51,733,339	$ 35,906,385	$ 47,493,610	$ 46,173,598	$ 38,305,007	$ 39,258,236	$ 38,409,363	$ 37,860,159	$ 38,527,275	$ 35,869,143
Change in Net Position	$ 43,718,973	$ 9,428,161	$ 21,434,677	$ 12,340,471	$ 36,041,109	$ 47,894,867	$ 63,600,960	$ 51,094,602	$ 24,295,879	$ 14,545,144
Total Net Position, Beginning of Year	$ 708,076,721	$ 698,648,560	$ 677,213,883	$ 664,079,517	$ 628,038,408	$ 580,143,541	$ 525,753,787	$ 474,813,518	$ 450,517,639	$ 435,972,495
Total Net Position, End of Year	$ 751,795,694	$ 708,076,721	$ 698,648,560	$ 676,419,988	$ 664,079,517	$ 628,038,408	$ 589,354,747	$ 525,908,120	$ 474,813,518	$ 450,517,639

Source: Alexandria Renew Enterprises

Notes: [1]These totals are as previously reported. Prior period adjustments were required in 2013, 2014 and 2017 which modified these amounts.

[2]The Authority changed their fiscal year end in 2019, therefore, only 9 months of revenues and expenses are included.

Revenue Capacity Information

Revenue capacity information is provided to assist users in understanding the factors affecting the Authority's ability to generate sources of revenue. The Authority strives to cover operating and capital costs with user fees. User fees are set by the Board and are based upon the recommendation of a third-party rates analysis designed to recover the Authority's cost of service and capital cost. Rates modeling and analysis is conducted at least annually, and more frequently as required, to set new rates and charges or affirm the efficacious nature of existing rates. Rate modeling and analysis was completed in 2015 to establish new base charges effective on October 1, 2016 and October 1, 2017. These rates were in effect through FP19 and the new rates were adopted by the Board starting 7/1/2019. User fees are comprised of two components including a wastewater treatment charge and a fixed base charge.

The wastewater treatment charge is assessed to all customers based upon metered per gallon water usage, except that residential customers are assessed based upon a winter quarter average usage (per 1,000 gallons units). A residential customer, therefore, is billed at the greater of its winter quarter per gallon average usage or 4,000 gallons per month. Commercial customers are billed based on the actual amount of per gallon water usage. The base charge was assessed for the first time beginning on October 1, 2010, and is assessed as a fixed fee per month according to water meter size. The following table represents comparative user rate charges.

TABLE 3

Historical User Charges
(in dollars)

Fiscal Year	Wastewater Treatment Usage Charge*	Service Charge**
2020	$ 7.63	$ -
2019	6.77	-
2018	6.77	-
2017	6.77	-
2016	6.77	-
2015	6.64	-
2014	6.51	-
2013	6.36	-
2012	6.36	6.78
2011	6.36	5.27

	FY 2020 Monthly	FP 2019 Monthly
Base Charge		
Residential Customers	$ 11.54	$ 9.61

	Water Meter Size	FP2020	FP2019
Commercial Customers	5/8"	$ 32.49	$ 28.83
	3/4"	64.97	28.83
	1"	81.22	72.07
	1-1/2"	162.43	144.16
	2"	259.88	230.65
	3"	487.28	432.47
	4"	812.13	720.77
	6"	1,624.26	1,441.56
	8"	2,598.81	2,306.50

* Based on 1,000 gallons of consumption
** Per Bill
Source: Alexandria Renew Enterprises

TABLE 4

Ten Principal Customers by Year
Shown as Percentage of Revenue

Name	Type	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
BROOKDALE APTS MARK CTR	Apartments	0.94%	1.09%	- -	- -	- -	- -	- -	- -	- -	- -
SOUTHERN TOWERS	Apartments	1.19%	1.38%	1.02%	1.06%	0.92%	1.18%	0.88%	1.13%	1.17%	1.01%
FOXCHASE	Apartments	0.57%	0.64%	- -	- -	- -	- -	- -	- -	- -	- -
PARKFAIRFAX	Apartments	0.48%	0.51%	- -	- -	- -	- -	- -	- -	- -	- -
STONERIDGE APTS MARK CTR	Apartments	0.53%	0.60%	- -	- -	- -	- -	- -	- -	- -	- -
CITY OF ALEXANDRIA	Public	0.30%	0.43%	- -	- -	- -	- -	- -	- -	- -	- -
140 S VAN DORN ST	Apartments	0.46%	0.53%	- -	- -	- -	- -	- -	- -	- -	- -
ARHA	Public	0.39%	0.44%	- -	- -	- -	- -	- -	- -	- -	- -
WATERGATE AT LANDMARK	Condos	0.49%	0.47%	0.38%	0.44%	0.49%	0.46%	0.52%	0.57%	0.53%	0.52%
ERP	Apartments	0.37%	- -	- -	- -	- -	- -	- -	- -	- -	- -
	MG Usage	740,307	684,798	396,772	394,269	397,833	427,024	462,735	428,893	419,674	426,740
	Other Customer Usage	12,221,683	10,796,005	12,452,798	11,374,736	11,936,490	11,607,551	12,750,383	12,383,798	11,886,963	12,262,774
	Total Usage	12,961,990	11,480,803	12,849,570	11,769,005	12,334,323	12,034,575	13,213,118	12,812,691	12,306,637	12,689,514

Source: Alexandria Renew Enterprises

Debt Capacity Information

Debt capacity information is intended to assist users in understanding the Authority's debt burden and the ability to issue new debt. The ultimate guarantors of the Authority's debt are its customers.

TABLE 5

Total Outstanding Debt Per Customer

	Total Outstanding Debt	# of Customers	Outstanding Debt per Customer
June 30, 2020	$ 108,534,328	26,671	$ 4,069
June 30, 2019	111,138,673	26,594	4,179
September 30, 2018	116,385,766	26,681	4,362
September 30, 2017	126,330,515	26,611	4,747
September 30, 2016	111,764,683	26,440	4,227
September 30, 2015	120,794,869	26,333	4,587
September 30, 2014	112,329,964	26,848	4,184
September 30, 2013	106,045,789	26,330	4,028
September 30, 2012	110,562,773	26,380	4,191
September 30, 2011	113,615,364	26,222	4,333

Source: Alexandria Renew Enterprises

TABLE 6

Pledged Revenue Coverage*

	6/30/2020	6/30/2019	9/30/2018	9/30/2017	9/30/2016
Pledged revenue	$ 54,547,860	$ 36,250,697	$ 49,990,814	$ 49,098,342	$ 47,220,799
Operating expenses	(26,876,515)	(17,218,335)	(23,458,587)	(22,570,403)	(22,697,959)
Net revenues	27,671,345	19,032,362	26,532,227	26,527,939	24,522,840
Principal and Interest Requirements	14,015,828	7,996,654	13,913,446	13,437,632	13,122,172
Debt coverage	1.97	2.38	1.91	1.97	1.87

	9/30/2015	9/30/2014	9/30/2013	9/30/2012	9/30/2011
Pledged revenue	$ 47,799,081	$ 48,566,053	$ 48,810,644	$ 43,569,090	$ 44,233,175
Operating expenses	(25,104,967)	(25,587,358)	(24,469,135)	(24,932,832)	(22,427,490)
Net revenues	22,694,114	22,978,695	24,341,509	18,636,258	21,805,685
Principal and Interest Requirements	12,062,715	11,676,850	10,507,144	10,924,517	11,182,678
Debt coverage	1.88	1.97	2.32	1.71	1.95

*AlexRenew's Master Indenture of Trust requires 1.1x coverage and its board adopted Financial Policy requires 1.5x coverage
Source: Alexandria Renew Enterprises

Demographic and Economic Information

Demographic and economic information is intended to assist users in understanding the socio-economic environment in which the Authority operates.

TABLE 7

Demographic Statistics
June 30, 2020

Population

Calendar Year	Population	Calendar Year	Population
1980	103,217	2014	144,000
1990	111,183	2015	147,650
2000	128,283	2016	150,500
2010	139,966	2017	156,100
2011	140,100	2018	159,571
2012	140,800	2019	160,530
2013	142,000	2020	165,748

Source: Alexandria Department of Planning and Zonning, "General Population Characteristics"

TABLE 8

Population Indicators
June 30, 2020

Fiscal Year	Personal Income ($1000)	Per Capita Income
2020	14,127,927	88,008
2019	13,455,505	87,319
2018	12,935,231	84,079
2017	12,692,748	82,683
2016	12,556,000	81,734
2015	12,183,000	79,480
2014	11,615,589	77,142
2013	11,220,201	75,146
2012	11,191,190	76,165
2011	10,588,665	73,298

The BEA has revised these numbers.
Source: Federal Reserve Economic Data (FRED)

Demographic and Economic Information, continued

Table 9

City of Alexandria Principal Employers
Current Year (as of June 30, 2020 and Nine Years Ago)

Current Year	Employees[(1)]	Percentage of Total City Employment[(2)]	Nine Years Ago	Employees[(1)]	Percentage of Total City Employment[(2)]
LARGEST PUBLIC EMPLOYERS			**LARGEST PUBLIC EMPLOYERS**		
U.S. Department of Defense	1,000 & over	3.14%	U.S. Patent Trademark Office	1,000 & over	8.38%
U.S. Patent and Trademark Office	1,000 & over	3.14%	U.S. Department of Defense	1,000 & over	7.10%
City of Alexandria	1,000 & over	2.66%	City of Alexandria	1,000 & over	2.30%
Alexandria City Public Schools	1,000 & over	2.39%	Alexandria Public Schools	1,000 & over	1.90%
National Science Foundation	1,000 & over	0.78%	WMATA	500-999	1.30%
WMATA	1,000 & over	0.78%	Northern Virginia Community College	500-999	0.70%
Food and Nutrition Service	500-999	0.78%	U.S. Postal Service	500-999	0.60%
U.S. Department of Homeland Defense	250-499	0.39%	U.S. Attorney's Office	500-999	0.20%
		14.07%			22.48%
LARGEST PRIVATE EMPLOYERS			**LARGEST PRIVATE EMPLOYERS**		
INOVA Health System	1,000 & over	3.14%	INOVA Alexandria Hospital	1,000 & over	1.80%
Institute for Defense Analysis	500 - 999	0.78%	American Building Maintenance Com	1,000 & over	1.20%
Woodbine Health Center	250-499	0.78%	Institute of Defense Analysis	500-999	0.80%
Society for Human Resource Management	250 - 499	0.78%	United Postal Service (UPS)	500-999	0.70%
Oblon	250 - 499	0.39%	Center for Naveal Analysis	500-999	0.60%
Kearney & Company	250 - 499	0.39%	Military Professional Resources	500-999	0.50%
Systems Planning & Analysis	250 - 499	0.39%	Grant Thornton LLP	500-999	0.50%
Giant Food	250 - 499	0.43%			
		7.10%			6.10%

Source: Virginia Employment Commission
(1) Employment ranges are given to ensure confidentiality.
(2) Percentages are based on the midpoint of employment range.

Table 10

City of Alexandria Unemployment Rate
Last Ten Years

2020	8.3%
2019	1.9%
2018	2.1%
2017	2.9%
2016	2.9%
2015	3.5%
2014	4.6%
2013	4.7%
2012	4.6%
2011	4.8%

Source: U.S.Bureau of Labor Statistics.

Operating Information

Operating information is intended to provide information about the Authority's operations.

TABLE 11

Number of Employees by Activity
Fiscal Year 2020 Ended June 30, 2020

	2020	2019	2018	2017	2016
Process					
Deputy GMOM, Prod Mgr, Process Mgr & Analyst, SCADA	5	6	2	6	3
Administrative/Executive Assistant	1	1	1	1	1
Interceptors/Pump Stations/Chem Feed	8	8	8	9	9
Operating Shift D	0	5	5	6	4
Operating Shift B/BluRenew	6	4	5	6	5
Maintenance Manager, Supervisor & Facilities	2	2	2	1	1
Thickening/Dewater/Prepast/Digestion	8	8	8	9	9
BRB's/Blowers/UV	5	6	6	6	7
Operating Shift C/BioRenew	6	5	5	5	4
Operating Shift A/Erenew	6	5	6	6	5
Planners/Schedulers/Inv Control	3	3	3	3	3
Operating Shift E	0	0	0	0	5
Apprentices	15	10	3	10	10
Engineering					
Deputy/Director Engr Planning	1	1	1	1	1
Engineering & River Renew	6	7	2	5	3
Program Manager	0	0	0	1	1
Environmental Performance					
Director of Environmental Performance	1	1	0	0	1
Quality Assurance	1	1	1	1	1
Laboratory	5	5	4	4	5
Safety Manager/Coordinator	1	0	1	0	1
Sustainability/Regulatory	2	1	1	0	1
Finance					
Chief Financial Officer	0	0	1	1	0
Controller/Director Finance/Acctg Manager	2	2	2	1	1
Senior Accountant/Staff Accountant/Acctg Clerk	3	3	2	3	2
Administrative/Executive Assistant	1	1	1	1	1
Purchasing Manager, Buyer, Contracts	3	3	2	2	3
Customer Service	1	1	1	1	2
Human Resources					
Human Resources	2	2	1	2	2
Information Systems					
Information Systems	3	4	3	3	3
Administration					
Administration	3	2	2	2	2
Communications	4	5	4	4	4
	104	102	83	100	100

Operating Information

TABLE 12

Number of Customers and Consumption

Fiscal Year	Customer Accounts	MG Treated	Fairfax MG Treated
6/30/2020	26,671	12,962	6,008
6/30/2019	26,594	11,481	5,820
9/30/2018	26,681	12,850	6,671
9/30/2017	26,611	11,769	5,941
9/30/2016	26,440	12,334	5,960
9/30/2015	26,333	12,035	6,112
9/30/2014	26,848	13,213	6,698
9/30/2013	26,330	12,813	6,633
9/30/2012	26,380	12,307	6,534
9/30/2011	26,222	12,690	7,134

Source: Alexandria Renew Enterprises

Note: The amount of wastewater treated includes flow generated by the City customers and portions of the County which is outside of the City. The amount of wastewater that flows outside the County is metered and included in Table 12 above.

