Agenda
Alexandria Renew Enterprises Board of Directors
Finance & Audit Committee
Monday, November 8, 2021 @ 5:30 p.m.
Virtual via Zoom

Due to Covid-19 pandemic emergency, the November 8, 2021 Alexandria Renew Enterprises Board of Directors Finance & Audit Committee meeting 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) to undertake essential business.

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

Links: **https://us06web.zoom.us/j/85109733963?pwd=djZ6cGgvYU9Mc0t5VjJORWR1S2JzUT09**

Topic: Finance & Audit Committee Meeting
Register in advance for this webinar:

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 also be received at this meeting. If you wish to speak during public comment, please email or call the Board Secretary at (703) 721-3500 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 (5:30)	Committee Chairman	
2.	Approval of the Agenda (5:32)	Committee Chairman	Approval
3.	Public Comment Period (5:42 p.m.)	Committee Chairman	
4.	Consent Calendar (5:45 p.m.) *A.* Approval of Minutes (Held March 25, 2021) (Tab 1)	Committee Chairman	Approval
5.	Unfinished Business (5:47 p.m.) *A.* None	Committee Chairman	
6.	New Business (6:40 p.m.) *A.* Review of Audit Results (Tab 2) *B.* Review of Finance and Investment Policies (Tab 3)	Committee Chairman Ms. Files, Yount Hyde Barbour Ms. McIntyre	Information
7.	Adjourn (6:45 p.m.)	Committee Chairman	

Times shown in parentheses are approximate and serve as guidelines

If you need an interpreter, translator, materials in alternate formats or other accommodations to access this service, activity or program, please call (703) 721-3500 at least three business days prior to the meeting.

The next Board of Directors Meeting is scheduled for Tuesday, November 16, 2021, @ 6:00 p.m.

Minutes of the Finance & Audit Committee of the
Alexandria Renew Enterprises Board of Directors
Virtual
Monday, March 25, 2021

On Monday, March 25, 2021, at 5:00 p.m., the Alexandria Renew Enterprises Board of Directors held its Finance and Audit Committee meeting electronically using the Zoom software and no members were physically present for the meeting. The meeting was recorded and a recording has been posted on the Alexandria Renew website. The following individuals attended electronically:

Members:	Mr. Bruce Johnson, Committee Chairman
	Mr. John Hill, Chairman
	Mr. James Beall, Vice Chairman
	Mr. William Dickinson, Secretary-Treasurer
	Ms. Adriana Caldarelli, Member
Staff:	Ms. Karen Pallansch, Chief Executive Officer
	Ms. Christine McIntyre, Chief Financial Officer
	Ms. Caitlin Feehan, RiverRenew Project Manager
	Ms. Lorna Huff, Secretary to the Board
Fairfax County Representative:	Mr. Shahram Mohsenin, Director of Wastewater Planning Division
City of Alexandria Representative:	Mr. Mike Lee, Civil Engineer III Infrastructure & Environmental Quality
Consultants:	Mr. Rob Ori, Executive Vice President, Raftelis
	Mr. Thierry Boveri, Senior Manager, Raftelis
	Mr. Justin Carl, Owner's Advisor, Brown & Caldwell

Call to Order

The Chairman called the meeting to order at 5:00 p.m.

Explanation of Virtual Meeting Procedures

Ms. Pallansch reported that due to the Covid-19 pandemic emergency, the March 25, 2021, the Alexandria Renew Enterprises Board of Directors Finance and Audit Committee 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) 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.

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.

Approval of Agenda

The Chairman inquired whether members had changes to the agenda. There being none, he requested a motion to approve. Ms. Caldarelli moved and Mr. Beall seconded. The Chairman called the roll with all members voting aye.

Public Comment

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

Consent Calendar

The Chairman requested that members review the Consent Calendar which included the Minutes from the November 2020, Finance & Audit Committee meeting. There were no questions or comments and the Chairman requested a motion to approve the Consent Calendar. Mr. Dickinson moved and Mr. Johnson seconded. The Chairman called the roll with all members voting aye.

New Business – Review of FY22 Operating and Capital Budget

The Chairman reported that this meeting of the Finance & Audit Committee is an opportunity to review the FY22 Budget linked to AlexRenew's proposed rate increase. Additionally, the Chairman submitted questions in advance for staff to address. Items for discussion included revenue uncertainty and staff adjustments, status and timing of grants for RiverRenew, Arlington County Service Agreement and status of negotiations, contingency amounts in CIP for AlexRenew only and Joint Use projects, and the challenges to low and moderate income rate payers within Alexandria's One Water System of increased costs among System members.

The Chairman recognized Ms. McIntyre, AlexRenew's CFO. She noted that the FY22 Budget documents and proposed rate increase had been discussed at a prior meeting and today's focus was a deeper dive into the Budget and a chance to address the Chairman's questions. She noted that the Board approves the budget annually and provided an overview noting that the Operating Budget has been flat year over year for the past two years. She reported that inflation and chemicals' costs have been increasing but staff has managed these increases by reductions in other areas.

Ms. McIntyre reported on the Capital budget sections of Improvement Renewal and Replacement (IRR) and the Capital Improvement Program (CIP) and differentiated between the two, noting that IRR represents spending on smaller projects to maintain the facility and the CIP is for larger projects to bring on new assets to respond to future needs. In responding to the Chairman's inquiry on revenue uncertainty, Ms. McIntyre noted the rate increase was projected to be $3 per month for the average rate payer or an approximately 6% increase. The Chairman inquired on whether AlexRenew could build in an additional chart which would better illustrate monthly operating costs vs. assumptions. Ms. McIntyre reported that a chart could be added to reflect that.

There were no additional questions on the budget and Ms. McIntyre provided an overview of AlexRenew rates noting that rates are set every other year but evaluated frequently with AlexRenew's rate consultants Raftelis. After having reviewed scenarios for rate increases to include financing the RiverRenew program, the Board elected to go with gradual increases through 2025.

Ms. McIntyre addressed contingencies noting that RiverRenew already had them built into the project and that contingencies for IRR and CIP smaller project contingencies are listed in the budget on pages 31 and 32. She reported that contingencies are necessary as they allow AlexRenew to manage project risk in the event of weather related delays, acts of gods or other issues that may arise during project construction. The contingencies provide flexibility and are calculated for inflation. She reported that most contingencies are based at roughly 10% of the project cost.

Ms. McIntyre reported on the Arlington County Service Agreement expenses seemed to be increasing in 2024-2026. She noted that this is due to a planned solids upgrade by Arlington County. These costs will reduce after the project is completed. Ms. Pallansch reported that we have reached out to Arlington County regarding negotiating the service agreement and she has asked counsel to begin the process. The goal is to complete prior to 2023.

Ms. McIntyre reviewed the funding sources for Capital projects and reiterated that AlexRenew financial policies require AlexRenew to fund 15% of these with cash. She also noted Fairfax County contributions to AlexRenew Joint use Capital projects and a separate agreement for RiverRenew. The balance is to be funded through debt or grants. Ms. McIntyre clarified that AlexRenew received a grant commitment of $90 million from the Commonwealth to be paid in three tranches.

The first $25 million has been received and used. Staff is currently waiting for the Commonwealth budgeting process to receive the second tranche. The third tranche of $40 million is expected in 2022-2024. The exact timing depends on action by the general assembly. AlexRenew has loans with WIFIA and the VRA providing the flexibility to pay contractors when necessary. Ms. McIntyre reiterated that AlexRenew will be using grant funds first and then loans when necessary

Members inquired and discussed contractors and billing, cash flow estimates, the budget documents and how grants and uncertainty.

Ms. McIntyre addressed the impact of price increases in the One Water System to rate payers and specifically low income payers. She noted that while AlexRenew cannot allow for differing rates among customers, we have been offering payment plans over 48 months with no fees, interest, or upfront payments, in addition to Cares Act funds and AlexRenew's Water Fund which has a commitment of 2 fundraisers per year from the RiverRenew contractor. Ms. Pallansch reported that AlexRenew will continue to have discussions with One Water entities on this subject.

Mr. Hill inquired about messaging on AlexRenew's rate increase. Ms. Pallansch reported that the team would have internal discussions on this as well as approach the Stakeholder Advisory Group for suggestions. The team is looking for messaging that is both succinct and transparent.

The Chairman and members commended staff and consultants on their work and input.

There being no additional questions or comments, the Chairman requested a motion to approve. Mr. Hill moved and Mr. Beall seconded. The Chairman called the roll with all members voting aye.

APPROVED

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Committee Chairman

ALEXANDRIA
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Report of Audit Results
to the Audit Committee

Fiscal Year Ended June 30, 2021

50 S. Cameron St,
Winchester, VA 22601

540.662.3417

YHBcpa.com

November 1, 2021

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, 2021. 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 May 1, 2021, and the addendum dated October 1, 2021. 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 July 26, 2021 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 following is a description of new significant accounting policies that the Authority adopted during the year: • GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. • GASB Statement No. 90, *Majority Equity Interests*, clarifies majority equity interest reporting rules. **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.

Area	Comments
	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. Depreciation expense is a significant accounting estimate computed on the straight-line basis over the estimated useful life of each asset. The net pension liability is a significant accounting estimate. Management relies on certified actuarial valuations for calculation of the net pension liability. Investments stated at fair value is a significant accounting estimate. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles.
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.

Area	Comments
Departure from the Auditor's Standard Report	The financial statements of the Authority include required supplementary information (RSI) and Other 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'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.*
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.

Area	Comments
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 Annual Financial Report for the year ended June 30, 2021.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management. In connection with the compliance testing in accordance with the *Specifications for Audits of Authorities, Boards and Commissions* ("the Specifications") issued by the Auditor of Public Accounts ("the APA"), we discussed with management that the July 2021 revision to the Specifications updated the time period for submission requirements of the audit in accordance with §30-140 of the Code of Virginia.
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 required 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 required 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, 2021

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

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. 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, 2021

Journal Entries: Adjusting

Date: 7/1/2020 To 6/30/2021

Number	Date	Name	Account No	Debit	Credit
		Net Income (Loss) Before Adjustments			
PBC.0002	6/30/2021	ALX-REFUND TO FAIRFAX COUNTY-GEN	10-0165-00000		-839,453.64
PBC.0002	6/30/2021	ALX-FAIRFAX O & M CHARGES-GEN	10-5051-00000	839,453.64	
		PBC Entry - FY21 Fairfax			
		Allocation adjustment			
				839,453.64	-839,453.64
PBC.0003	6/30/2021	SDS-CLEARING-GEN	50-0000-00000		-89,403,593.02
PBC.0003	6/30/2021	SDS-BUILDING-GEN	50-0414-00000	1,598,345.60	
PBC.0003	6/30/2021	SDS-PLANT EQUIP-GEN	50-0455-00000	1,774,471.69	
PBC.0003	6/30/2021	SDS-PLANT ARLINGTON COUNTY CAPACITY RIGHTS-GEN	50-0459-00000	317,369.00	
PBC.0003	6/30/2021	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000	612,104.70	
PBC.0003	6/30/2021	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000	1,835,438.41	
PBC.0003	6/30/2021	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000	68,420,287.05	
PBC.0003	6/30/2021	SDS-CONSTRUCTION INPROCESS*GENL FD-GEN	50-0596-00000	14,845,576.57	
		PBC Entry - To Record FA additions			
				89,403,593.02	-89,403,593.02
PBC.0004	6/30/2021	SDS-ISSUANCE COST-GEN	50-0507-00000		-44.86
PBC.0004	6/30/2021	SDS-ACCUM DEPR.*BLGD -GEN	50-0589-00000		-2,982,697.29
PBC.0004	6/30/2021	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000		-13,554,998.45
PBC.0004	6/30/2021	SDS-ACCUM DEPR.*PLANT/EQUIP-GEN	50-0591-00000		-2,377,760.29
PBC.0004	6/30/2021	SDS-ACCUM DEPR. * ARL CTY-GEN	50-0592-00000		-1,035,068.26
PBC.0004	6/30/2021	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN	50-0593-00000		-524,712.97
PBC.0004	6/30/2021	SDS-ACCUM DEPR*VEHICLES-GEN	50-0594-00000		-41,093.49
PBC.0004	6/30/2021	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000	2,982,697.29	
PBC.0004	6/30/2021	SDS-DEPRECIATION PLANT-GEN	50-6027-00000	15,932,758.74	
PBC.0004	6/30/2021	SDS-DEPRECIATION OFFICE-GEN	50-6028-00000	524,712.97	
PBC.0004	6/30/2021	SDS-DEPRECIATION VEHICLES-GEN	50-6029-00000	41,093.49	
PBC.0004	6/30/2021	SDS-AMORTIZATION EXPENSE-GEN	50-6049-00000	1,035,113.12	
		PBC Entry - Record Depreciation			
		FY21			
				20,516,375.61	-20,516,375.61
PBC.0005	6/30/2021	SDS-BUILDING-GEN	50-0414-00000		-368,043.40
PBC.0005	6/30/2021	SDS-PLANT EQUIP-GEN	50-0455-00000		-962,034.38
PBC.0005	6/30/2021	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000		-47,382.67
PBC.0005	6/30/2021	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000		-9,288,454.96
PBC.0005	6/30/2021	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000	2,595,646.34	
PBC.0005	6/30/2021	SDS-GAIN/LOSS ON PROPERTY-GEN	50-5006-00000	7,839,034.73	
PBC.0005	6/30/2021	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000	36,237.77	
PBC.0005	6/30/2021	SDS-DEPRECIATION PLANT-GEN	50-6027-00000	189,543.95	
PBC.0005	6/30/2021	SDS-DEPRECIATION OFFICE-GEN	50-6028-00000	5,452.62	
		PBC Entry - Record Fixed Asset			
		Retirements FY21			
				10,665,915.41	-10,665,915.41
PBC.0006	6/30/2021	SDS-CLEARING-GEN	50-0000-00000		-3,939,759.09
PBC.0006	6/30/2021	SDS-BUILDING-GEN	50-0414-00000	3,316,135.05	
PBC.0006	6/30/2021	SDS-PLANT EQUIP-GEN	50-0455-00000	265,622.74	
PBC.0006	6/30/2021	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000	142,245.00	
PBC.0006	6/30/2021	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000	215,756.30	
		PBC Entry - Record FY21 FA CIP			

		Transfer Additions			
				3,939,759.09	-3,939,759.09
PBC.0007	6/30/2021	SDS-CLEARING-GEN	50-0000-00000	3,939,759.09	
PBC.0007	6/30/2021	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000		-3,939,759.09
		PBC Entry - FY21 FA CIP Transfer			
				3,939,759.09	-3,939,759.09
PBC.0008	6/30/2021	SDS-CLEARING-GEN	50-0000-00000	2,568,380.98	
PBC.0008	6/30/2021	SDS-BUILDING-GEN	50-0414-00000		-31,042.13
PBC.0008	6/30/2021	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000		-26,418.00
PBC.0008	6/30/2021	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000		-36,877.62
PBC.0008	6/30/2021	SDS-ACCUM DEPR.*BLGD -GEN	50-0589-00000	1,293.43	
PBC.0008	6/30/2021	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000	3,687.76	
PBC.0008	6/30/2021	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN	50-0593-00000	5,283.60	
PBC.0008	6/30/2021	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000		-2,474,043.23
PBC.0008	6/30/2021	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000		-1,293.43
PBC.0008	6/30/2021	SDS-DEPRECIATION PLANT-GEN	50-6027-00000		-3,687.76
PBC.0008	6/30/2021	SDS-DEPRECIATION OFFICE-GEN	50-6028-00000		-5,283.60
		PBC Entry - Correct FY21 Duplicate Assets JE			
				2,578,645.77	-2,578,645.77
PBC.0009	6/30/2021	ALX-DUE TO/FROM SDS-GEN	10-2630-00000	10,415.49	
PBC.0009	6/30/2021	ALX-ENGINEERING AF-ENGINEERING	10-6370-12000		-10,415.49
PBC.0009	6/30/2021	IRR-DUE TO/FROM SDS-GEN	30-2630-00000	4,175,630.12	
PBC.0009	6/30/2021	IRR-PROJECT MANAGEMENT-PROCESS ADMIN	30-4010-16000		-410,273.33
PBC.0009	6/30/2021	IRR-PLANNING-PROGRAM WIDE IRR TS	30-4110-16000		-315,297.15
PBC.0009	6/30/2021	IRR-BUILDINGS-FURNITURE AND FIXTURES	30-4140-10101		-42,135.88
PBC.0009	6/30/2021	IRR-BUILDINGS-BUILDINGS	30-4140-16100		-322,294.36
PBC.0009	6/30/2021	IRR-BUILDINGS-FURNITURE AND FIXTURES	30-4140-17101		-27,424.00
PBC.0009	6/30/2021	IRR-SECURITY UPGRADES	30-4481-20130		-139,811.73
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*RAW SEWAGE PUMPING	30-4550-12011		-52,833.00
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*GRIT REMOVAL/CLARIFIERS	30-4550-12013		-37,618.00
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*PRIMARY SETTLING	30-4550-12015		-20,514.00
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*INTERMEDIATE PUMPING	30-4550-12030		-16,293.37
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*FILTRATION	30-4550-12034		-48,061.46
PBC.0009	6/30/2021	IRR-PLANT EQUIP-ENG*DIGESTED SLUDGE HEATING	30-4550-12071		-7,518.41
PBC.0009	6/30/2021	IRR-PLANT EQUIP-RAW SEWAGE PUMPING	30-4550-16011		-21,941.14
PBC.0009	6/30/2021	IRR-PLANT EQUIP-PRIMARY SETTLING	30-4550-16015		-94,292.98
PBC.0009	6/30/2021	IRR-PLANT EQUIP-BIOLOGICAL REACTOR BASINS	30-4550-16021		-487,505.39
PBC.0009	6/30/2021	IRR-PLANT EQUIP-RAS PUMPING	30-4550-16025		-162,007.25
PBC.0009	6/30/2021	IRR-PLANT EQUIP-TERTIARY SLUDGE PUMPING	30-4550-16033		-77,192.39
PBC.0009	6/30/2021	IRR-PLANT EQUIP-FILTRATION	30-4550-16034		-104,241.00
PBC.0009	6/30/2021	IRR-PLANT EQUIP-UV DISINFECTION	30-4550-16037		-38,771.87
PBC.0009	6/30/2021	IRR-PLANT EQUIP-RECLAIMED WATER	30-4550-16039		-6,110.98
PBC.0009	6/30/2021	IRR-PLANT EQUIP-PLANT WATER (W3)	30-4550-16055		-47,249.75
PBC.0009	6/30/2021	IRR-PLANT EQUIP-DIGESTER GAS	30-4550-16072		-317,299.56
PBC.0009	6/30/2021	IRR-PLANT EQUIP-STEAM BOILER AND FEEDWATER SYS	30-4550-16074		-25,768.76
PBC.0009	6/30/2021	IRR-PLANT EQUIP-CENTRIFUGE DEWATERING	30-4550-16080		-46,756.47
PBC.0009	6/30/2021	IRR-PLANT EQUIP-BIO PASTEURIZATION	30-4550-16085		-224,438.76
PBC.0009	6/30/2021	IRR-PLANT EQUIP-BLEND THICKENED SLUDGE SCREEN	30-4550-16086		-9,369.00
PBC.0009	6/30/2021	IRR-PLANT EQUIP-MAJOR ELECTRICAL	30-4550-16095		-677,904.65
PBC.0009	6/30/2021	IRR-PLANT EQUIP-OPS*GRAVITY THICKENING	30-4550-17060		-18,117.00
PBC.0009	6/30/2021	IRR-INFO SYSTEMS & OTHER-ADMIN INFO SYS	30-4900-10089		-68,314.86
PBC.0009	6/30/2021	IRR-INFO SYSTEMS & OTHER-ENG*INFORMATION SYSTEMS	30-4900-12089		-197,147.58
PBC.0009	6/30/2021	IRR-INFO SYSTEMS & OTHER-INFORMATION SYSTEMS	30-4900-16089		-111,363.98
PBC.0009	6/30/2021	IRR-CASH DISCOUNT-GEN	30-6841-00000	237.94	
PBC.0009	6/30/2021	GFD-TRFR TO/FROM SDS-GEN	40-2326-00000	15,322,592.32	
PBC.0009	6/30/2021	GFD-PLANNING-COLLECTION SYST WIDE TS	40-4110-77004		-6,251.47
PBC.0009	6/30/2021	GFD-FINAL DESIGN-ENG*POTOMAC YARDS PUMP STATION	40-4360-12002		-115,824.77
PBC.0009	6/30/2021	GFD-FINAL DESIGN-NORTH POTOMAC YARDS PUMP STATION	40-4360-77465		-68,928.14
PBC.0009	6/30/2021	GFD-CONSTRUCTION PERMITTING LEGAL-RR TUNNEL SYSTEM	40-4510-77220		-2,003,488.36
PBC.0009	6/30/2021	GFD-CONSTRUCTION-RR TUNNEL SYSTEM	40-4610-77220		-12,317,641.08
PBC.0009	6/30/2021	GFD-COLLECTION SYSTEM-POTOMAC PUMP STATION	40-4670-16002		-42,340.00
PBC.0009	6/30/2021	GFD-WEB DESIGN-CSR	40-6164-10100		-110,118.00

