AlexRenew

1800 Limerick Street
Alexandria, VA 22314
alexrenew.com

Monday, November 13, 2023 – 5:30 p.m.

Board of Directors Finance and Audit Committee Meeting Agenda

In-person: AlexRenew Environmental Center (1800 Limerick St)
Ed Semonian Boardroom, Room 600

Virtual: Microsoft Virtual Events Powered by Teams

Public comments will be received at the meeting. If you wish to speak during public comment, please contact the Board Secretary at (703) 721-3500 ext. 2260 or lorna.huff@alexrenew.com in advance so you can be added to the speakers list. Submission of written statements is encouraged and may be emailed to the Board Secretary.

A recording of the meeting will be posted on alexrenew.com after the meeting.

No.	Item	Presenter	Action
1.	Call to Order (5:30 p.m.)	Chair	
2.	Approval of Agenda (5:32 p.m.)	Chair	Approval
3.	Public Comment Period (5:35 p.m.)	Chair	
4.	Consent Agenda (5:40 p.m.) a. Minutes (Meeting October 16, 2023) (Tab 1)	Chair	Approval
5.	Unfinished Business (5:45 p.m.) a. Update on Enhancements to AlexRenew's Payment Assistance Program (Tab 2)	Mr. Carl	Information
6.	New Business (6:05 p.m.) a. Presentation of FY2023 Annual Comprehensive Financial Report and Audit (Tabs 3, 4, and 5)	Mr. Lake Akinkugbe Ms. Jennifer Files (Yount Hyde & Barbour)	Information
7.	Adjourn (6:50 p.m.)	Chair	

Times shown in parentheses ( ) are approximate start times 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 ext. 2260 at least three business days prior to the meeting.

The next Regular Board of Directors meeting is scheduled for Tuesday, November 21, 2023 @ 6:00 p.m.

Minutes of the Finance & Audit Committee of the
AlexRenew Board of Directors
Monday, October 16, 2023

On Monday, October 16, 2023, at 5:30 p.m., the AlexRenew Board of Directors held its Finance and Audit Committee in the Ed Semonian Board Room at 1800 Limerick Street, with the following present:

Members:	Mr. Mark Jinks, Committee Chair Mr. John Hill, Chair ex. Officio Ms. Adrianna Caldarelli, Secretary-Treasurer Ms. Rebecca Hammer, Member Mr. James Beall, Vice Chair via Microsoft Teams
Staff:	Mr. Justin Carl, GM/CEO Mr. Lake Akinkugbe, Director of Finance Ms. Lorna Huff, Secretary to the Board
Counsel:	Ms. Amanda Waters, General Counsel McGuireWoods LLP
Consultants:	Mr. Thierry Boveri, Raftelis Ms. Diana Ling, Raftelis

Call to Order

The Chair called the meeting to order at 5:30 p.m.

Approval of Agenda

Chair inquired if members had changes to the agenda. There being none, he requested a motion to approve. Ms. Caldarelli moved and Mr. Jinks seconded. The Committee unanimously approved.

Public Comment

There being no members of the public in attendance and wishing to speak, the Chair closed the public comment period.

Consent Agenda

The Chair requested that members review the Consent Agenda which included the Minutes from the March 27, 2023, Finance and Audit Committee meeting. There being no questions or comments, Ms. Caldarelli moved approval of the Consent Agenda. Mr. Jinks seconded. The Committee unanimously approved.

New Business

A. Potential Enhancements to AlexRenew's Existing Payment Assistance Program

Discussion
Mr. Jinks and the Board Chair reported that the topic of affordability, and Board interest in an affordability assistance program at AlexRenew was the impetus for tonight's meeting. The purpose of tonight's meeting is to discuss options, challenges, and other factors in establishing an affordability program at AlexRenew. The Board Chair thanked Mr. Jinks for hosting this meeting.

The City is also reviewing the cost of housing in Alexandria with utilities and fees being part of the larger conversation.

The Chair opened the room for discussion and members discussed program outcomes, the difference between affordability and delinquency, reaching customers whose rents are paid through landlord tenant agreements and partnering with the City of Alexandria to receive data to make an informed decision on the type of programs available.

Mr. Carl discussed AlexRenew's current 48-month payment plans through Promise and AlexRenew's H2O Fund established in 2017. AlexRenew currently supports LIHWAP, CARES and ARPA and lobbies for a permanent fund through the Federal Government.

Ms. Caldarelli inquired about partnering with local non-profits since they are already available and have the infrastructure in place to administer and distribute available funds. Mr. Jinks reported that it might be a good idea for staff to have conversations with the City Department of Human Services.

Mr. Jinks discussed the factors involved and the different types of rental property owners and the methods used to determine rental property rates and significant differences that may exist between apartments of similar size and type. Mr. Jinks suggested that staff have conversations with some of the larger property owners in the City to determine prominent practices. Mr. Hill noted that Mr. Jinks experience working with the City and inquired how staff would react to inquiries on this subject from AlexRenew staff. Mr. Jinks reported that staff would respond positively as they are having they are discussing the same affordability issues. Ms. Hammer also reported that given that AlexRenew, it may be presented as a pilot program in the beginning but felt long-term and in house program would be less impacted by City budget considerations. Members all concurred that approaching the City would provide AlexRenew staff with much valuable data.

Mr. Carl then discussed the various options that staff had reviewed with counsel regarding AlexRenew's regulatory limitations. He further discussed grants from the EPA and securing funds from other outside sources.

Members had consensus on developing an emergency assistance program and partnering with a local non-profit and distributing funds currently available in AlexRenew's Water Fund. Medium to long-term staff would partner with the City for customer assistance program (CAP) and work with other utilities and associations for a potential legislative solution.

There being no additional questions or comments, the Mr. Jinks requested a motion to adjourn. Ms. Caldarelli seconded. The Board unanimously approved.

APPROVED

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Committee Chair

AlexRenew

Board of Directors
Finance & Audit Committee Meeting

Payment Assistance Program Enhancements Update

November 13, 2023

Summary of enhancements to AlexRenew's payment assistance program

Payment Plans

Structure duration by arrearage value

- Discuss payment plan duration options with PromisePay
- Categorize arrearages by value
- Establish payment plan duration for each arrearage category, if permissible through PromisePay

Water Fund

Emergency residential relief assistance

- Develop shortlist of potential 501(c)(3) partners
- Partner with 501(c)(3)
- Develop policy for distributing funds
- Promotion/marketing
- Distribute outstanding ~$6,300 balance
- Add on bill opt-in on MyAlexRenew.com

City-coordinated CAP

CAP coordinated with City affordability efforts

- Host workshop with Office of Housing, DCHS, others
- Understand City affordability programs and eligibility
- Collect data from City and PromisePay
- Determine how large commercial properties pass on utility charges

AlexRenew Rate-Funded CAP

Coordination with other authorities and utilities to lobby for modifications to State code

- Seek support from VWWAA
- Determine interest from other authorities and utilities
- Discuss with VAMWA and legal experts
- Develop legal opinion (memo)

Pursue concurrently with goal of draft plan by FY2025 budget cycle (March-June 2024)

Get on April 2024 VWWAA agenda

AlexRenew

Payment Plan update

- Promise structures Payment Plans based on:
  - Arrearage value and
  - Maximum duration of payment plan set by the utility
- Maximum duration of payment plans are typically 12-18 months
- Promise proactively reaches out to customers
- Promise gets customer data from the utility
- Promise does not have access to income or other customer data – it relies on the customer providing necessary information for eligibility
- Promise is not a 501(c)(3)

PromisePAY

Water Fund update

Entity/501(c)(3)	Description
ACT for Alexandria	• Connects donors with causes
ALIVE	• Assists Alexandrians with food, rent, utilities, medical expenses, and other emergency needs • Recipients referred through City DCHS
Christ Church Alexandria	• Lazarus Emergency Financial Assistance assists those experiencing hardship
Dollar Energy Fund	• Offers custom assistance programs, including utilities • Partners with over 50 utilities in 18 states • Water reconnection assistance, disconnection prevention, administration of customer assistance programs, bill discount programs, hardship programs, and arrearage forgiveness • Virginia Utility Assistance Program includes Virginia American Water
Northern Virginia Family Service	• Offers several assistance programs, including utilities • Aids households in imminent risk of danger and/or homelessness
Salvation Army	• Potomac Division offers a variety of assistance programs, including utilities

Overview of Dollar Energy Fund

- Independent 501(c)(3)
- Based in Pittsburgh, PA
- Works with 50 utilities in 18 states to provide utility assistance
  - Administers Virginia American Water's H20 Help to Others Program™ (emergency/hardship)
  - Manages California Water's Customer Assistance Program
- 8.75% plus startup fee to cover emergency relief/hardship program
- Staffing, call center, verification
- iPartner management software
- Can accept donations directly

Major water and sewer utilities utilizing Dollar Energy

alcosan
allegheny county sanitary authority

Pop. 900,000

VIRGINIA
AMERICAN WATER

Pop. 350,000

Regional Water Authority
Tapping the Possibilities™

Pop. 430,000

PGH2O

Pop. 300,000

METROPOLITAN
UTILITIES DISTRICT

Pop. 600,000

Overview of Christ Church

- Assists Dominion, Washington Gas, Virginia American Water, and AlexRenew customers (limited capacity)
- Assisted 30 people per week prior to the pandemic
- Food, utility, medical, and rental assistance
- Leverages City DCHS for outreach and assistance
- Funded by donations
- Noted that people tend to prioritize bills which could explain the limited amount of AlexRenew customers seeking assistance

City-coordinated Customer Assistance Program

- Initial discussions with City staff
- Prepared draft flyer and talking points
- Setting up meeting

Overview of California Water's Customer Assistance Program (CAP)

Eligibility

- Bill in customer's name
- Customer must live at discounted address
- Must be enrolled in a qualified assistance program or meet the income guidelines
- Eligibility certification every 2-4 years

Discount equal to 50% of the 5/8 × 3/4-inch meter service charge

Qualified Assistance Programs

- Bureau of Indian Affairs General Assistance
- CalFresh SNAP
- CalWORKS/Temporary Assistance for Needy Families (TANF)
- CARE (gas and electric company discount)
- Head Start Income Eligible (Tribal only)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Medicaid/Medi-Cal for Families A & B
- National School Lunch Program (NSLP)
- Supplemental Security Income (SSI)
- Tribal TANF
- Women, Infants, and Children Program (WIC)

Administered by DOLLAR ENERGY FUND

Idea for enhancing AlexRenew's payment assistance program

DOLLAR ENERGY FUND

Water Fund
(One-time emergency relief)

- Funded by opt-in and donations to AlexRenew

City-coordinated Customer Assistance Program
(Bill Assistance)

- Work with City on funding mechanism
- Assists any eligible resident within Alexandria City limits

Advantages of Dollar Energy

- Currently serves Alexandrians via Virginia American Water
- Single entity to manage one water assistance in Alexandria (water, sewer, wastewater treatment)
- Has established framework for emergency relief and customer assistance programs
- Administers similar programs throughout the United States

AlexRenew

To learn more, visit alexrenew.com

AlexRenew

Board of Directors
Finance & Audit Committee Meeting

Fiscal Year 2023
Audit Summary

November 13, 2023

Overview of Annual Comprehensive Financial Report (ACFR) and Audit

ACFR

- Set of financial statements established by Governmental Accounting Standards Board (GASB)
- Audited by independent auditor
- Consist of three sections:
  - Introductory
  - Financial
  - Statistical

Audit

- ACFR Requirement
- Detailed examination of financial statements
  - Assesses whether the statements present a fair and materially correct representation
  - Provides credibility to financial statements and gives ratepayers confidence
- Opinions/outcomes:
  - "Clean" or unmodified
  - Qualified
  - Disclaimer
  - Adverse