Operating Information

TABLE 13

Wastewater Treatment Capacity and Infrastructure Assets Owned
For the Fiscal Period Ending June 30, 2020

Wastewater treatment capacity:		
	Design Capacity	54 MGD (million gallons per day)
Asset		Capacity:
Four Mile Run Pump Station	Pump Station	Firm pumping capacity 9.4 MGD
Slater's Lane Pump Station	Pump Station	Firm pumping capacity .75 MGD
Potomac Yard Pump Station	Pump Station	Firm pumping capacity 9.5 MGD
Mark Center	Pump Station	Firm pumping capacity 1.6 MGD
Bush Hill Service Chamber	Lift Station	Firm pumping capacity .18 MGD
Jefferson at Carlyle Mills Service Chamber	Lift Station	Firm pumping capacity .525 MGD
Holmes Run Trunk Sewer	Gravity Sewer	Design Capacity varies from 71.5 MGD at Hooff's Run to 18.9 MGD at the City Limits
Commonwealth Interceptor	Gravity Sewer & Force Main	Design Capacity varies from 97.0 MGD at the WRRF to 13 MGD at the Potomac Yards Pump Station force main discharge.
Potomac Yard Trunk Sewer	Gravity Sewer	Design Capacity variesfrom 17MGD at the WRRF to 13 MGD at the Potomac Yards Pump Station force main discharge.
Potomac Interceptor	Gravity Sewer	Design Capacity varies from 18.7 MGD at the WRRF to 11.0 MGD at Pendleton St.

The City owns the collection system; Alexandria Renew Enterprises owns the intercepting sewer system, the pump stations and the treatment facility.

Source: Alexandria Renew Enterprises

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During FY20, AlexRenew hosted its first Artist-in-Residence, selected in partnership with the City of Alexandria's Office of the Arts – Sto Len. Sto is featured on the front cover of this report and the images included throughout show local water bodies and photographs of AlexRenew's water treatment processes, from which Sto drew inspiration for his art.

CEO Board Report October 2020

Dear Members of the Board of Alexandria Renew Enterprises,

Last Tuesday, November 3, 2020, U.S. citizens finished voting in record-breaking numbers. 326 voters visited AlexRenew to cast their ballots in the presidential election at the AlexRenew polling location. Turn out was lower because of the pandemic – about two thirds of registered voter for the precinct chose to vote early.

Operational Excellence

Precipitation for October at the Reagan National Airport was 5.57 inches, which is above the Washington, D.C. historical average precipitation of 3.40 inches for the month. There were no overflows in the collection system or at the plant during the month.

Biosolids production for August was 1,690 wet tons, all of which was beneficially used through land application in the Virginia counties of Fauquier, Louisa, and Frederick. The biosolids were land applied as Class B biosolids.

AlexRenew met all Virginia Pollutant Discharge Elimination System (VPDES) effluent parameters for October 2020.

Treatment	Daily Average Flow MGD	Carbonaceous Biochemical Oxygen Demand (Monthly Average) mg/L	Total Suspended Solids (Monthly Average) mg/L	Ammonia (as N) (Monthly Average) mg/L	Dissolved Oxygen (Minimum) mg/L	Total Nitrogen[1] (Annual Average) mg/L	Total Nitrogen LOAD (YTD) lb	Total Phosphorus (Monthly Average) mg/L	Total Phosphorus LOAD (YTD) lb
Permit	54.0	5.0	6.0	Seasonal[2]	6.0	3.0	493,381	0.18	29,603
Reported	35.1	<QL	2.3	<QL	8.0	2.8	268,157	0.05	10,101

NOTES

1. Total Nitrogen expressed as year-to-date average.
2. Ammonia has seasonal limits: **April – October: 1.0 mg/L**

AlexRenew conducted the annual Whole Effluent Toxicity (WET) testing from September 27 – October 2. The results met the permit requirements, indicating no acute nor chronic toxicity to the test organisms.

Public Engagement and Trust

Tours and Events

On November 3, 2020, 326 voters visited AlexRenew to cast their ballots in the presidential election. The in-person turnout was lower than expected because more than two-thirds of the likely voters in the precinct had already filed a mail-in ballot or had participated in early voting at other locations.

On October 25, AlexRenew worked with the Alexandria City Sherriff's department and the Neighborhood Pharmacy to promote national Drug Take Back Day at First Baptist Church in Alexandria, the Alexandria Fire

Station 210, the Alexandria Police Department Headquarters, and the Neighborhood Pharmacy. This event promotes the responsible disposal of expired and unused medications in October.

AlexRenew joined utility partners from the Metropolitan Washington Council of Governments to showcase the value of water in celebration of Imagine a Day Without Water on October 21. Individuals representing business, essential workforce, and school communities spoke to the value of water in their life around the region. AlexRenew partnered with Lost Boy Cider to elevate the voice of a local businesses dependent on clean water. View the video here: https://www.facebook.com/watch/?v=1006755299793256

Customer Service

Customer Service received 1,447 calls in October with 51% opting for self-service. Average call answer time was 22 seconds. Call Center staff also answered 155 emails.

Social Media and Website

Seventy percent of people who engaged with us on Facebook during October were from the City of Alexandria; the majority (66 percent) were women and 33 percent were men. We had 150 organic engagements on Facebook, which is down from the industry average of 327. We currently have 3,484 Facebook remaining steady from last month. AlexRenew had 120 organic engagements on Twitter, 59 on LinkedIn, and 12 on Instagram. We have a total of 3,400 followers on Twitter, 2,311 on LinkedIn, and 193 Instagram followers. Our website had 6,957 sessions and 10,735 page views during October. We had 72 visitors click through to our website from social media, a small increase over last month. The RiverRenew website had 991 visitors and 2,535 page views.

Watershed Stewardship

The Tunnel System Project remains on-schedule to comply with the July 2025 legislative mandate as we continue the contract award process.

The 108 to 116 MGD Expansion Project, one of the first phases of the RiverRenew program, neared substantial completion, a milestone that indicates the new system is functional as intended by the design. Final completion of the project is anticipated by the end of 2020.

In October, as part of the Building J Facilities Relocation and Decommissioning Project, AlexRenew staff finished moving out of Building J and into new staff spaces in Building G, including the new laboratory. More information on the upcoming demolition of Building J is provided in the Board Dashboard.

The RiverRenew SAG application period closed on November 6. Selection of members for the new RiverRenew SAG is anticipated in December 2020, with the first meeting expected for early 2021.

The dismantling of the Robinson Terminal North (RTN) warehouse is anticipated to begin the week of November 9 after the completion of site preparations.

Adaptive Culture

From April 30, 2018, we have logged 389,581.45 hours without a lost time accident.

Thank you for your ongoing dedicated service to AlexRenew.

Regards,

Karen Pallansch
Chief Executive Officer

Monthly Financial Report

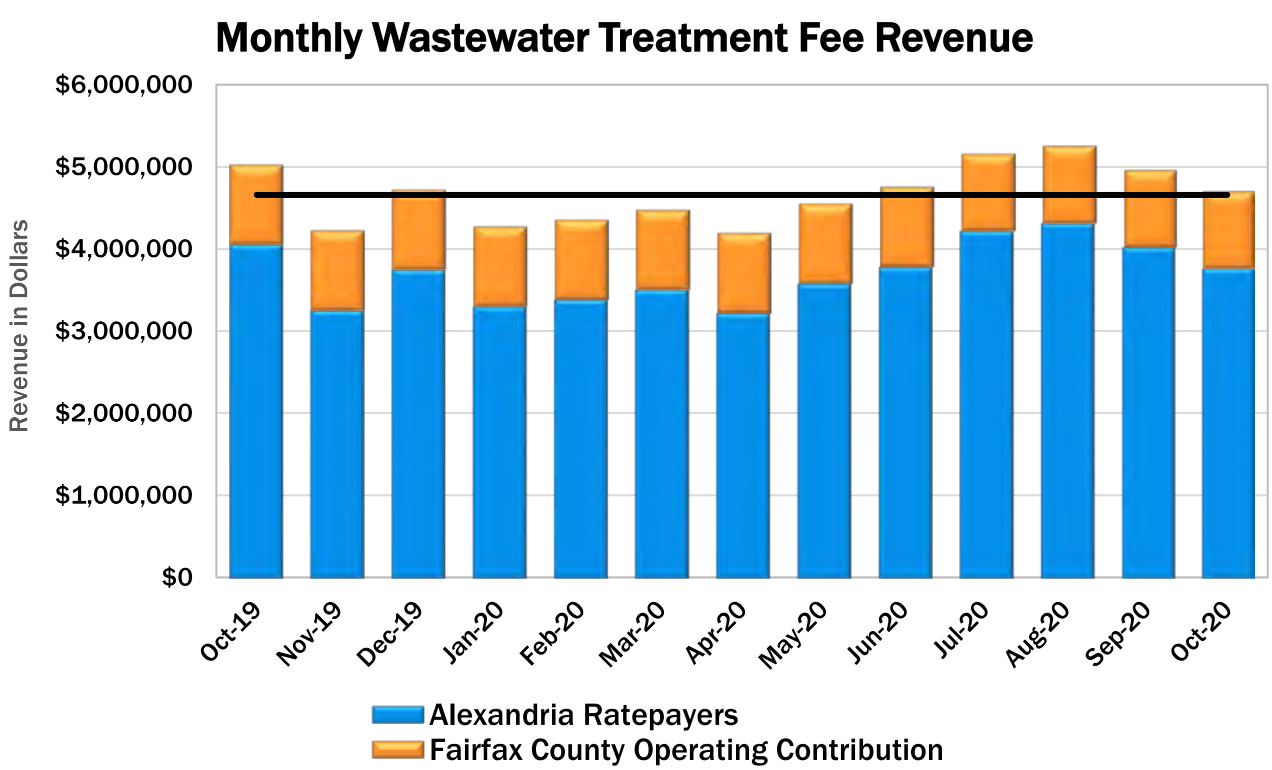
Month: October 2020

Overview

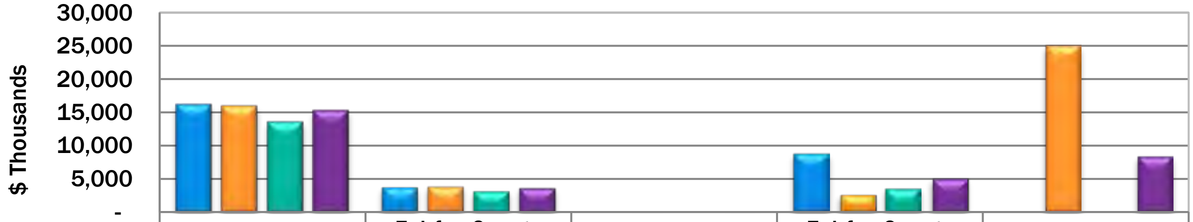
Monthly performance of AlexRenew's annual approved budget is reviewed and evaluated against actual to planned spend rates, historical trends, appropriate benchmarks and internal financial policies, to ensure overall organizational financial stability.

Revenues

- FY21 operating revenues total $20.1 million through the end of September with approximately $16.3 million in Wastewater Treatment Charge revenue and $3.8 million collected from Fairfax County. Wastewater Treatment Charge revenue is approximately $306 thousand (1.91%) more compared to the same time period in FY20, and $3.1 million (24%) above the Fiscal 2021 YTD budget. Data indicates a slight dip month-over-month in customer revenue in October 2020. October revenues are, however, consistent with historical averages, and it is too soon to understand if this reduction is also being influenced by COVID-related fluctuations. Accounting/Finance staff will continue to monitor the trend in coming months.
- Our revenue performance is primarily driven by billed flows that may be impacted by seasonality and by the Virginia American Water meter reading process, which can vary month-to-month.
- The Fairfax County operating expense charge and IR&R contribution YTD are on budget respectively. Fairfax County capital outlay contributions are also in-line with capital expenditures.

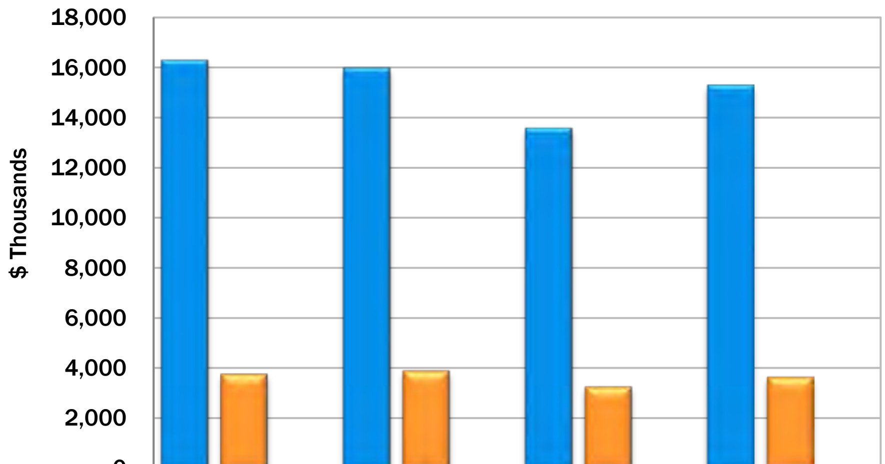


Annual Revenue and Capital Contributions
3 Year Comparison



	Wastewater Treatment Fees	Fairfax County Wastewater Fees	Miscellaneous	Fairfax County Capital and IR&R Fees	Grant Revenues
FY 2021	16,303,902	3,757,424	-	8,826,764	-
FY 2020	15,997,620	3,884,549	23,654	2,640,370	25,003,202
FY 2019	13,593,441	3,247,548	-	3,654,585	-
Average	15,298,321	3,629,840	7,885	5,040,573	8,334,401

Annual Operating Fund Revenues
3 Year Comparison



	FY 2021	FY 2020	FY 2019	Average
Wastewater Treatment Fees	16,303,902	15,997,620	13,593,441	15,298,321
Fairfax County Wastewater Fees	3,757,424	3,884,549	3,247,548	3,629,840
Miscellaneous	0	23,654	0	7,885

Expenses

FY21 operating and maintenance expenses are approximately 15% or $1.44 million under our year-to-date budget, representing a spend rate of 28.3%. An overall decrease in Operations and Maintenance costs, Chemicals and General and Administrative costs accounts primarily for this variance.