PBC.0009	6/30/2021	GFD-ARLINGTON COUNTY-FINANCE	40-6435-11000		-317,369.00
PBC.0009	6/30/2021	GFD-CONSTRUCTION-ENVIRONMNTL CNTR	40-7011-77050		-7,188.75
PBC.0009	6/30/2021	GFD-CONSTRUCTION-WET WEATHER MGT TUNNEL	40-7011-77220		-5,244.00
PBC.0009	6/30/2021	GFD-Capital Funding Costs-WET WEATHER STORAGE TUNN	40-7016-77220		-328,198.75
PBC.0009	6/30/2021	SDS-CLEARING-GEN	50-0000-00000	89,403,593.02	
PBC.0009	6/30/2021	SDS-TRANSFERS FROM CONSTRUCTION FUND-GEN	50-2336-00000		-69,894,955.09
PBC.0009	6/30/2021	SDS-TRANSFERS FROM GENERAL FUND-GEN	50-2348-00000		-15,322,592.32
PBC.0009	6/30/2021	SDS-TRANSFERS FROM IRR-GEN	50-2357-00000		-4,175,630.12
PBC.0009	6/30/2021	SDS-DUE TO/FROM ALEX-GEN	50-2630-00000		-10,415.49
PBC.0009	6/30/2021	CFD-TRANSFER TO/FROM SDS-GEN	60-2326-00000	69,894,955.09	
PBC.0009	6/30/2021	CFD-PROJECT MANAGEMENT-RR TUNNEL SYSTEM	60-4010-77220		-3,590,429.99
PBC.0009	6/30/2021	CFD-PLANNING-RR TUNNEL SYSTEM	60-4110-77220		-582,089.42
PBC.0009	6/30/2021	CFD-PRELIMINARY ENGINEERING-RR TUNNEL SYSTEM	60-4210-77220		-1,177,842.67
PBC.0009	6/30/2021	CFD-PRELIM ENGINEERING--PREL/PRIM SYST UPGRADES	60-4210-77466		-632,259.29
PBC.0009	6/30/2021	CFD-FINAL DESIGN-RR TUNNEL SYSTEM	60-4360-77220		-3,261,998.27
PBC.0009	6/30/2021	CFD-PROCUREMENT-RR TUNNEL SYSTEM	60-4410-77220		-1,356,056.17
PBC.0009	6/30/2021	CFD-CONSTRUCTION PERMITTING -RR TUNNEL SYSTEM	60-4510-77220		-417,880.30
PBC.0009	6/30/2021	CFD-CONSTRUCTION-PAC SYSTEM UPGRADE	60-4610-77020		-10,471,720.42
PBC.0009	6/30/2021	CFD-Construction-Cat 3 26PCT Joint RR Tunn Sys	60-4610-77218		-59,092.38
PBC.0009	6/30/2021	CFD-Construction-Cat 4 13PCTJoint RR Tunn Sys	60-4610-77219		-1,730,381.71
PBC.0009	6/30/2021	CFD-CONSTRUCTION-RR TUNNEL SYSTEM	60-4610-77220		-31,031,312.94
PBC.0009	6/30/2021	CFD-CONSTRUCTION-RR 116 MGD EXPANSION	60-4610-77221		-1,110,390.15
PBC.0009	6/30/2021	CFD-CONSTRUCTION-RR BLDG J DECOMMISSIONING	60-4610-77222		-11,745,263.81
PBC.0009	6/30/2021	CFD-CONSTRUCTION-PLC UPGRADE	60-4610-77225		-1,433,354.32
PBC.0009	6/30/2021	CFD-CONSTRUCTION-Fiber Optic Backbone Upgrade	60-4610-77227		-551,439.89
PBC.0009	6/30/2021	CFD-CONSTRUCTION-HMI UPGRADE	60-4610-77464		-201,017.32
PBC.0009	6/30/2021	CFD-CONSTRUCTION-INFORMATION TECHNOLOGY	60-7011-77035		-142,245.00
PBC.0009	6/30/2021	CFD-SERVICES DURING CONSTRUCTION-SECURITY	60-7012-77160		-400,181.04
		PBC Entry - Remove CIP Additions from R&M Accounts.			
				178,807,423.98	-178,807,423.98

PBC.0010	6/30/2021	SDS-CLEARING-GEN	50-0000-00000	1,952,566.21	
PBC.0010	6/30/2021	SDS-BUILDING-GEN	50-0414-00000		-91,054.41
PBC.0010	6/30/2021	SDS-PLANT EQUIP-GEN	50-0455-00000		-42,907.43
PBC.0010	6/30/2021	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000		-254,430.49
PBC.0010	6/30/2021	SDS-ACCUM DEPR.*BLGD -GEN	50-0589-00000	13,658.16	
PBC.0010	6/30/2021	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000	33,924.06	
PBC.0010	6/30/2021	SDS-ACCUM DEPR.*PLANT/EQUIP-GEN	50-0591-00000	6,856.24	
PBC.0010	6/30/2021	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000		-1,561,410.88
PBC.0010	6/30/2021	SDS-CONSTRUCTION INPROCESS*GENL FD-GEN	50-0596-00000		-2,763.00
PBC.0010	6/30/2021	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000		-13,658.16
PBC.0010	6/30/2021	SDS-DEPRECIATION PLANT-GEN	50-6027-00000		-40,780.30
		PBC Entry - Correct FY21 Duplicate Assets JE-2			
				2,007,004.67	-2,007,004.67

PBC.0011	6/30/2021	IRR-DUE TO/FROM SDS-GEN	30-2630-00000		-111,363.98
PBC.0011	6/30/2021	IRR-INFO SYSTEMS & OTHER-INFORMATION SYSTEMS	30-4900-16089	111,363.98	
PBC.0011	6/30/2021	GFD-TRFR TO/FROM SDS-GEN	40-2326-00000		-26,418.00
PBC.0011	6/30/2021	GFD-WEB DESIGN-CSR	40-6164-10100	26,418.00	
PBC.0011	6/30/2021	SDS-CLEARING-GEN	50-0000-00000		-2,679,744.96
PBC.0011	6/30/2021	SDS-CLEARING-GEN	50-0000-00000	111,363.98	
PBC.0011	6/30/2021	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000		-111,363.98
PBC.0011	6/30/2021	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN	50-0593-00000	22,272.80	
PBC.0011	6/30/2021	SDS-TRANSFERS FROM CONSTRUCTION FUND-GEN	50-2336-00000	2,541,962.98	
PBC.0011	6/30/2021	SDS-TRANSFERS FROM GENERAL FUND-GEN	50-2348-00000	26,418.00	
PBC.0011	6/30/2021	SDS-TRANSFERS FROM IRR-GEN	50-2357-00000	111,363.98	
PBC.0011	6/30/2021	SDS-DEPRECIATION OFFICE-GEN	50-6028-00000		-22,272.80
PBC.0011	6/30/2021	CFD-TRANSFER TO/FROM SDS-GEN	60-2326-00000		-2,541,962.98
PBC.0011	6/30/2021	CFD-CONSTRUCTION-RR TUNNEL SYSTEM	60-4610-77220	111,330.28	
PBC.0011	6/30/2021	CFD-CONSTRUCTION-RR 116 MGD EXPANSION	60-4610-77221	31,042.13	
PBC.0011	6/30/2021	CFD-CONSTRUCTION-RR BLDG J DECOMMISSIONING	60-4610-77222	2,342,936.85	
PBC.0011	6/30/2021	CFD-CONSTRUCTION-Fiber Optic Backbone Upgrade	60-4610-77227	19,776.10	
PBC.0011	6/30/2021	CFD-SERVICES DURING CONSTRUCTION-SECURITY	60-7012-77160	36,877.62	
		PBC Entry - Remove CIP Additions			

		from R&M Accounts (part 2)			
				5,493,126.70	-5,493,126.70
PBC.0012	6/30/2021	IRR-DUE TO/FROM SDS-GEN	30-2630-00000		-297,337.88
PBC.0012	6/30/2021	IRR-SECURITY UPGRADES	30-4481-20130	254,430.49	
PBC.0012	6/30/2021	IRR-PLANT EQUIP-UV DISINFECTION	30-4550-16037	9,892.20	
PBC.0012	6/30/2021	IRR-PLANT EQUIP-MAJOR ELECTRICAL	30-4550-16095	33,015.19	
PBC.0012	6/30/2021	GFD-TRFR TO/FROM SDS-GEN	40-2326-00000		-2,763.04
PBC.0012	6/30/2021	GFD-CONSTRUCTION PERMITTING LEGAL-RR TUNNEL SYSTEM	40-4510-77220	2,763.04	
PBC.0012	6/30/2021	SDS-CLEARING-GEN	50-0000-00000		-1,952,566.21
PBC.0012	6/30/2021	SDS-TRANSFERS FROM CONSTRUCTION FUND-GEN	50-2336-00000	1,652,465.29	
PBC.0012	6/30/2021	SDS-TRANSFERS FROM GENERAL FUND-GEN	50-2348-00000	2,763.04	
PBC.0012	6/30/2021	SDS-TRANSFERS FROM IRR-GEN	50-2357-00000	297,337.88	
PBC.0012	6/30/2021	CFD-TRANSFER TO/FROM SDS-GEN	60-2326-00000		-1,652,465.29
PBC.0012	6/30/2021	CFD-CONSTRUCTION PERMITTING -RR TUNNEL SYSTEM	60-4510-77220	3,724.00	
PBC.0012	6/30/2021	CFD-CONSTRUCTION-PAC SYSTEM UPGRADE	60-4610-77020	628,888.18	
PBC.0012	6/30/2021	CFD-CONSTRUCTION-RR TUNNEL SYSTEM	60-4610-77220	9,621.86	
PBC.0012	6/30/2021	CFD-CONSTRUCTION-RR 116 MGD EXPANSION	60-4610-77221	91,054.41	
PBC.0012	6/30/2021	CFD-CONSTRUCTION-RR BLDG J DECOMMISSIONING	60-4610-77222	919,176.84	
		PBC Entry - Remove CIP Additions from R&M Accounts (part 3)			
				3,905,132.42	-3,905,132.42
PBC.0014	6/30/2021	ALX-MISCELLANEOUS-GEN	10-5068-00000	59,175.69	
PBC.0014	6/30/2021	ALX-GRANTS-GEN	10-5082-00000		-289,618.59
PBC.0014	6/30/2021	ALX-BAD DEBT-GEN	10-6070-00000	230,442.90	
		PBC - To record FY21 Covid19 Grant Revenue			
				289,618.59	-289,618.59
PBC.0015	6/30/2021	ALX-MISCELLANEOUS-GEN	10-5068-00000		-59,175.69
PBC.0015	6/30/2021	ALX-MISCELLANEOUS-FINANCE	10-6190-11000	59,175.69	
		PBC - To reclass FY21 CareAct Funding Expense (for city's portion)			
				59,175.69	-59,175.69
PBC.0016	6/30/2021	ALX-DEFERRED INFLOWS	10-2360-00000	71,749.00	
PBC.0016	6/30/2021	ALX-DEFERRED OUTFLOWS	10-2365-00000	698,460.32	
PBC.0016	6/30/2021	ALX-ACCRUED NET PENSION LIABILITY-GEN	10-2366-00000		-1,211,437.00
PBC.0016	6/30/2021	ALX-VIRGINIA RETIREMENT SYSTEM-FINANCE	10-6020-11000	441,227.68	
		PBC - Adjusting journal entry for pension accruals			
				1,211,437.00	-1,211,437.00
PBC.0017	6/30/2021	ALX-FED W/H,FICA AND EIC PAYABLE-GEN	10-2152-00000		-34,954.02
PBC.0017	6/30/2021	ALX-FICA-ADMIN	10-6008-10000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-CSR	10-6008-10100	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-MAINTENANCE	10-6008-10200	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-FINANCE	10-6008-11000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-ENGINEERING	10-6008-12000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-HUMAN RESOURCES	10-6008-13000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-QUALITY	10-6008-14000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-PROCESS ADMIN	10-6008-16000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-INTERCEPTOR PUMPS	10-6008-16400	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-OPERATION ADMIN	10-6008-17000	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-OPERATION	10-6008-17100	2,912.84	
PBC.0017	6/30/2021	ALX-FICA-IT	10-6008-18000	2,912.78	
		PBC - To accrue payable for IRS COVID-19 related fees (FY21 P/R Exp - IRS Bills 940 Adj)			
				34,954.02	-34,954.02

November 1, 2021

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, 2021 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 November 1, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 30, 2021, 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 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. Yount, Hyde & Barbour, P.C. has been engaged to perform the Single Audit.

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

Information Provided

14. 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.

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

16. 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.

17. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

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. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

32. Has identified and disclosed to the auditor all programs and related activities subject to the compliance audit.

33. Has identified and disclosed to the auditor all laws, regulations, rules and provisions of contracts or grant agreements that have a direct and material effect on other financial data significant to audit objectives.

34. Is not aware of any violations of laws, regulations, rules and provisions of contracts or grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

35. 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.

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

37. 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.

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

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

40. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

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

42. 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:

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

44. 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.

45. 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.

46. 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.

47. 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.

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

49. 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.

50. 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.

51. 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.

52. Management believes that the auditee has complied with the direct and material compliance requirements.

53. 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.

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

55. Management is aware of no 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.

56. There are no findings 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.

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

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

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

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. Management has disclosed all contracts or other agreements with service organizations.

69. Management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

ALEXANDRIA RENEW ENTERPRISES

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

____
Christine McIntyre
Chief Financial Officer

2021

ANNUAL FINANCIAL REPORT

Building for the Future of Alexandria's Waterways

ALEXANDRIA renew ENTERPRISES®

For the Fiscal Year Ended June 30, 2021
Alexandria, VA

ALEXANDRIA RENEW ENTERPRISES

ALEXANDRIA, VA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

Prepared by the Finance Department

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ALEXANDRIA RENEW ENTERPRISES
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

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ALEXANDRIA RENEW ENTERPRISES
TRANSMITTAL LETTER

November 16, 2021

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

The Annual Financial Report (AFR) for Alexandria Renew Enterprises (AlexRenew) for the fiscal year ended June 30, 2021 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, 2021. The independent auditor's report is presented in the financial section of the AFR.

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.

PROFILE OF ALEXRENEW

Established in 1952 by the Alexandria City Council, the City of Alexandria, Virginia Sanitation Authority (Authority) doing business as (DBA) Alexandria Renew Enterprises (AlexRenew) is a public regional wastewater treatment provider whose chartered mission is to clean wastewater and protect public health and the environment. AlexRenew cleans approximately 38 million gallons of wastewater per day and employs approximately 100 environmental stewards that serve more than 300,000 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 located adjacent to the City's historic district, Old Town.