AlexRenew Fiscal Year 2023 Audit summary

Reporting Period

- July 1, 2022 through June 30, 2023

Audit Team

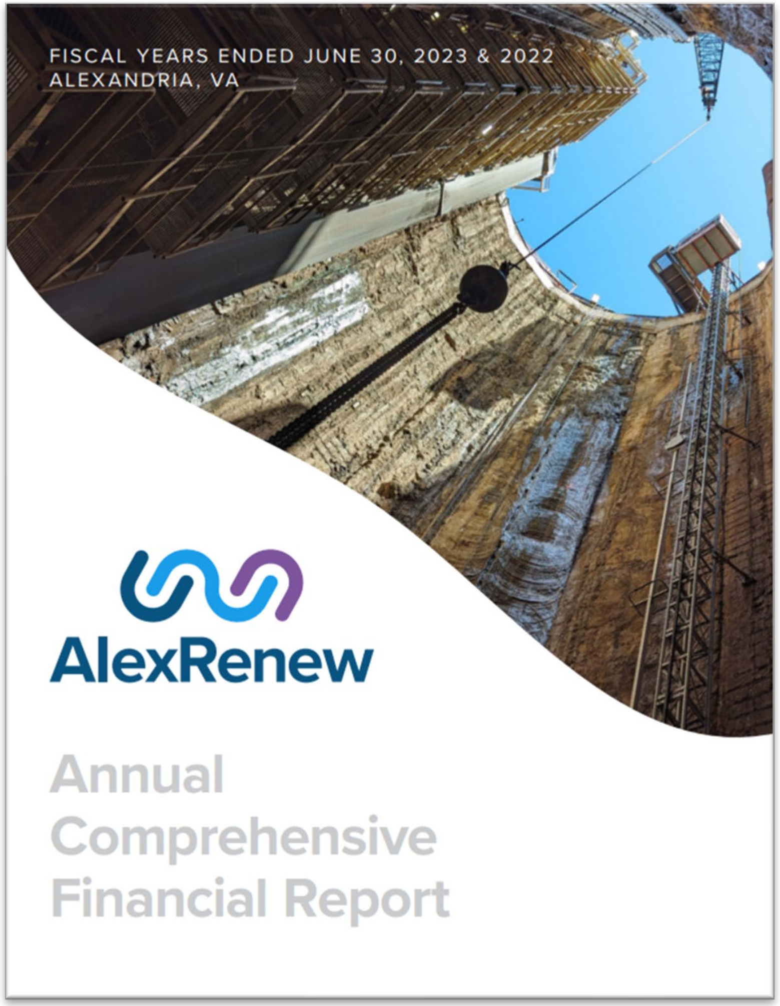
- Yount, Hyde & Barbour, P.C.
- MSL, P.A.
- AlexRenew's Finance Team

Audit Results

- "Clean" or unmodified audit opinion
- No deficiencies in internal control or material weaknesses
- Single audit indicated compliance with federal requirements

AlexRenew Fiscal Year 2023 Audit briefing

- Financial Statement Opinion – “Unmodified”
- Single Audit Reporting Package – Federal Awards
- Examination of Virginia Retirement Services Census Data
- Fairfax Allocation Report
- Required Communications for Governance



AlexRenew Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) summary

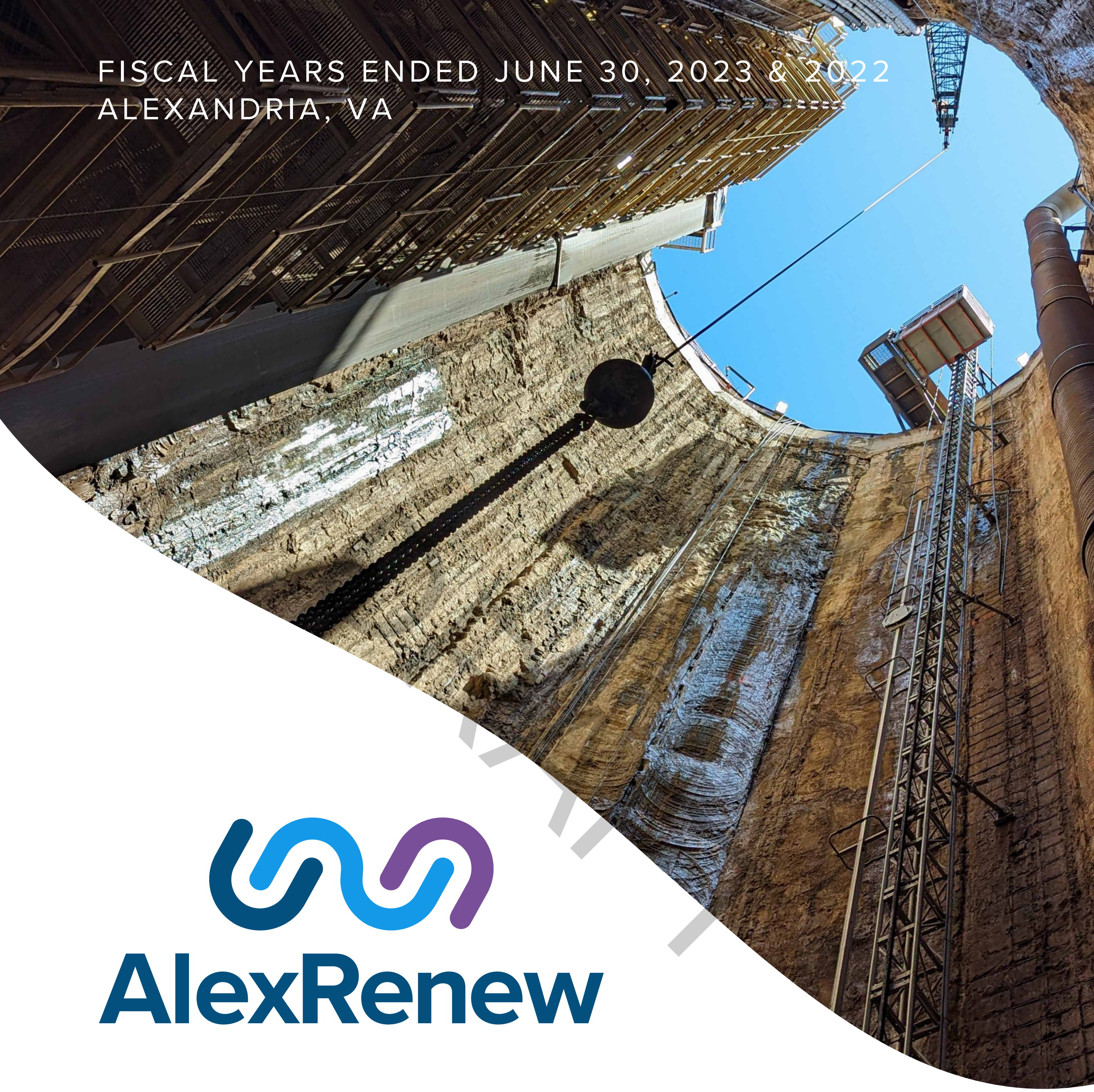
Total Revenues	165,934,521
AlexRenew Wastewater Treatment Charge *Rates collected from Alexandria customers*	54,844,244
Fairfax County Operating Expense Charge *Fairfax County's payments for AlexRenew's day-to-day operations*	11,062,569
Fairfax County Capital Contributions *Fairfax County's payments for AlexRenew's Capital and Improvement, Renewal, and Replacement programs (IRR)*	9,456,250
Bond Proceeds and Other Sources *Funds from loans, grants, and other sources*	90,571,458
Total Expenses	**195,462,817**
Operating and Maintenance Expenses *Costs associated with day-to-day operation of wastewater treatment and other AlexRenew facilities **(includes depreciation and amortization)***	55,017,418
Debt Service *Costs to pay outstanding loans*	12,306,098
Capital Outlay *Costs associated with AlexRenew's Capital and Improvement, Renewal, and Replacement programs (IRR)*	128,139,301

- Debt service coverage of **2.6×** (policy minimum 1.5×)
- Unrestricted cash of **136 days** of operating expenses (policy minimum 120 days)
- Received Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting

AlexRenew

To learn more, visit alexrenew.com

FISCAL YEARS ENDED JUNE 30, 2023 & 2022
ALEXANDRIA, VA



AlexRenew

Annual Comprehensive Financial Report

ALEXRENEW

ALEXANDRIA, VA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2023 and 2022

Prepared by the Finance Department

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ALEXRENEW
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023

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Introduction Section

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703.721.3500 | 1800 Limerick Street | Alexandria, Virginia 22314

AlexRenew.com

AlexRenew Transmittal Letter

November 13, 2023

To the AlexRenew Board of Directors, our customers, and interested parties:

The Annual Comprehensive Financial Report (ACFR) for AlexRenew for the fiscal year ended June 30, 2023, is submitted herein. 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 has audited AlexRenew's financial statements for the year ended June 30, 2023. The independent auditor's report is presented in the financial section of the ACFR.

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

The City of Alexandria, Virginia Sanitation Authority, doing business as (d/b/a) AlexRenew, is a wastewater treatment authority serving 300,000 people in Alexandria, VA and parts of Fairfax County. AlexRenew was established in 1952 as an independent political subdivision of the Commonwealth of Virginia under the Virginia Water and Waste Authorities Act.

Each year, AlexRenew processes and cleans approximately 13 billion gallons of wastewater received from area homes, schools, and businesses. AlexRenew's team of over 100 wastewater professionals is dedicated to providing essential wastewater services for Alexandria — protecting its citizens, delivering healthier waterways, and building a lasting legacy of environmental stewardship in the region.

AlexRenew owns approximately $1.1 billion in total assets, including three pumping stations, two service chambers, four intercepting sewers, four combined sewer outfalls, and a Water Resource Recovery Facility (WRRF) located adjacent to Alexandria's Old Town historic district.

AlexRenew is governed by a five-member citizen Board of Directors that appoints the General Manager and Chief Executive Officer, who is responsible for the daily management of the organization.

LOCAL ECONOMY

As an inner suburb to Washington, DC, Alexandria continues to see steady population indicators, strong demand for housing, and a number of ongoing major development and redevelopment projects. The City's unemployment rate briefly peaked at 9.9% in April 2020 as a result of the pandemic, but declined to 2.1% by July 2023.

The largest sectors of employment by total wages in Alexandria 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 Alexandria. The historic Old Town district is home to many small businesses and a vibrant waterfront. Construction on the newly developed Virgina Tech Innovation Campus is complete. The Innovation District Pumping Station, which will be used to serve the campus, will be conveyed to AlexRenew for ownership and operation.

Alexandria real estate values increased for a thirteenth consecutive year with the overall value of Alexandria's taxable property increasing 3.8% from 2022 to 2023. Year-over-year, average residential values increased 5.0% while commercial property values increased 2.0%. The increase in the overall tax base was attributable to both appreciation of existing properties as well as new development. In 2023, over 90% of single-family homes had value increases. Approximately 69% of condominiums increased in value while multifamily properties saw a 6.2% increase in value on average. The hospitality industry is making a recovery, as hotels increased in value by 9.8% on average. Other commercial property types experiencing value increases included shopping centers, general commercial and warehouses.

MAJOR INITIATIVES

Construction continued in FY2023 on RiverRenew, AlexRenew's multi-year program to prevent millions of gallons of sewage mixed with rainwater (combined sewage) from polluting the Potomac River and its tributaries each year. The program began in 2018 and is under a legislative deadline to be complete by July 1, 2025. AlexRenew has invested over $340 million in RiverRenew, which has employed more than 200 Virginia firms, and is over 50 percent complete. In support of RiverRenew, AlexRenew's state-of-the-art tunnel boring machine has constructed over one (1) mile of 12-foot-wide tunnel 100-feet below the ground. Approximately one (1) mile of tunnel remains to be constructed to connect the existing combined sewer outfalls to AlexRenew's wastewater treatment plant.

Additionally, crews are progressing work on a six (6) foot-wide sewer interceptor; 12-story-deep, 65-foot-wide pumping station; and massive shafts that when complete will function as a system to capture combined sewer overflows.

RiverRenew is funded by a combination of grants, low-interest loans, and contributions from AlexRenew and Fairfax County. During FY2023, AlexRenew drew $89.7 million from these loans and grants to reimburse for construction expenses incurred on RiverRenew. AlexRenew was also awarded $90 million in American Rescue Plan grant through the Commonwealth of Virginia to fund RiverRenew, which it expects to use in the upcoming FY2024 to offset a portion of the debt it is assuming through loans.