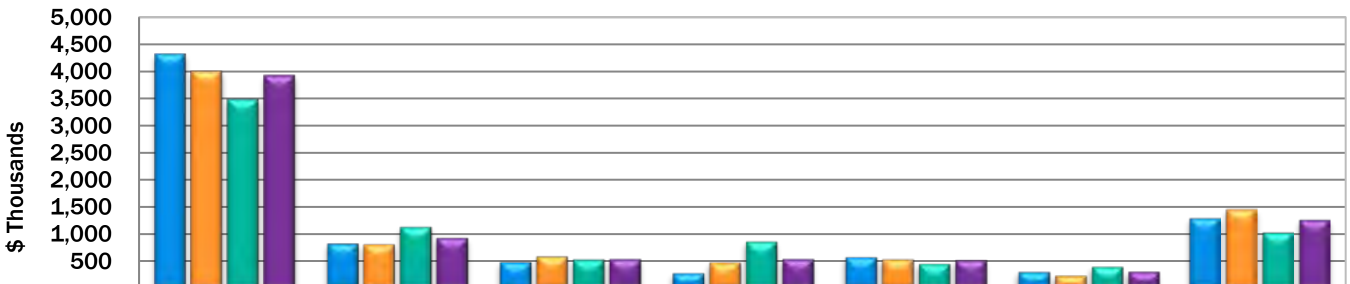
Capital outlay expenses are $23.54 million year-to-date, representing a spend rate of 38.7%.

At four (4) months into our fiscal year, our overall spend rate is 34.8% of our total budget.

Expenses By Fund

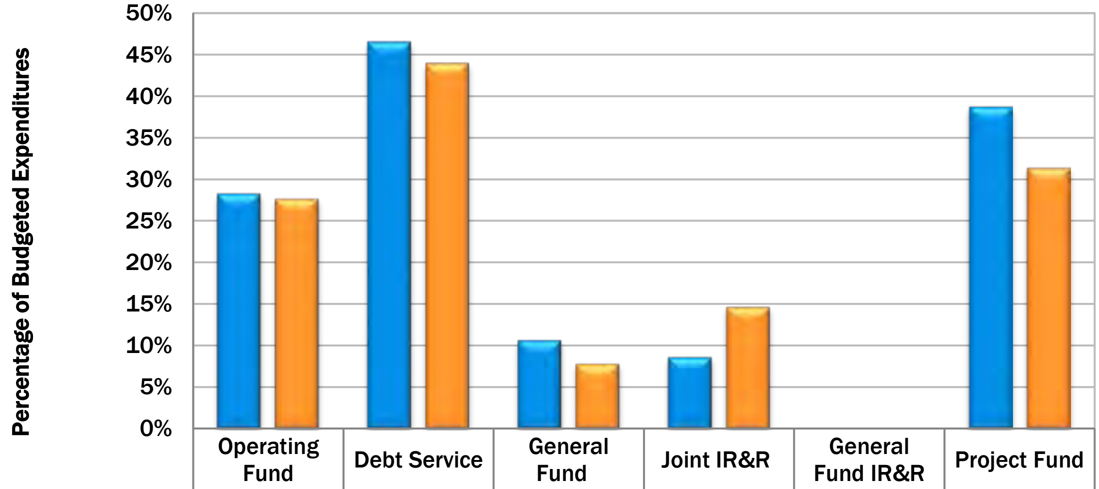
ACTUAL VS. BUDGET Through October 2020					SPEND RATE		
($ Millions)	FY 2021	FYTD 2021	3 YR AVG	FYTD 2021	FY 2021	3 YR AVG	Variance FY21
Expenses (By Fund)	BUDGET	ACTUAL	ACTUAL	BUDGET	% of Budget	% of Budget	to 3 YR AVG
Operating Fund	$ 28.39	$ 8.02	$ 7.81	$ 9.46	28.3%	27.7%	0.6%
Debt Service	14.12	6.57	6.39	4.71	46.6%	44.0%	2.6%
General Fund	2.28	0.24	0.32	0.76	10.7%	7.8%	2.8%
Joint IR&R	5.63	0.49	0.76	1.88	8.6%	14.7%	-6.1%
General Fund IR&R	0.25	-	-	0.08	0.0%	0.0%	0.0%
Project Fund	60.86	23.54	13.59	20.29	38.7%	31.4%	7.3%
Total	$ 111.53	$ 38.87	$ 28.86	$ 37.18	34.8%	30.2%	4.7%

Annual Operating Expenses
3 Year Comparison



	Personnel Services	Utilities	Chemicals	Operation Maintenance	Arlington Sewage Disposal	Sludge Disposal	General, Administrative Customer Service and Other
FY2021	4,326,096	838,696	498,919	290,310	584,899	312,443	1,303,330
FY2020	4,008,599	823,320	597,069	484,812	544,524	241,637	1,462,368
FY2019	3,487,448	1,147,865	544,835	874,059	460,099	409,694	1,036,967
Average	3,940,714	936,627	546,941	549,727	529,841	321,258	1,267,555

Expenditure Budget Comparison By Fund
FY 21 vs. 3 Year Average

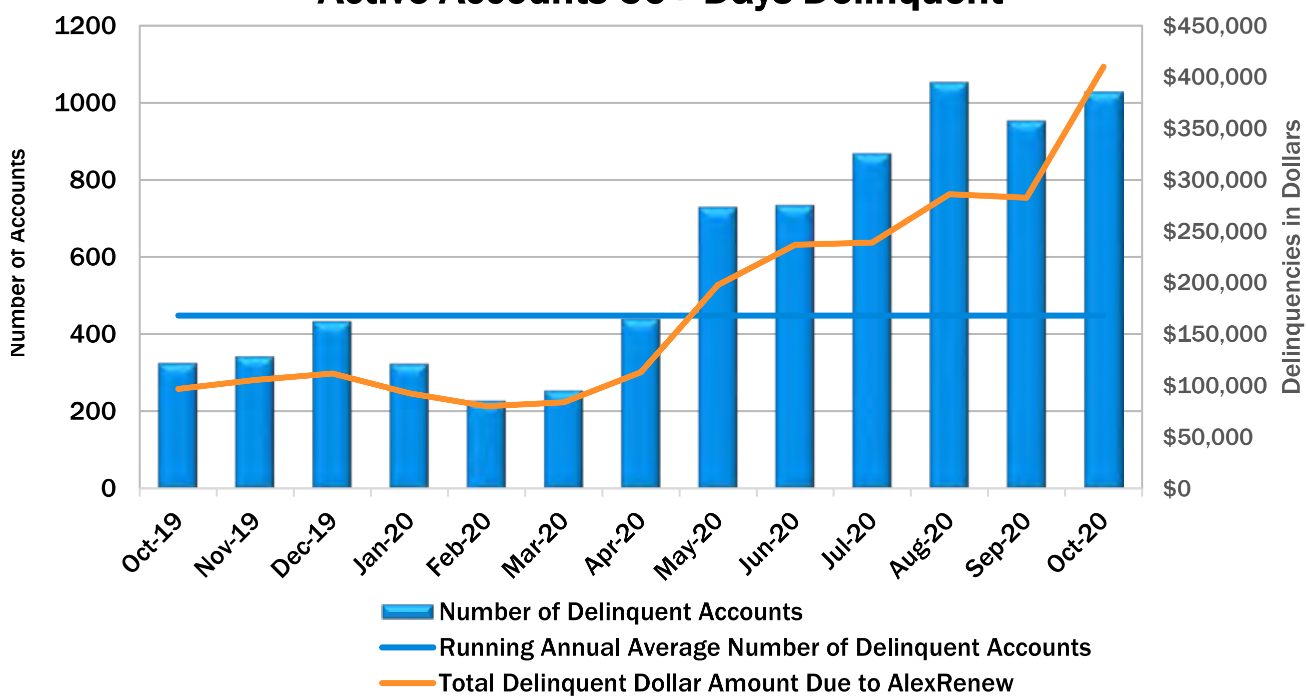


	Operating Fund	Debt Service	General Fund	Joint IR&R	General Fund IR&R	Project Fund
FY 2021 % of Budget	28.3%	46.6%	10.7%	8.6%	0.0%	38.7%
3 YR AVG % of Budget	27.7%	44.0%	7.8%	14.7%	0.0%	31.4%

Delinquencies

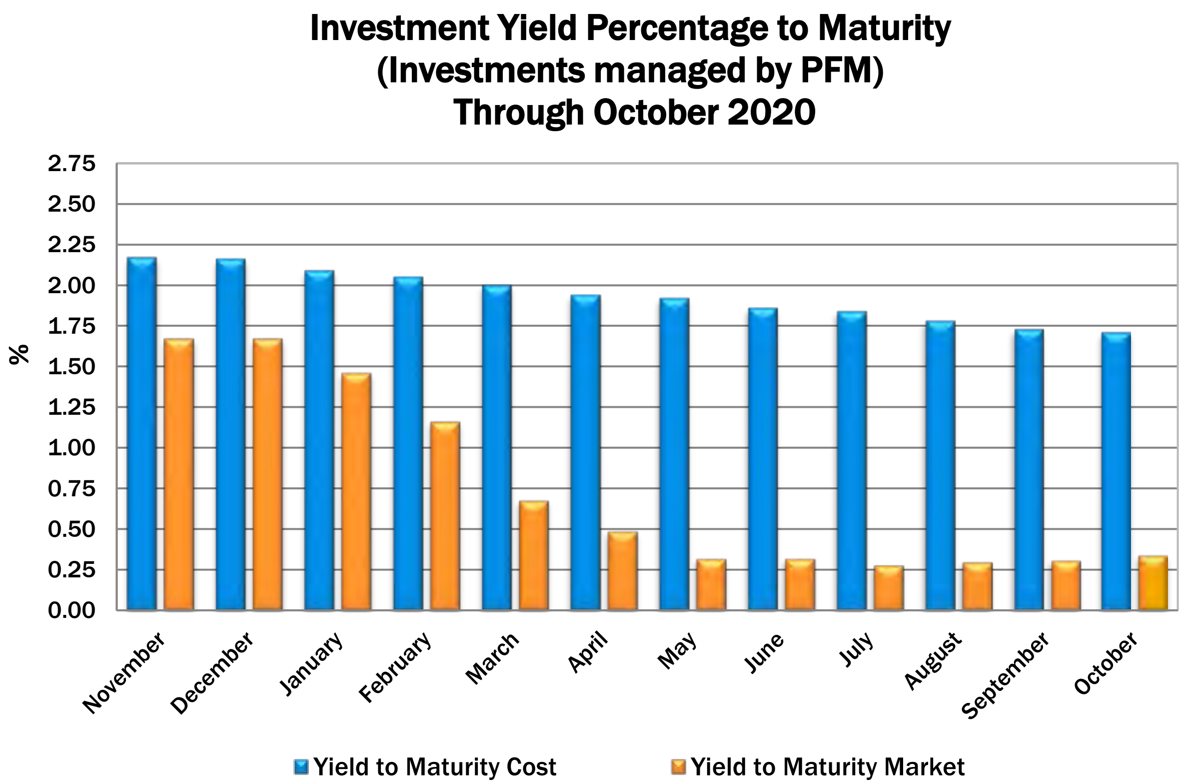
The number of accounts that are delinquent by more than 60 days increased 8% month-over-month, from 954 accounts in September to 1,029 in October. The total dollar amount owed to AlexRenew from these accounts increased to $410,095, largely driven by two commercial accounts that just became 60 days delinquent. As with all delinquent customers, AlexRenew's customer service professionals will perform outreach to try to bring the accounts current or initiate a payment plan.

Active Accounts 60+ Days Delinquent



Investments

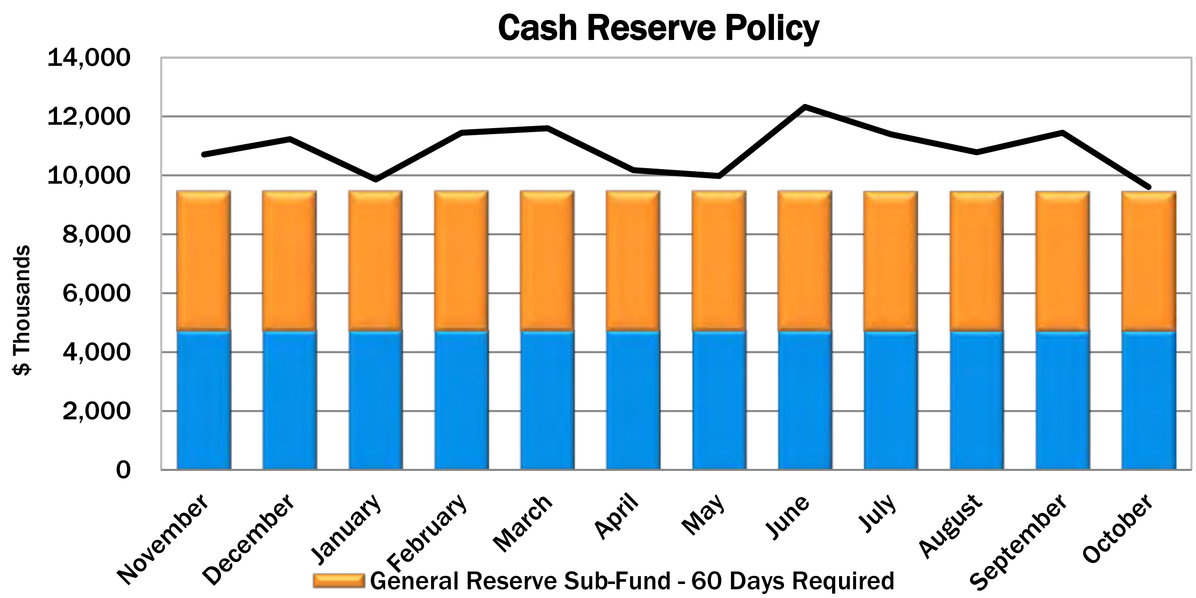
PFM Investment Advisors manages approximately $21 million of AlexRenew's $27.9 million investment portfolio. The following graph demonstrates current earnings on investments of approximately 1.71%; a level significantly higher than general bank deposit earnings rates.



Cash Reserves

Our Indenture requires that we maintain a balance on deposit in our Operating Fund equal to not less than 60 days of budgeted operating expenses. AlexRenew's Financial Policy requires a balance on deposit in our General Reserve sub-Fund also equal to not less than 60 days of budgeted operating expenses. In total, these combined compliance conditions require AlexRenew to maintain at least 120 days cash on hand, and for FY21 this equals a minimum of $9,462,334. The chart and graph below demonstrate that AlexRenew currently exceeds this requirement.