AlexRenew is governed by a City appointed 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 and surrounding region have proven relatively resilient during the year as communities have continued to adapt to economic stressors attributable to the ongoing COVID-19 pandemic. As an inner suburb to Washington, DC, the City continues to see steady population indicators, low residential and commercial vacancy rates, and a number of major development projects continue to progress despite the pandemic. The City's unemployment rate briefly peaked at 10% in April 2020 as a result of the pandemic, but had declined to 3.8% by August 2021.

The largest sectors of employment by total wages in the City continue to be professional, scientific, and technical services, as well as 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. The historic district Old Town is home to many small businesses and a vibrant waterfront. The Virginia Tech Innovation Campus – being built in the City in conjunction with Amazon's HQ2 complex – has broken ground and construction is wrapping up on its co-located Potomac Yard Metrorail Station.

City real estate values have continued to rise, albeit at a slower pace than pre-pandemic. The overall value of Alexandria's taxable property increased 2.7% from January 2020 to February 2021. Residential values posted an increase of 6.0%, while commercial property values declined modestly by 1.9%. Declines were primarily attributable to the hospitality and retail market sectors while increases were seen in both single-family residences and multi-family rentals.

MAJOR INITIATIVES

AlexRenew continues to make progress on RiverRenew, its program to remediate the pollution stemming from the combined sewer system that serves the oldest parts of the City. Despite the ongoing pandemic, two projects were completed in FY21 to make way for construction of the largest of the projects, the Tunnel project, which remains on budget and on schedule. The AlexRenew Board approved a $454 million design-build contract in November 2020 and issued notice to proceed on the Tunnel project in December 2020. This project faces a legislative deadline to be complete by 2025. AlexRenew also closed on capital funding for the Tunnel project this year, through receipt of a second $25 million in grant monies, secured by the City of Alexandria from the Commonwealth of

Virginia, and the closing of two major loans from state and federal partners. These loans are further described herein and are expected to be repaid through annual rate increases, including those implemented to date in FY20, FY21, and FY22.

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 the 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 exceeded its policy targets while maintaining sufficient liquidity and a responsible unrestricted net position. AlexRenew's Board-adopted financial policies include 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. At fiscal year-end, debt service coverage was in excess of 2.1x and unrestricted reserves in excess of 320 days cash on hand.

AlexRenew maintained appropriate fiscal and business discipline as it implemented the FY21 operating and maintenance budget, resulting in a moderate operating budget excess and strengthening the organization's overall financial position. Capital spend increased significantly year-over-year to almost $85 million, as construction continued on active capital projects and the major contract associated with the RiverRenew Tunnel System project was awarded. Capital projects funded in FY21 included upgrades to the Process Air Compressors, the decommissioning of Building J, and planning for improvements to the Preliminary/Primary system. Upgrades to digital assets such as Programmable Logic Controller (PLC) equipment, the Human Machine Interface (HMI) System, and the campus Fiber Optic Backbone (FOB) also occurred. Several capital projects were completed in FY21 to prepare the plant for Tunnel System construction including site security upgrades and the expansion of the primary effluent pump station.

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 FY21 that resulted in increased revenue to help fund the multiple capital projects that are ongoing at AlexRenew. AlexRenew also issued two new, long-term debt facilities during FY21 to contribute funding for the Tunnel System project – a loan of up to $185 million through the Virginia Resources Authority and loan of up to $321 million from the federal Water Infrastructure Finance and Innovation Act loan program, locking in low interest rates to help reduce the fiscal impact of the program on City customers.

AlexRenew was also fortunate to receive a second $25 million grant in FY21, which was secured by the City from the Commonwealth to offset the cost of the RiverRenew program. AlexRenew received the first $25 million grant in FY20; the second $25 million grant closed in late FY21 and is being used to offset Tunnel System construction expenses in FY22. AlexRenew also continues to maintain a $30 million Line of Credit facility with a commercial bank to provide interim financing for RiverRenew construction as needed.

Looking forward, AlexRenew will continue to emphasize best practices and fiscal discipline to ensure its financial resiliency and that it sustains its fiscal strength as it navigates the next few years of major construction.

Investment Policy

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.

Capital Assets

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 includes a 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.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to AlexRenew for its Comprehensive Annual Financial Report for the fiscal period ended June 30, 2020. This was the 12th 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 AFR continues to meet the Certificate of Achievement Program requirements and standards.

The independent auditors have rendered their unmodified opinion on AlexRenew's financial statements for the fiscal year ended June 30, 2021. 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 AFR. 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, P.E., BCEE, WEF Fellow
Chief Executive Officer
Alexandria Renew Enterprises

Christine McIntyre
Chief Financial Officer
Alexandria Renew Enterprises

ALEXANDRIA RENEW ENTERPRISES

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2021

BOARD OF DIRECTORS

John Hill - Chair
James Beall - Vice Chair
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.

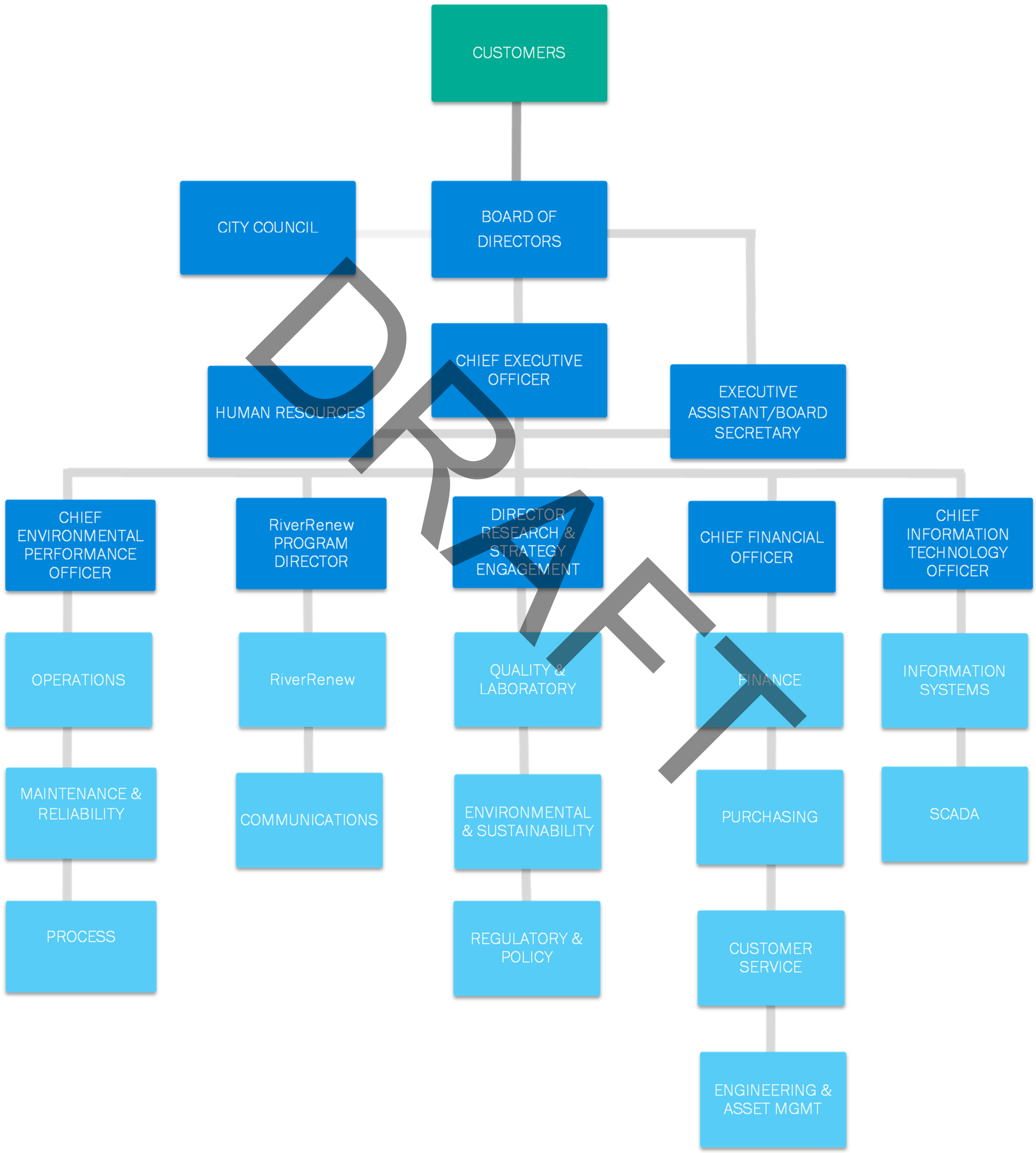
ALEXANDRIA RENEW ENTERPRISES

BOARD OF DIRECTORS

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

ALEXANDRIA RENEW ENTERPRISES

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 Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

Financial Section

yhb CPAs & Consultants
50 S. Cameron St,
Winchester, VA 22601
540.662.3417
YHBcpa.com

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 activities and the fiduciary activity of Alexandria Renew Enterprises, as of and for the year ended June 30, 2021, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activity of Alexandria Renew Enterprises, as of June 30, 2021, 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 November 1, 2021 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
November 1, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

Alexandria Renew Enterprises presents the following review of its financial activities for the fiscal year ended June 30, 2021 (FY21). 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 Authority's financial position and operating results for FY21.

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 construct, operate and maintain a sewage disposal system to provide wastewater treatment services to the public.

Five citizen members appointed by 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 contributes 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, though the County and the Authority have negotiated more recent agreements pertaining to the cost share of certain capital projects such as the RiverRenew program.

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 FY21. This financial section information should be read in conjunction with the financial statements.

Financial Highlights

The following are key financial highlights for FY21:

- The Authority treated 14.2 billion gallons of wastewater during FY21. This represents a 10% increase in wastewater treated as compared to the prior FY20 and represents the highest annual flows at the water resource recovery facility in at least ten years. This increase was driven by strong water usage across the service area in addition to climate-related impacts. At an average of 38 million gallons per day (MGD) in FY21, the 54 MGD design capacity at the facility remains sufficient.

- The County contributed 6.5 billion gallons of wastewater flow to the Authority in FY21, which accounted for approximately 45.8% of the wastewater treated at the Authority's facilities. This is slightly lower than the 46.5% in the prior FY20 and is within the County's allocation per the Service Agreement.

Financial Highlights (Continued)

- The Authority experienced a marginal decrease of 0.3% to 26,589 in number of accounts in FY21 relative to the prior FY20.

- The ongoing COVID-19 pandemic impacted the Authority and the community it serves in many ways. As a critical infrastructure industry, the Authority continually adapted its operations to keep its small, essential workforce healthy and maintained continuity of service during this challenging time. Supply chain and labor market pressures persisted throughout the year and continue to create economic uncertainty. Billed water consumption and flows to the facility were not negatively impacted as was projected, so revenues were in excess of the budget estimate, as further discussed below.

- 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 FY21 was $8.13 per 1,000 gallons of water and represents a 6.6% increase as compared with the prior FY20. The Base charge approved by the Board for FY21 was $11.54 per month for residential customers and varies based on meter size for commercial customers, again representing a 6.6% increase as compared to the prior FY20.

- Wastewater treatment charge revenues of $46.0 million were 5.3% higher in FY21 compared to the prior FY20. This increase is the result of the rate increase described in the paragraph above and strong usage and billed flows.

- Total operating expenses for FY21, excluding depreciation and amortization, decreased 0.1% compared to FY20. The Authority's Board elected to defer any operating budget increase from FY20 to FY21, yet the Authority still faced cost increases in several core expense categories including chemicals, natural gas, solids disposal, and needs associated with the pandemic response such as enhanced cleaning, personal protective equipment, and office equipment. Staff was successful in tightly managing the operating budget in other areas to balance these needs without an annual increase, including implementing a short-term hiring freeze for a portion of FY21 and negotiating savings in employee benefit costs.

- Senior debt service coverage, on an accrual basis, was 2.1x for FY21. This exceeded the 1.1x required by the Authority's Master Indenture of Trust (Indenture) and 1.5x established by the Board's Financial Policies. The Authority issued two debt facilities in FY21 to fund construction – a loan of up to $185 million from the Virginia Clean Water Revolving Loan Fund (CWRLF) and a loan of up to $321 million from the Water Infrastructure Finance and Innovation Act (WIFIA) loan program. Included in the coverage calculation above is $18.9 million in proceeds the Authority drew from the Series 2021 CWRLF bonds during FY21 (See Note 13). The Authority has also fully drawn its $30 million Line of Credit, which is secured at the subordinate lien and will be eventually repaid from cash or from proceeds of a grant or loan (See Note 5).

- Total assets and deferred outflows of resources for FY21 were $942.8 million. Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (Net Position) in the amount of $771.4 million for FY21. Of the total Net Position, $23.6 million were unrestricted and available to support operations for FY21. The increase in total assets is a result of the multiple improvement, replacement and construction projects ongoing for plant infrastructure and equipment, including the completion of two capital projects in the RiverRenew program during FY21.

- Capital assets net of depreciation and amortization increased $56.3 million in FY21. The increase is primarily due to increased capital expenditures associated with the RiverRenew program and other ongoing capital projects.

Financial Highlights (Continued)

- Payments from the County of $10.4 million in FY21 represented the County's share of operating costs based upon their proportional contribution to total plant flow. County payments were $10.8 million in the prior FY20. This payment decrease is the result of a slight decline in the percentage of flow contributed by the County and in the proportion of jointly shared operating expense to total operating expense in FY21.

- The Authority received federal grant monies in FY21 through the Commonwealth of Virginia's Municipal Utility Relief Program that allowed utilities to apply Coronavirus Relief Funds to forgive unpaid bills for customers attesting a pandemic hardship. The Authority awarded over $280,000 of this funding to 497 City customers with unpaid sewer bills during FY21. The program was administered by the Commonwealth's Department of Housing and Community Development with the City acting as fiscal agent for the Authority.

Required Financial Statements

The Authority's financial statements are prepared using generally accepted accounting principles for governmental units operated as a 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 FY21 and 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, 2021, June 30, 2020 and June 30, 2019:

Condensed Statements of Net Position
(in Millions of Dollars)

	2021	2020	$ Change	% Change	2019
Current unrestricted assets	$ 49.11	$ 56.91	$ (7.80)	(13.71) %	$ 44.90
Current restricted assets	31.21	29.80	1.41	4.73 %	30.37
Capital Assets, net	859.43	803.16	56.27	7.01 %	759.84
Total Assets	939.75	889.87	49.88	5.61 %	835.11
Deferred Outflows	3.08	2.48	0.60	24.19 %	1.62
Current liabilities	59.76	40.07	19.69	49.14 %	20.79
Long-term liabilities	110.23	98.97	11.26	11.38 %	106.65
Total Liabilities	169.99	139.04	30.95	22.26 %	127.44
Deferred Inflows	1.46	1.51	(0.05)	(3.31) %	1.21
Net Investment in capital assets	720.25	696.49	23.76	3.41 %	649.68
Restricted	27.46	25.58	1.88	7.35 %	26.36
Unrestricted	23.67	29.73	(6.06)	(20.38) %	32.04
Total Net Position	$ 771.38	$ 751.80	$ 19.58	2.60 %	$ 708.08

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, 2021, 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)

	2021	2020	$ Change	% Change	2019
Revenues					
Program revenues:					
Wastewater Treatment Fees & Miscellaneous	$ 46.08	$ 43.79	2.29	5.20 %	$ 28.32
Fairfax County Wastewater Fees	10.43	10.76	(0.33)	(3.10) %	7.93
General revenues:					
Federal grants	0.33	- -	0.33	100.00 %	- -
Investment Income	0.13	1.33	(1.20)	(90.20) %	1.24
Total Revenues	56.97	55.88	1.09	2.00 %	37.49
Program expenses					
Depreciation and Amortization expenses	20.66	19.98	0.68	3.40 %	14.91
Other Operating Expenses	26.84	26.88	(0.04)	(0.10) %	17.22
Non-operating Expenses	11.09	4.88	6.21	127.30 %	3.78
Total Expenses	58.59	51.74	6.85	13.20 %	35.91
Changes in Net Position before Capital Contributions	(1.62)	4.14	(5.76)	(139.10) %	1.58
Capital Contributions	21.20	39.58	(18.38)	(46.40) %	7.85
Changes in Net Position	19.58	43.72	(24.14)	(55.20) %	9.43
Net Position:					
Beginning	751.80	708.08	43.72	6.17 %	698.65
Ending	$ 771.38	$ 751.80	$ 19.58	2.60 %	$ 708.08

Financial Analysis (Continued)

The following table summarizes other selected information of the Authority at June 30, 2021, 2020 and 2019.

Other Selected Information

	2021	2020	Difference	% Change	2019
Selected data:					
Employees at year end	99	104	(5)	(5) %	102
Alexandria accounts	26,589	26,671	(82)	(0) %	26,594
Wastewater treated (millions of gallons)	14,266	12,961	1,305	10 %	11,480
Portion contributed by Fairfax County (millions of gallons)	6,535	6,008	527	9 %	5,820
Percentage contributed by Fairfax County	45.81 %	46.35 %	(0.54) %	(1.17) %	50.69
Rates, Residential Customers:					
Charge per 1000 gallons of water consumption	$ 8.13	$ 7.63	$ 0.50	6.55 %	$ 6.77
Base Charge	11.54	10.83	0.71	6.56 %	9.61
Average residential customer bill (based on 4,000 gallon per month water usage):					
Per year	$ 528.72	$ 496.20	$ 32.52	6.55 %	$ 440.28
Per quarter	132.18	124.05	8.13	6.55 %	110.07
Per month	44.06	41.35	2.71	6.55 %	36.69
Rates, Commercial Customers:					
Charge per 1000 gallons of water consumption	$ 8.13	$ 7.63	$ 0.50	6.55 %	$ 6.77
Base Charge					
Water Meter Size					
5/8"	$ 34.63	$ 32.49	2.14	6.6 %	$ 28.83
3/4"	34.63	32.49	2.14	6.6 %	28.83
1"	86.59	81.22	5.37	6.6 %	72.07
1-1/2"	173.17	162.43	10.74	6.6 %	144.16
2"	277.08	259.88	17.20	6.6 %	230.65
3"	519.52	487.28	32.24	6.6 %	432.47
4"	865.87	812.13	53.74	6.6 %	720.77
6"	1,731.74	1,624.26	107.48	6.6 %	1,441.56
8"	2,770.79	2,598.81	171.98	6.6 %	2,306.50

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 is some undeveloped land and a number of areas under redevelopment, these activities are expected to have a limited impact on the Authority's flows and wastewater treatment charge revenue over the intermediate term. This is particularly true given the trend for water conservation and sustainability efforts within the community.