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 organization. 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 for future regulatory compliance through large-scale capital investment. AlexRenew's long-term financial planning process ensures adherence to AlexRenew's indenture and financial policies, while appropriately considering 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. Additionally, it 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 strong 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 year's budgeted amount for operating and maintenance expenses in reserves. At fiscal year-end, debt service coverage was in excess of 2.4x and cash on hand sufficient to meet policy targets and maintain liquidity as construction spending for RiverRenew continues.

AlexRenew maintained appropriate fiscal and business discipline as it implemented the FY2023 operating and maintenance budget, resulting in a moderate operating budget excess and the strengthening of the organization's overall financial position. Capital spend increased year-over-year to almost $19 million, as construction continued on active capital projects including RiverRenew. In addition to RiverRenew, capital projects funded in FY2023 included continued planning for improvements to the Preliminary/Primary System, development of a Solids Process Master Plan, and ongoing upgrades to digital assets such as Programmable Logic Controller equipment, the Human Machine Interface System, and the campus Fiber Optic Backbone.

AlexRenew has two primary sources of revenue – wastewater treatment charges assessed to City customers and contributions from Fairfax County based on service agreements. AlexRenew's Board approved and implemented its third two-year rate increase at the beginning of FY2023 to primarily support spending associated with RiverRenew and additional operating costs and capital expenses. AlexRenew continues to maintain a $60 million line of credit 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 sustain its fiscal strength as it navigates the next few years of major construction.

FINANCIAL DISCUSSION: 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.

FINANCIAL DISCUSSION: Capital Assets

AlexRenew's capital assets are currently valued at $1.1 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 Annual Comprehensive Financial Report (ACFR) for the fiscal period ended June 30, 2022. This was the 14th 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 ACFR 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, 2023. 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, in particular, its 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 ACFR. 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,

Justin Carl, PE
AlexRenew General
Manager and CEO

Caitlin Feehan, PE
AlexRenew Chief
Administrative Officer

Lake Akinkugbe
AlexRenew Director
of Finance

ALEXRENEW

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2023

BOARD OF DIRECTORS

John Hill - Chair
James Beall - Vice Chair
Adriana Caldarelli - Secretary/Treasurer
Rebecca Hammer
Mark Jinks

Shahram Mohsenin, Fairfax County Representative

CHIEF EXECUTIVE OFFICER (CEO)

Justin Carl, P.E.

CHIEF ADMINISTRATIVE OFFICER (CAO)

Caitlin Feehan

DIRECTOR OF FINANCE

Lake Akinkugbe

INDEPENDENT AUDITORS

Yount, Hyde & Barbour, P.C.

ALEXRENEW

BOARD OF DIRECTORS

June 30, 2023





Pictured from top left to right: Chair John Hill, Vice Chair James Beall
Bottom row from left to right: Secretary/Treasurer Adriana Caldarelli, Mr. Mark Jinks, and Ms. Rebecca Hammer*

* New member as of July 2023

AlexRenew Organizational Chart

- Board of Directors
  - CEO and GM
    - Executive Assistant
    - Senior O&M Advisor
    - General Counsel*
      - *Outside counsel provided by McGuireWoods, LLC
    - Chief IT Officer
      - SCADA, Cybersecurity, Network Ops, Helpdesk (7)
    - Chief Admin Officer
      - Director of Comms
        - Customer Service, Communications & Outreach, Regulatory & Policy (4)
      - Procurement Manager
        - Contracts Specialist, Procurement Specialist, Buyer (3)
      - Director of Finance
        - Accounting Manager, Accountants (4)
    - Chief Water Qual Officer
      - Chief Operator
        - Operations-eRenew, Operations-BluRenew, Operations-BioRenew (31)
      - Lab Manager
        - Laboratory (7)
      - Process, Sustainability, Pretreatment (2)
    - Chief Engineering Officer
      - Engineering Manager
        - Engineering, O&M Specialist (4)
      - Maintenance Manager
        - Facilities Coordinator, Reliability, Maintenance-Alex, Maintenance-Renew (32)
    - Chief HR Officer
      - Safety, HR Generalist, Learning, Training & Development (6)

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alexandria Renew Enterprises
Virginia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Financial Section

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activity of Alexandria Renew Enterprises (AlexRenew), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Alexandria Renew Enterprises' basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023 and 2022, and the respective changes in its financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alexandria Renew Enterprises and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AlexRenew's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AlexRenew's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AlexRenew's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 2023 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 the effectiveness of the Authority's 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
DATE, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

AlexRenew presents the following review of its financial activities for the fiscal years ended June 30, 2023 (FY23) and 2022 (FY22). 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 FY23.

Summary of Organization and Business

The City of Alexandria, Virginia, Sanitation Authority does business as AlexRenew. Throughout this document, the term "Authority" will be used in reference to the 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 FY23. This financial section information should be read in conjunction with the financial statements.

Financial Highlights

The following are key financial highlights for FY23:

- The Authority treated 13.1 billion gallons of wastewater during FY23 and remained flat compared to the prior FY23. At an average of 35 million gallons per day (MGD) in FY23, the 54 MGD design capacity at the facility remains sufficient.

- The County contributed 5.3 billion gallons of wastewater flow to the Authority in FY23, which accounted for approximately 40.7% of the wastewater treated at the Authority's facilities. This is lower than the 47.4% in the prior FY22 and is within the County's allocation per the Service Agreement.

Financial Highlights (Continued)

- The Authority number of accounts in FY23 at 26,710, slightly lower than prior FY22 at 26,767.

- The Authority continued to experience economic impacts related to the COVID-19 pandemic including supply chain disruptions and inflationary pressures in critical areas including chemicals, construction materials, labor, transportation, parts and equipment.

- Billed water consumption and flows to the facility remained strong and revenues exceeded the original budgetary estimate by approximately 8%.

- 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 FY23 was $9.26 per 1,000 gallons of water and represents a 6.6% increase as compared with the prior FY22. The Base charge approved by the Board for FY23 was $13.14 per month for residential customers and varies based on meter size for commercial customers, again representing a 6.5% increase as compared to the prior FY22.

- Wastewater treatment charge revenues of $54.9 million were 8.1% higher in FY23 compared to the prior FY22. This increase is the result of the rate increase described in the paragraph above and strong usage and billed flows.

- Total operating expenses for FY23, excluding depreciation and amortization, increased 21.5% compared to FY22.

- The FY23 operating budget included continuous workforce investments and enhancements to employee benefits as AlexRenew continues to work to retain top talent in a competitive labor market.

- Senior debt service coverage, on an accrual basis, was 2.6x for FY23. 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 the prior 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 $104.8 million in proceeds the Authority drew from the Series 2021 CWRLF bonds during FY21 and FY22 (See Note 6).

- The Authority has also partially drawn its $60 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 FY23 were $1,151.2 million. Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (Net Position) in the amount of $833.5 million for FY23. Of the total Net Position, $69.9 million were unrestricted and available to support operations for FY23. The increase in total assets is a result of the multiple improvement, replacement and construction projects ongoing for plant infrastructure and equipment.

- Capital assets net of depreciation and amortization increased $106.7 million in FY23. 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 $11.1 million in FY23 represented the County's share of operating costs based upon their proportional contribution to total plant flow. County payments were $10.9 million in the prior FY22. This payment increase is the result of an increase in the percentage of flow contributed by the County and in the total jointly shared operating expense in FY23.

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 FY23 and FY22.

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, 2023, June 30, 2022 and June 30, 2021:

Condensed Statements of Net Position (in Millions of Dollars)

	2023	2022	$ Change	% Change	2021
Current unrestricted assets	$ 77.04	$ 71.28	$ 5.76	8.08 %	$ 49.11
Current restricted assets	15.22	23.68	(8.46)	(35.73) %	31.21
Other non-current assets	0.48	0.43	0.05	11.63 %	31.21
Capital assets, net	1,056.38	949.68	106.70	11.24 %	859.43
Total Assets	1,149.12	1,045.07	104.05	9.96 %	970.96
Deferred Outflows	2.06	2.81	(0.75)	(26.69) %	3.08
Current liabilities	58.12	46.58	11.54	24.77 %	59.76
Long-term liabilities	256.94	180.32	76.62	42.49 %	110.23
Total Liabilities	315.06	226.90	88.16	38.85 %	169.99
Deferred Inflows	2.58	7.24	(4.66)	(64.36) %	1.46
Net Investment in capital assets	757.96	748.22	9.74	1.30 %	720.25
Restricted	5.70	15.49	(9.79)	(63.20) %	27.46
Unrestricted	69.88	50.03	19.85	39.68 %	23.67
Total Net Position	$ 833.54	$ 813.74	$ 19.80	2.43 %	$ 771.38

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, 2023, June 30, 2022 and June 30, 2021:

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

	2023	2022	$ Change	% Change	2021
Revenues					
Program revenues:					
Wastewater Treatment Fees & Miscellaneous	$ 54.86	$ 50.73	4.13	8.10 %	$ 46.08
Fairfax County Wastewater Fees	11.06	10.92	0.14	1.30 %	10.43
General revenues:					
Federal grants	0.06	0.28	(0.22)	(78.60) %	0.33
Investment Income (loss)	0.76	(0.72)	1.48	(205.60) %	0.13
Total Revenues	66.74	61.21	5.53	9.00 %	56.97
Program expenses					
Depreciation and Amortization expenses	21.44	20.57	0.87	4.20 %	20.66
Other Operating Expenses	33.56	27.62	5.94	21.50 %	26.84
Non-operating Expenses	4.65	4.96	(0.31)	(6.20) %	11.09
Total Expenses	59.65	53.15	6.50	12.20 %	58.59
Changes in Net Position before Capital Contributions	7.09	8.06	(0.97)	(12.00) %	(1.62)
Capital Contributions	12.71	34.30	(21.59)	(62.90) %	21.20
Changes in Net Position	19.80	42.36	(22.56)	(53.30) %	19.58
Net Position:					
Beginning	813.74	771.38	42.36	5.49 %	751.80
Ending	$ 833.54	$ 813.74	$ 19.80	2.43 %	$ 771.38

Financial Analysis (Continued)

The following table summarizes other selected information of the Authority at June 30, 2023, 2022 and 2021.

Other Selected Information

	2023	2022	Difference	% Change	2021
Selected data:					
Employees at year end	115	104	11	11 %	99
Alexandria accounts	26,710	26,767	(57)	(0) %	26,589
Wastewater treated (millions of gallons	13,094	13,090	4	0 %	14,266
Portion contributed by					
Fairfax County (millions of gallons)	5,327	6,204	(877)	(14) %	6,535
Percentage contributed by					
Fairfax County	40.68 %	47.39 %	(6.71) %	(14.16) %	45.81 %
Rates, Residential Customers:					
Charge per 1000 gallons of					
water consumption	$ 9.26	$ 8.69	$ 0.57	6.56 %	$ 8.13
Base Charge	13.14	12.34	0.80	6.48 %	11.54
Average residential customer bill (based on 4,000 gallon per month water usage):					
Per year	$ 602.16	$ 565.20	$ 36.96	6.54 %	$ 528.72
Per quarter	150.54	141.30	9.24	6.54 %	132.18
Per month	50.18	47.10	3.08	6.54 %	44.06
Rates, Commercial Customers:					
Charge per 1000 gallons of					
water consumption	$ 9.26	$ 8.69	$ 0.57	6.56 %	$ 8.13
Base Charge					
Water Meter Size					
5/8"	$ 39.42	$ 37.02	2.40	6.5 %	$ 34.63
3/4"	39.42	37.02	2.40	6.5 %	34.63
1"	98.55	92.55	6.00	6.5 %	86.59
1-1/2"	197.10	185.10	12.00	6.5 %	173.17
2"	315.36	296.16	19.20	6.5 %	277.08
3"	591.30	555.30	36.00	6.5 %	519.52
4"	985.50	925.50	60.00	6.5 %	865.87
6"	1,971.00	1,851.00	120.00	6.5 %	1,731.74
8"	3,153.60	2,961.60	192.00	6.5 %	2,770.79

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 (See Note 12). Work progressed throughout FY23 and included completion of a shaft and delivery of the state-of-the-art tunnel boring machine that will soon begin constructing the RiverRenew tunnel. During FY23, AlexRenew finished drawing on its second $25 million grant from the Commonwealth to fund RiverRenew construction expenses. The first $25 million grant from the Commonwealth was received in FY20 and also used to fund RiverRenew program expenses.