Board Policy 120 Days Cash Reserves	Actual	Percentage of Goal
As of October, 2020		
Total Operating Cash	$ 2,016,916	
Total Certificates of Deposit (Cash Equivalent)	$ 2,857,235	
Total Operating Cash	$ 4,874,151	
Total General Reserve Sub-Fund Cash	4,731,167	
Total Operating and General Reserve Sub-Fund Cash	9,605,318	102%

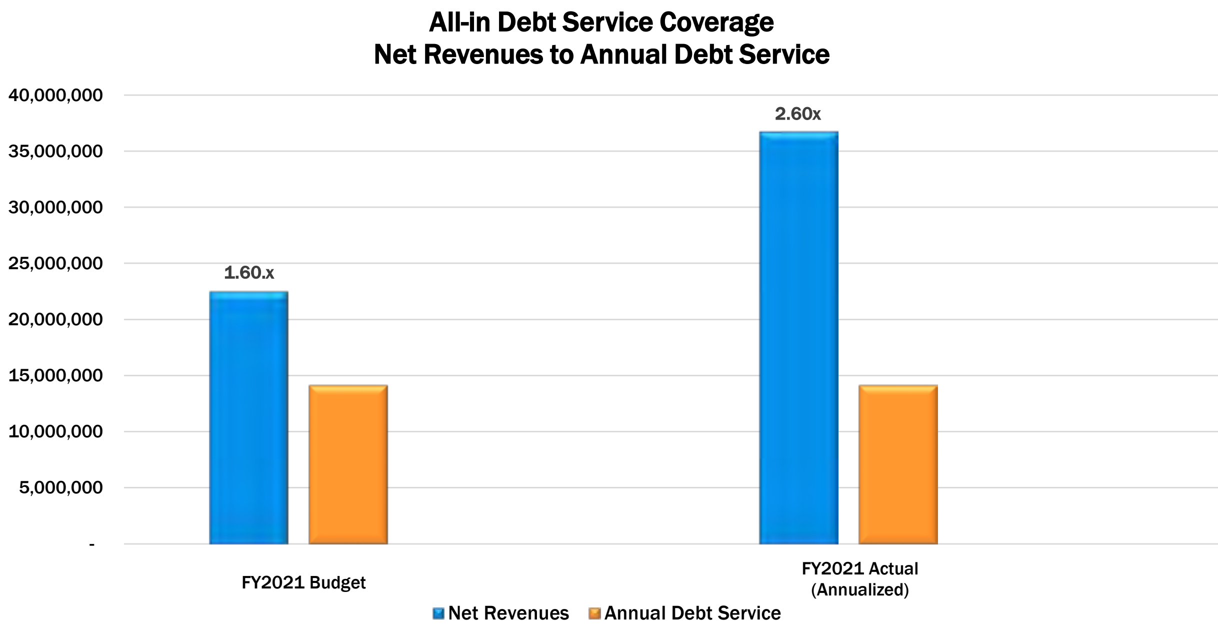


Debt Service Coverage

Our Indenture also requires AlexRenew to maintain minimum debt service coverage such that Revenues less Operating Expenses or Net Revenues (each term as defined in the Indenture) is at least 1.10x our parity debt service due in any fiscal year. Compliance with our Board-approved financial policies requires AlexRenew to maintain a higher minimum debt service coverage of at least 1.50x applying the same criteria as defined above.

In both cases, AlexRenew currently exceeds its compliance standard as indicated in the graph below. The 1.6x designated in the graph below represents projected coverage for FY21 based on actual results to date. We also note our anticipated coverage of 2.60x based on original FY21 budget expectations. As a result, we are well ahead of our budgeted projection, as well as our minimum policy.

Financial Policy Compliance - All-In Debt Service Coverage	FY 2021 Actual	FY 2021 Budget
Gross Revenues Available for Debt Service Coverage:		
Wastewater Treatment Charges - Alexandria Ratepayers	48,911,706	39,492,000
Fairfax County Operating Expense Charge	11,272,272	11,272,272
Reimbursement from other systems	-	-
Investment Income	622,184	115,000
Less Restricted Investment Income	-	-
Total	60,806,162	50,879,272
LESS Operating Expenses	(24,067,512)	(28,386,991)
Net Revenues [a]	36,738,651	22,492,281
Annual Debt Service [b]	14,123,976	14,123,976
Calculated All-In Debt Coverage [a/b]	2.60x	1.60x
Financial Policy Target	≥1.50x	≥1.50x


All-in Debt Service Coverage
Net Revenues to Annual Debt Service
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
1.60.x
2.60x
FY2021 Budget
FY2021 Actual (Annualized)
Net Revenues
Annual Debt Service

Glossary:

Revenue Fund

All revenue receipts of Alexandria Renew are deposited in the Revenue Fund.

The Operating Fund

The Operating Fund accounts for the administration and maintenance of the wastewater treatment system. By Board policy, the Operating Fund shall maintain 120 days of cash in reserve as established by Board Policy.

Parity Debt Service Fund

The Parity Debt Fund shall have deposited in it one-twelfth (1/12th) of the annual required debt payment due within the budget year. Deposits are restricted funds for use to make semiannual payments in accordance with the Alexandria Renew Trust Agreements.

Joint Improvement, Renewal & Replacement (IRR) Fund

The IR&R Fund receives deposits directly from Fairfax County (60% of IR&R budget) and from AlexRenew customer revenue (40% of IR&R budget) for asset renewal of joint use facilities. The contribution to the IRR Fund is 0.7% of the total amount of capital expenditures made subsequent to October 1, 1997, for the joint portion of the system, as set forth by the service agreement with Fairfax County.

Project Fund

The Project Fund records the cost of each joint use capital project included in the Alexandria Renew Capital Improvement Plans (CIP).

The plans for current and future capital projects, both joint and City only, is summarized in a Ten-Year CIP. City use only CIP are accounted for within the General Fund.

General Fund

The General Fund serves as reserve fund to be used for any lawful purpose of the Authority. Deposits to the General Fund are made from the Revenue Fund after all other fund expenditures and requirements have been satisfied. Alexandria Renew principally uses the General Fund to finance specific capital improvements and to provide sufficient reserves in accordance with policy.

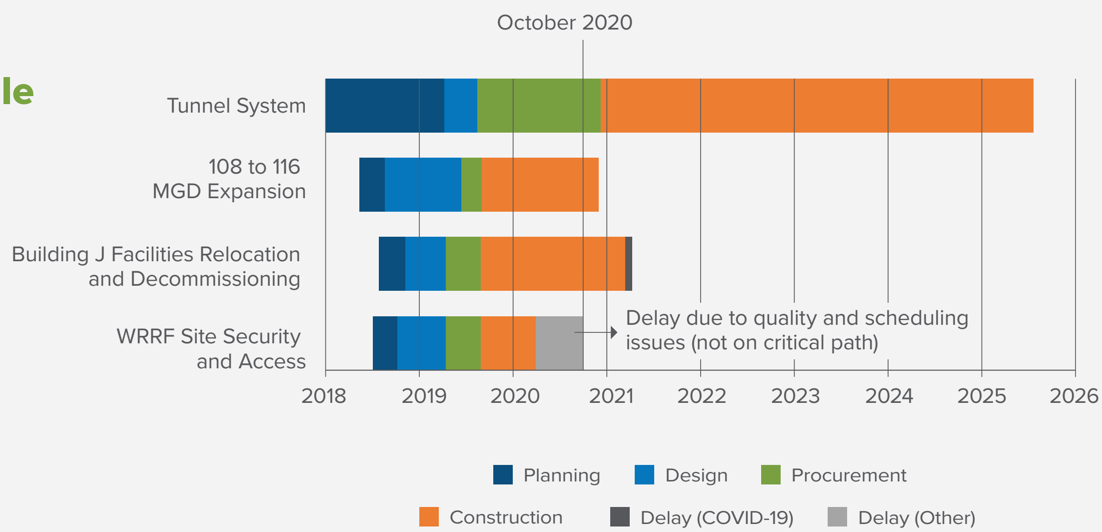
RiverRenew Board of Directors Dashboard

MONTH ENDING: OCTOBER 31, 2020

Paving the Way for the RiverRenew Tunnel Project

In spite of a government shutdown, an ongoing pandemic, and other hurdles, RiverRenew is on track to meet its aggressive deadline of July 1, 2025. Part of the work needed to keep RiverRenew on track involves the demolition of the Robinson Terminal North (RTN) warehouse. Prepping the RTN site for demolition began in late September, with construction work beginning in late October. AlexRenew construction partners Clark and ACECO will use an excavator with hydraulic attachments to remove portions of the structure piece by piece and then load them into a truck for recycling and/or disposal. The building is anticipated to be completely taken down by mid-November. Learn more about this important first step toward healthier waterways at **www.RiverRenew.com/RTN-demo**

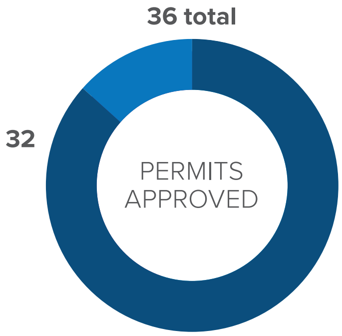
RiverRenew Program Schedule



SUMMARY OF UPCOMING ACTIVITIES	
Date:	Upcoming Activities:
11/2020	Jones Point Park Site Investigations
11/2020	Building J Demolition
11/2020	Robinson Terminal North (RTN) Demolition
11/2020	Anticipated AlexRenew Board of Directors Approval of Tunnel System Project
12/2020	Anticipated Notice to Proceed for Tunnel System Project
12/2020	108-116 Project Completion

SUMMARY OF MAJOR PERMITTING DELAYS	
Issue:	Impact:
Federal Government Shutdown 2019-2020	Delayed Environmental Assessment issuance by 2 months
Requirement for Programmatic Agreement Condition	Delayed Finding of No Significant Impact issuance by 9 months
Review Progress Hampered by COVID-19	Delayed National Park Service and United States Army Corps of Engineers permits by 7 months

The RiverRenew Tunnel System Project

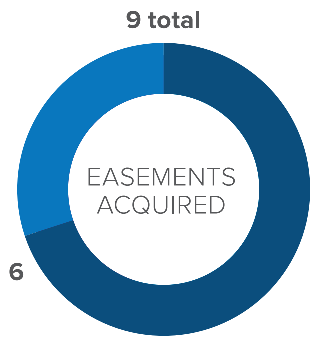


Progress to Date

Major Permit Status

• U.S. Army Corps of Engineers Nationwide Permit #12 for Hooffs Run Interceptor issued October 2020

* National Park Service Archeological Resources Protection Act Permit for pre-construction investigations issued October 2020



Easement Agreement Status

Remaining Easements:

• St. Mary's Catholic Cemetery – permanent subterranean easement

• Two private properties – permanent subterranean easement

Funding Status

• $25 million grant appropriated by the Virginia General Assembly in April 2019

• Received preliminary approvals from the Virginia Clean Water Revolving Loan Fund (VCWRLF) and the Water Infrastructure Finance and Innovation Act (WIFIA)

Site Investigation Status

• 96 soil borings completed

• 12,786 linear feet drilled

• 2,221 geotechnical soil samples collected

• 100 environmental soil samples collected

• 31 groundwater monitoring wells installed

• 15 environmental groundwater samples collected

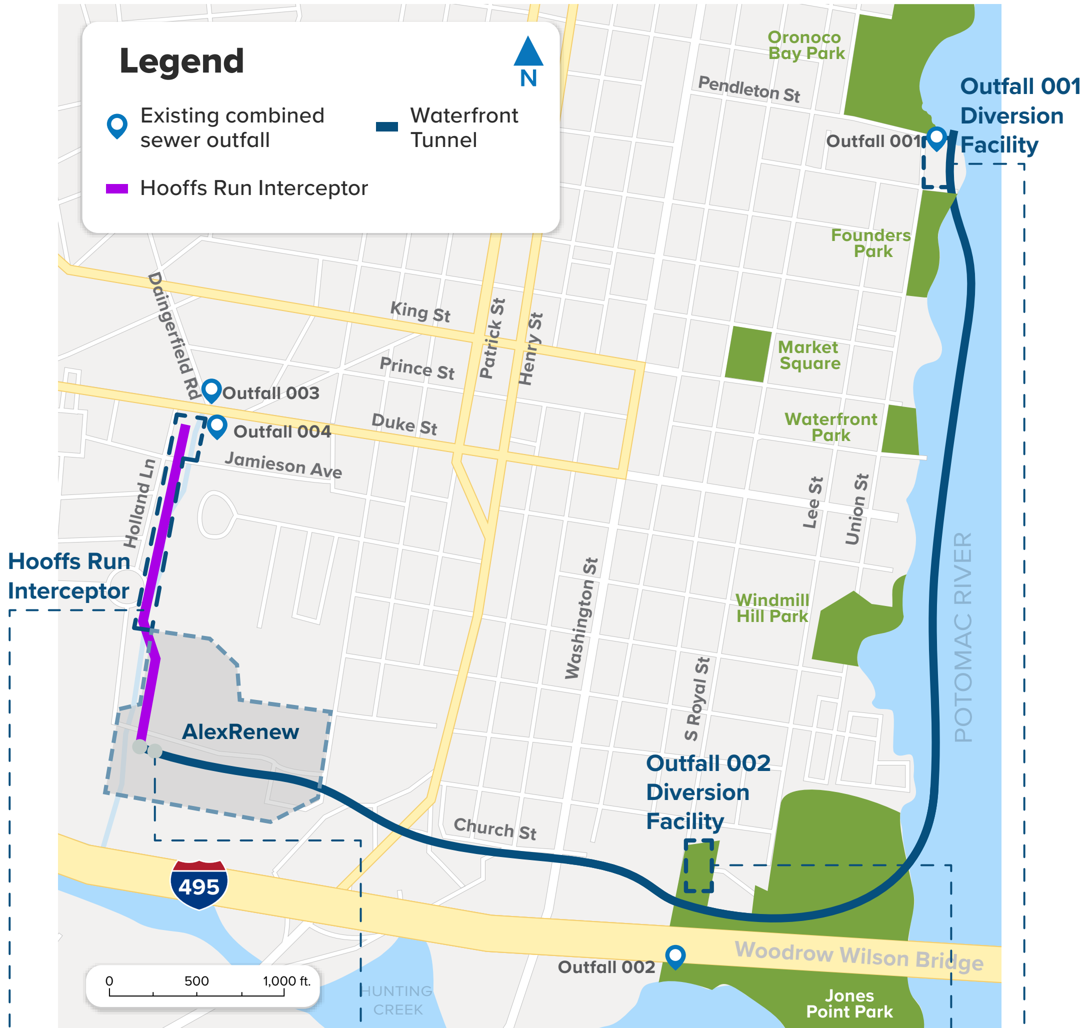
Procurement Status

- **Jun. 2019** Request for Qualifications Issued
- **Oct. 2019** Shortlist
- **Feb. 2020** Request for Proposals Issued
- **Jul. 2020** Last Addendum Issued
- **Sep. 2020** Proposals Submitted
- **Nov. 2020** AlexRenew Board Approval
- **Dec. 2020** Notice to Proceed

Current Status

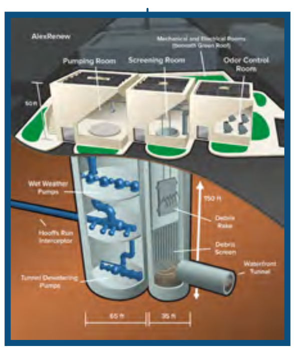
RiverRenew Tunnel System Project Components

The completed tunnel system will connect to four outfalls across the city and will prevent about 130 million gallons of combined sewage from entering our waterways each year. At Outfalls 001 and 002, below-ground diversion facilities will direct combined sewer flows into the Waterfront Tunnel. Outfalls 003 and 004 will be served by the Hooffs Run Interceptor, an open-cut pipeline.