The Authority has continued to progress in implementing the RiverRenew program to remediate the combined sewer system that serves the oldest parts of the City. Work progressed on several projects at the facility to make way for construction of the Tunnel project, for which the design build contract was awarded and notice to proceed issued during FY21 (See Note 12). The Authority received a $25 million grant from the Commonwealth for RiverRenew and recognized that grant revenue in the prior FY20. During FY21, the Authority received a second $25 million grant from the Commonwealth and began utilizing that funding to reimburse RiverRenew expenses during FY22.

The number of City accounts decreased marginally by 82 accounts or 0.3% in FY21 when compared to FY20. In the prior fiscal year, the number of the accounts increased by 77. The current number of accounts of 26,589 represents a 1.4% increase over the last 10-years and has been very stable, even though the City's population increased 13% over this same timeframe. This is likely driven by the significant number of Alexandrians who reside in single-metered multi-family housing units.

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 $50.5 million or 5.7% during FY21. Net Position increased by $19.6 million in FY21, 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 charges (including base charge and volumetric charge) 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. Operating revenues increased by $1.9 million or 3.6% over last year, the net impact of the rate increase of approximately 6.6% that took effect July 1, 2020 for City customers and the slight decrease year-over-year in the Fairfax operating contribution.

Capital contributions: Total capital contributions were $21.2 million in FY21, an $18.3 million decrease over the prior FY20. This decrease is primarily attributable to the fact that $25 million in grant funding for RiverRenew was recognized as a capital contribution in FY20 whereas no grant revenue was recognized in FY21 since draws on the second grant had not begun.

The County pays 60% of the cost of joint capital improvements to the water resource recovery facility based upon the Service Agreement with the Authority. The RiverRenew program is subject to a separately negotiated cost share agreement between the County and the Authority, based on the unique service characteristics of the facilities being constructed.

The County's capital contributions 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 $6.6 million year-over-year as a result of the Authority's overall increased capital spending.

Results of Operations (Continued)

Expenses:

FY21-FY20 comparison: Total operating expenses for FY21, excluding depreciation and amortization, decreased by $0.04 million or 0.1% relative to FY20. Core areas associated with operating the water resource recovery facility increased year-over-year including utilities, chemicals, and sludge disposal. These increases were offset by savings in areas such as operations maintenance, general and administrative expenses, repairs and replacements, and personnel and employee benefits costs. Certain areas such as custodial services and communications and IT equipment increased due to the pandemic response. Overall, the Authority was successful in meeting its FY21 operating budget and decreasing its spend relative to the year prior by seeking savings and efficiencies across the business to help balance many of the core components of wastewater treatment that increased year-over-year.

Capital Assets

The Authority maintains investments in a broad range of capital assets including land, buildings, sanitary sewer intercepting lines and force mains, pumping stations, a water resource recovery facility, four combined sewer outfalls, machinery and equipment, computers and vehicles. The Authority also owns capacity rights at the Arlington County Water Pollution Control Facility (Arlington). Pursuant to a Service Agreement between the City of Alexandria, the Authority and Arlington County, the Authority pays approximately 8% of the cost of capital improvements at the Arlington facility based on its 3 MGD reserved capacity. 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. The County and the Authority invest a percentage of total facility assets into this fund under the Service Agreement, to support adequate reinvestment and continuing compliance with environmental 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 $113.8 million in long-term debt outstanding at June 30, 2021, including $11.2 million considered short-term. Principal payments totaled $10.6 million during FY21. During FY21, the Authority issued the Series 2021 Clean Water Revolving Loan Fund (CWRLF) Bonds in an amount of up to $185 million and the Series 2021 Water Infrastructure Finance and Innovation Act (WIFIA) Bonds in an amount of up to $321 million to provide capital funding for RiverRenew. The Authority has not yet drawn on the WIFIA Bonds but is actively drawing on the Series 2021 CWRLF Bonds to fund Tunnel construction, as well as the Series 2019 CWRLF Bonds to fund the Process Air Compressor project.

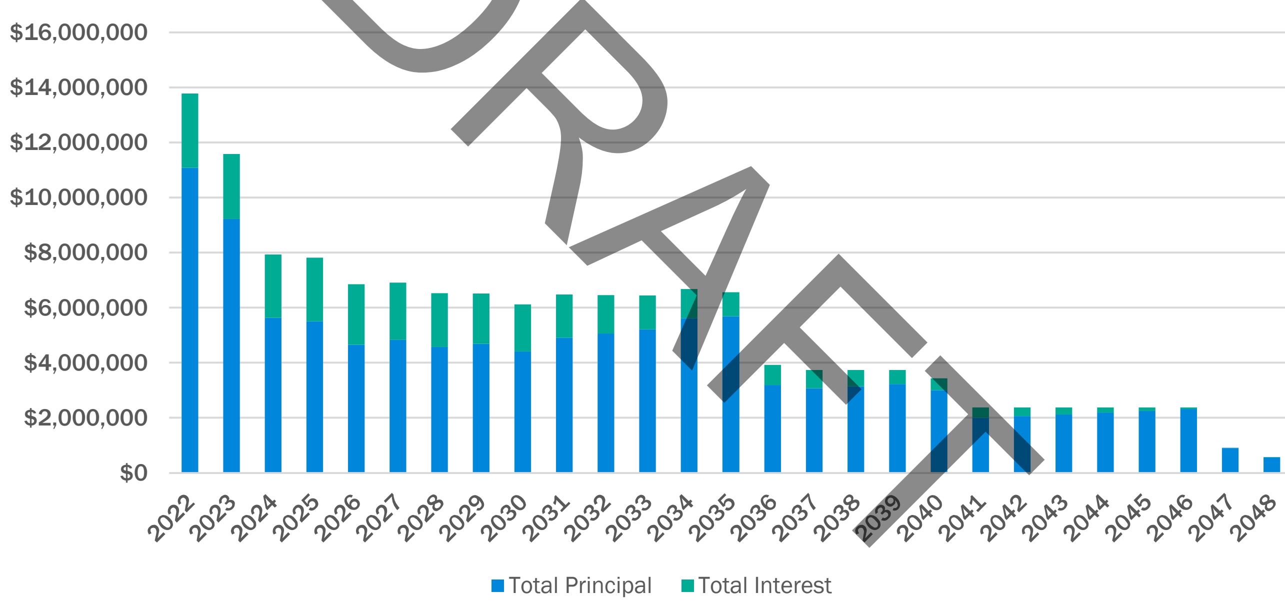
Annual debt service payments increased only 0.2% in FY21 as compared to FY20, despite the Authority issuing new debt. This is the result of the Authority repaying a significant amount of prior debt during FY21 and because the repayment of the new debt associated with the RiverRenew program is being phased in gradually over the course of program implementation.

The Authority also continued to utilize the Line of Credit issued during FY20 in FY21 and had drawn the full $30 million as of fiscal year end to provide interim funding for Tunnel construction (See Note 5). The Line of Credit is expected to be repaid from cash or from grant or debt proceeds at a later time.

<u>**Results of Operations (Continued)**</u>

The Authority's financial strength, ability to pay current debt service (principal and interest), and future borrowing capacity is demonstrated, in part, by its senior debt service coverage which is currently a strong 2.1x. The 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 1.5x total debt service for the fiscal year.

The graph below presents principal and interest payments for the Authority's outstanding revenue bonds as of June 30, 2021. This graph includes the debt service associated with draws the Authority had made on the Series 2019 and Series 2021 CWRLF Bonds as of the end of FY21 and does not include debt service associated with draws the Authority made subsequent to fiscal year end (See Note 13), draws associated with the Line of Credit (See Note 5) or draws the Authority may make in the future under the CWRLF or WIFIA Bonds. The Authority's current revenue bonds mature in 2048 and future debt issued to fund the RiverRenew program or other capital projects is expected to be repaid largely after the decline in existing debt service that occurs after FY22 as shown below.



Results of Operations (Continued)

The following table calculates the performance relative to the Rate Covenant for FY21, FY20 and FP19.
(in millions)

	2021	2020	% Change	2019
Unrestricted Operating Revenue	$ 56.51	$ 54.55	3.59 %	$ 36.25
Total Operating Expenses				
(Less Depreciation and Replacements)	26.84	26.88	(0.15) %	17.22
Net Revenue	$ 29.67	$ 27.67	7.23 %	$ 19.03
Annual Debt Service	$ 14.05	$ 14.02	0.21 %	$ 8.00
Revenue Covenant[1]	2.11	1.97	7.01 %	2.38

[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 and general and administrative expenses.

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

Operational Excellence: 100% compliance with all imposed mandates through continuous improvement efforts. This category includes expenses such as chemicals, utilities and biosolids land application and disposal.

Public Engagement and Trust: Transparency in all public interactions. This category includes budget items such as community outreach and customer service.

Watershed Stewardship: Sustainability and resiliency integrated through effective partnerships. This category includes expenses such as the Authority's capacity in the Arlington plant.

Adaptive Culture: All employees continue to be fully-rounded water professionals. 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. This category includes items such as insurance, facility maintenance and financial software.

Budget Information, (Continued)

Capital spending is budgeted according to whether the project benefits the City only or is shared with Fairfax County. RiverRenew expenses are broken out from the other general capital projects due to the negotiated cost share percentages unique to that program. Certain expenditures for construction have been estimated net of contractual retainage not paid by contract terms until projects are complete. During FY21, the Authority made draws from the Series 2021 and Series 2019 CWRLF Bonds, and the Line of Credit, to fund its share of construction costs (net of County share) on capital projects.

The following Statement of Consolidated Enterprise Budget is presented to compare FY21 operations to budget estimate.

CONDENSED ENTERPRISE BUDGET FY 2021

	BUDGET	ACTUAL	Variance	Variance (%)
Revenues and Other Sources:				
Wastewater Treatment Charges	$ 39,492,000	$ 46,043,454	$ 6,551,454	16.6%
Fairfax County:				
Operating	11,272,272	10,432,818	(839,454)	-7.4%
IR&R	3,217,340	3,217,340	0	0.0%
Total	$ 53,981,612	$ 59,693,612	$ 5,712,000	10.6%
Expenditures				
Operational Excellence	6,956,122	7,456,030	499,908	7.2%
Public Engagement and Trust	2,388,158	1,916,491	(471,667)	-19.8%
Watershed Stewardship	2,950,459	2,339,068	(611,391)	-20.7%
Effective Financial Stewardship	2,249,545	1,851,587	(397,957)	-17.7%
Adaptive Culture	13,842,707	12,332,155	(1,510,552)	-10.9%
Operating Fund Sub-Total	28,386,991	25,895,331	(2,491,660)	-8.8%
Alex-only Improvement, Renewal & Replacement	250,400	83,700	(166,700)	-66.6%
Joint Improvement, Renewal & Replacement	5,628,100	3,955,141	(1,672,959)	-29.7%
Alex-only Capital Projects	2,278,540	15,210,911	12,932,371	567.6%
Joint Capital - RiverRenew	46,656,400	52,554,520	5,898,120	12.6%
Joint Capital - General CIP	14,201,410	13,147,165	(1,054,246)	-7.4%
CIP/IRR Sub-Total	69,014,850	84,951,437	15,936,587	23.1%
Total	$ 97,401,841	$ 110,846,768	$ 13,444,927	13.8%
Nonoperating Revenues (Expenditures)				
Debt Service	(14,123,976)	(13,905,315)	218,661	-1.5%
Investment Income	115,000	131,111	16,111	14.0%
Debt Proceeds	30,000,000	21,533,102	(8,466,898)	-28.2%
Grant Proceeds	-	39,649	39,649	100.0%
Fairfax County Capital Contributions	14,186,821	17,979,304	3,792,483	26.7%
Total	30,177,845	25,777,851	(4,399,994)	-14.6%

Final Comments

FY21 continued a trend of strong financial performance by the Authority and affirmed its ability to meet its capital spending requirements while maintaining adequate liquidity and financial flexibility. The Authority utilized a variety of attractive funding sources from state and federal partners across its increasing capital program and was fortunate to maintain revenue performance and hold operating expenses flat 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 the pace of construction spending continues to increase and the Authority implements the RiverRenew program and other needed initiatives to meet its mission.

Contacting the Authority's Financial Management:

This financial report is designed to provide citizens, customers, and other interested parties 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, please contact Alexandria Renew Enterprises, 1800 Limerick St. Alexandria, Virginia 22314, call 703-721-3500, or visit us on the web at www.alexrenew.com.

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ALEXANDRIA RENEW ENTERPRISES
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents (Note 2):		
Unrestricted	$ 27,671,115	$ 31,519,794
Restricted	21,639,827	20,254,428
Accounts receivable, net (Note 3)	6,034,874	4,236,549
Due from other governments (Note 3)	17,561	91,017
Prepaid expenses	170,929	670,803
Inventory	290,110	259,078
Investments (Note 2):		
Unrestricted	14,914,201	20,053,221
Restricted	9,570,255	9,621,696
Total current assets	80,308,872	86,706,586
Non-current assets		
Capital assets, net of depreciation and amortization (Note 4)	859,431,502	803,159,845
Total non-current assets	859,431,502	803,159,845
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows (Note 7)	2,175,732	1,477,271
Other post employment benefits related deferred outflows (Note 8)	31,630	76,091
Deferred charge on refunding	876,632	924,667
Total deferred outflows of resources	3,083,994	2,478,029
Total assets and deferred outflows of resources	$ 942,824,368	$ 892,344,460
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 3)	$ 13,131,147	$ 14,969,070
Due to City of Alexandria	838,550	808,698
Accrued paid time off	819,162	930,497
Line of credit (Note 5)	30,000,000	8,365,127
Current maturities of long-term debt (Note 6)	11,217,564	10,739,761
Payable from restricted assets		
Accounts payable and accrued expenses (Note 3)	2,935,414	3,335,756
Accrued interest payable	816,080	924,756
Total current liabilities	59,757,917	40,073,665
Long-term liabilities		
Accrued paid time off, less current portion	273,054	310,165
Other post employment benefits (Note 8)	81,588	308,078
Net pension liability (Note 7)	7,290,959	6,079,522
Long-term debt (Note 6)	102,583,228	92,267,691
Total long-term liabilities	110,228,829	98,965,456
Total liabilities	169,986,746	139,039,121
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows (Note 7)	728,444	800,193
Other post employment benefits related deferred inflows (Note 8)	734,055	709,452
Total deferred inflows of resources	1,462,499	1,509,645
Total liabilities and deferred inflows of resources	$ 171,449,245	$ 140,548,766
NET POSITION		
Net investment in capital assets	720,251,070	696,448,748
Restricted:		
Operating	2,668,783	2,030,318
Parity debt service	3,663,969	3,605,804
Improvement, renewal & replacement	17,382,108	16,242,675
Capital projects	3,743,728	3,736,815
Unrestricted	23,665,465	29,731,334
Total net position	771,375,123	751,795,694
Total liabilities, deferred inflows of resources, and net position	$ 942,824,368	$ 892,344,460

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

ALEXANDRIA RENEW ENTERPRISES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Wastewater treatment fees	$ 46,043,455	$ 43,748,538
Fairfax County wastewater fees	10,432,818	10,759,863
Miscellaneous	35,838	39,459
Total operating revenues	56,512,111	54,547,860
OPERATING EXPENSES		
Personnel services	12,808,339	12,934,864
Utilities	3,658,871	3,452,848
Chemicals	1,986,275	1,746,218
Operations maintenance	1,051,184	1,230,159
Arlington sewage disposal	1,349,252	1,150,208
Sludge disposal	1,113,835	991,265
Depreciation and amortization (Note 4)	20,660,590	19,981,614
Repairs and replacements, sewage disposal systems	190,571	702,635
General, administrative, customer service, and other	4,683,009	4,668,318
Total operating expenses	47,501,926	46,858,129
Operating income	9,010,185	7,689,731
NONOPERATING REVENUES (EXPENSES)		
Investment income	131,110	1,327,691
Federal grants	329,269	-
Interest on debt	(3,248,744)	(3,496,975)
Loss on disposed capital assets	(7,839,035)	(1,378,235)
Total non-operating revenues (expenses)	(10,627,400)	(3,547,519)
Change in net position before capital contributions	(1,617,215)	4,142,212
CAPITAL CONTRIBUTIONS	21,196,644	39,576,761
Change in net position	19,579,429	43,718,973
NET POSITION, BEGINNING	751,795,694	708,076,721
NET POSITION, ENDING	$ 771,375,123	$ 751,795,694