The number of City accounts decreased by 57 accounts in FY23 when compared to FY22. In the prior fiscal year, the number of accounts increased by 178. The current number of accounts has been very stable, even though the City's population increased 10% 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 $103.3 million or 9.9% during FY23. Net Position increased by $19.8 million in FY23, with a substantial portion of the change resulting in an increase in capital assets and unrestricted net position.

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 $4.3 million or 6.9% over last year, the net impact of the rate increase of approximately 6.5% that took effect July 1, 2022 for City customers and the slight increase year-over-year in the Fairfax operating contribution.

Capital contributions: Total capital contributions were $12.71 million in FY23, a $21.6 million decrease over the prior FY22.

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 decreased by approximately $3.1 million year-over-year, primarily because AlexRenew's capital spending was more heavily concentrated in the RiverRenew program, which carries lower cost share percentages than other capital projects.

Results of Operations (Continued)

Expenses:

FY23-FY22 comparison: Total operating expenses for FY23, excluding depreciation and amortization, increased by $5.94 million or 21.5% relative to FY22. Core areas associated with operating the water resource recovery facility increased year-over-year including chemicals, utilities, operations maintenance, sludge disposal, and repairs and replacements expenses.

FY22-FY21 comparison: Total operating expenses for FY22, excluding depreciation and amortization, increased by $0.78 million or 2.9% relative to FY21. Core areas associated with operating the water resource recovery facility increased year-over-year including chemicals, operations maintenance, repairs and replacements and general and administrative expenses. These increases were offset by savings in areas such as personnel costs, utilities, sewage disposal and sludge disposal. Certain areas such as custodial services and communications and IT equipment increased due to the pandemic-related impacts. Overall, the Authority was successful in meeting its FY22 operating budget and limiting the year-over-year increase in spend to less than the current rate of inflation.

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 $260.7 million in long-term debt outstanding at June 30, 2023, including $8.6 million considered short-term. Principal payments totaled $9.3 million during FY23. 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 started drawdowns on the WIFIA Bonds in FY23 and is also actively drawing on the Series 2021 CWRLF Bonds to fund Tunnel construction. No new debt facilities were issued during FY23.

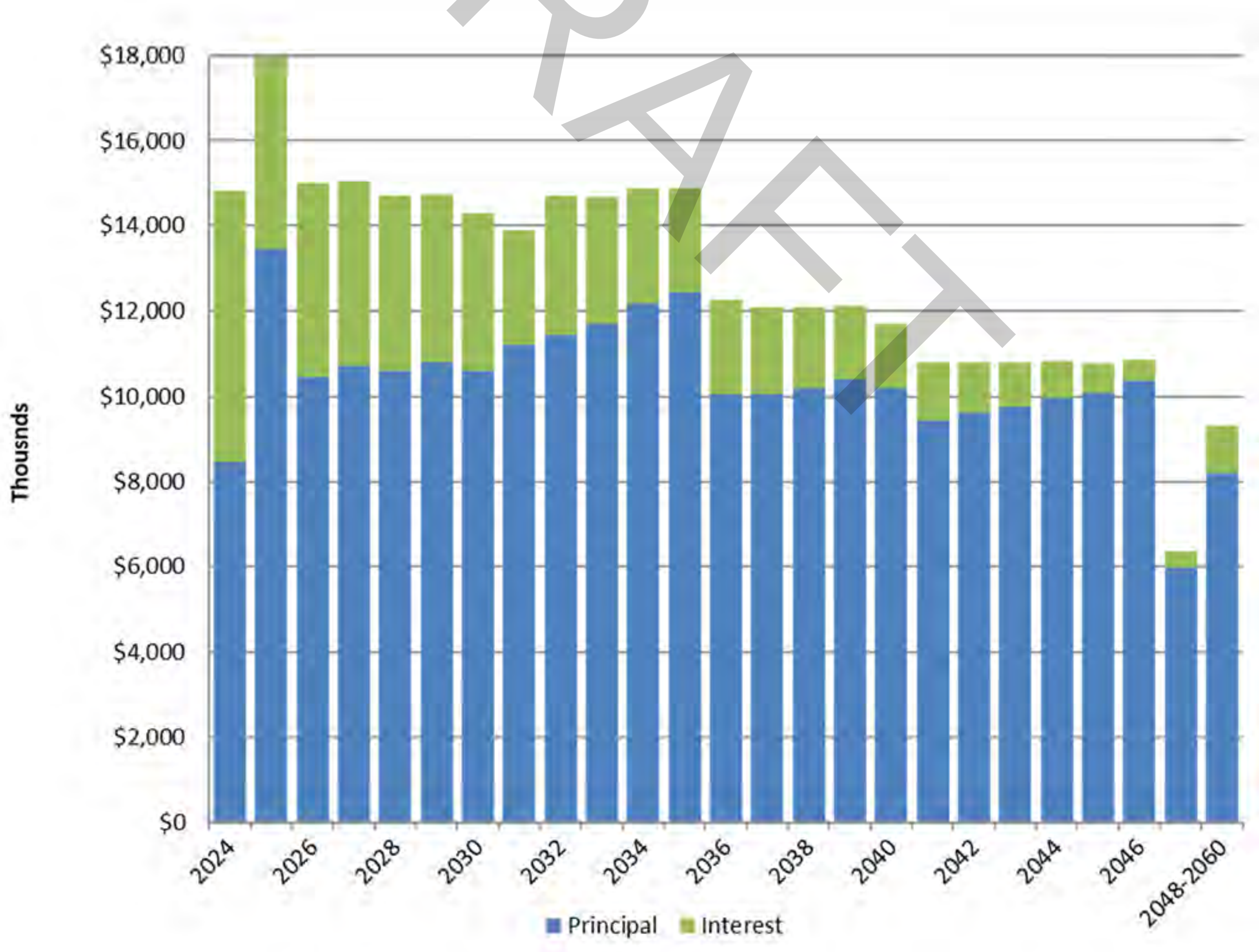
Annual debt service payments decreased 12% in FY23 as compared to FY22 primarily due to the timing and execution of some capital projects. The Authority also continued to utilize the Line of Credit issued during FY22 and had $38.1 million available as of fiscal year end to provide interim funding for 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.

Results of Operations (Continued)

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 2.6x. 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, 2023. This graph includes the debt service associated with draws the Authority had made on the Series 2021 CWRLF Bonds and WIFA Bonds as of the end of FY23 and does not include 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 2060 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 FY25 as shown below.

Annual Debt Service Requirements



Results of Operations (Continued)

The following table calculates the performance relative to the Rate Covenant for FY23, FY22 and FY21.
(in millions)

	2023	2022	% Change	2021
Unrestricted Operating Revenue	$ 65.92	$ 61.65	6.93 %	$ 56.51
Total Operating Expenses				
(Less Depreciation and Replacements)	33.56	27.62	21.51 %	26.84
Net Revenue	$ 32.36	$ 34.03	(4.91) %	$ 29.67
Annual Debt Service	$ 12.31	$ 13.98	(11.97) %	$ 14.05
Revenue Covenant[1]	2.63	2.43	8.03 %	2.11

[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.

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: Comply with 100% of all federal, state and local requirements through continuous improvement efforts. This category includes expenses such as chemicals, utilities and biosolids land application and disposal.

Public Trust: Strengthen accountability by maintaining transparency in all public interactions. This category includes budget items such as community outreach and customer service.

Watershed Stewardship: Integrate sustainability and resiliency into our activities and throughout the water sector through effective partnerships. This category includes expenses such as the Authority's capacity in the Arlington plant.

Adaptive Culture: All employees continue to be accomplished water professionals. This is the "people" budget and includes salaries, benefits, and professional development.

Financial Resilience: Provide water resource recovery services in a cost effective and efficient manner. This category includes items such as insurance, facility maintenance and financial software.

Results of Operations (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 FY23, the Authority made draws from the Series 2021 Bonds, the WIFIA Bonds and the Line of Credit, to fund its share of construction costs (net of County share) on capital projects.

Final Comments

FY23 marked another year of strong financial performance by the Authority. Revenues were bolstered by a strong local economy, an increase in percentage of Fairfax County flows, and the rate increases adopted over the past several years to fund RiverRenew construction. The Authority has continued to identify efficient funding sources, including state and federal grants, to help offset these costs, and used significant grant funding in FY23 towards construction expenses, allowing for debt to be used more slowly and sparingly as construction continues. The Authority was in compliance with all of its financial policies and targets and affirmed its ability to meet its capital spending requirements while maintaining strong liquidity and financial flexibility. Operating expenditures increased by 21.5%, year-over-year due to inflation, supply chain chain challenges and impact of COVID-19. Debt service coverage was a strong 2.6x indicating that revenue growth is keeping pace with debt service expense, even as issuance of debt increases while the Authority implements RiverRenew 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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ALEXRENEW
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents (Note 2):		
Unrestricted	$ 44,362,343	$ 45,687,371
Restricted	5,805,047	13,841,190
Accounts receivable, net (Note 3)	6,240,615	6,122,435
Due from other governments (Note 3)	3,456,230	854,719
Prepaid expenses	1,219,693	724,855
Inventory	319,180	317,539
Investments (Note 2):		
Unrestricted	21,450,219	17,577,646
Restricted	9,406,574	9,836,238
Total current assets	92,259,901	94,961,993
Non-current assets		
Other post employment benefits (Note 8)	470,825	427,036
Capital assets, net of depreciation and amortization (Note 4)	1,056,382,243	949,684,821
Total non-current assets	1,056,853,068	950,111,857
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows (Note 7)	1,222,941	1,921,235
Other post employment benefits related deferred outflows (Note 8)	59,114	63,125
Deferred charge on refunding	780,563	828,597
Total deferred outflows of resources	2,062,618	2,812,957
Total assets and deferred outflows of resources	$ 1,151,175,587	$ 1,047,886,807
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 3)	$ 16,617,908	$ 13,552,162
Due to City of Alexandria	763,915	869,735
Accrued paid time off	771,242	743,692
Line of credit (Note 5)	21,874,852	13,874,852
Current maturities of long-term debt (Note 6)	8,583,453	9,352,473
Payable from restricted assets		
Accounts payable and accrued expenses (Note 3)	6,240,627	6,628,452
Accrued interest payable	3,270,182	1,563,430
Total current liabilities	58,122,179	46,584,796
Long-term liabilities		
Accrued paid time off, less current portion	257,081	247,897
Net pension liability (Note 7)	4,530,655	1,006,934
Long-term debt (Note 6)	252,151,691	179,066,607
Total long-term liabilities	256,939,427	180,321,438
Total liabilities	315,061,606	226,906,234
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows (Note 7)	1,670,498	6,147,475
Other post employment benefits related deferred inflows (Note 8)	904,718	1,091,112
Total deferred inflows of resources	2,575,216	7,238,587
Total liabilities and deferred inflows of resources	$ 317,636,822	$ 234,144,821
NET POSITION		
Net investment in capital assets	757,956,972	748,219,486
Restricted:		
Operating	507,516	2,262,985
Parity debt service	1,236,280	3,397,597
Improvement, renewal & replacement	3,957,016	9,824,964
Unrestricted	69,880,981	50,036,954
Total net position	833,538,765	813,741,986
Total liabilities, deferred inflows of resources, and net position	$ 1,151,175,587	$ 1,047,886,807