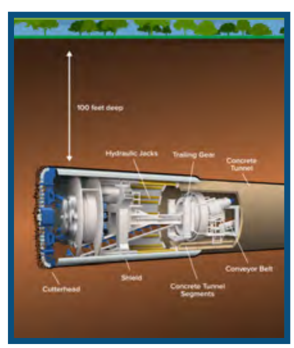


Hooffs Run Interceptor

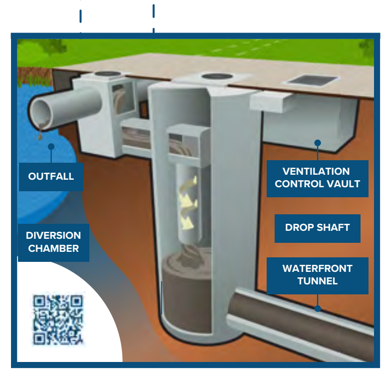
Construction:
Spring 2021-Summer 2024



Tunnel Dewatering and Wet Weather Pumping Station



Tunnel Boring Machine



Diversion Facility

Outfall 001 Diversion Facility Construction:
Spring 2021-Winter 2024

Outfall 002 Diversion Facility Construction:
Spring 2021-Fall 2024

RiverRenew Construction on AlexRenew's Campus

Current Construction Project Status

Three projects are currently underway at AlexRenew's Water Resource Recovery Facility (WRRF) to pave the way for the Tunnel System Project.

108 to 116 MGD Expansion

Increases primary pumping capacity to 116 MGD in preparation for the Tunnel System Project.

Vendor: ACE

Contract Amount: $2,665,000

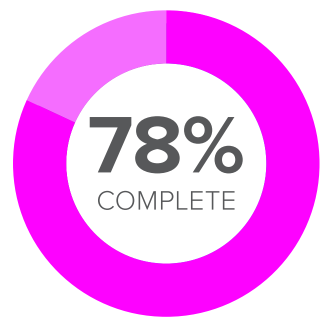
Construction Finish Date: December 2020

Latest Project Updates:

- Neared Substantial Completion: Pumps operational to deliver design intent
- Final completion anticipated December 2020

Building J Facilities Relocation and Decommissioning

Relocation of laboratory and locker rooms and demolition of former administrative building to provide space to build the Tunnel System Project.



Vendor: Clark Construction

Contract Amount: $19,767,046

Construction Finish Date: April 2021

Latest Project Updates:

- Lab, Operations, and Maintenance teams moved into new Building G/1 and G/2 facilities
- New Control Room anticipated to be complete in November 2020
- Building J demolition anticipated to begin in November 2020

WRRF Site Security and Access

Upgrades to existing access points and security systems at WRRF in preparation for increased campus activity for the Tunnel System Project.

Vendor: Sorensen Gross Company

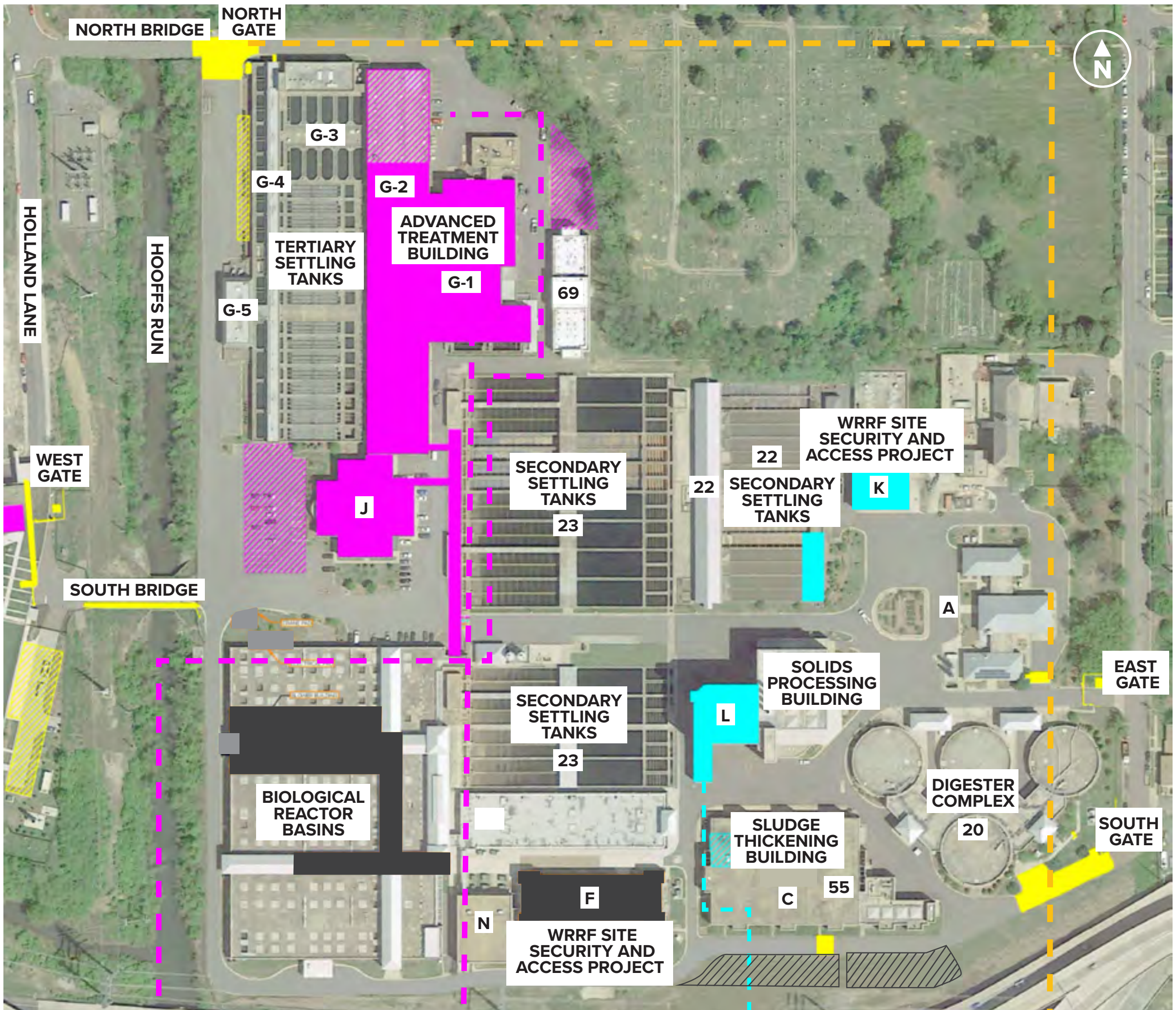
Contract Amount: $1,527,000

Construction Finish Date: September 2020

Latest Project Updates:

- Finalizing commissioning and programming of gates
- Completing South Bridge pedestrian path

Map of AlexRenew Construction Projects



New Control Room
in Building G

North Bridge Gate
and Guard Booth

New Parking Area
Behind Building G

Upgraded Primary
Effluent Pumps

WRRF Site Security and Access Project

108 to 116 MGD Expansion Project

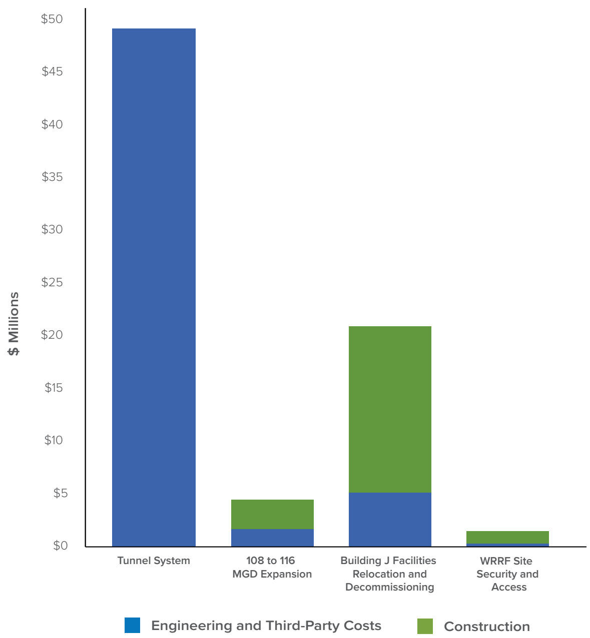
Building J Facilities Relocation and Decomissioning Project

Other construction projects at WRRF

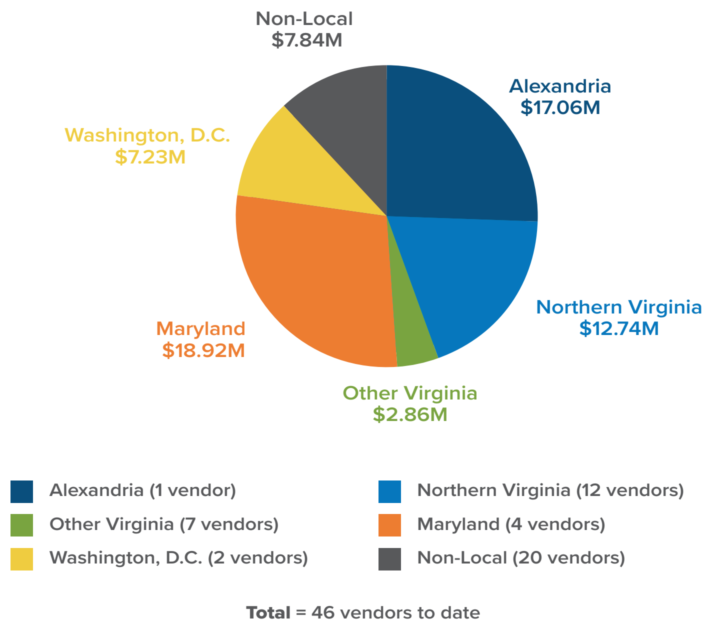
Project staging areas

RiverRenew Program Costs to Date

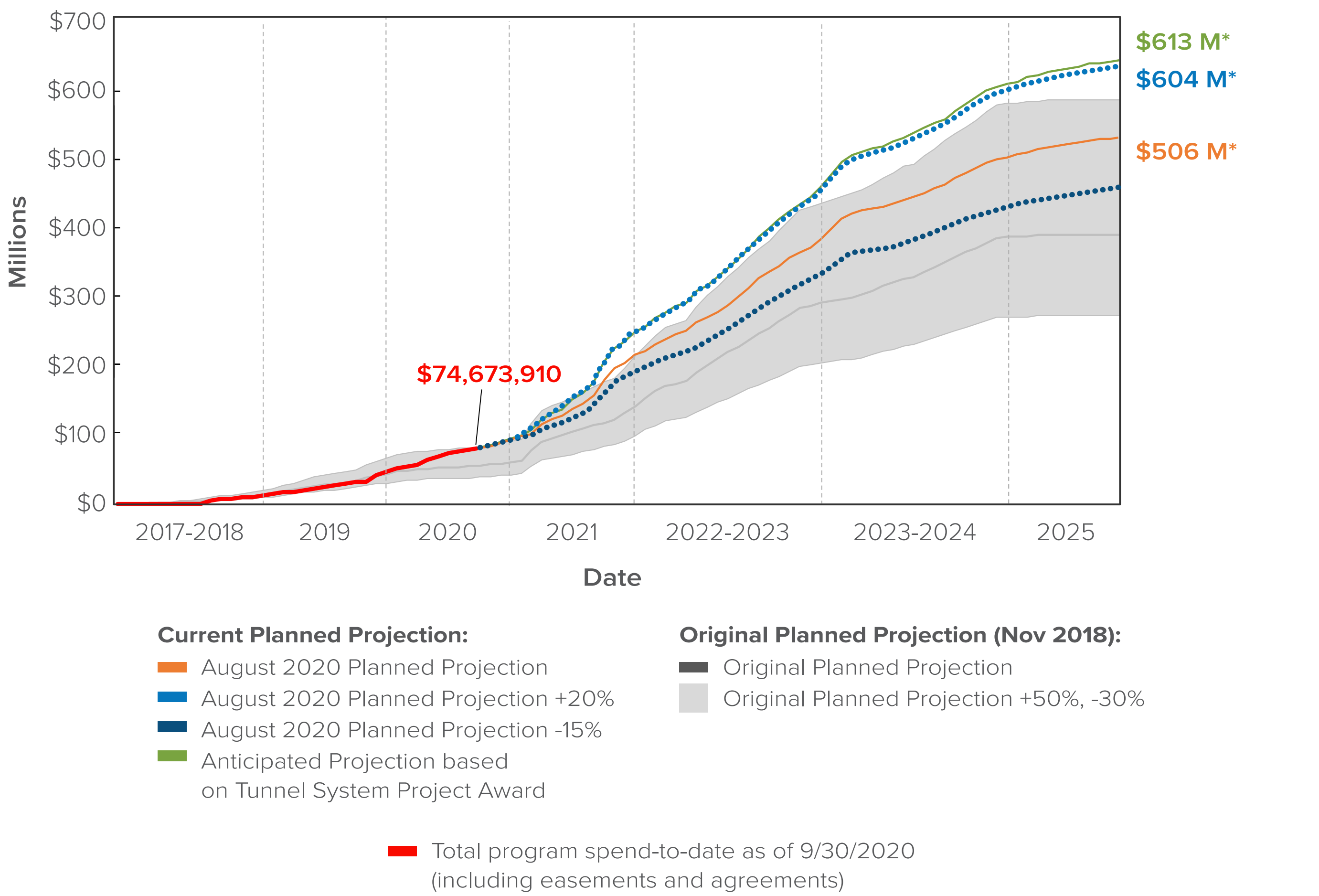
Project Costs to Date



RiverRenew Spend-to-Date by Locality



RiverRenew Cash Flow Analysis



*Spending plan based on post-addendum opinion of probable cost (August 2020)

RiverRenew Community Outreach

Education

Education initiatives are intended to engage audiences of all ages and help them learn more about RiverRenew and its technical components.