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

ALEXANDRIA RENEW ENTERPRISES
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 44,273,482	$ 43,346,818
Cash received from Fairfax County for operations	10,378,489	11,083,752
Cash received from other sources	35,838	39,459
Payments to suppliers for goods and services	(14,376,495)	(13,632,891)
Payments to employees for services	(12,660,321)	(12,586,233)
Net cash provided by operations	27,650,993	28,250,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition/construction of capital assets	(86,358,488)	(54,496,591)
Capital contributions from Fairfax County	21,324,429	14,179,651
Proceeds from grants	479,387	25,003,202
Net proceeds from debt issuance	21,533,102	2,326,523
Proceeds from line of credit	21,634,873	8,365,127
Principal payments on debt	(10,602,745)	(10,320,727)
Interest paid on borrowing	(3,446,402)	(3,695,101)
Net cash used in capital and related financing activities	(35,435,844)	(18,637,916)
CASH FLOWS FROM INVESTING ACTIVITES		
Proceeds from sales and maturities of investments	$5,838,398	8,494,733
Purchase of investments	(647,937)	(5,937,324)
Interest received on investments	131,110	1,327,691
Net cash provided by investing activities	5,321,571	3,885,100
Net increase (decrease) in cash and cash equivalents	(2,463,280)	13,498,089
CASH AND CASH EQUIVALENTS		
Beginning	51,774,222	38,276,133
Ending	$ 49,310,942	$ 51,774,222
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents - unrestricted	$ 27,671,115	$ 31,519,794
Cash and cash equivalents - restricted	21,639,827	20,254,428
Total cash and cash equivalents	$ 49,310,942	$ 51,774,222

ALEXANDRIA RENEW ENTERPRISES
STATEMENTS OF CASH FLOWS (continued)
For The Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 9,010,185	$ 7,689,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	20,660,590	19,981,614
Pension expense, net of of employer contributions	441,227	180,266
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(1,798,325)	(479,489)
Due from other governments	(54,329)	323,889
Prepaid expenses	499,874	69,522
Inventory	(31,032)	(13,350)
(Decrease) increase in:		
Accounts payable and accrued expenses	(801,177)	353,103
Due to City of Alexandria	29,852	79,269
Accrued paid time off	(148,446)	166,621
Other post employment benefits	(157,426)	(100,271)
Net cash provided by operating activities	$ 27,650,993	$ 28,250,905
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Carrying value of disposed capital assets	$ 7,839,036	$ 1,378,236
Capital asset purchases included in accounts payable at year end	$ 13,999,984	$ 15,587,190

ALEXANDRIA RENEW ENTERPRISES
STATEMENTS OF FIDUCIARY NET POSITION
Other Post-Employment Benefit Trust Fund
June 30, 2021 and 2020

	2021	2020
ASSETS		
Assets held in trust, at fair value		
Investment in pooled funds	$ 1,139,810	$ 877,590
NET POSITION		
Net position restricted for OPEB	$ 1,139,810	$ 877,590

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Other Post-Employment Benefit Trust Fund
For The Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
ADDITIONS		
Contributions from employer	$ 76,165	$ 79,996
Investment Earnings:		
Net increase in fair value of investments	263,714	26,068
Less investment costs	(1,494)	(1,448)
Net investment earnings	262,220	24,620
Total additions	338,385	104,616
DEDUCTIONS		
Benefits paid to participants	76,165	79,996
Total deductions	76,165	79,996
Change in net position	262,220	24,620
Total net position - beginning	877,590	852,970
Total net position - ending	$ 1,139,810	$ 877,590

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

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.

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.

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

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 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).

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

Investments (Continued)

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, 2021 and 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

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.

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

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 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.

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

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 four -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 four-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.

Note 2. Deposits and Investments (Continued)

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, 2021, 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, 2021 and 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.

The Authority's investments as of June 30, 2021 consisted of the following:

Investment Type	Fair Value	S&P Credit Rating	Weighted Average Maturity *
Federal agency bonds and notes	$ 10,406,619	AA+	1.38
U.S. Treasury bonds and notes	8,618,420	AA+	2.54
Supra-National agency notes	4,275,341	AAA	1.58
Corporate bonds and notes	485,767	AA+	1
LGIP	125,339	AAAm	N/A
Total investments	$ 23,911,486		

**Average maturity in 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		

Reconciliation of deposits and investments at June 30, 2021:

Amounts per disclosures:			Amounts per Statement of Net Position:		
Cash and cash equivalents	$	46,764,399	Cash and cash equivalents	$	49,310,942
Long-term certificates of deposit		3,119,513	Investments		24,484,456
Total deposits		49,883,912	Total	$	73,795,398
Total investments		23,911,486			
Total	$	73,795,398			

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:

	2021	2020
Accounts receivable:		
Billed customer services	$ 4,329,897	$ 2,660,039
Unbilled customer services	2,362,443	2,223,543
Other	22,534	32,967
Less: Allowance for uncollectible	(680,000)	(680,000)
Total accounts receivable	$ 6,034,874	$ 4,236,549
Due from other governments:		
County of Fairfax, Virginia	$ 17,561	$ 91,017
Accounts payable and accrued expenses:		
Accounts payable – vendors	$ 12,728,528	$ 16,790,826
Retainage payable	3,040,092	1,227,222
Other	4,195	5,695
Accrued expenses – payroll, payroll taxes, and other	293,746	281,083
Total accounts payable and accrued expenses	$ 16,066,561	$ 18,304,826

Note 4. Capital Assets

Changes in capital assets for FY2021 were as follows:

	6/30/2020	Additions	Reductions	6/30/2021
Capital assets, not being depreciated:				
Land and improvements	$ 40,172,404	$ -	$ -	$ 40,172,404
Construction in progress	110,604,426	83,265,863	(7,977,976)	185,892,313
Total capital assets, not being depreciated	150,776,830	83,265,863	(7,977,976)	226,064,717
Capital assets, being depreciated				
Plant and infrastructure	836,317,504	6,552,271	(9,656,498)	833,213,277
Plant equipment and office equipment	27,640,307	2,613,754	(1,009,417)	29,244,644
Total capital assets, being depreciated	863,957,811	9,166,025	(10,665,915)	862,457,921
Less accumulated depreciation for:				
Plant and infrastructure	(223,141,920)	(16,536,711)	2,647,223	(237,031,408)
Plant equipment and office equipment	(18,503,607)	(3,088,812)	179,658	(21,412,761)
Total accumulated depreciation	(241,645,527)	(19,625,523)	2,826,881	(258,444,169)
Total capital assets, being depreciated, net	622,312,284	(10,459,498)	(7,839,034)	604,013,752
Capital assets, being amortized				
Capacity rights	40,884,229	317,369	-	41,201,598
Less accumulated amortization for:				
Capacity rights	(10,813,498)	(1,035,067)	-	(11,848,565)
Total capital assets, being amortized, net	30,070,731	(717,698)	-	29,353,033
Total capital assets	$ 803,159,845	$ 72,088,667	$ (15,817,010)	$ 859,431,502

Note 4. Capital Assets (Continued)

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)	110,604,426
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.

(Continued)

Note 4. Capital Assets (Continued)

<u>County of Fairfax, Virginia Capacity Rights</u> (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 facilities.

Note 5. Line of Credit

On February 25, 2020, 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 equal to the SIFMA Index plus 58 basis points. Additionally, the agreement requires the Authority to pay an unused fee of 0.10% per annum for any day on which less than 50% of the authorized $30 million is outstanding. On April 3, 2020, the credit agreement was amended to change the variable interest rate calculation to be 80% of the one-month LIBOR rate (minimum of 0.50%) plus 30 basis points. On June 29, 2021, the credit agreement was amended to change the variable interest rate to either: 1) 80% of the one-month LIBOR rate (no minimum) plus 35 basis points or in the event of a taxable draw 2) 100% of the one-month LIBOR rate (no minimum) plus 45 basis points. The rate was 0.43% at June 30, 2021. The line of credit is used as interim financing for capital projects. The initial term of the line of credit was one year, with an expiration date of June 30, 2021. The Authority extended the line of credit to June 30, 2022 with the same terms but for the revised interest rate methodologies described above. As of June 30, 2021, the Authority has drawn the full $30 million on this line of credit. As of June 30, 2021, there was no unused portion of this line of credit.

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.

During FY21, the Authority entered into a loan agreement with the United States Environmental Protection Agency to borrow up to $320,992,641 through the Water Infrastructure Finance and Innovation Act (WIFIA) loan program, secured by a supplement to the Master Indenture. As of June 30, 2021, no WIFIA Bonds had been drawn or issued under the loan agreement.

Note 6. Long-Term Debt

Sewer bonds consist of the following:

	2021	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 $3,466,961, including principal and interest at 3.85% due through September 2022.	$ 10,613,840	$ 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 $712,206, including principal and interest beginning March 2006 at 3.10% due through September 2024.	4,887,211	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 $100,824, including principal and interest beginning in March 2006 at 3.10% due through September 2024.	691,863	876,237
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 $375,079 at 3.10% due through March 2027.	4,358,021	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 $502,939, including principal and interest, beginning March 2011 at 3.55% due through September 2030.	7,459,509	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.	5,611,784	5,994,360

Note 6. Long-Term Debt (Continued)

	2021	2020
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 $389,136, including principal and interest, beginning March 2016 at 2.10% due through September 2035.	$ 9,763,046	$ 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 $73,712, including principal and interest, beginning March 2016 at 2.10% due through September 2035.	1,894,660	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.	18,960,000	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	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.	4,886,504	2,326,523
Virginia water facilities revolving fund loan Series 2021, up to $185,650,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of $4,568,195, including principal and interest, beginning March 2023 at 1.35%, due through March 2048. Balance represents draws to date.	18,973,122	-
Plus unamortized premiums and discounts, net	2,701,232	2,838,251
	$ 113,800,792	$ 103,007,452

Note 6. Long-Term Debt (Continued)

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

Fiscal Year	Principal	Interest	Total
2022	$ 11,080,547	$ 2,698,841	$ 13,779,388
2023	9,212,803	2,365,092	11,577,895
2024	5,624,077	2,305,631	7,929,708
2025	5,505,572	2,313,603	7,819,175
2026	4,654,832	2,196,117	6,850,949
2027-2031	23,406,519	9,136,025	32,542,544
2032-2036	24.755,463	5,304,134	30,059,597
2037-2041	14,447,224	2,590,885	17,038,129
2042-2046	10,951,065	942,060	11,893,125
2047-2048	1,461,438	21,305	1,482,743
Total	$ 111,099,560	$ 29,897,693	$ 140,973,253

The change in debt for the years ended June 30, 2021 and 2020 are as follows:

	6/30/2020	Additions	Reductions	6/30/2021	Due Within One Year
Sewer revenue bonds	$ 100,169,201	$21,533,103	$ (10,602,744)	$111,099,560	$ 11,080,547
Plus deferred amounts:					
Net premium	2,838,251	-	(137,019)	2,701,232	137,017
Total	$ 103,007,452	$21,533,103	$ (10,739,763)	$113,800,792	$ 11,217,564

	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 FY2021 and 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 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, 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, service credit, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, 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.
- **Service Credit** – Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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 service credit. 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.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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.
- **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 service credit or at age 50 with at least 30 years of service credit.
- **Earliest Reduced Retirement Eligibility –** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.
- **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 service credit, 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 service credit in their plan. Prior service credit 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, service credit, 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.

- **Service Credit –** 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 service credit earned, purchased, or granted on or after January 1, 2013.

- **Normal Retirement Age –** Normal Social Security retirement age.

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

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

Note 7. Defined Benefit Pension Plan (Continued)

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

<u>Plan 2</u> (Continued)

- **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%.

<u>Hybrid Retirement Plan</u> – 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, service credit, 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.
- 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.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Credit –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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, service credit 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit 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.
- **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.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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 service credit 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 service credit.
  - **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.

- **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.

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 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	18
Non-vested inactive members	49
Inactive members active elsewhere in VRS	9
Total inactive members	76
Active members	102
Total covered employees	268

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 years ended June 30, 2021 and 2020 was 6.44% and 7.27% of covered employee compensation, respectively. This rate was based on actuarially determined rates from actuarial valuations as of June 30, 2019 and 2018.

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 $515,855 and $629,286 for the years ended June 30, 2021 and 2020, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Note 7. Defined Benefit Pension Plan (Continued)

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, 2019, 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, 2020.

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, 2019 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 increases line of duty disability from 14% to 15%. The discount rate was decreased 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.

(Continued)

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (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 %	4.65 %	1.58 %
Fixed Income	15.00 %	0.46 %	0.07 %
Credit Strategies	14.00 %	5.38 %	0.75 %
Real Assets	14.00 %	5.01 %	0.70 %
Private Equity	14.00 %	8.34 %	1.17 %
MAPS – Multi-Asset Public Strategies	6.00 %	3.04 %	0.18 %
PIP – Private Investment Partnership	3.00 %	6.49 %	0.19 %
Total	100.00 %		4.64 %
Inflation			2.50 %
* Expected arithmetic nominal return			7.14 %

* The above allocation provides a one-year return of 7.14%. 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 of expected long-term results of the VRS fund asset allocation.

Note 7. Defined Benefit Pension Plan (Continued)

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 and teacher employer contributions, political subdivisions 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 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 as of June 30, 2021

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	$ 52,044,552	$ 45,965,030	$ 6,079,522
Changes for the year:			
Service cost	615,974	-	615,974
Interest	3,412,612	-	3,412,612
Differences between expected and actual experience	(990,689)	-	(990,689)
Contributions – employer	-	554,765	(554,765)
Contributions – employee	-	432,353	(432,353)
Net investment income	-	871,091	(871,091)
Benefit payments, including refunds of employee contributions	(2,974,673)	(2,974,673)	-
Administrative expenses	-	(30,738)	30,738
Other changes	-	(1,011)	1,011
Net changes	63,224	(1,148,213	1,211,437
Balances at June 30, 2021	$ 52,107,776	$ 44,816,817	$ 7,290,959

Note 7. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability as of June 30, 2020

	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 at 6/30/2021	$ 13,234,532	$ 7,290,959	$ 2,270,105
Authority's net pension liability at 6/30/2020	$ 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 year ended June 30, 2021, the Authority recognized pension expense of $882,561. At June 30, 2021, 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	$ -	$ 728,444
Change in assumptions	327,749	-
Net difference between projected and actual earnings on pension plan investments	1,332,128	-
Employer contributions subsequent to the measurement date	515,855	-
Total	$ 2,175,732	$ 728,444

For the year 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

Note 7. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The $515,855 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, 2022. 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
2022	$ (147,777)
2023	$ 183,465
2024	$ 463,064
2025	$ 432,681

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2020-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, 2021 and 2020, approximately $67,000 and $78,000 was payable to the System for the legally required contributions related to the June 2021 and 2020 payroll, respectively.

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, 2021, the following employees were covered by the benefit terms:

Inactive members and dependent spouses currently receiving benefits	25
Active members	99
	124

(Continued)

Note 8. Other Post-Employment Benefits (Continued)

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 25 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.

Net OPEB Liability

The components of the net OPEB liability at June 30, 2021 were as follows.

Total OPEB Liability	$1,221,398
Plan fiduciary net position	(1,139,810)
Net OPEB liability	$ 81,588
Plan fiduciary net position as a Percentage of the total OPEB Liability	93.32%

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

Total OPEB Liability	$1,185,688
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%

(Continued)

Note 8. Other Post-Employment Benefits (Continued)

Changes in Net OPEB Liability at June 30, 2021

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2020	$ 1,185,688	$ 877,590	$ 308,078
Changes for the year:			
Service cost	34,988	-	34,988
Interest	76,907	-	76,907
Benefit payments	(76,165)	(76,165)	-
Employer contributions	-	76,165	(76,165)
Net investment income	-	263,714	(263,714)
Administrative expenses	-	(1,494)	1,494
Balances as of June 30, 2021	$ 1,221,398	$ 1,139,810	$ 81,588

Changes in Net OPEB Liability at June 30, 2020

	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

Note 8. Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability (Asset)

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.

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
June 30, 2021	$ 174,210	$ 81,588	$ (1,217)
June 30, 2020	$ 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
June 30, 2021	$ (32,508)	$ 81,588	$ 213,667
June 30, 2020	$ 205,445	$ 308,078	$ 426,288

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

For the year ended June 30, 2021 and 2020, the Authority recognized OPEB Expense of (81,261) and ($20,275), respectively. As of June 30, 2021, 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	$ -	$ 424,198
Changes in assumptions	31,630	172,825
Net difference between projected and actual earnings	-	137,032
Total	$ 31,630	$ 734,055

Note 8. Other Post-Employment Benefits (Continued)

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

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
2022	$ (137,654)
2023	$ (134,626)
2024	$ (138,881)
2025	$ (146,499)
2026	$ (67,145)
Thereafter	$ (77,620)

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.

Note 8. Other Post-Employment Benefits (Continued)

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
US Core Fixed Income	21%	0.83%
US Large Caps	26%	3.93%
US Small Caps	10%	5.09%
Foreign Developed Equity	13%	5.73%
Emerging Markets Equity	5%	7.51%
Private Real Estate Property	7%	3.89%
Private Equity	5%	8.99%
Commodities	3%	2.29%
Hedge FOF Strategic	10%	2.71%
Long-Term Expected Rate of Return		6.50%

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 years ended June 30, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 30.08% and 3.06%, respectively. 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. 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. 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.

Note 11. New Accounting Standards (Continued)

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.

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

Note 12. RiverRenew Program

The Authority is managing a large, multi-year construction program called RiverRenew to address pollution from four combined sewer outfalls in the City. The program began in 2018 and is under a legislative deadline to be complete by July 1, 2025. The program is projected to cost approximately $615 million, of which approximately $141 million had been spent as of June 30, 2021. During FY21, AlexRenew entered into a $454 million contract with a design-build team to support the final design and construction of the largest project in the program, the Tunnel System project. The AlexRenew Board approved that contract at its November 2020 Board meeting and notice to proceed was issued to the contractor shortly thereafter. The Authority also issued additional debt in FY21 to fund the project, including a loan of up to $185 million from the Virginia Clean Water Revolving Loan Fund and a loan of up to $321 million from 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 debt service associated with the program is anticipated to be repaid over an extended 38 year period and supported by rate increases, subject to periodic approval by the Authority's Board over the course of the program implementation.