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

ALEXRENEW
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Wastewater treatment fees	$ 54,844,244	$ 50,689,442
Fairfax County wastewater fees	11,062,569	10,918,297
Miscellaneous	24,014	42,397
Total operating revenues	65,930,827	61,650,136
OPERATING EXPENSES		
Personnel services	14,210,244	12,022,176
Utilities	3,942,929	3,092,003
Chemicals	2,785,388	2,277,528
Operations maintenance	1,652,687	1,196,034
Arlington sewage disposal	2,429,481	1,292,445
Sludge disposal	1,144,760	1,015,983
Depreciation and amortization (Note 4)	21,441,879	20,571,731
Repairs and replacements, sewage disposal systems	770,830	1,566,169
General, administrative, customer service, and other	6,639,220	5,141,279
Total operating expenses	55,017,418	48,175,348
Operating income	10,913,409	13,474,788
NONOPERATING REVENUES (EXPENSES)		
Investment income (loss)	757,913	(723,051)
Federal grants	60,515	280,617
Interest on debt	(4,647,932)	(3,554,625)
Loss on disposed capital assets	-	(1,411,496)
Total non-operating revenues (expenses)	(3,829,504)	(5,408,555)
Change in net position before capital contributions	7,083,905	8,066,233
CAPITAL CONTRIBUTIONS	12,712,874	34,300,630
Change in net position	19,796,779	42,366,863
NET POSITION, BEGINNING	813,741,986	771,375,123
NET POSITION, ENDING	$ 833,538,765	$ 813,741,986

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

ALEXRENEW
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 54,632,869	$ 50,638,316
Cash received from Fairfax County for operations	11,827,697	9,945,852
Cash received from other sources	24,014	42,397
Payments to suppliers for goods and services	(17,869,436)	(15,642,446)
Payments to employees for services	(14,548,847)	(12,880,796)
Net cash provided by operations	34,066,297	32,103,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition/construction of capital assets	(127,572,140)	(108,533,541)
Capital contributions from Fairfax County	9,346,235	12,692,541
Proceeds from grants	60,515	21,873,875
Net proceeds from debt issuance	81,729,016	85,835,854
Proceeds from line of credit	8,000,000	-
Payments on line of credit	-	(16,125,148)
Principal payments on debt	(9,275,934)	(11,080,547)
Interest paid on borrowing	(3,030,164)	(2,896,259)
Net cash (used in) capital and related financing activities	(40,742,472)	(18,233,225)
CASH FLOWS FROM INVESTING ACTIVITES		
Proceeds from sales and maturities of investments	(6,332,705)	5,023,695
Purchase of investments	2,985,403	(8,777,575)
Interest received on investments	662,306	101,401
Net cash provided by (used in) investing activities	(2,684,996)	(3,652,479)
Net increase (decrease) in cash and cash equivalents	(9,361,171)	10,217,619
CASH AND CASH EQUIVALENTS		
Beginning	59,528,561	49,310,942
Ending	$ 50,167,390	$ 59,528,561
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents - unrestricted	$ 44,362,343	$ 45,687,371
Cash and cash equivalents - restricted	5,805,047	13,841,190
Total cash and cash equivalents	$ 50,167,390	$ 59,528,561

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

(Continued)

ALEXRENEW
STATEMENTS OF CASH FLOWS (continued)
For The Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 10,913,409	$ 13,474,788
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	21,441,879	20,571,731
Pension expense, net of of employer contributions	(254,962)	(610,497)
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(118,180)	(87,561)
Due from other governments	765,128	(972,445)
Prepaid expenses	(494,838)	(553,926)
Inventory	(1,641)	(27,429)
(Decrease) increase in:		
Accounts payable and accrued expenses	2,110,760	561,166
Due to City of Alexandria	(105,820)	31,185
Accrued paid time off	36,734	(100,627)
Other post employment benefits	(226,172)	(183,062)
Net cash provided by operating activities	$ 34,066,297	$ 32,103,323
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Carrying value of disposed capital assets	$ -	$ 1,411,496
Capital asset purchases included in accounts payable at year end	$ 18,270,150	$ 17,702,989
State grant included in due from other governments at year end	$ 3,256,624	$ -

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

ALEXRENEW
STATEMENTS OF FIDUCIARY NET POSITION
Other Post-Employment Benefit Trust Fund
June 30, 2023 and 2022

	2023	2022
ASSETS		
Assets held in trust, at fair value		
Investment in pooled funds	$ 1,110,103	$ 1,032,992
NET POSITION		
Net position restricted for OPEB	$ 1,110,103	$ 1,032,992

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Other Post-Employment Benefit Trust Fund
For The Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
ADDITIONS		
Contributions from employer	$ 55,538	$ 56,733
Investment Earnings:		
Net increase (decrease) in fair value of investments	78,706	(105,094)
Less investment costs	(1,595)	(1,724)
Net investment earnings	77,111	(106,818)
Total additions	132,649	(50,085)
DEDUCTIONS		
Benefits paid to participants	55,538	56,733
Total deductions	55,538	56,733
Change in net position	77,111	(106,818)
Total net position - beginning	1,032,992	1,139,810
Total net position - ending	$ 1,110,103	$ 1,032,992

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.

(Continued)

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).

(Continued)

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, 2023 and 2022. 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, and I.T. subscription assets. Capacity rights assets are amortized over 40 years and I.T. subscription assets are amortized based on terms stated in the agreement.

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.

(Continued)

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.

(Continued)

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 assets 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 fourth 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 assets 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.

(Continued)

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 consisted of the following:

Investment Type		Fair Value	S&P Credit Rating	Weighted Average Maturity *
Federal agency bonds and notes	$	4,368,025	AA+	0.89
U.S. Treasury bonds and notes		13,789,788	AA+	2.67
Supra-National agency notes		1,811,865	AAA	1.19
Corporate bonds and notes		295,510	AAA	0.60
LGIP		130,658	AAAm	N/A
Total investments	$	20,395,846		

**Average maturity in years*

(Continued)

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The Authority's investments as of June 30, 2022 consisted of the following:

Investment Type		Fair Value	S&P Credit Rating	Weighted Average Maturity
Federal agency bonds and notes	$	6,078,936	AA+	1.73
U.S. Treasury bonds and notes		13,379,215	AA+	2.18
Supra-National agency notes		3,302,083	AAA	0.87
Corporate bonds and notes		773,477	AA+-AAA	0.74
LGIP		125,664	AAAm	N/A
Total investments	$	23,659,375		

Reconciliation of deposits and investments at June 30, 2023:

Amounts per disclosures:			**Amounts per Statement of Net Position:**		
Cash and cash equivalents	$	57,739,838	Cash and cash equivalents	$	50,167,390
Long-term certificates of deposit		2,888,499	Investments		30,856,793
Total deposits		60,628,337	Total	$	81,024,183
Total investments		20,395,846			
Total	$	81,024,183			

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:

	2023	2022
Accounts receivable:		
Billed customer services	$ 3,834,801	$ 4,458,117
Unbilled customer services	3,050,862	2,329,864
Other	34,952	14,454
Less: Allowance for uncollectible	(680,000)	(680,000)
Total accounts receivable	$ 6,240,615	$ 6,122,435
Due from other governments:		
State grant	$ 3,256,624	$ -
County of Fairfax, Virginia	199,606	854,719
Total due from other governments	$ 3,456,230	$ 854,719
Accounts payable and accrued expenses:		
Accounts payable – vendors	$ 16,495,553	$ 13,830,313
Retainage payable	5,905,803	6,011,544
Other	22,070	9,445
Accrued expenses – payroll, payroll taxes, and other	435,109	329,312
Total accounts payable and accrued expenses	$ 22,858,535	$ 20,180,614

(Continued)

Note 4. Capital Assets

Changes in capital assets for FY23 were as follows:

	6/30/2022	Additions	Reductions	6/30/2023
Capital assets, not being depreciated:				
Land and improvements	$ 40,172,404	$ -	$ -	$ 40,172,404
Construction in progress	287,343,853	114,433,664	-	401,777,517
Total capital assets, not being depreciated	327,516,257	114,433,664	-	441,949,921
Capital assets, being depreciated				
Plant and infrastructure	833,961,604	3,330,386	-	837,291,990
Plant equipment and office equipment	35,966,310	8,811,622	-	44,777,932
Total capital assets, being depreciated	869,927,914	12,142,008	-	882,069,922
Less accumulated depreciation for:				
Plant and infrastructure	(252,884,251)	(16,616,647)	-	(269,500,898)
Plant equipment and office equipment	(23,498,706)	(3,494,323)	-	(26,993,029)
Total accumulated depreciation	(276,382,957)	(20,110,970)	-	(296,493,927)
Total capital assets, being depreciated, net	593,544,957	(7,968,962)	-	585,575,995
Capital assets, being amortized				
Capacity rights	41,515,762	-	-	41,515,762
I.T. Subscriptions	-	1,563,629	-	1,563,629
Total capital assets, being amortized	41,515,762	1,563,629	-	43,079,391
Less accumulated amortization for:				
Capacity rights	(12,892,155)	(1,044,245)	-	(13,936,400)
I.T. Subscriptions	-	(286,664)	-	(286,664)
Total accumulated amortization	(12,892,155)	(1,330,909)	-	(14,223,064)
Total capital assets, being amortized, net	28,623,607	232,720	-	28,856,327
Total capital assets	$ 949,684,821	$ 106,697,422	$ -	$ 1,056,382,243

I.T. Subscriptions

The Authority implemented GASB Statement Number 96 in fiscal year ending June 30, 2023. This resulted in the Authority recording a I.T. subscription capital asset related to an enterprise license agreement for cloud storage, hosting and virtualization service. The authority paid the full amount during the fiscal year, therefore there is not corresponding I.T. subscription liability.

(Continued)

Note 4. Capital Assets (Continued)

Changes in capital assets for FY22 were as follows:

	6/30/2021	Additions	Reductions	6/30/2022
Capital assets, not being depreciated:				
Land and improvements	$ 40,172,404	$ -	$ -	$ 40,172,404
Construction in progress	185,892,313	102,167,957	(716,417)	287,343,853
Total capital assets, not being depreciated	226,064,717	102,167,957	(716,417)	327,516,257
Capital assets, being depreciated				
Plant and infrastructure	833,213,277	2,594,249	(1,845,922)	833,961,604
Plant equipment and office equipment	29,244,644	7,876,592	(1,154,926)	35,966,310
Total capital assets, being depreciated	862,457,921	10,470,841	(3,000,848)	869,927,914
Less accumulated depreciation for:				
Plant and infrastructure	(237,031,408)	(16,400,010)	547,167	(252,884,251)
Plant equipment and office equipment	(21,412,761)	(3,128,131)	1,042,186	(23,498,706)
Total accumulated depreciation	(258,444,169)	(19,528,141)	1,589,353	(276,382,957)
Total capital assets, being depreciated, net	604,013,752	(9,057,300)	(1,411,495)	593,544,957
Capital assets, being amortized				
Capacity rights	41,201,598	314,164	-	41,515,762
Less accumulated amortization for:				
Capacity rights	(11,848,565)	(1,043,590)	-	(12,892,155)
Total capital assets, being amortized, net	29,353,033	(729,426)	-	28,623,607
Total capital assets	$ 859,431,502	$ 92,381,231	$ (2,127,912)	$ 949,684,821

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, which is used as interim financing for capital projects. The line is secured by a pledge of the Authority's net revenues. The Authority's obligation to repay advances under the line constitutes subordinated debt, pursuant to the Authority's Master Trust Indenture. Under the initial agreement, the variable interest rate on the line of credit was equal to the SIFMA Index plus 58 basis points. On June 29, 2022, the credit agreement was amended and restated to change the variable interest rate to either: 1) 80% of the one-month Term SOFR (no minimum) plus 42 basis points or in the event of a taxable draw, 2) 100% of the one-month Term SOFR plus 53 basis points. The agreement also requires the Authority to pay an unused fee of 0.15% per annum for any day on which less than 50% of the authorized $30 million is outstanding. The rate was 4.66% and 1.19% at June 30, 2023 and 2022, respectively. 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 and then again to June 30, 2024, with the same terms but for the revised interest rate methodologies and fees described above. The line of credit was increased to $60 million in fiscal year 2023. As of June 30, 2023 and 2022, respectively, the Authority has drawn $21,874,852 and $13,874,852. As of June 30, 2023 and 2022, respectively, the unused portion of the line credit was $38,125,148 and $16,125,148.