Highlights:

Expanding the Cloe & Friends RTN campaign to include a downloadable learning activity on RiverRenew.com

Community Meetings

Community meetings are the presentations given to various stakeholder groups, including the SAG, and community listening sessions. These presentations can be delivered in person or virtually.

Highlights:

- SAG applications close November 6

Community Events

Participating in or co-sponsoring **community events** strengthens AlexRenew's relationship with its water and community partners.

Highlights:

- Sto Len, AlexRenew Artist-in-Residence, Renewal Exhibit at the Torpedo Factory – October 10 - December 27

- Imagine a Day Without Water – October 21
- National Drug Takeback Day – October 24

Looking Ahead:

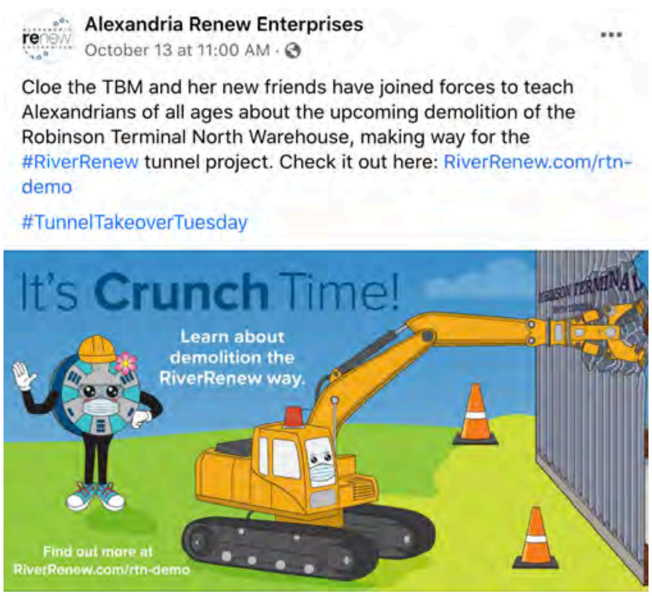
- World Toilet Day – November 19

Digital Programming

Digital programming keeps the community connected to RiverRenew with regular program updates on RiverRenew.com, featured content on AlexRenew's social media pages during "Tunnel Takeover Tuesdays," and distribution of *The River Renewer*, a quarterly newsletter promoting updates and milestones to more than 450 contacts.

Highlights:

- A program update informing of the mobilization of construction crews to the Holland Lane staging lot
- Promoted RTN demo educational materials for all ages on social media



Community Days

Community days feature project-specific events to celebrate construction progress on the Tunnel System Project and engage the community along the way.

Monthly Construction Spotlight

Demolishing AlexRenew's Building J

Following the relocation of AlexRenew's essential workers and facilities to Buildings G/1 and G/2, Building J is being prepared for demolition. Building J housed AlexRenew's laboratory, locker rooms, and other facilities for over 20 years. Following the disconnection of utilities, Building J will be dismantled using an excavator with hydraulic attachments that will remove portions of the structure piece by piece and then load them into a truck for recycling and/or disposal.

The removal of Building J will pave the way for tunnel work to start at AlexRenew. The site will be used to build two large shafts, 65 and 35 feet in diameter and 12 stories deep. These shafts will serve two purposes:

- to construct the Waterfront Tunnel, and
- to house new pumping stations.

Demolition of Building J is anticipated to be complete in January 2021.

Solving a Century-Old Problem with RiverRenew

Click here to watch an animated video about RiverRenew and learn how the Waterfront Tunnel will be constructed.

To learn more, visit www.RiverRenew.com

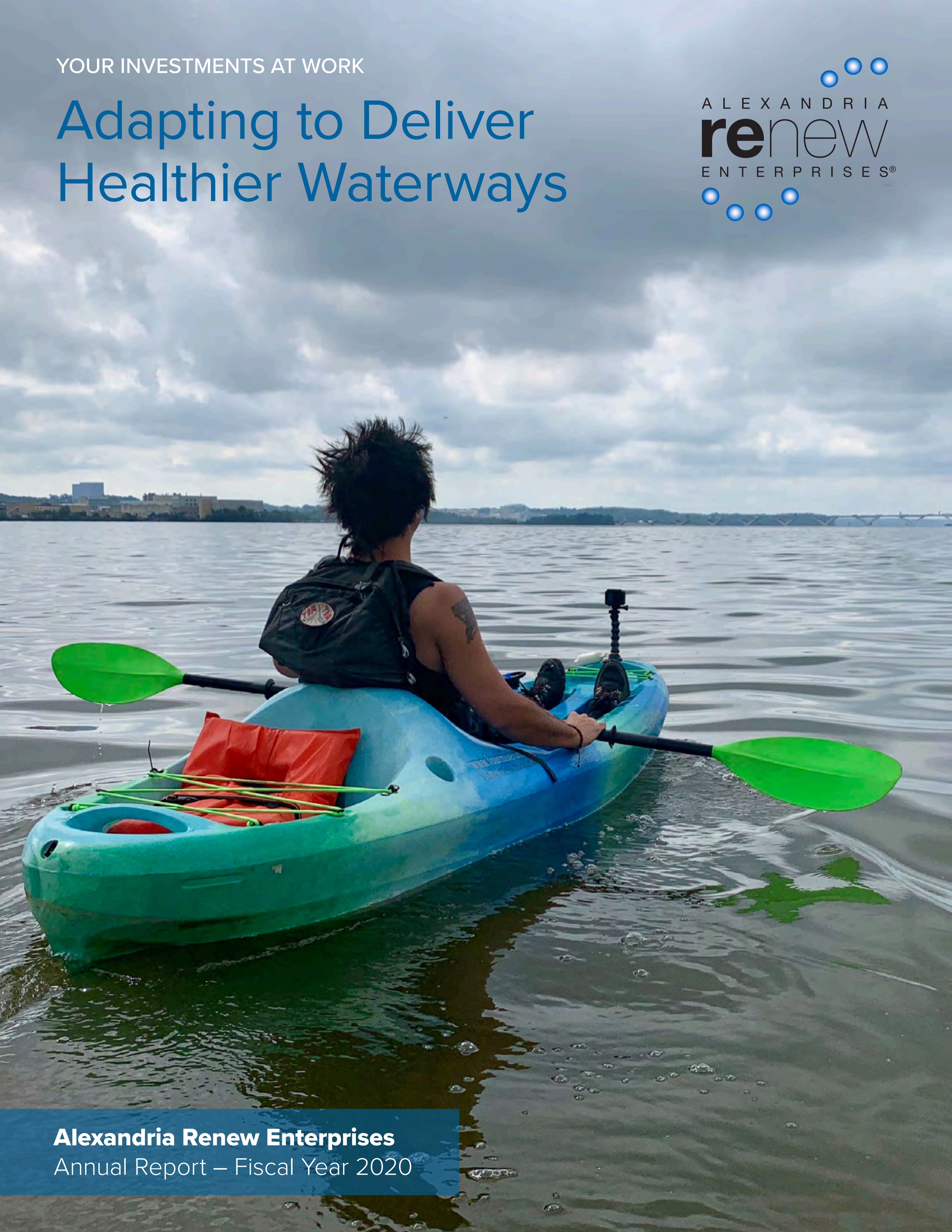
ALEXANDRIA renew ENTERPRISES® | RiverRenew™

RiverRenew is a program owned and implemented by AlexRenew, Alexandria's wastewater treatment provider.

YOUR INVESTMENTS AT WORK

Adapting to Deliver Healthier Waterways

ALEXANDRIA renew ENTERPRISES®



Alexandria Renew Enterprises
Annual Report – Fiscal Year 2020

We've Overcome Exceptional Challenges to Provide an Essential Service to Our Community

ABOUT ALEXRENEW

The vital mission of Alexandria Renew Enterprises (AlexRenew) is to manage our community's wastewater and improve the health of the waterways that connect us. On average, AlexRenew cleans 35 million gallons of wastewater every day at our 32-acre Water Resource Recovery Facility (WRRF). AlexRenew is a special-purpose authority led by a five-member citizen board, serving the City of Alexandria and parts of Fairfax County.

$1B
in assets maintained

64 YEARS
of providing our essential service

Over 300,000 customers
served in Alexandria and parts of Fairfax County

35 million gallons
of water cleaned daily

13 billion gallons
of water cleaned annually

A Message from our Board of Directors

Clean waterways are essential to our future. Each day, the dedicated staff at AlexRenew work around the clock to turn millions of gallons of used water into usable, clean water in order to fulfill on our mission of providing healthier waterways for our local community.

2020 has been an unprecedented year, and the need to adapt has been top of mind for everyone. From the implementation of new safety protocols across AlexRenew's Water Resource Recovery Facility to ensure the health of our staff to recognizing the hardships within our community by providing rate relief, my board colleagues and I could not be prouder of the work our staff has done to help AlexRenew continue to be the environmental anchor in our community.

In a first for us – and for many utilities of our kind -- this year we welcomed our first-ever artist-in-residence, sTo Len, to AlexRenew. sTo creates in several different mediums and is using his creativity to develop works of art that will engage the public and strengthen their connection to the work AlexRenew is doing. We've also worked to remain connected with the community through videos of our ongoing construction projects, virtual "introductions" to our staff members, and a full week of fun, family-friendly virtual activities as part of Water Discovery Week.

AlexRenew is also staying full steam ahead on construction upgrades at our facility. Construction projects are moving forward smoothly and efficiently while our construction partners continue to follow pandemic protocols to protect workers' health.

The RiverRenew Tunnel System Project is still on track to meet the July 2025 deadline. Permitting and planning with both local and national agencies is almost finished. AlexRenew is committed to staying on schedule and using our resources wisely to complete this important project that will bring economic vitality to Alexandria through cleaner waterways.

As we continue to adapt and fulfill on our vital mission to manage our community's wastewater and improve the waterways that connect us, my board colleagues and I continue to be inspired by the commitment of our team of dedicated water transformers. We thank them – and all of you in our community – for your continued support.

We look forward to all that we'll achieve together in the coming years.

John Hill
Chair

James Beall
Vice Chairman

Bill Dickinson
Secretary-Treasurer

Bruce Johnson
Member

Adriana Caldarelli
Member

Adapting to Keep Operations Running 24/7 While Keeping Staff Safe

Keeping our community healthy
by working for cleaner waterways

Protecting employee health
while maintaining operations

100% compliance, 100% of the time

HOW WE'VE ADAPTED TO THE COVID-19 PANDEMIC

AT ALEXRENEW'S WRRF:

- Daily screenings
- Hand-washing stations
- Face masks and social distancing
- Disinfection of facilities
- Teleworking and alternating schedules

COMMUNITY-FOCUSED ADAPTATIONS

- Budget and rate amendments
- Suspended late fees and service disruptions
- Halting water shutoffs and restoring service
- Extended payment plans and assistance

OUR WATER QUALITY COMMITMENT

100
water transformers
working at AlexRenew

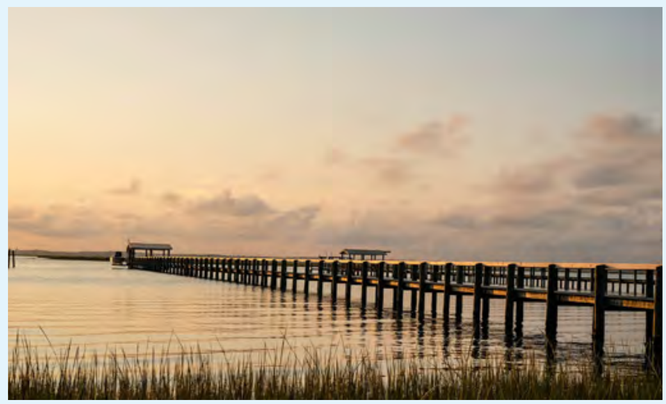
151 employee-held
licenses and certifications