Note 13. Subsequent Event

The Authority has begun to draw funding from the Series 2021 Virginia Clean Water Revolving Loan Fund Bonds to reimburse capital expenditures on the Tunnel System project. As of June 30, 2021, the Authority had drawn $18,973,121 of the available $185 million. Subsequent to fiscal year end, the Authority made two additional draws on the Series 2021 Bonds – a draw of $15,177,964 in August 2021 and a draw of $25,834,812 in September 2021, bringing the total drawn to date to $59,985,897.

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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	2020	2019*	2018	2017	2016	2015	2014
Service cost	$ 615,974	$ 604,713	$ 592,542	$ 643,808	$ 682,527	$ 771,341	$ 757,878
Interest on total pension liability	3,412,612	3,395,405	3,340,976	3,299,804	3,236,592	3,206,163	3,092,779
Difference between expected and actual experience	(990,689)	(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	(2,974,673)	(2,715,552)	(2,767,926)	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Net change in total pension liability	63,224	2,180,991	751,364	693,078	1,043,689	296,341	1,942,412
Total pension liability - beginning	52,044,552	49,863,561	49,112,197	48,419,119	47,375,430	47,079,089	45,136,677
Total pension liability - ending	52,107,776	52,044,552	49,863,561	49,112,197	48,419,119	47,375,430	47,079,089
Plan Fiduciary Net Position							
Contributions - employer	554,765	518,600	711,111	697,581	893,151	915,790	852,928
Contributions - employee	432,353	361,031	460,389	428,499	397,795	413,212	583,295
Net investment income	871,091	2,926,176	3,175,320	4,804,505	681,557	1,789,373	5,462,840
Benefit payments, including refunds of employee contributions	(2,974,673)	(2,715,552)	(2,767,926)	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Administrative expenses	(30,738)	(30,275)	(28,184)	(28,599)	(25,420)	(25,361)	(29,559)
Other	(1,011)	(1,835)	(2,787)	(4,237)	(294)	(375)	288
Net change in plan fiduciary net position	(1,148,213)	1,058,145	1,547,923	3,339,633	(330,022)	539,114	4,961,547
Plan fiduciary net position - beginning	45,965,030	44,906,885	43,358,962	40,019,329	40,349,351	39,810,237	34,848,690
Plan fiduciary net position - ending	44,816,817	45,965,030	44,906,885	43,358,962	40,019,329	40,349,351	39,810,237
Net pension liability - ending	$ 7,290,959	$ 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	86%	88%	90%	88%	83%	85%	85%
Covered payroll	$ 8,641,869	$ 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	84%	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
RETIREMENT PLAN
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
6/30/2021	$ 515,855	$ 515,855	$ -	$ 8,691,744	5.93%
6/30/2020	629,286	629,286	-	8,641,869	7.28%
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

Total OPEB Liability	6/30/2021	6/30/2020	6/30/2019	9/30/2018	9/30/2017
Service cost	$ 34,988	$ 41,295	$ 29,417	$ 36,657	$ 53,055
Interest on total OPEB liability	76,907	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	(76,165)	(79,996)	(81,481)	(90,513)	(92,542)
Net change in total OPEB liability	35,730	(415,719)	78,284	(407,106)	89,867
Total OPEB liability - beginning	1,185,668	1,601,387	1,523,103	1,930,209	1,840,342
Total OPEB liability - ending	1,221,398	1,185,668	1,601,387	1,523,103	1,930,209
Plan Fiduciary Net Position					
Contributions - employer	76,165	79,996	81,481	90,513	156,091
Net investment income	263,714	26,068	8,884	74,315	80,776
Benefit payments, including refunds of employee contributions	(76,165)	(79,996)	(81,481)	(90,513)	(123,090)
Administrative expenses	(1,494)	(1,448)	(1,541)	(2,279)	(2,059)
Net change in plan fiduciary net position	262,220	24,620	7,343	72,036	111,718
Plan fiduciary net position - beginning	877,590	852,970	845,627	773,591	661,873
Plan fiduciary net position - ending	1,139,810	877,590	852,970	845,627	773,591
Net OPEB liability - ending	$ 81,588	$ 308,078	$ 748,417	$ 677,476	$ 1,156,618
Plan fiduciary net position as a percentage of total OPEB liability	93%	74%	53%	56%	40%
Covered payroll	$ 9,799,917	$ 9,157,997	$ 6,524,150	$ 9,055,713	$ 8,480,330
Net OPEB liability as a percentage of covered employee payroll	1%	3%	11%	7%	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:

6/30/2021	30.08%
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
6/30/2021	$ 52,424	$ 76,165	$ (23,741)	$ 9,799,917	0.78%
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

	6/30/2021	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
Assets										
Current Assets	$ 80,308,872	$ 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
Non-current Assets	859,431,502	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
Deferred Outflows	3,083,994	2,478,029	1,623,327	1,924,167	3,009,750	2,193,183	2,332,861	-	-	-
Total Assets and Deferred Outflows	$ 942,824,368	$ 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
Liabilities										
Current Liabilities	$ 59,757,917	$ 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
Long-term Liabilities	110,228,829	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
Deferred Inflows	1,462,499	1,509,645	1,209,421	1,828,634	881,910	1,862,505	2,432,782	-	-	-
Total Liabilities and Deferred Inflows	$ 171,449,245	$ 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
Net Position										
Net Investment in Capital Assets	$ 720,251,070	$ 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
Restricted Net Position	27,458,588	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
Unrestricted Net Position	23,665,465	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
Total Net Position	$ 771,375,123	$ 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
Total Liabilities, Deferred Inflows and Net Position	$ 942,824,368	$ 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

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

	6/30/2021	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
Operating Revenues										
Waste Water Treatment										
Service Charges	$ 56,476,273	$ 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
Other	35,838	39,459	23,423	16,630	127,186	81,727	26,008	6,044	3,480	486,114
Total Operating Revenues	$ 56,512,111	$ 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
Non-operating Revenues										
Investment Income	$ 131,110	$ 1,327,691	$ 1,235,709	$ 300,954	$ 296,581	$ 453,508	$ 483,340	$ 283,273	$ 58,128	$ 132,671
Federal grants	329,269	-	-	-	-	-	-	-	-	-
Sale Of Property	-	-	-	-	-	-	-	1,000,000	15,203,750	-
Capital Contribution	21,196,644	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
Total Non-operating Revenues	$ 21,657,023	$ 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
Total Revenues	$ 78,169,134	$ 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
Operating Expenses										
Personnel Services	$ 12,808,339	$ 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
Utilities	3,658,871	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
General and Administration	4,683,009	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
Other	5,691,117	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
Total Operating Expenses	$ 26,841,336	$ 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
Non-operating Expenses										
Depreciation/Amortization	$ 20,660,590	$ 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
Interest/Other Expenses	11,087,779	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
Total Non-operating Expenses	$ 31,748,369	$ 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
Total Expenses	$ 58,589,705	$ 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
Change in Net Position	$ 19,579,429	$ 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
Total Net Position, Beginning of Year	$ 751,795,694	$ 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
Total Net Position, End of Year	$ 771,375,123	$ 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

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 place through FP19, at which point AlexRenew began implementing gradual, annual rate adjustments, based on Board planning and guidance and on updated rates modeling that included the RiverRenew program and other projected capital needs at the facility. Rate adjustments were adopted by the Board to become effective July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022. 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**
2021	$ 8.13	$ -
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

	FY 2021 Monthly	FY 2020 Monthly
Base Charge		
Residential Customers	$ 11.54	$ 10.83

	Water Meter Size	FY2021	FY2020
Commercial Customers	5/8"	$ 34.63	$ 32.49
	3/4"	34.63	32.49
	1"	86.59	81.22
	1-1/2"	173.17	162.43
	2"	277.08	259.88
	3"	519.52	487.28
	4"	865.87	812.13
	6"	1731.74	1,624.26
	8"	2,770.79	2,598.81

* 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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
SOUTHERN TOWERS	Apartments	1.26%	1.19%	1.38%	1.02%	1.06%	0.92%	1.18%	0.88%	1.13%	1.17%
BROOKDALE APTS MARK CTR	Apartments	0.80%	0.94%	1.09%	--	--	--	--	--	--	--
FOXCHASE	Apartments	0.54%	0.57%	0.64%	--	--	--	--	--	--	--
STONERIDGE APTS MARK CTR	Apartments	0.49%	0.53%	0.60%	--	--	--	--	--	--	--
PARKFAIRFAX	Apartments	0.48%	0.48%	0.51%	--	--	--	--	--	--	--
ARHA	Public	0.44%	0.39%	0.44%	--	--	--	--	--	--	--
140 S VAN DORN ST	Apartments	0.43%	0.46%	0.53%	--	--	--	--	--	--	--
WATERGATE AT LANDMARK	Condos	0.41%	0.49%	0.47%	0.38%	0.44%	0.49%	0.46%	0.52%	0.57%	0.53%
UDR NEWPORT VILLAGE LLC	Condos	0.34%	--	--	--	--	--	--	--	--	--
ERP	Apartments	0.37%	0.37%	--	--	--	--	--	--	--	--
	MG Usage	792,082	740,307	684,798	396,772	394,269	397,833	427,024	462,735	428,893	419,674
	Other Customer Usage	13,474,228	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
	Total Usage	14,266,310	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

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

Outstanding Debt Per Customer
June 30, 2021

	Outstanding Debt	# of Customers	Outstanding Debt per Customer
VRA Revolving Loan Fund & SRF	$ 45,279,934	26,589	$ 1,703
VRA Pooled Financing Program	41,960,000	26,589	$ 1,578
VRA Bond Series 2019	4,886,504	26,589	$ 184
VRA Bond Series 2021	18,973,122	26,589	$ 714
Line of Credit	30,000,000	26,589	$ 1,128
Total	$ 141,099,560	26,589	$ 5,307

Source: Alexandria Renew Enterprises

TABLE 6

Pledged Revenue Coverage*

	6/30/2021	6/30/2020	6/30/2019	9/30/2018	9/30/2017
Pledged revenue	$ 56,512,111	$ 54,547,860	$ 36,250,697	$ 49,990,814	$ 49,098,342
Operating expenses	(26,841,336)	(26,876,515)	(17,218,335)	(23,458,587)	(22,570,403)
Net revenues	29,670,775	27,671,345	19,032,362	26,532,227	26,527,939
Principal and Interest Requirements	14,049,147	14,015,828	7,996,654	13,913,446	13,437,632
Debt coverage	2.11	1.97	2.38	1.91	1.97

	9/30/2016	9/30/2015	9/30/2014	9/30/2013	9/30/2012
Pledged revenue	$ 47,220,799	$ 47,799,081	$ 48,566,053	$ 48,810,644	$ 43,569,090
Operating expenses	(22,697,959)	(25,104,967)	(25,587,358)	(24,469,135)	(24,932,832)
Net revenues	24,522,840	22,694,114	22,978,695	24,341,509	18,636,258
Principal and Interest Requirements	13,122,172	12,062,715	11,676,850	10,507,144	10,924,517
Debt coverage	1.87	1.88	1.97	2.32	1.71

*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, 2021

Population

Calendar Year	Population	Calendar Year	Population
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
2014	144,000	2021	160,146

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

TABLE 8

Population Indicators
June 30, 2021

Fiscal Year	Personal Income ($1000)	Per Capita Income
2021	16,429,218	91,990
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

Source: Federal Reserve Economic Data (FRED)

Demographic and Economic Information, continued

TABLE 9

City of Alexandria Principal Employers
Current Year (as of June 30, 2021 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. Patent and Trademark Office	1,000 & over	3.82%	U.S. Patent Trademark Office	1,000 & over	8.38%
U.S. Department of Homeland Defense	1,000 & over	3.36%	U.S. Department of Defense	1,000 & over	7.10%
Alexandria City Public Schools	1,000 & over	0.78%	City of Alexandria	1,000 & over	2.30%
City of Alexandria	1,000 & over	0.70%	Alexandria Public Schools	1,000 & over	1.90%
National Science Foundation	1,000 & over	0.64%	WMATA	500-999	1.30%
WMATA	1,000 & over	0.46%	Northern Virginia Community College	500-999	0.70%
Food and Nutrition Service	500-999	0.24%	U.S. Postal Service	500-999	0.60%
		10.00%			22.28%
LARGEST PRIVATE EMPLOYERS			**LARGEST PRIVATE EMPLOYERS**		
INOVA Health System	1,000 & over	3.93%	INOVA Alexandria Hospital	1,000 & over	1.80%
Institute for Defense Analysis	500 - 999	1.50%	American Building Maintenance Com	1,000 & over	1.20%
Woodbine Health Center	250-499	0.98%	Institute of Defense Analysis	500-999	0.80%
Society for Human Resource Management	250 - 499	0.97%	United Postal Service (UPS)	500-999	0.70%
Oblon	250 - 499	0.89%	Center for Naveal Analysis	500-999	0.60%
Kearney & Company	250 - 499	0.88%	Military Professional Resources	500-999	0.50%
Systems Planning & Analysis	250 - 499	0.87%	Grant Thornton LLP	500-999	0.50%
		10.02%			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

2021	3.8%
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%

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 Ended June 30, 2021

	2021	2020	2019	2018	2017	2016
Process						
	6	5	6	2	6	3
Administrative/Executive Assistant	1	1	1	1	1	1
Interceptors/Pump Stations/Chem Feed	8	8	8	8	9	9
Operating Shift D	0	0	5	5	6	4
Operating Shift B/BluRenew	6	6	4	5	6	5
Maintenance Manager, Supervisor & Facilities	2	2	2	2	1	1
Thickening/Dewater/Prepast/Digestion	8	8	8	8	9	9
BRB's/Blowers/UV	6	5	6	6	6	7
Operating Shift C/BioRenew	6	6	5	5	5	4
Operating Shift A/Erenew	6	6	5	6	6	5
Planners/Schedulers/Inv Control	2	3	3	3	3	3
Operating Shift E	0	0	0	0	0	5
Apprentices	12	15	10	3	10	10
Engineering						
Deputy/Director Engr Planning	1	1	1	1	1	1
Engineering & River Renew	4	6	7	2	5	3
Program Manager	0	0	0	0	1	1
Environmental Performance						
Director of Environmental Performance	0	1	1	0	0	1
Quality Assurance	1	1	1	1	1	1
Laboratory	5	5	5	4	4	5
Safety Manager/Coordinator	1	1	0	1	0	1
Sustainability/Regulatory	1	2	1	1	0	1
Finance						
Chief Financial Officer	1	0	0	1	1	0
Controller/Director Finance/Acctg Manager	1	2	2	2	1	1
Senior Accountant/Staff Accountant/Acctg Clerk	3	3	3	2	3	2
Administrative/Executive Assistant	1	1	1	1	1	1
Purchasing Manager, Buyer, Contracts	2	3	3	2	2	3
Customer Service	1	1	1	1	1	2
Human Resources						
Human Resources	2	2	2	1	2	2
Information Systems						
Information Systems	6	3	4	3	3	3
Administration						
Administration	4	3	2	2	2	2
Communications	2	4	5	4	4	4
	99	104	102	83	100	100

Operating Information

TABLE 12

Number of Customers and Consumption

Fiscal Year	Customer Accounts	MG Treated	Fairfax MG Treated
6/30/2021	26,589	14,266	6,535
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

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 Year Ending June 30, 2021

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

What's happening on the cover?

In FY21, AlexRenew finished preparations at our wastewater treatment plant for the RiverRenew Tunnel Project, a water quality project designed to prevent millions of gallons of combined sewer overflows from polluting Hooffs Run, Hunting Creek, and the Potomac River. Use of our plant is essential to constructing and operating the Project. All tunnel mining will be occur at AlexRenew, a commitment made to the community to minimize impacts. At completion, the tunnel will convey flows captured to AlexRenew for treatment. At the time of this report's issuance, construction on two 12-story-deep shafts needed to launch the machine that will build the tunnel was about to start, illustrated on the front cover. Use your phone's camera to scan the QR code on the left to discover how we'll begin Building for the Future of Alexandria's Waterways.

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Alexandria Sanitation Authority

Financial Policies

The Alexandria Sanitation Authority (ASA or Authority) is a special purpose governmental unit created by the City Council of Alexandria, Virginia (City Council) in 1952 for the purpose of constructing, operating and maintaining a wastewater treatment system (System) for the City of Alexandria, Virginia (City). ASA is governed and administered by a Board of Directors (Board) with five members who serve staggered terms and are appointed by the City Council. The General Manager oversees ASA's operations and plans for the construction, maintenance, repair and financing of the System. ASA operates as an enterprise fund, has no taxing power and receives no financial assistance from the City.

ASA recognizes that one of the keys to sound financial management is the development of a formal financial policy. This view is confirmed by bond rating agencies, investors and the Government Finance Officers Association. Establishing formal financial policies is also a common practice among comparable water and wastewater authorities throughout the Commonwealth and the United States.

The financial policy is designed to help protect ASA's financial resources by:

1. Promoting sound financial management;
2. Guiding ASA and its managers in policy and debt issuance decisions;
3. Establishing appropriate levels of operating cash reserves;
4. Developing a system to efficiently finance necessary capital improvements;
5. Ensuring the legal and prudent use of ASA's debt issuance authority;
6. Providing a framework for ASA to achieve a strong credit rating, and
7. Maintaining reasonable and well justified levels of rates and fees in accordance with the financial policy.

In general, these financial policies are more restrictive and require higher standards than the legal requirements contained in the Master Indenture of Trust (Bond Indenture), which is the agreement between ASA and debt holders. These financial policies will be reviewed periodically and updated as appropriate.

The following are the financial policies that will guide ASA's financial management, capital planning and debt financing.

1. **Debt Service Coverage**
    a. For FY2011 through and including FY2013, ASA will adopt budgets that it projects will enable ASA to maintain annual debt service coverage (Coverage) of 1.40 times Net Revenues, as defined in the Bond Indenture, on all senior and parity debt. Beginning in FY2014 and thereafter, ASA will maintain Coverage of at least 1.50 times on all senior and parity debt.