Note 6. Long-Term Debt

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

Sewer bonds and loans consist of the following:

	2023	2022
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.	$ -	$ 4,024,113

(Continued)

Note 6. Long-Term Debt (Continued)

	2023	2022
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.	$ 2,115,429	$ 3,508,232
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.	299,473	496,646
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.	2,934,230	3,649,677
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.	5,820,491	6,651,069
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.	4,811,821	5,220,164
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.	8,518,978	9,144,888

(Continued)

Note 6. Long-Term Debt (Continued)

	2023	2022
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.	$ 1,643,031	$ 1,769,598
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.	18,420,000	18,700,000
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.	22,425,000	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.	4,781,504	4,881,504
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.	173,935,671	104,808,976
Water Infrastructure Finance and Innovation (WIFIA), up to $320,992,641; Semi-annual installments of interest to begin on 10/1/2025 at 1.88% and principal on October 1, 2026, due through October 1, 2059. Balance represents draws to date.	12,602,321	-
Plus unamortized premiums and discounts, net	2,427,195	2,564,213
	$ 260,735,144	$ 188,419,080

(Continued)

Note 6. Long-Term Debt (Continued)

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

Fiscal Year	Principal	Interest	Total
2024	$ 8,446,435	$ 6,359,886	$ 14,806,321
2025	13,461,173	4,506,460	17,967,633
2026	10,464,591	4,526,405	14,990,996
2027	10,727,145	4,329,951	15,057,096
2028	10,595,021	4,123,329	14,718,350
2029-2033	55,756,916	16,525,930	72,282,846
2034-2038	54,879,092	11,306,072	66,185,164
2039-2043	49,406,973	6,847,941	56,254,914
2044-2048	36,954,345	2,618,148	39,572,493
2049-2053	3,014,070	617,928	3,631,998
2054-2058	3,414,468	318,827	3,733,295
2059-2060	1,187,720	36,068	1,223,788
Total	$ 258,307,949	$ 62,116,945	$ 320,424,894

The change in debt for the years ended June 30, 2023 and 2022 are as follows:

	6/30/2022	Additions	Reductions	6/30/2023	Due Within One Year
Sewer revenue bonds	$ 185,854,867	$81,729,016	$ (9,275,934)	$258,307,949	$ 8,446,435
Plus deferred amounts:					
Net premium	2,564,213	-	(137,018)	2,427,195	137,018
Total	$ 188,419,080	$81,729,016	$ (9,412,952)	$260,735,144	$ 8,583,453

	6/30/2021	Additions	Reductions	6/30/2022	Due Within One Year
Sewer revenue bonds	$ 111,099,560	$85,835,854	$ (11,080,547)	$185,854,867	$ 9,215,454
Plus deferred amounts:					
Net premium	2,701,232	-	(137,019)	2,564,213	137,019
Total	$ 113,800,792	$85,835,854	$ (11,217,566)	$188,419,080	$ 9,352,473

During FY2023 and FY2022, the Authority was in compliance with the covenants associated with the outstanding bond indentures.

(Continued)

Note 7. Defined Benefit Pension Plan

Plan Description

The VRS Authority Retirement Plan is a multi-employer, agent plan. 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.

(Continued)

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)

Plan Description (Continued)

Plan 2 (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%.

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

(Continued)

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)

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

<u>Hybrid Retirement Plan</u> (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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	107
Inactive members:	
Vested inactive members	19
Non-vested inactive members	65
Inactive members active elsewhere in VRS	14
Total inactive members	98
Active members	98
Total covered employees	303

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, 2023 and 2022 was 8.19% of covered employee compensation, respectively. This rate was based on actuarially determined rates from actuarial valuations as of June 30, 2021 and 2020.

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 $823,808 and $526,440 for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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 – Update to PUB2010 sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 tables. Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; change final retirement age. Adjusted withdrawal rates to better fit experience.

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)

<u>Long-Term Expected Rate of Return</u> (Continued)

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00 %	2.04 %	0.31 %
Credit Strategies	14.00 %	4.78 %	0.67 %
Real Assets	14.00 %	4.47 %	0.63 %
Private Equity	14.00 %	9.73 %	1.36 %
MAPS – Multi-Asset Public Strategies	6.00 %	3.73 %	0.22 %
PIP – Private Investment Partnership	3.00 %	6.55 %	0.20 %
Total	100.00 %		5.33 %
Inflation			2.50 %
* Expected arithmetic nominal return			7.83 %

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue 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, 2023

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	$ 55,113,648	$ 54,106,714	$ 1,006,934
Changes for the year:			
Service cost	504,939	-	504,939
Interest	3,635,978	-	3,635,978
Differences between expected and actual experience	146,236	-	146,236
Contributions – employer	-	440,335	(440,335)
Contributions – employee	-	363,555	(363,555)
Net investment income	-	(7,277)	7,277
Benefit payments, including refunds of employee contributions	(3,504,503)	(3,504,503)	-
Administrative expenses	-	(34,388)	34,388
Other changes	-	1,207	(1,207)
Net changes	782,650	(2,741,071)	3,523,721
Balances at June 30, 2023	$ 55,896,298	$ 51,365,643	$ 4,530,655

(Continued)

Note 7. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability as of June 30, 2022

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2021	$ 52,107,776	$ 44,816,817	$ 7,290,959
Changes for the year:			
Service cost	617,494	-	617,494
Interest	3,399,852	-	3,399,852
Change of assumptions	2,178,055	-	2,178,055
Differences between expected and actual experience	289,659	-	289,659
Contributions – employer	-	440,276	(440,276)
Contributions – employee	-	391,153	(391,153)
Net investment income	-	11,968,102	(11,968,102)
Benefit payments, including refunds of employee contributions	(3,479,188)	(3,479,188)	-
Administrative expenses	-	(31,556)	31,556
Other changes	-	1,110	(1,110)
Net changes	3,005,872	9,289,897	(6,284,025)
Balances at June 30, 2022	$ 55,113,648	$ 54,106,714	$ 1,006,934

Sensitivity of 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 (Asset) at 6/30/2023	$ 10,817,529	$ 4,530,655	$ (706,010)
Authority's net pension Liability (Asset) at 6/30/2022	$ 7,474,261	$ 1,006,934	$ (4,417,760)

(Continued)

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, 2023, the Authority recognized pension expense of $482,741. At June 30, 2023, 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	$ 115,038	$ -
Change in assumptions	284,095	-
Net difference between projected and actual earnings on pension plan investments	-	1,670,498
Employer contributions subsequent to the measurement date	823,808	-
Total	$ 1,222,941	$ 1,670,498

For the year ended June 30, 2022, the Authority recognized negative pension expense of $159,636. At June 30, 2022, 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	$ 163,750	$ 240,167
Change in assumptions	1,231,075	-
Net difference between projected and actual earnings on pension plan investments	-	5,907,308
Employer contributions subsequent to the measurement date	526,440	-
Total	$ 1,921,265	$ 6,147,475

(Continued)

Note 7. Defined Benefit Pension Plan (Continued)

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

The $823,808 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, 2024. 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
2024	$ (239,309)
2025	$ (652,269)
2026	$ (1,093,229)
2027	$ 713,442

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (ACFR). A copy of the 2023 VRS ACFR 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, 2023 and 2022, approximately $97,000 and $72,000 was payable to the System for the legally required contributions related to the June 2023 and 2022 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, 2022, the following employees were covered by the benefit terms:

Inactive members and dependent spouses currently receiving benefits	22
Active members	101
	123

(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 5.0% initially, decreasing annually to a rate of 3.9%. An inflation rate of 2.5% is used in the assumptions. The unfunded liability is amortized over a closed period of 24 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/(Asset)

The components of the net OPEB liability at June 30, 2023 were as follows.

Total OPEB Liability	$ 639,278
Plan fiduciary net position	(1,110,103)
Net OPEB asset	$ (470,825)
Plan fiduciary net position as a Percentage of the total OPEB Asset	173.65%

The components of the net OPEB liability at June 30, 2022 were as follows.

Total OPEB Liability	$ 605,956
Plan fiduciary net position	(1,032,992)
Net OPEB asset	$ (427,036)
Plan fiduciary net position as a Percentage of the total OPEB Asset	170.47%

(Continued)

Note 8. Other Post-Employment Benefits (Continued)

Changes in Net OPEB Liability/(Asset) at June 30, 2023

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) – (b)
Balances at June 30, 2022	$ 605,956	$ 1,032,992	$ (427,036)
Changes for the year:			
Service cost	27,970	-	27,970
Interest	39,428	-	39,428
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	21,462	-	21,462
Benefit payments	(55,538)	(55,538)	-
Employer contributions	-	55,538	(55,538)
Net investment income	-	78,706	(78,706)
Administrative expenses	-	(1,595)	1,595
Balances as of June 30, 2023	$ 639,278	$ 1,110,103	$ (470,825)

Changes in Net OPEB Liability/(Asset) at June 30, 2022

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) – (b)
Balances at June 30, 2021	$ 1,221,398	$ 1,139,810	$ 81,588
Changes for the year:			
Service cost	41,500	-	41,500
Interest	80,274	-	80,274
Effect of economic/demographic gains or losses	(489,333)	-	(489,333)
Effect of assumptions changes or inputs	(191,150)	-	(191,150)
Benefit payments	(56,733)	(56,733)	-
Employer contributions	-	56,733	(56,733)
Net investment income	-	(105,094)	105,094
Administrative expenses	-	(1,724)	1,724
Balances as of June 30, 2022	$ 605,956	$ 1,032,992	$ (427,036)

(Continued)

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, 2023	$ (423,817)	$ (470,825)	$ (512,523)
June 30, 2022	$ (383,265)	$ (427,036)	$ (466,073)

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, 2023	$ (530,964)	$ (470,825)	$ (400,216)
June 30, 2022	$ (478,228)	$ (427,036)	$ (367,318)

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

For the year ended June 30, 2023 and 2022, the Authority recognized OPEB Expense of ($170,634) and ($126,329), respectively. As of June 30, 2023, 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	$ -	$ 636,305
Changes in assumptions	35,993	268,413
Net difference between projected and actual earnings	23,121	-
Total	$ 59,114	$ 904,718

Note 8. Other Post-Employment Benefits (Continued)

As of June 30, 2022, 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	$ -	$ 774,918
Changes in assumptions	24,358	316,194
Net difference between projected and actual earnings	38,767	-
Total	$ 63,125	$ 1,091,112

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
2024	$ (176,789)
2025	$ (184,407)
2026	$ (105,051)
2027	$ (129,172)
2028	$ (93,589)
Thereafter	$ (156,596)

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	20%	2.27%
US Large Caps	21%	5.64%
US Small Caps	10%	7.25%
Foreign Developed Equity	13%	6.90%
Emerging Markets Equity	5%	9.58%
Private Real Estate Property	15%	4.86%
Private Equity	10%	10.74%
Hedge FOF Strategic	6%	4.42%
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, 2023 and 2022, the annual money-weighted rate of return on investments, net of investment expense, was 7.63% and (9.23%), 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. 100, *Accounting Changes and Error Corrections* – An Amendment of GASB Statement No. 62, This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The statement will become effective for the fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences,* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The statement will become effective for the fiscal year ending June 30, 2025.

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

(Continued)

Note 12. RiverRenew Program

Construction continued in FY23 on RiverRenew, AlexRenew's multi-year construction program to address combined sewer pollution from four outfalls in the older parts of the City. The program began in 2018 and is under a legislative deadline to be complete by July 1, 2025. The RiverRenew team met several major milestones during FY2023 including the launch of the tunnel boring machine, construction of over 4,000 feet of the Waterfront Tunnel, and the completion of shaft excavation. As of the end of FY2023, the tunnel project was 45% complete.