100%
compliance
with water quality requirements

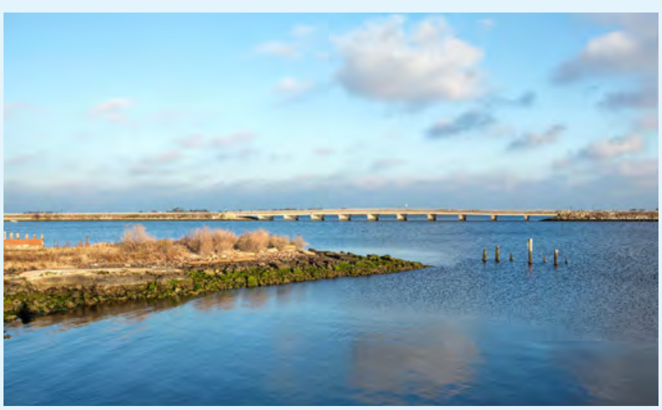
OPERATIONS AND MAINTENANCE

~22,000
tons of biosolids produced

>94%
removal of nitrogen



>98%
removal of phosphorus



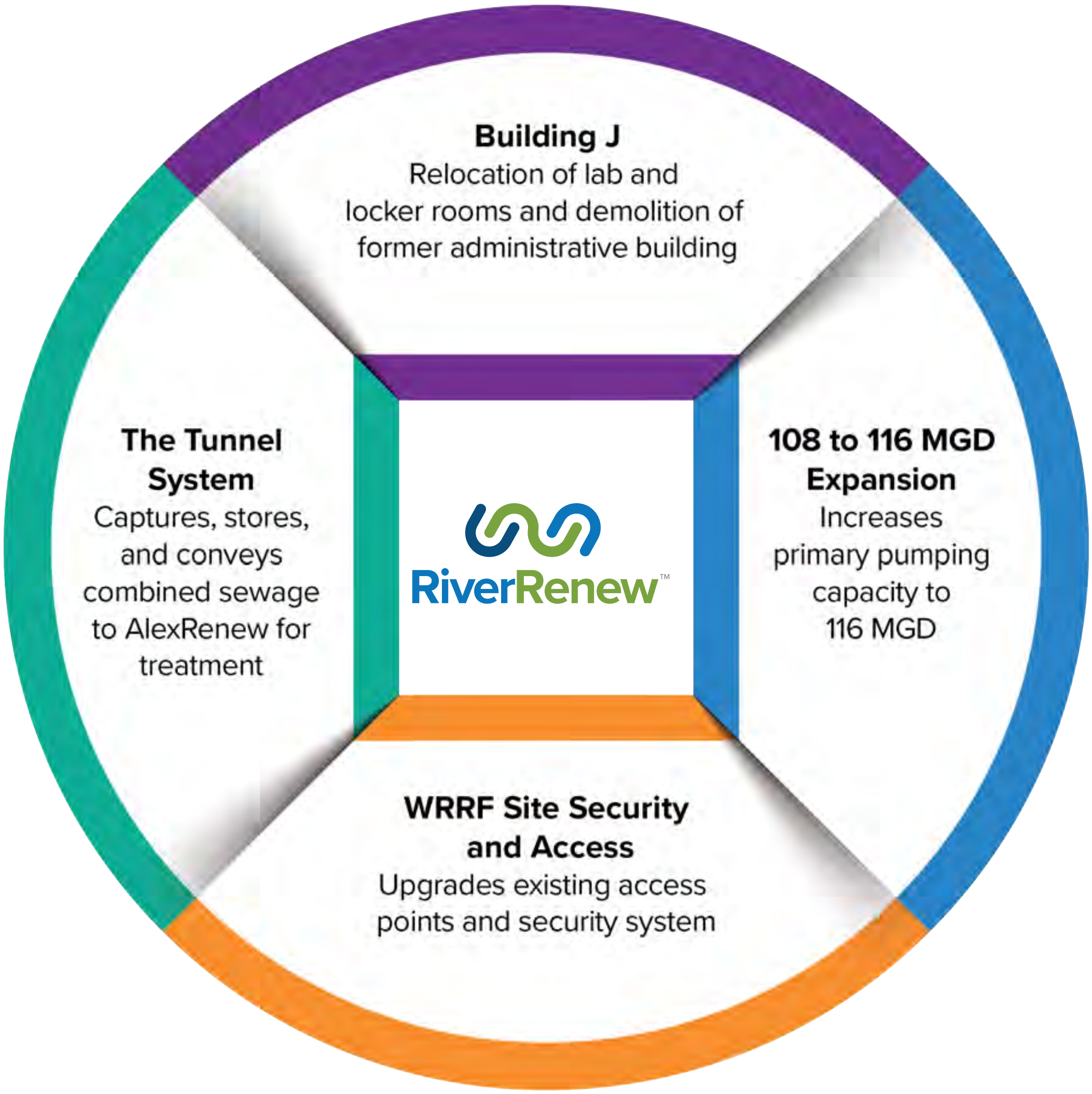
>11,000
assets managed

We’re on Track to Deliver Healthier Waterways by 2025

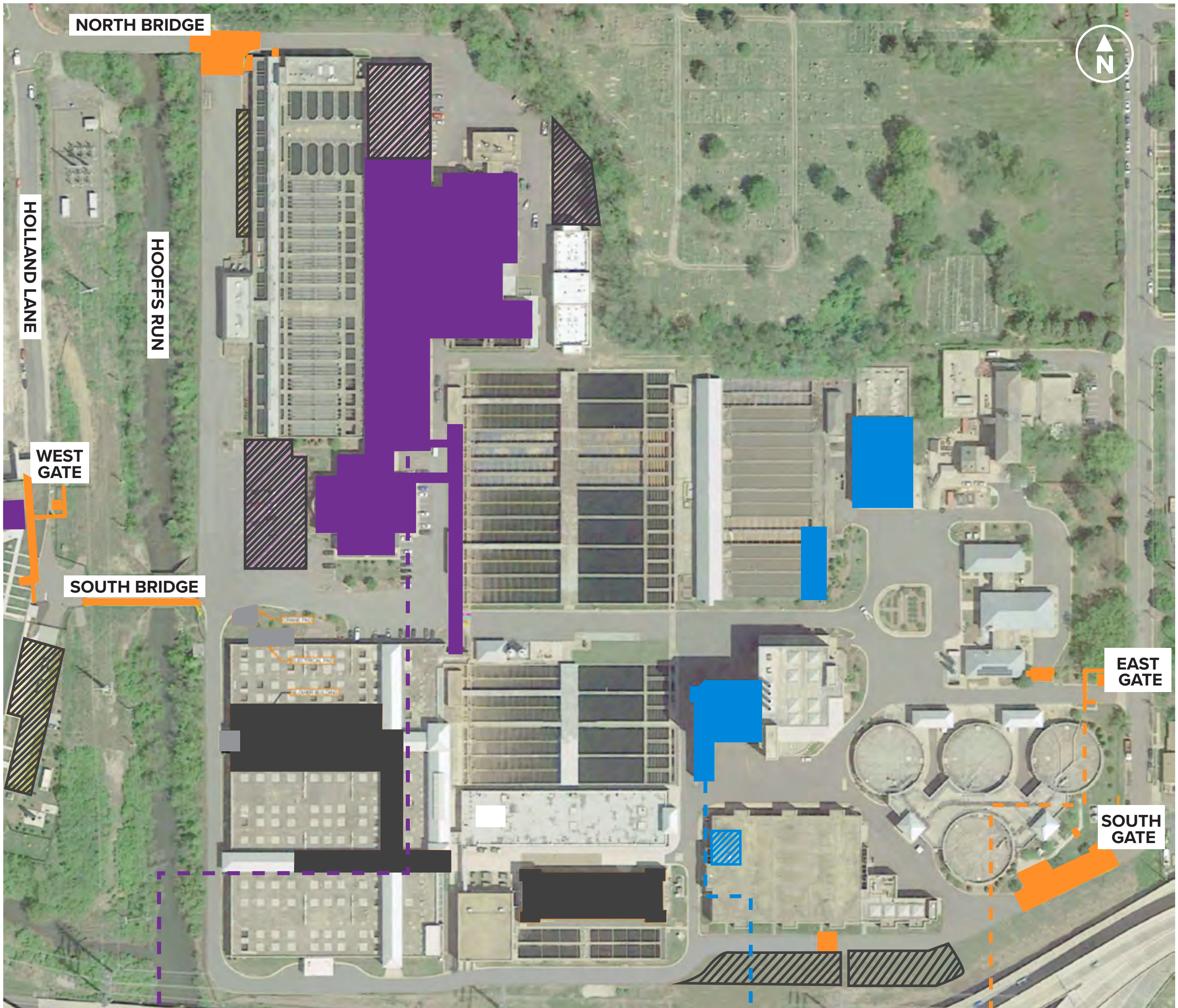
RIVERRENEW

By combining a deep tunnel system with upgrades to AlexRenew facilities, the RiverRenew program will prevent 130 million gallons of combined sewage from entering local rivers and streams each year.

RiverRenew is vital to the health of our waterways, and AlexRenew is committed to investing in this important project that will bring economic vitality to Alexandria through cleaner waterways.



ONGOING RIVERRENEW CONSTRUCTION PROJECTS AT ALEXRENEW'S WATER RESOURCE RECOVERY FACILITY (WRRF)



Building J Facilities Relocation and Decomissioning Project
New lab and locker rooms completed in October 2020

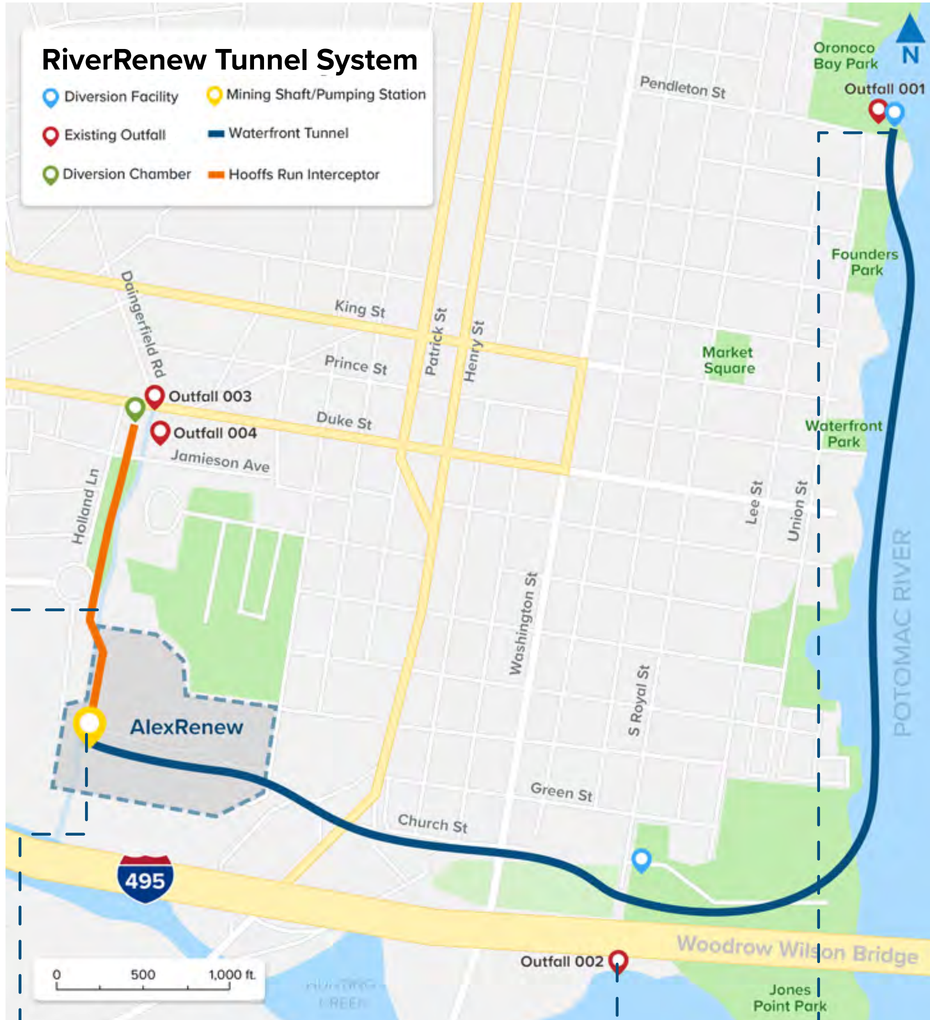
108 to 116 MGD Expansion Project
Pumps installed and operational in October 2020

WRRF Site Security and Access Project
New gates and guard booths installed and operational in September 2020

Project staging areas

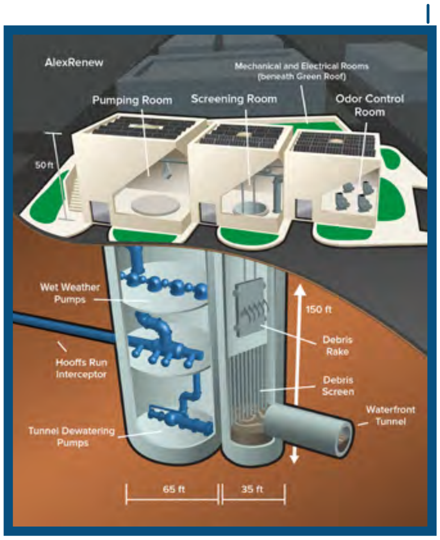
RIVERRENEW TUNNEL SYSTEM PROJECT

The new tunnel system will connect to four existing combined sewer outfalls and prevent sewage from overflowing into local waterways during rain events. Diversion facilities will divert combined sewage into the new tunnels and transport these flows to AlexRenew for treatment. Construction on the new tunnel system is on schedule to begin in early 2021.

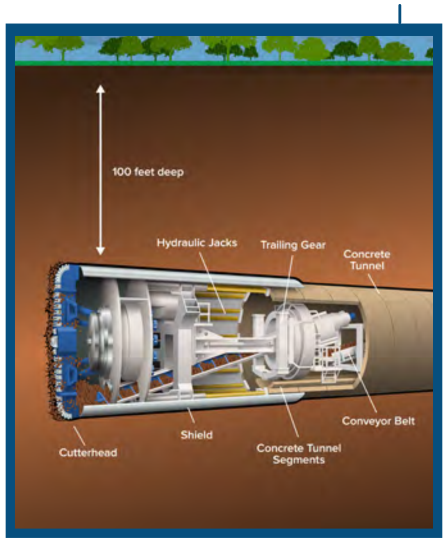


TUNNEL SYSTEM PROJECT COMPONENTS

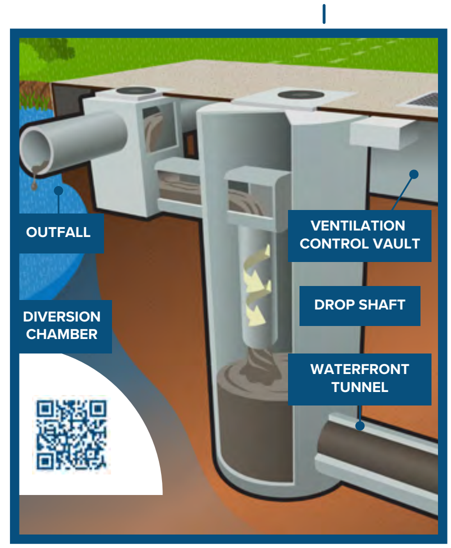
Hooffs Run Interceptor



Tunnel Dewatering and Wet Weather Pumping Station



Tunnel Boring Machine

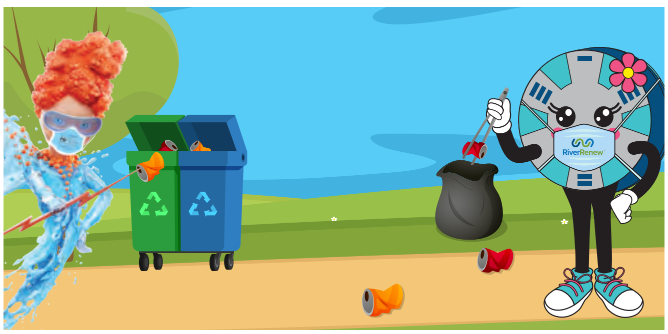


Diversion Facility

AlexRenew Continues to Be an Anchor in the Community

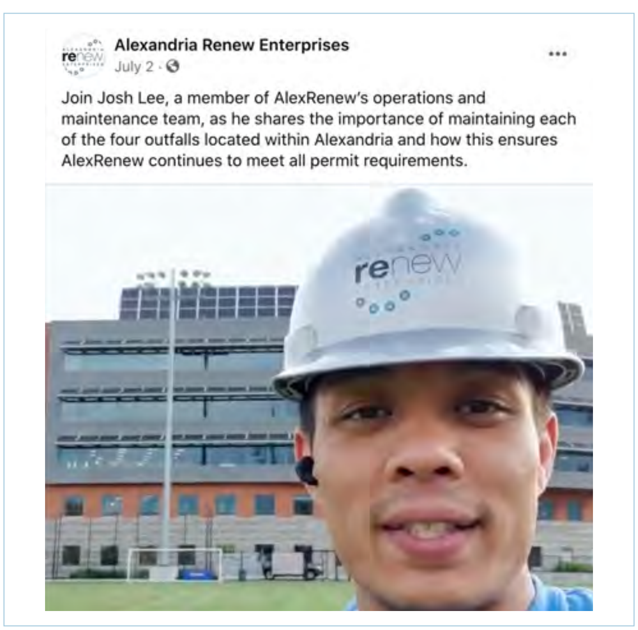
MOXIE AND CLOE

Moxie, AlexRenew's water-cleaning, nitrogen-eating mascot, and her new friend Cloe the Tunnel Boring Machine are working together to help spread the word about all the ways AlexRenew is continuing its vital mission of creating healthier local waterways.