2. **Reserves**
    a. An important metric of ASA's financial flexibility is its liquidity as measured by available cash and reserves. These reserve policies identify amounts

available for known risks and obligations and set minimum funding goals that may be used in emergency or other unexpected situations as they arise. The reserves represent an earmarking for budgetary and financial policy purposes. These reserves are in addition to existing legal reserves required by the Master Indenture of Trust (Bond Indenture) and any funds earmarked for capital improvements.

b. ASA will maintain a balance equal to at least 120 days of the current years budgeted amount for operating and maintenance expenses. As required by the Bond Indenture, one sixth of the current year's budgeted amount for operating expenses (60 days) will be held in the Operating Fund. The remainder of the reserves will be held in the General Reserve Fund, a subfund of the General Fund. In the event the General Reserve Fund is used to provide funding for unanticipated expenses or otherwise drops below the policy level, the General Manager will submit a plan in writing to the Board that will restore the General Reserve Fund to the policy level over a period not to exceed four years.

c. All other funds will be funded as required by the Bond Indenture, with a summary as follows:
    i. Senior Debt Service Fund: An amount that will cause the balance on deposit to be sufficient to pay the principal and interest on the respective payment dates.
    ii. Improvement, Renewal and Replacement Fund (IRR): An amount equal to the Alexandria portion (40%) of the annual calculation of the required contribution to the IRR Fund.
    iii. General Fund: Any remaining amounts after the required deposits.
    iv. Debt Service Reserve Fund: For senior debt, an amount equal to the Debt Service Reserve Fund Requirement as defined in the Bond Indenture. There is no Debt Service Reserve Fund Requirement for ASA's parity debt.

d. When necessary and prudent, ASA may create additional accounts within the General Fund for specific purposes. These accounts could include accounts for capital projects, risk management and revenue stabilization, among others.

3. Budgetary Principles

a. Annual Operating Budget Proposals
    i. Per Section 9.3 of the Bond Indenture, ASA is required to adopt a budget for the System for the ensuing fiscal year before the beginning of each fiscal year. The annual budget is required to be prepared in such a manner as to show in reasonable detail the estimated revenues, operating expenses, IRR amounts, debt service amounts, other costs and expenses and the amount of Net Revenues available to meet the Revenue Covenant per the Bond Indenture.
    ii. In conjunction with the budget requirements in the Bond Indenture, the Board will strive to adopt an operating budget that:

1. Is structurally balanced whereby current budgetary revenues are sufficient to meet current budgetary expenses (those that are ongoing in nature);
2. Has fees and user charges at levels intended to support the direct and indirect cost of the activity;
3. Sets fees and user charges with the intent to provide the lowest reasonable fees and user charges over time, not necessarily the lowest fees and user charges right now.
4. Is at a level necessary to ensure the adequate maintenance and operations of the wastewater system;
5. Includes amounts necessary to maintain the required reserve balances as defined in these policies;
6. Enables ASA to meet the debt service coverage policy defined herein; and
7. Funds at least 15 percent of its capital improvement program in cash.

iii. Capital Improvement Program (CIP)

1. Each year ASA will adopt a ten-year CIP that identifies projects to be undertaken over next ten years to meet projected needs for infrastructure renewal, expansion, and replacing old or new facilities.
2. The term of any debt financing will not exceed the aggregate useful lives of the related projects.
3. The CIP will identify anticipated capital improvement costs and associated operating costs.

b. Long-Range Financial Forecast

i. Beginning with the planning for the FY2012 budget and in each fiscal year thereafter, the General Manager will submit to the Board at least a three year financial forecast of anticipated revenues and expenses.

4. Debt Management

a. ASA may issue long-term debt per the guidelines in this financial policy. Long-term borrowing will not be used to finance current operations. Long-term debt will be structured such that the term of financial obligations will not exceed the aggregate expected useful lives of the assets financed.

b. Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or interim construction requirements.

c. Permitted Debt by Type: ASA may issue the debt instruments described below. The most appropriate instrument for a proposed sale of debt shall be determined by financing needs and expected market conditions at the time of sale.

i. Lease Financing – ASA may use lease financing for equipment if (i) it can be demonstrated that this is the most cost effective or appropriate way to secure financing, or (ii) on projects that do not warrant entry into the bond market.

ii. Bond Anticipation Notes (BANs) - which include Commercial Paper, are typically an interim means of financing and, by their very nature, expose ASA to interest rate risk upon renewal. BANS may be used to (i) to finance projects until such time as the project or projects can be incorporated into a long-term bond sale, (ii) during times of high interest rates and when the expectation is that interest rates will stabilize in the future or trending downward, (iii) when market conditions are such that a BAN may be more readily received in the market than long-term debt, or (iv) on an interim basis during the construction period for a project until such time as the project is placed into service.

iii. Long-Term Revenue Bonds - ASA may issue long-term revenue bonds to fund capital projects. These bonds may be issued by ASA in a number of ways, including, but not limited to, those listed below. ASA will evaluate multiple methods for issuing long-term revenue bonds and use the method that is most advantageous to ASA.
    1. ASA may issue the bonds through a public sale under its own name in the capital markets.
    2. ASA may issue the bonds through a private placement under its own name.
    3. ASA may issue the bonds to the Virginia Resources Authority (VRA) under one of VRA's loan programs.

iv. Revenue Anticipation Notes (RANs) - may be issued to meet ASA's operational cash flow needs.

v. Lines of Credit - may be considered as an alternative to other short-term borrowing options.

d. Guidelines on Debt Issuance

i. Bond Indenture – ASA will abide by the covenants contained in the Bond Indenture. ASA considers these covenants to be minimum requirements, and generally expects to exceed the requirements of each covenant.

ii. Authorization – Prior to the issuance of debt, the Board will pass a resolution authorizing the financing arrangements and setting appropriate limits and parameters for the anticipated financing in accordance with applicable laws.

iii. Lowest Cost Financing – ASA intends to pursue the lowest cost of financing within the parameters of these financial policies, the Bond Indenture and ASA's enabling legislation.

iv. Method of Issuance – Prior to each debt issuance, ASA will evaluate the available methods of issuance and pursue the method of issuance that is most advantageous to ASA, whether a stand-alone issue by ASA or use of a third party financing approach such as Revolving Fund Loans or pooled borrowing programs available through the Virginia Resources Authority (VRA). Some considerations for evaluating the method of issuance, particularly when determining whether to issue debt through VRA or under ASA's name, include:
    1. Financing Cost. This analysis should evaluate the overall cost of the financing, including borrowing rates, upfront fees

(such as the cost of obtaining a credit rating), whether a Debt Service Reserve Fund is required, ongoing costs and any other costs of the financing.

2. Permitted Uses of Funds. Some project costs are not eligible to be funded through certain financing programs. For example, land purchase costs are not eligible to be funded through the Department of Environmental Quality's Revolving Loan Fund program that ASA has used in the past.
3. Structural Flexibility. When selecting a financing program, ASA will consider the flexibility of debt features available under each program. For example, ASA will consider how flexible repayment features, call provisions, and borrowing terms are under each program.

v. Project Costs Prior to Debt Issue – If project costs are incurred prior to the issuance of debt, the Board will pass a resolution documenting its intent to be reimbursed from bond proceeds as appropriate.

vi. Variable Rate Debt (VRD) – VRD carries inherent interest rate risk. Such securities historically have interest rates lower than long-term fixed rate securities and offer the potential for lower debt service costs over the term of the bond issue. ASA will consider using VRD when it: (i) Improves matching of assets and liabilities, (ii) potentially lowers debt service costs, (iii) adds flexibility to ASA's capital structure, or (iv) diversifies ASA's investor base.

1. Debt service on VRD will be budgeted at a conservative rate based on historical fluctuations in interest activity and current market assumptions. Before issuing VRD, ASA will determine how potential spikes in the debt service will be funded and consider the impact of various interest rate scenarios on its financial position and on various debt ratios.
2. ASA will not issue VRD in excess of 20 percent of its total debt portfolio. This limitation does not apply to other VRD which ASA has endeavored to offset with an operating investment portfolio intended to act as an economic hedge to interest rate fluctuations associated with the VRD. This limitation also excludes any VRD that may be hedged through an appropriate derivative agreement, if such technique is approved by the ASA Board.

e. Method of Sale

i. ASA will select a method of sale (competitive, negotiated, or private placement) it believes is the most appropriate in light of financial, market, transaction-specific and ASA-related conditions.

f. Term of Debt

i. ASA will not issue debt with a term or final maturity longer than the aggregate useful lives of the projects being financed. ASA does not expect to issue debt with a final maturity more than 40 years from the date of issuance. Factors to be considered when determining the final maturity of debt include: the average life of the assets being financed, relative level of interest rates, and the year-to-year differential in interest rates.

g. Debt Structure
    i. Interest Rate Structure – ASA may use both variable and fixed rate debt in accordance with limitations set forth in this policy.
    ii. Maturity Structure – ASA's long-term debt may include serial and term bonds. Other maturity structures may also be considered when demonstrated to be advantageous to ASA.
    iii. Coupon Structure – Fixed rate debt may include par, discount, premium and capital appreciation bonds.
    iv. Redemption Features – In order to preserve flexibility and refinancing opportunities, ASA debt shall generally be issued with call provisions. ASA may consider call provisions that are shorter than traditional and/or non-callable debt when warranted by market conditions and opportunities. For each transaction, various call option scenarios will be evaluated so that the most beneficial can be utilized.
    v. Credit Enhancement – ASA may use bond insurance and/or line and letters of credit for credit enhancement when it is economically advantageous to do so.
    vi. Debt Service Reserve Fund – ASA will fund a Debt Service Reserve Fund (DSRF) if required by the Bond Indenture.
    vii. Capitalized Interest – By definition, capitalization of interest increases the amount of debt that is issued. ASA will capitalize interest for a period not longer than 12 months after the project being financed is expected to be placed in service.
    viii. Refinancing of Debt – ASA will refinance debt from time to time to achieve debt service savings as market opportunities arise. Since federal regulations limit a tax-exempt issue to one advance refunding (a refinancing more than 90 days prior to a bond's call date), ASA will ensure that the advance refunding results in a significant present value savings. A proposed refinancing must achieve a minimum cumulative, net present value savings of 3 percent of the amount refinanced. An exception to this minimum refinancing savings policy will be if the refinancing is being done for debt restructuring purposes and the Board determines that it is in the best interests of ASA to complete the refinancing without achieving the refinancing savings policy. In addition, ASA will consider the efficiency of a proposed refinancing transaction. The efficiency evaluation will consider the value realized by ASA when exercising its option to redeem its bonds early calculated under a variety of different interest rate environments, versus the savings garnered. In general, ASA will consider refinancing bonds when the aggregate efficiency is equal to or greater than 70 percent.

ix. In any refinancing transaction, ASA maintains a bias to not extend maturities.

h. Escrow Structuring
  i. ASA will utilize the least costly securities available in structuring refinancing escrows. Unless state and local government securities (SLGS) are used, a certificate will be provided by a third party agent stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), and that the price paid for the securities was reasonable within federal guidelines.
  ii. Under no circumstances will an underwriter, agent or financial advisor or ASA affiliates or affiliated accounts of an underwriter or financial advisor to ASA sell escrow securities to ASA from its own account.

i. Hiring of Professionals – All members of the financial advisory team including underwriter, financial advisor, bond counsel, and other professionals will be selected in a manner consistent with ASA's procurement policy for professional services.
  i. Underwriter Selection
    1. Senior Manager Selection – ASA will select a senior manager for any proposed negotiated sale. The selection criteria will include but not be limited to the following:
      a. The firm's ability and experience in managing transactions similar to that contemplated by ASA.
      b. Prior knowledge and experience with ASA.
      c. The firm's ability and willingness to risk capital and demonstration of the firm's capital availability and underwriting of unsold balances.
      d. Quality and experience of personnel assigned to ASA's engagement.
      e. Financing plan presented.
      f. Cost including underwriting fees and anticipated pricing.
    2. Co-Manager Selection – Co-manager may be selected on the same bases as the senior manager with the exception of underwriting fees, which are determined by the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of ASA's bonds.
    3. Underwriter's Counsel – In any negotiated sale of ASA debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with final approval from ASA.
    4. Underwriter's Discount – ASA will evaluate the proposed underwriter's discount against comparable issues in the

market. If there are multiple underwriters in the transaction, ASA will determine the allocation of underwriting liability and management fees. The allocation of fees will be determined prior to the sale date. A cap on management fees, expenses and underwriter's counsel fee will be established and communicated to all parties by ASA. The senior manager shall submit an itemized list of expenses.

5. Evaluation of Underwriter Performance – ASA will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds.
6. Syndicate Policies – For each negotiated transaction, ASA will establish syndicate policies that will describe the priority of orders and designation policies governing the upcoming sale. ASA shall require the senior manager to:
   a. Fairly allocate bonds to other managers and the selling group.
   b. Comply with the Municipal Securities Rulemaking Board's (MRSB) regulations governing the priority of orders and allocations.
   c. Within 10 working days after the sale date, submit to ASA a detail of orders, allocations and other relevant information pertaining to ASA's sale.

ii. Consultants

1. Financial Advisor – ASA will select a financial advisor to assist in its debt issuance and debt administration processes. Selection of the ASA's financial advisor will be based on, but not limited to, the following criteria:
   a. Experience in providing consulting services to entities similar to ASA.
   b. Knowledge and experience in structuring and analyzing bond issues.
   c. Experience and reputation of assigned personnel.
   d. Fees and expenses.
2. Bond Counsel – ASA will include a written opinion by legal counsel affirming that ASA is authorized to issue the proposed debt, that ASA has met all legal requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues. The Bond Counsel will be selected by ASA.
3. Conflicts of Interest – ASA requires that its consultants and advisors provide objective advice and analysis, maintain the

confidentiality of ASA financial plans, and be free from any conflict of interest that has not been fully disclosed to, and waived by, ASA. In no case will ASA's financial advisor be permitted to underwrite any portion of ASA's bond issues, whether sold competitively or negotiated.

4. Disclosure by Financing Team Members – All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which could compromise the firm's ability to provide independent advice which is solely in ASA's best interests or which could reasonably be perceived as a conflict of interest.

j. Communication and Disclosure
   i. Continuing Disclosure – ASA recognizes that accurate and complete disclosure is imperative. ASA will comply with all state and federal disclosure obligations and will meet its disclosure requirements in a timely and thorough manner.

k. Arbitrage Compliance
   i. ASA will maintain a system of record keeping and reporting in order to comply with the Arbitrage Rebate Compliance Requirements of the Internal Revenue Code of 1986, as amended.

5. Derivatives

a. Derivatives such as interest rate swaps and options are financial tools that can help ASA meet important financial objectives, however they introduce multiple risks which must be understood and managed. Properly used, these instruments may increase ASA's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help ASA manage its balance sheet through matching of assets and liabilities.

b. ASA will <u>not</u> enter into any financial derivative or swap until the following have occurred:
   i. The Board has adopted a comprehensive derivatives/swaps policy outlining the following related to the use of derivatives/swaps:
      1. Approach and Objectives
         a. Specific objectives for utilizing swaps
         b. Prohibited swap features
      2. Legal Authority
      3. Permitted Instruments
      4. Procedure for Submission and Execution
      5. Swap Analysis and Participant Requirements
         a. Swap risks
         b. Counterparty risk assessment
         c. Benefit expectation
      6. Legal and Contractual Requirements
         a. Legal terms of swaps

b. Notional amount
c. Final maturity
d. Termination provisions
e. Collateral

7. Ongoing Management
8. Ongoing Reporting Requirements
9. Acceptable Collateral

ii. The Board has approved the execution of the specific financial derivative or swap transaction.

Appendix A – Definitions

Bond Anticipation Note (*BANs*): Notes which are paid from the proceeds of the issuance of long-term bonds. Typically issued for capital projects.

Call Provisions: The terms of the bond giving the issuer the right to redeem all or a portion of a bond prior to its stated date of maturity at a specific price, usually at or above par.

Capital Improvement Program (*CIP*): Plan for major non-recurring facility, infrastructure, or acquisition expenditures that expand or improve the system and/or community assets. Projects included in the CIP include physical descriptions, implementation schedules, year of expenditure cost and funding source estimates, and an indication of priorities and community benefits.

Capitalized Interest: A portion of the proceeds of a bond issue which is set aside to pay interest on the same bond issue for a specific period of time. Interest is commonly capitalized for the construction period of the project.

Commercial Paper: Short-term, unsecured promissory notes issued by corporations to finance receivables for a maturity specified by the purchaser that ranges from three days to 270 days. Notes are generally sold at a discount, and carry credit ratings issued by an NRSRO.

Competitive Sale: A sale/auction of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. Contrast to a negotiated sale.

Continuing Disclosure: The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

Credit Enhancement: Credit support purchased by the issuer to raise the credit rating of a debt issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

Debt Service Reserve Fund: The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

Derivatives: A financial product whose value is derived from some underlying asset value.

Designation Policies: Outline how an investor's order is filled when a maturity is oversubscribed when there is an underwriting syndicate. The senior managing underwriter and issuer decide how the bonds will be allocated among the syndicate. There are three primary classifications of orders which form the designation policy: Group Net Orders; Net Designated orders and Member orders.

Escrow: A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

Expenses: Compensates senior managers for out-of-pocket expenses including: underwriters counsel; DTC charges, travel, syndicate expenses, dealer fees, overtime expenses, communication expenses, computer time and postage.

Letters of Credit: A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

LIBOR: The London InterBank Offered Rate is the rate on U.S. dollar denominated deposits with maturities from 1 day to 12 months transacted between banks in London. LIBOR is the benchmark swap floating index in the taxable or corporate swap market.

Liquidity: The ability of ease with which an asset can be converted into cash without a substantial loss of value.

Management Fee: The fixed percentage of the gross spread which is paid to the managing underwriter for the structuring phase of a transaction

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Members: Underwriters in a syndicate other than the senior underwriter.