Funding for RiverRenew comes from a combination of grants, low-interest loans, and contributions from AlexRenew and Fairfax County. During FY23, AlexRenew finalized a $90 million grant from the American Rescue Plan fund. AlexRenew will utilize this grant to offset a portion of the debt assumed through the Virginia Clean Water Revolving Loan Fund (VCWRLF) and Water Infrastructure Finance and Innovation Act (WIFIA) loan programs to fund RiverRenew. Two major loans were closed through these agencies in FY21 and are expected to be repaid through annual rate increases, including those implemented in previous fiscal years and upcoming in FY24 and FY25.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

ALEXRENEW

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

	Plan Year Ended June 30,				
Total Pension Liability	2022	2021	2020	2019*	2018
Service cost	$ 504,939	$ 617,494	$ 615,974	$ 604,713	$ 592,542
Interest on total pension liability	3,635,978	3,399,852	3,412,612	3,395,405	3,340,976
Difference between expected and actual experience	146,236	289,659	(990,689)	(471,796)	(414,228)
Change in assumptions	-	2,178,055	-	1,368,221	-
Benefit payments, including refunds of employee contributions	(3,504,503)	(3,479,188)	(2,974,673)	(2,715,552)	(2,767,926)
Net change in total pension liability	782,650	3,005,872	63,224	2,180,991	751,364
Total pension liability - beginning	55,113,648	52,107,776	52,044,552	49,863,561	49,112,197
Total pension liability - ending	55,896,298	55,113,648	52,107,776	52,044,552	49,863,561
Plan Fiduciary Net Position					
Contributions - employer	440,335	440,276	554,765	518,600	711,111
Contributions - employee	363,555	391,153	432,353	361,031	460,389
Net investment income (loss)	(7,277)	11,968,102	871,091	2,926,176	3,175,320
Benefit payments, including refunds of employee contributions	(3,504,503)	(3,479,188)	(2,974,673)	(2,715,552)	(2,767,926)
Administrative expenses	(34,388)	(31,556)	(30,738)	(30,275)	(28,184)
Other	1,207	1,110	(1,011)	(1,835)	(2,787)
Net change in plan fiduciary net position	(2,741,071)	9,289,897	(1,148,213)	1,058,145	1,547,923
Plan fiduciary net position - beginning	54,106,714	44,816,817	45,965,030	44,906,885	43,358,962
Plan fiduciary net position - ending	51,365,643	54,106,714	44,816,817	45,965,030	44,906,885
Net pension liability - ending	$ 4,530,655	$ 1,006,934	$ 7,290,959	$ 6,079,522	$ 4,956,676
Plan fiduciary net position as a percentage of total pension liability	92%	98%	86%	88%	90%
Covered payroll	$ 8,426,734	$ 8,691,744	$ 8,641,869	$ 8,504,134	$ 9,260,472
Net pension liability as a percentage of covered payroll	54%	12%	84%	71%	54%

Total Pension Liability	2017	2016	2015	2014
Service cost	$ 643,808	$ 682,527	$ 771,341	$ 757,878
Interest on total pension liability	3,299,804	3,236,592	3,206,163	3,092,779
Difference between expected and actual experience	(207,089)	(598,619)	(1,127,638)	-
Change in assumptions	(485,329)	-	-	-
Benefit payments, including refunds of employee contributions	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Net change in total pension liability	693,078	1,043,689	296,341	1,942,412
Total pension liability - beginning	48,419,119	47,375,430	47,079,089	45,136,677
Total pension liability - ending	49,112,197	48,419,119	47,375,430	47,079,089
Plan Fiduciary Net Position				
Contributions - employer	697,581	893,151	915,790	852,928
Contributions - employee	428,499	397,795	413,212	583,295
Net investment income (loss)	4,804,505	681,557	1,789,373	5,462,840
Benefit payments, including refunds of employee contributions	(2,558,116)	(2,276,811)	(2,553,525)	(1,908,245)
Administrative expenses	(28,599)	(25,420)	(25,361)	(29,559)
Other	(4,237)	(294)	(375)	288
Net change in plan fiduciary net position	3,339,633	(330,022)	539,114	4,961,547
Plan fiduciary net position - beginning	40,019,329	40,349,351	39,810,237	34,848,690
Plan fiduciary net position - ending	43,358,962	40,019,329	40,349,351	39,810,237
Net pension liability - ending	$ 5,753,235	$ 8,399,790	$ 7,026,079	$ 7,268,852
Plan fiduciary net position as a percentage of total pension liability	88%	83%	85%	85%
Covered payroll	$ 8,185,472	$ 7,802,611	$ 7,746,889	$ 8,434,533
Net pension liability as a percentage of covered payroll	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.

ALEXRENEW

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
6/30/2023	$ 872,808	$ 872,808	-	$ 10,063,463	8.67%
6/30/2022	542,682	542,682	-	8,426,734	6.44%
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.

ALEXRENEW

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

Total OPEB Liability	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	9/30/2018	9/30/2017
Service cost	$ 27,970	$ 41,500	$ 34,988	$ 41,295	$ 29,417	$ 36,657	$ 53,055
Interest on total OPEB liability	39,428	80,274	76,907	88,689	78,720	102,653	129,354
Effect of Economic/Demographic Gains or Losses	-	(489,333)	-	(238,874)	-	(455,903)	-
Effect of Assumptions Changes or Inputs	21,462	(191,150)	-	(226,833)	51,628	-	-
Benefit payments	(55,538)	(56,733)	(76,165)	(79,996)	(81,481)	(90,513)	(92,542)
Net change in total OPEB liability	33,322	(615,442)	35,730	(415,719)	78,284	(407,106)	89,867
Total OPEB liability - beginning	605,956	1,221,398	1,185,668	1,601,387	1,523,103	1,930,209	1,840,342
Total OPEB liability - ending	639,278	605,956	1,221,398	1,185,668	1,601,387	1,523,103	1,930,209
Plan Fiduciary Net Position							
Contributions - employer	55,538	56,733	76,165	79,996	81,481	90,513	156,091
Net investment income (loss)	78,706	(105,094)	263,714	26,068	8,884	74,315	80,776
Benefit payments, including refunds of employee contributions	(55,538)	(56,733)	(76,165)	(79,996)	(81,481)	(90,513)	(123,090)
Administrative expenses	(1,595)	(1,724)	(1,494)	(1,448)	(1,541)	(2,279)	(2,059)
Net change in plan fiduciary net position	77,111	(106,818)	262,220	24,620	7,343	72,036	111,718
Plan fiduciary net position - beginning	1,032,992	1,139,810	877,590	852,970	845,627	773,591	661,873
Plan fiduciary net position - ending	1,110,103	1,032,992	1,139,810	877,590	852,970	845,627	773,591
Net OPEB liability (asset) - ending	$ (470,825)	$ (427,036)	$ 81,588	$ 308,078	$ 748,417	$ 677,476	$ 1,156,618
Plan fiduciary net position as a percentage of total OPEB liability	174%	170%	93%	74%	53%	56%	40%
Covered payroll	$10,101,141	$ 8,671,723	$ 9,799,917	$ 9,157,997	$ 6,524,150	$ 9,055,713	$ 8,480,330
Net OPEB liability (asset) as a percentage of covered payroll	-5%	-5%	1%	3%	11%	7%	14%

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

ALEXRENEW

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST

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

6/30/2023	7.63%
6/30/2022	-9.23%
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.

ALEXRENEW

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
6/30/2023	$ -	$ 55,538	$ (55,538)	$ 10,101,141	0.55%
6/30/2022	53,996	56,733	(2,737)	8,671,723	0.65%
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, 2021 based on the most recent experience study of the System for the four-year period ending June 30, 2020:

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

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 3. Changes of Assumptions (OPEB)

The following changes in actuarial assumptions were made effective January 1, 2022:

- Age-related claims costs assumptions were updated
- The healthcare trend assumptions were updated
- The retiree election assumption was decreased from 60% to 40%

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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014[1]
Assets										
Current Assets	$ 92,259,901	$ 94,961,993	$ 80,308,872	$ 86,706,586	$ 75,272,570	$ 77,481,606	$ 71,992,329	$ 58,517,536	$ 74,456,170	$ 86,428,544
Non-current Assets	1,056,853,068	950,111,857	859,431,502	803,159,845	759,842,445	753,725,875	747,728,427	751,420,427	716,656,368	651,084,163
Deferred Outflows	2,062,618	2,812,957	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	$ 1,151,175,587	$1,047,886,807	$ 942,824,368	$ 892,344,460	$ 836,738,342	$ 833,131,648	$ 822,730,506	$ 812,131,146	$ 793,445,399	$ 737,512,707
Liabilities										
Current Liabilities	$ 58,122,179	$ 46,584,796	$ 59,757,917	$ 40,073,665	$ 20,797,672	$ 19,854,654	$ 18,400,831	$ 34,860,034	$ 41,395,712	$ 41,743,756
Long-term Liabilities	256,939,427	180,321,438	110,228,829	98,965,456	106,654,528	112,799,800	127,027,777	111,329,090	121,578,497	106,414,204
Deferred Inflows	2,575,216	7,238,587	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	$ 317,636,822	$ 234,144,821	$ 171,449,245	$ 140,548,766	$ 128,661,621	$ 134,483,088	$ 146,310,518	$ 148,051,629	$ 165,406,991	$ 148,157,960
Net Position										
Net Investment in Capital Assets	$ 757,956,972	$ 748,219,486	$ 720,251,070	$ 696,448,748	$ 649,676,473	$ 638,348,836	$ 622,454,674	$ 630,741,541	$ 586,995,330	$ 537,784,921
Restricted Net Position	5,700,812	15,485,546	27,458,588	25,615,612	26,355,198	21,357,370	29,705,073	13,652,933	11,629,933	16,799,469
Unrestricted Net Position	69,880,981	50,036,954	23,665,465	29,731,334	32,045,050	38,942,354	24,260,241	19,685,043	29,413,145	34,770,357
Total Net Position	$ 833,538,765	$ 813,741,986	$ 771,375,123	$ 751,795,694	$ 708,076,721	$ 698,648,560	$ 676,419,988	$ 664,079,517	$ 628,038,408	$ 589,354,747
Total Liabilities, Deferred Inflows and Net Position	$ 1,151,175,587	$1,047,886,807	$ 942,824,368	$ 892,344,460	$ 836,738,342	$ 833,131,648	$ 822,730,506	$ 812,131,146	$ 793,445,399	$ 737,512,707