SOCIAL MEDIA OUTREACH

Weekly posts on Facebook and Twitter offer area residents the latest RiverRenew updates. See one of our favorites here.



ARTIST-IN-RESIDENCE

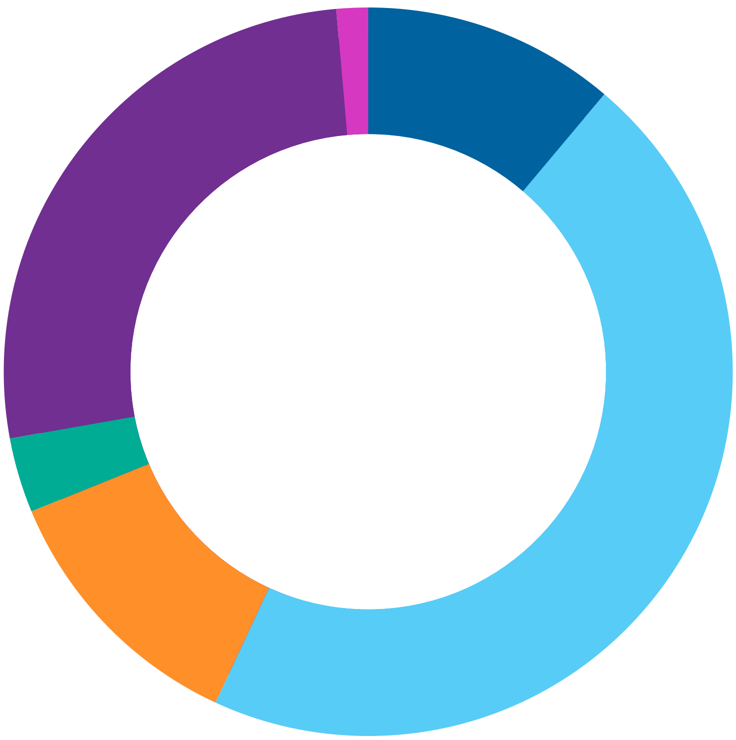
Sto Len, AlexRenew's first artist-in-residence, encourages interaction with the work AlexRenew is doing to clean our water. Learn more about Sto Len and the program here.

WATER DISCOVERY DAYS

Adapting to the pandemic, AlexRenew's Fourth Annual Water Discovery Day went virtual this year, with a week's worth of video activities shared to engage the community in our mission.

Your Investment in Healthier Waterways Helps Us Create a Sustainable Water Future

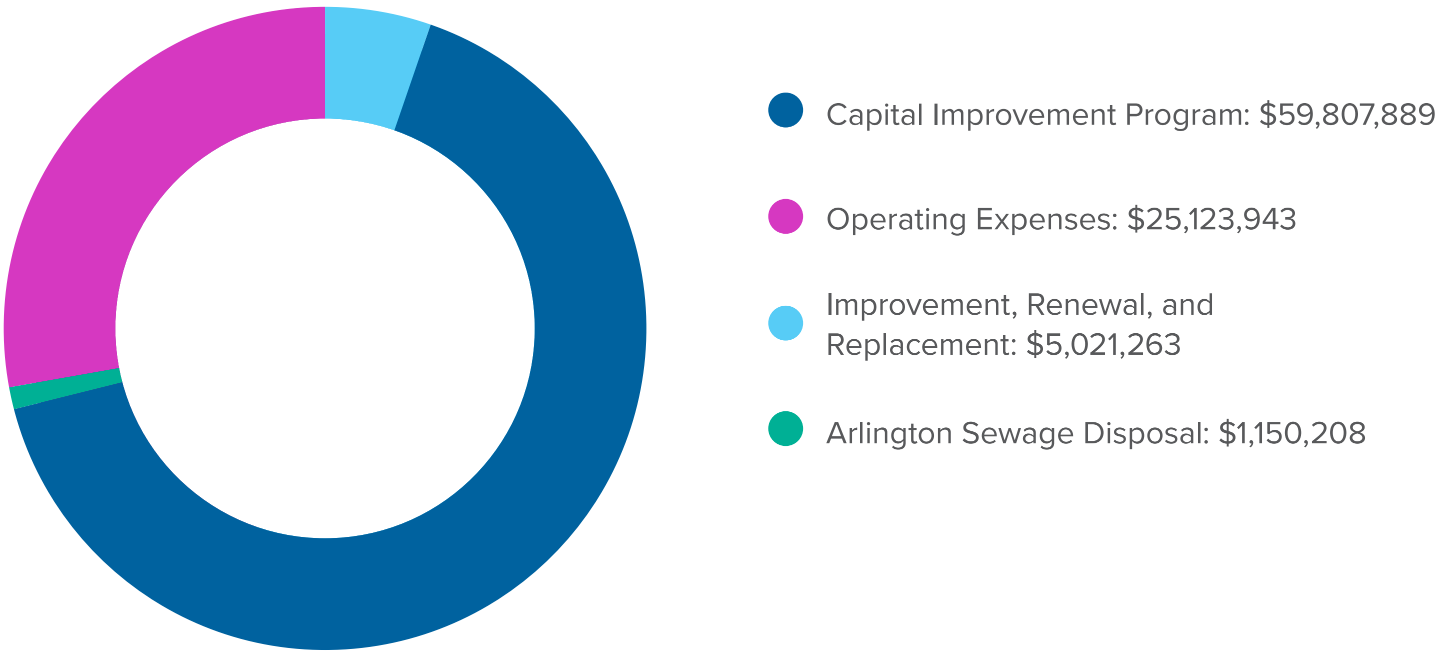
We manage our financial resources to run an efficient and resilient organization that contributes to the health of the economy.



- City of Alexandria Residents' Wastewater Treatment Charges: $43,748,538
- State Grant Revenues: $25,003,202
- Fairfax County Capital Project Contribution: $11,379,013
- Fairfax County Operating Charges: $10,759,863
- Fairfax County Improvement, Renewal, and Replacement Contributions: $3,194,545
- Investment Income: $1,327,691

HOW WE TURN YOUR INVESTMENT INTO CLEAN WATER

AlexRenew's budget includes funding for day-to-day operations; ongoing maintenance through the Improvement, Renewal, and Replacement fund; and long-term capital investment. We also pay Arlington County for providing sewer services to a portion of the City. We align spending with our values and vision by dedicating Operational Excellence funding to chemicals, utilities, and other items needed to run the WRRF, while the Adaptive Culture budget funds salaries, benefits, and professional development for our team of water workers. A portion of our budget is also used for debt payments for bonds issued by AlexRenew to fund capital projects.



OPERATING BUDGET

OPERATIONAL EXCELLENCE
$6,764,373

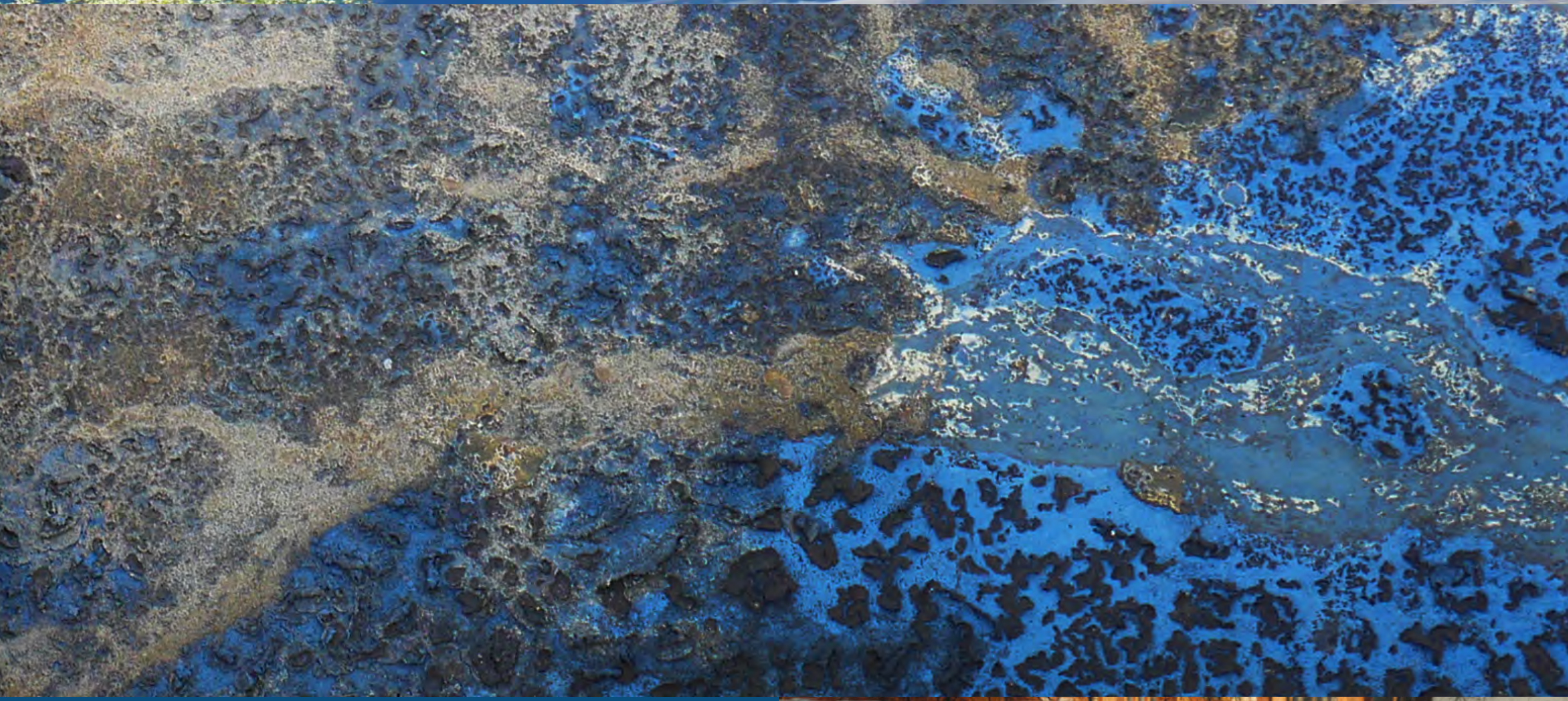
ADAPTIVE CULTURE
$13,840,103

PUBLIC ENGAGEMENT AND TRUST
$1,969,649

EFFECTIVE FINANCIAL STEWARDSHIP
$1,344,628

WATERSHED STEWARDSHIP
$1,205,190

DEBT SERVICE
$13,817,702



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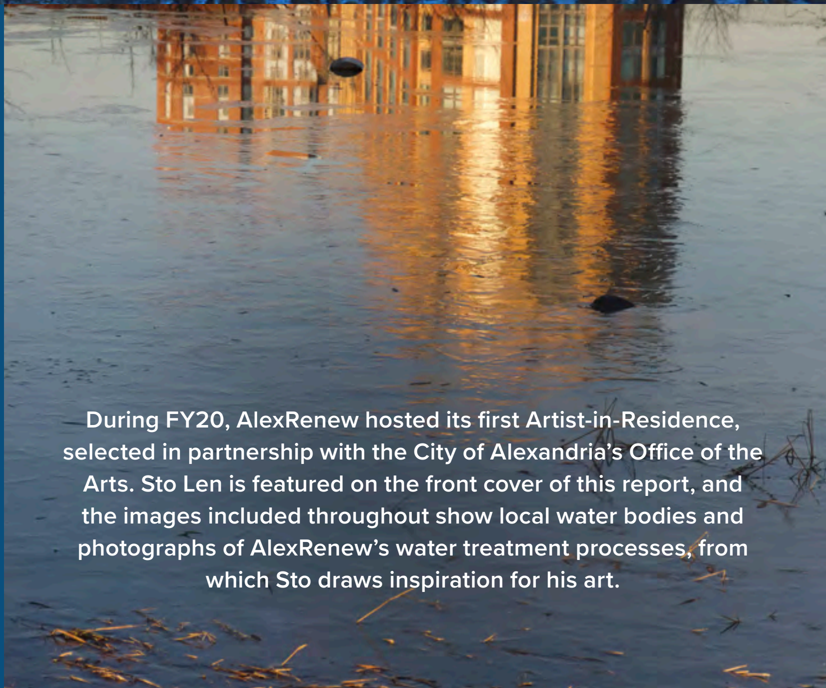

During FY20, AlexRenew hosted its first Artist-in-Residence, selected in partnership with the City of Alexandria's Office of the Arts. Sto Len is featured on the front cover of this report, and the images included throughout show local water bodies and photographs of AlexRenew's water treatment processes, from which Sto draws inspiration for his art.