Nationally Recognized Statistical Rating Organization (*NRSRO*): A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (*the "SEC")* permits other financial firms to use for certain regulatory purposes. Examples include Moody's Investor Service, Standard & Poor's and Fitch Ratings.

Negotiated Sale: A method of sale in which the issuer chooses an underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

Original Issue Discount: The amount by which the original par amount of an issue exceeds its public offering price at the time it is originally offered to an investor.

Portfolio: Collection of securities held by an investor.

Present Value: The current value of a future cash flow.

Private Placement: The original placement of an issue with one or more investors versus being publicly offered or sold.

Revenue Bonds: Bonds secured by a specific revenue pledge of rates, rents or fees.

Securities and Exchange Commission *("SEC")*: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Selling Groups: The group of securities dealers who participate in an offering not as underwriters but rather who receive securities less the selling concession from the managing underwriter for distribution at the public offering price.

SIFMA: The Securities Industry and Financial Markets Association is a high grade market index of 7-day variable rate demand notes that is produced by Municipal Market Data. SIFMA is the benchmark swap floating index in the tax-exempt swap market.

Syndicate Policies: The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

Underwriter: A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.

Underwriter's Discount: The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are offered to investors, representing the compensation earned by the Underwriter for placing the bonds with investors.

Variable Rate Debt: An interest rate on a security which changes at intervals according to an index or a formula or other standard of measurement as stated in the bond contract.

Yield: The rate of annual income return on an investment, expressed as a percentage.

Alexandria Sanitation Authority

Statement of Investment Policy

Adopted on: August 17, 2010

Table of Contents

ALEXANDRIA SANITATION AUTHORITY
INVESTMENT POLICY

A. INTRODUCTION

Alexandria Sanitation Authority (the “Authority”) was created by the City Council of the City of Alexandria in 1952 “for the purpose of acquiring, constructing, improving, extending, operating and maintaining a sewer system and sewage disposal system.” The Authority is an autonomous governmental unit within the Commonwealth of Virginia and is governed by a board of five citizen members appointed by City Council to a four-year staggered terms. It is a public body in all respects, and is independent of the City government administratively and financially.

The investment and cash management functions of the Authority are administered by the General Manager, subject to the confines of the Code of Virginia.

The purpose of this Statement of Investment Policy (the “Policy”) is to set general guidelines for the investment of certain of the Authority’s funds.

B. SCOPE

This Policy applies to the cash and investments in the Authority’s general operating funds, reserves, and debt proceeds (the “Investment Portfolio”). This Policy does not apply to any funds designated for any post employment benefits such as pensions or retiree insurance. The Policy will apply to such monies from the time of receipt until the time the monies leave the Authority’s accounts. Although these assets may be pooled for investment purposes, they may be segregated as necessary for accounting and budgetary reporting purposes.

C. OBJECTIVES

The primary objectives of this policy are:

1. All investments shall be in compliance with the Code of Virginia Sections §2.2-4400 et seq. and §2.2-4500 et seq.

2. The cash management and investment activities of the Authority shall be conducted in a manner which is consistent with prevailing prudent business practices which may be applied by other public organizations of similar size and financial resources.

3. The Investment Portfolio will be managed to accomplish the following fundamental goals:

   - **Safety of Principal -** The single most important objective of the investment program is the preservation of principal of those funds within the Investment Portfolio.

   - **Maintenance of Liquidity -** The Investment Portfolio will be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as to fund special projects and other operational requirements which are either known or which might reasonably be anticipated.

- **Maximizing Return** - The Investment Portfolio shall be managed so as to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.

D. STANDARD OF PRUDENCE

All investments shall be in compliance with the Code of Virginia Sections §2.2-4400 et seq. and §2.2-4500 et seq. Public funds held and invested by the Authority shall be held in trust for the citizens served by the Authority and any investment of such funds shall be made solely in the interest of these citizens and with the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The General Manager and other Authority employees acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's performance to the extent permitted by law, provided that deviations from expectations are reported in a timely fashion.

E. ETHICS AND CONFLICTS OF INTEREST

1. The General Manager and other employees involved in the investment process shall comply with the Code of Virginia Section §2.2-3100 et seq., the State and Local Government Conflict of Interests Act. In particular, no officer or employee shall:
   a. accept any money, loan, gift, favor, service, or business or professional opportunity that reasonably tends to influence him in the performance of his official duties; or
   b. accept any business or professional opportunity when he knows there is a reasonable likelihood that the opportunity is being afforded to influence him in the performance of his official duties.
2. All employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
3. All employees involved in the investment process shall disclose to the General Manager any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the Investment Portfolio.
4. All employees involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Authority.

F. GENERAL ACCOUNT STRUCTURE

In order to meet the Authority's general objectives the Investment Portfolio is segmented into several investment portfolios: the Liquidity Portfolio, the Core Portfolio, the Capital Investment Portfolio, and the Improvement, Renewal, and Replacement Fund.

1. The ***Liquidity Portfolio*** is the major funding source for the Authority's day to day disbursement and operational needs. As such, additional emphasis is placed on liquidity for monies in this pool. This pool will be funded to meet all known operating needs. Selection of investment maturities will be consistent with foreseen cash requirements in order to minimize the forced sale of securities prior to maturity.

2. The ***Core Portfolio*** consists of operating funds that will not be a major source of the Authority's day to day disbursement requirements and operational needs. The Core Portfolio may therefore be invested in longer-term securities in order to generate an investment return, which, over time, is higher than the total return of the Liquidity Portfolio.

3. The ***Improvement, Replacement, and Renewal Fund (IRR)*** is an account established to fund certain Joint Use Facilities as described in the Fairfax County Service Agreement. Investment terms will match the anticipated expenditures from the Fund.

4. The ***Capital Investment Portfolio*** is the source for capital improvement disbursements. The pool will consist of unspent debt proceeds and unspent cash contributions to the Authority's Capital Improvement Plan. It is anticipated that investments will be made in the Capital Investment Portfolio with maturity dates matching the anticipated expenditures from the pool.

G. AUTHORIZED INVESTMENTS

The General Manager may invest in the following securities that are in compliance with the Virginia Code. The General Manager, however, may impose additional requirements and restrictions in order to ensure that the Authority's goals are met. Permitted investments for the portfolios include:

1. **U.S. Treasury Obligations.** Bills, notes and any other obligation or security issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five (5) years from the time of purchase, except as provided in Section I herein

2. **Federal Agency Obligations.** Bonds, notes and other obligations of the United States, and securities issued by any AAA rated federal government agency or instrumentality or government sponsored enterprise except for Collateralized Mortgage Obligations. The final maturity shall not exceed a period of five (5) years from the time of purchase, except as provided in Section I herein.

3. **Municipal Obligations.** Bonds, notes and other general obligations upon which there is no default, has a rating of at least AA by Standard & Poors and Aa by Moody's Investor Services, matures within three (3) years of the date of purchase, and otherwise meets the requirements of Code of Virginia §2.2-4501.

4. **Commercial Paper.** "Prime quality" commercial paper, with a maturity of 270 days or less, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the Nationally Recognized Statistical Rating Organization ("NRSROs" see Glossary for more information).

5. **Bankers Acceptance.** Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs.

6. **Corporate Notes.** High quality corporate notes with a rating of at least "AA" (or its equivalent) by both Moody's Investors Service, Inc. and Standard & Poors, Inc. The final maturity shall not exceed a period of three (3) years from the time of purchase.

7. **Negotiable Certificates of Deposit and Bank Deposit Notes**. Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's, Inc., and P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over year. The final maturity may not exceed a period of three (3) years from the time of purchase.

8. **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940 and that the fund is rated at least "AAAm" or the equivalent by an NRSRO. The mutual fund must comply with the diversification, quality and maturity requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political sub-divisions.

9. **Local Government Investment Pool (LGIP).** A specialized money market fund created in the 1980 session of the General Assembly designed to offer a convenient and cost-effective investment vehicle for public entities. The Fund is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAm by Standard & Poors, Inc.

10. **Repurchase Agreements.** In overnight, term and open repurchase agreements provided that the following conditions are met:
    a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency obligations as described in paragraph 1 above (with a maximum maturity of 5 years), having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
    b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
    c. the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the Authority, provided such third party is not the seller under the repurchase agreement;

d. a perfected first security interest is created for the benefit of the Authority in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. of the Uniform Commercial Code;
e. for repurchase agreements with terms to maturity of greater than one (1) day, the Authority will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
f. the counterparty is a:
    i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
    ii. a bank, savings and loan association, or diversified securities broker-dealer having at least $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
g. the counterparty meets the following criteria:
    i. a long-term credit rating of at least 'AA' or the equivalent from an NRSRO;
    ii. has been in operation for at least 5 years; and
    iii. is reputable among market participants.

H. PORTFOLIO DIVERSIFICATION

The investment portfolios shall be diversified by security type and issuing institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency Obligations	100%	35%
Municipal Obligations	10%	3%
Commercial Paper	25%	3%
Bankers' Acceptances	25%	3%
Corporate Notes	10%	3%
Negotiable Certificates of Deposit and Bank Deposit Notes	10%	3%
Money Market Mutual Funds	100%	50%
LGIP	100%	100%
Repurchase Agreements	35%	35%

The Sector Limit and Issuer Limit shall be applied to the Authority's total cash and investments asset value at the date of acquisition.

I. MAXIMUM MATURITY

Maintenance of adequate liquidity to meet the cash flow needs of the Authority is essential. Accordingly, to the extent possible, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Whenever practical, selection of investment maturities will be consistent with the known cash requirements of the Authority in order to minimize the forced sale of securities prior to maturity. Investments are limited to a maximum maturity of five years unless the Board of Directors approves an exception to this policy in writing.

For the purposes of the Investment Policy:

1. The ***Liquidity Portfolio*** will be invested in highly liquid securities such as overnight deposit accounts, repurchase agreements, and money market mutual funds.
2. The ***Core Portfolio*** will be invested in permitted investments with a stated maturity of not more than five (5) years from the date of purchase. To manage portfolio volatility the General Manager will from time-to-time determine an investment duration target which shall not exceed three (3) years.
3. The Improvement, Renewal, and Replacement Fund will be invested in accordance with expected cash flows and shall be invested in highly liquid securities such as overnight deposit accounts, repurchase agreements, and money market mutual funds.
4. The ***Capital Investment Portfolio*** will be invested in compliance with the specific requirements of the Trust Indenture/Agreement and any supplemental indenture or covenants. However, in no case will bond proceeds, or funds set aside for capital projects, be invested in securities with a term to maturity that exceeds the expected disbursement date of those monies.

   Debt service reserve funds with longer term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investment is made to coincide as nearly as practical with the expected use of funds.

J. SECURITY DOWNGRADES

In the event that any security held in the Investment Portfolio is downgraded below AA or equivalent rating by any NRSRO, the security shall be sold within 120 days of such downgrade.

K. INVESTMENT OF BOND PROCEEDS

The Authority intends to comply with all applicable sections of the Internal Revenue Code as it related to Arbitrage Rebate and the investment of bond proceeds. All investment records will be maintained to ensure compliance with all regulations.

L. COLLATERALIZATION OF BANK DEPOSITS

All bank deposits of the Authority should be considered Public Deposits as defined by Code of Virginia Security for Public Deposits Act (Section 2.2-4400 et seq.) and all deposits must be made with Qualified Public Depositories.

M. SELECTION OF BROKER/DEALERS

The General Manager will maintain a list of broker/dealers that are approved for investment purposes. All broker/dealers who desire to provide investment services to the Authority will be provided with current copies of the Investment Policy. Before an organization can provide investment services to the Authority, it must confirm in writing that it has received and reviewed the Investment Policy.

At the request of the General Manager, broker/dealers will supply the Authority with information sufficient to adequately evaluate their financial capacity and creditworthiness. The following information will be provided:

1) audited financial statements;
2) regulatory reports on financial condition;
3) proof of Financial Institution Regulatory Authority ("FINRA") certification and of state registration;
4) A sworn statement by an authorized representative of the broker/dealer pledging to adhere to "Capital Adequacy Standards" established by the Federal Reserve Bank and acknowledging the broker/dealer understands that the Authority has relied upon this pledge; and
5) any additional information requested by the General Manager in evaluating the creditworthiness of the institution.

Only firms meeting the following requirements will be eligible to serve as broker/dealers for the Authority:

1) "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
2) Capital of at least $10,000,000;
3) Registered as a dealer under the Securities Exchange Act of 1934;
4) Member of the Financial Institution Regulatory Authority ("FINRA");
5) Registered to sell securities in the Commonwealth of Virginia; and
6) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

The Authority shall designate broker/dealers on an annual basis pursuant to the Virginia Public Procurement Act and any applicable procurement rules and procedures of the Authority to the extent applicable.

N. ENGAGEMENT OF INVESTMENT MANAGERS

The General Manager may engage one or more qualified firms to provide investment management services for the Authority pursuant to the Virginia Public Procurement Act and any applicable procurement rules and procedures of the Authority to the extent applicable. All investment management firms who desire to provide investment services to the Authority will be provided with current copies of the Investment Policy. Before an organization can provide investment services to the Authority, it must confirm in writing that it has received and reviewed the Investment Policy.

Only firms meeting the following requirements will be eligible to serve as investment manager for the Authority:

1) Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940;

2) Must annually provide to the Authority an updated copy of Form ADV, Part II;
3) Must be registered to conduct business in the Commonwealth of Virginia; and
4) Must have proven experience in providing investment management services under Code of Virginia §Sections 2.2-4500 et seq.

Any firm engaged by the Authority to provide investment services shall:

1) Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the Commonwealth of Virginia;
2) Provide monthly reports of transactions and holdings to the General Manager;
3) Provide quarterly performance reports that display investment performance in comparison to the Authority's investment benchmarks
4) Upon request, provide reports which show that the manager has solicited at least three bids for any security purchased or sold on behalf of the Authority; and
5) Not collect any soft dollar fees from any broker/dealer or other financial firm in relation to services provided to the Authority.

O. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

All securities purchases and sales will be transacted only with designated broker/dealers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions. Electronic bids will be accepted. The Authority will accept the bid which, in the sole judgment of the General Manager or his/her designee: (a) offers the highest rate of return within the maturity required; (b) optimizes the investment objective of the overall investment portfolio, including diversification requirements. When selling a security, the Authority will select the bid that generates the highest sale price, consistent with the diversification requirements.

P. SAFEKEEPING AND CUSTODY

All investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent that may not otherwise be counterparty to the investment transaction.

All securities in the Investment Portfolio will be held in the name of the Authority and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs.-payment basis. The custodial agent shall issue a safekeeping receipt to the Authority listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the custodial agent will provide reports that list all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The Authority officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a manner as to protect the Authority from losses from malfeasance and misfeasance.

Original copies of non-negotiable certificates of deposit and confirming copies of all other investment transactions must be delivered to the Authority or its custodial agent.

Q. INTERNAL CONTROLS

The General Manager shall establish a framework of internal controls governing the administration and management of the Authority's investment portfolio, and these controls shall be documented in writing. Such controls shall be designed to prevent and control losses of the Authority monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

R. RECORDS AND REPORTS

The General Manager will prepare an investment report on at least a quarterly basis for the Audit Committee or other committee designated by Board of Directors

S. PERFORMANCE STANDARDS

The Investment Portfolio will be designed to obtain at least a market level rate of return, given budgetary and economic cycles, commensurate with the Authority's investment risk and cash flow needs. The Authority's portfolio management approach will be active, allowing periodic restructuring of the investment portfolio to take advantage of current and anticipated interest rate movements.

The returns on the Investment Portfolio will be compared on a quarterly basis to indices of U.S. Treasury securities having similar maturities or to other appropriate benchmarks. For funds having a weighted average maturity greater than 90 days, performance will be computed on a total return basis.

T. INVESTMENT POLICY ADOPTION

This policy is adopted by Alexandria Sanitation Authority this 17th day of August, 2010.

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Chairman, Alexandria Sanitation Authority, Virginia

GLOSSARY

Bankers' Acceptance: a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Broker: brings buyers and sellers together for a commission.

Certificate of Deposit (CD): a time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

Collateral: securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured promissory notes issued by corporations to finance receivables for a maturity specified by the purchaser that ranges from three days to 270 days. Notes are generally sold at a discount, and carry credit ratings issued by an NRSRO.

Corporate Notes: Unsecured promissory notes issued by corporations to raise capital for a maturity that is longer than 270 days. Notes are generally sold at a discount, and carry credit ratings by an NRSRO.

Dealer: acts as a principal in all transactions, buying and selling for his own account.

Debenture: a bond secured only by the general credit of the issuer.

Delivery versus Payment: delivery of securities with an exchange of money for the securities. (See also "Delivery versus Receipt")

Delivery versus Receipt: delivery of securities with an exchange of a signed receipt for the securities. Also known as "free" delivery. (See also "Delivery versus Payment).

Diversification: dividing investment funds among a variety of securities offering independent returns.

Federal Agency: government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets, also referred to as Government Sponsored Enterprises or GSEs. The largest are GNMA, FNMA, FHLMC, FHLB, FFCB, and TVA.

Federal Funds: funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

Federal Funds Rate: the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open – market operations.

Liquidity: the ability of ease with which as asset can be converted into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be transacted at those quotes.

Market Value: the price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: a written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

Maturity: the date upon which the principal or stated value of an investment becomes due and payable.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (the "SEC") permits other financial firms to use for certain regulatory purposes. Several examples include Moody's Investor Service, Standard & Poor's and Fitch Ratings.

Portfolio: collection of securities held by an investor.

Primary Dealer: a group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Rate of Return: the yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (RP or REPO): a agreement under which the holder of securities sells these securities to an investor with an contract to repurchase the securities at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

Safekeeping: a service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC Rule 15C3-1: see “Uniform Net Capital Rule”.

Securities and Exchange Commission (“SEC”): agency created by Congress to protect investors in securities transactions by administering securities legislation.

Treasury Bills: a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes: medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: the rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.