Source: Alexandria Renew Enterprises

Notes: [1]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

	6/30/2023	6/30/2022	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)
Operating Revenues										
Waste Water Treatment Service Charges	$ 65,906,813	$ 61,607,739	$ 56,476,273	$ 54,508,401	$ 36,227,274	$ 49,974,184	$ 48,971,156	$ 47,139,072	$ 47,773,073	$ 48,560,009
Other	24,014	42,397	35,838	39,459	23,423	16,630	127,186	81,727	26,008	6,044
Total Operating Revenues	$ 65,930,827	$ 61,650,136	$ 56,512,111	$ 54,547,860	$ 36,250,697	$ 49,990,814	$ 49,098,342	$ 47,220,799	$ 47,799,081	$ 48,566,053
Non-operating Revenues										
Investment Income (loss)	$ 757,913	$ (723,051)	$ 131,110	$ 1,327,691	$ 1,235,709	$ 300,954	$ 296,581	$ 453,508	$ 483,340	$ 283,273
Federal grants	60,515	280,617	329,269	-	-	-	-	-	-	-
Sale Of Property	-	-	-	-	-	-	-	-	-	1,000,000
Capital Contribution	12,712,874	34,300,630	21,196,644	39,576,761	7,848,140	18,636,519	9,119,146	26,671,809	38,870,682	52,160,997
Total Non-operating Revenues	$ 13,531,302	$ 33,858,196	$ 21,657,023	$ 40,904,452	$ 9,083,849	$ 18,937,473	$ 9,415,727	$ 27,125,317	$ 39,354,022	$ 53,444,270
Total Revenues	$ 79,462,129	$ 95,508,332	$ 78,169,134	$ 95,452,312	$ 45,334,546	$ 68,928,287	$ 58,514,069	$ 74,346,116	$ 87,153,103	$ 102,010,323
Operating Expenses										
Personnel Services	$ 14,210,244	$ 12,022,176	$ 12,808,339	$ 12,934,864	$ 7,584,511	$ 10,599,487	$ 11,607,302	$ 10,885,117	$ 11,915,152	$ 12,464,250
Utilities	3,942,929	3,092,003	3,658,871	3,452,848	2,682,315	3,415,322	2,775,506	2,621,156	2,937,466	3,224,653
General and Administration	6,639,220	5,141,279	4,683,009	4,668,318	2,767,358	3,954,272	4,416,947	4,803,327	5,023,878	4,594,881
Other	8,783,146	7,348,159	5,691,117	5,820,485	4,184,151	5,489,505	3,868,705	4,459,109	5,245,885	5,303,574
Total Operating Expenses	$ 33,575,539	$ 27,603,617	$ 26,841,336	$ 26,876,515	$ 17,218,335	$ 23,458,586	$ 22,668,460	$ 22,768,709	$ 25,122,381	$ 25,587,358
Non-operating Expenses										
Depreciation/Amortization	$ 21,441,879	$ 20,571,731	$ 20,660,590	$ 19,981,614	$ 14,909,317	$ 19,468,132	$ 18,608,157	$ 11,737,374	$ 10,238,996	$ 9,549,807
Interest/Other Expenses	4,647,932	4,966,121	11,087,779	4,875,210	3,778,733	4,566,892	4,896,981	3,798,924	3,896,859	3,272,198
Total Non-operating Expenses	$ 26,089,811	$ 25,537,852	$ 31,748,369	$ 24,856,824	$ 18,688,050	$ 24,035,024	$ 23,505,138	$ 15,536,298	$ 14,135,855	$ 12,822,005
Total Expenses	$ 59,665,350	$ 53,141,469	$ 58,589,705	$ 51,733,339	$ 35,906,385	$ 47,493,610	$ 46,173,598	$ 38,305,007	$ 39,258,236	$ 38,409,363
Change in Net Position	$ 19,796,779	$ 42,366,863	$ 19,579,429	$ 43,718,973	$ 9,428,161	$ 21,434,677	$ 12,340,471	$ 36,041,109	$ 47,894,867	$ 63,600,960
Total Net Position, Beginning of Year	$ 813,741,986	$771,375,123	$ 751,795,694	$ 708,076,721	$ 698,648,560	$ 677,213,883	$ 664,079,517	$ 628,038,408	$ 580,143,541	$ 525,753,787
Total Net Position, End of Year	$ 833,538,765	$813,741,986	$ 771,375,123	$ 751,795,694	$ 708,076,721	$ 698,648,560	$ 676,419,988	$ 664,079,517	$ 628,038,408	$ 589,354,747

Source: Alexandria Renew Enterprises

Notes: [1]These totals are as previously reported. Prior period adjustments were required in 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, July 1, 2022 and July 1, 2023. 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*
2023	$ 9.26
2022	8.69
2021	8.13
2020	7.63
2019	6.77
2018	6.77
2017	6.77
2016	6.77
2015	6.64
2014	6.51

	FY 2023 Monthly	FY 2022 Monthly
Base Charge		
Residential Customers	$ 13.14	$ 12.34

	Water Meter Size	FY2023	FY2022
Commercial Customers	5/8"	$ 39.42	$ 37.02
	3/4"	39.42	37.02
	1"	98.55	92.55
	1-1/2"	197.10	185.10
	2"	315.36	296.16
	3"	591.30	555.30
	4"	985.50	925.50
	6"	1,970.00	1,851.00
	8"	3,153.60	2,961.60

* Based on 1,000 gallons of consumption

Source: Alexandria Renew Enterprises

TABLE 4

Ten Principal Customers by Year
Shown as Percentage of Revenue

Name	Type	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
4921 SEMINARY RD (VA) OWNER LLC	Apartments	1.31%	1.45%	--	--	--	--	--	--	--	--	--	--	--
LYNBROOK APARTMENTS MARK CTR LLC	Apartments	0.67%	0.00%	--	--	--	--	--	--	--	--	--	--	--
SOUTHERN TOWERS	Apartments	--	--	1.26%	1.19%	1.38%	1.02%	1.06%	0.92%	1.18%	0.88%	1.13%	1.17%	1.01%
BROOKDALE APTS MARK CTR	Apartments	--	0.92%	0.80%	0.94%	1.09%	--	--	--	--	--	--	--	--
FOXCHASE	Apartments	0.52%	0.60%	0.54%	0.57%	0.64%	--	--	--	--	--	--	--	--
STONERIDGE APTS MARK CTR	Apartments	0.51%	0.55%	0.49%	0.53%	0.60%	--	--	--	--	--	--	--	--
PARKFAIRFAX	Apartments	0.53%	0.50%	0.48%	0.48%	0.51%	--	--	--	--	--	--	--	--
ARHA	Public	0.46%	0.47%	0.44%	0.39%	0.44%	--	--	--	--	--	--	--	--
140 S VAN DORN ST	Apartments	0.49%	0.48%	0.43%	0.46%	0.53%	--	--	--	--	--	--	--	--
WATERGATE AT LANDMARK	Condos	0.36%	0.42%	0.41%	0.49%	0.47%	0.38%	0.44%	0.49%	0.46%	0.52%	0.57%	0.53%	0.52%
UDR NEWPORT VILLAGE LLC	Condos	0.40%	--	0.34%	--	--	--	--	--	--	--	--	--	--
FPACP4 BLVE 2801 LLC	Apartments	--	0.37%	--	--	--	--	--	--	--	--	--	--	--
ERP	Apartments	0.32%	0.40%	0.37%	0.37%	--	--	--	--	--	--	--	--	--
	MG Usage	730,371	806,333	792,082	740,307	684,798	396,772	394,269	397,833	427,024	462,735	428,893	419,674	426,740
	Other Customer Usage	12,363,624	12,284,368	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	12,262,774
	Total Usage	13,093,995	13,090,701	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	12,689,514

Source: Alexandria Renew Enterprises

Debt Capacity Information

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

TABLE 5

ALEXANDRIA RENEW ENTERPRISES

Outstanding Debt Per Customer

June 30, 2023

Fiscal Year	Outstanding Debt	# of Customers	Outstanding Debt per Customer
2023	$ 260,735,144	26,710	$ 9,762
2022	188,419,080	26,767	7,039
2021	143,800,792	26,589	5,408
2020	111,372,579	26,671	4,176
2019	111,138,673	26,594	4,179
2018	116,385,765	26,681	4,362
2017	126,330,515	26,611	4,747
2016	121,783,683	26,440	4,606
2015	130,813,869	26,333	4,968
2014	113,299,242	26,848	4,220

Source: Alexandria Renew Enterprises

TABLE 6

Pledged Revenue Coverage*

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Pledged revenue	$ 65,930,827	$ 61,650,136	$ 56,512,111	$ 54,547,860	$ 36,250,697
Operating expenses	(33,575,539)	(27,603,617)	(26,841,336)	(26,876,515)	(17,218,335)
Net revenues	32,355,288	34,046,519	29,670,775	27,671,345	19,032,362
Principal and Interest Requirements	12,306,098	13,976,806	14,049,147	14,015,828	7,996,654
Debt coverage	2.63	2.44	2.11	1.97	2.38

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Pledged revenue	$ 49,990,814	$ 49,098,342	$ 47,220,799	$ 47,799,081	$ 48,566,053
Operating expenses	(23,458,587)	(22,570,403)	(22,697,959)	(25,104,967)	(25,587,358)
Net revenues	26,532,227	26,527,939	24,522,840	22,694,114	22,978,695
Principal and Interest Requirements	13,913,446	13,437,632	13,122,172	12,062,715	11,676,850
Debt coverage	1.91	1.97	1.87	1.88	1.97

*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, 2023

Population

Calendar Year	Population	Calendar Year	Population
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
2015	147,650	2022	160,505
2016	150,500	2023	159,428

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

TABLE 8

Population Indicators
June 30, 2023

Fiscal Year	Personal Income ($1000)	Per Capita Income
2023	16,811,683	$ 100,017
2022	16,407,945	93,835
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

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

Demographic and Economic Information, continued

TABLE 9

City of Alexandria Principal Employers
Current Year (as of June 30, 2023 and Nine Years Ago)

Current Year	Employees[1]	Percentage of Total City Employment[2]	Nine Years Ago	Employees[1]	Percentage of Total City Employment[2]
LARGEST PUBLIC EMPLOYERS			**LARGEST PUBLIC EMPLOYERS**		
U.S. Department of Homeland Defense	1,000 & over	3.82%	U.S Department of Defense	1,000 & over	8.38%
United States Patent and Trademark Office	1,000 & over	3.36%	U.S. Patent and Trademark Office	1,000 & over	7.10%
City of Alexandria	1,000 & over	0.78%	City of Alexandria	1,000 & over	2.30%
Alexandria City Public Schools	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%
USDA 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

2023	2.1%
2022	2.4%
2021	3.8%
2020	8.3%
2019	1.9%
2018	2.1%
2017	2.9%
2016	2.9%
2015	3.5%
2014	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 FTEs Employees by Activity
Fiscal Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Process								
Chief, Deputy GMOM, Chief Oper, Process Analyst, O&M Specialist	2	4	6	5	6	2	6	3
Administrative/Executive Assistant	0	1	1	1	1	1	1	1
Interceptors/Pump Stations/Chem Feed	5	6	8	8	8	8	9	9
Operating Shift D	0	0	0	0	5	5	6	4
Operating Shift B/BluRenew	8	4	6	6	4	5	6	5
Maintenance Manager, Supervisor & Facilitie	4	2	2	2	2	2	1	1
Thickening/Dewater/Prepast/Digestion	5	6	8	8	8	8	9	9
BRB's/Blowers/UV	5	6	6	5	6	6	6	7
Operating Shift C/BioRenew	9	7	6	6	5	5	5	4
Operating Shift A/Erenew	11	7	6	6	5	6	6	5
Reliability, Analyst, Planners/Schedulers	3	3	2	3	3	3	3	3
Operating Shift E	0	0	0	0	0	0	0	5
Apprentices	11	13	12	15	10	3	10	10
Engineering								
Director Engr Planning	2	1	1	1	1	1	1	1
Engineering	5	3	4	6	7	2	5	3
Program Manager	0	0	0	0	0	0	1	1
Strategy & Policy								
Director	1	1	0	1	1	0	0	1
Quality Assurance	1	1	1	1	1	1	1	1
Laboratory	7	6	5	5	5	4	4	5
Sustainability/Regulatory	2	2	1	2	1	1	0	1
Administrative Assistant	1	1	0	0	0	0	0	0
Finance								
Chief Financial Officer	0	1	1	0	0	1	1	0
Controller/Director Finance/Acctg Manager	2	1	1	2	2	2	1	1
Senior Accountant/Staff Accountant/Acctg (	3	3	3	3	3	2	3	2
Administrative/Executive Assistant	1	1	1	1	1	1	1	1
Purchasing Manager, Buyer, Contracts, InvC	3	3	2	3	3	2	2	3
Customer Service	1	1	1	1	1	1	1	2
Human Resources								
Human Resources	5	3	2	2	2	1	2	2
Safety & Security	1	1	1	1	0	1	0	1
Information Systems								
Information Systems, SCADA	8	8	6	3	4	3	3	3
Administration								
Administration	3	2	4	3	2	2	2	2
Communications & RiverRenew	6	6	2	4	5	4	4	4
	115	104	99	104	102	83	100	100

Operating Information

TABLE 12

Number of Customers and Consumption

Fiscal Year	Customer Accounts	MG Treated	Fairfax MG Treated
6/30/2023	26,710	13,094	5,326
6/30/2022	26,767	13,090	6,204
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

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, 2023

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

AlexRenew

1800 Limerick Street | Alexandria, VA 22314
alexrenew.com

ALEXANDRIA renew ENTERPRISES®

Report of Audit Results to the Audit Committee

Fiscal Year Ended June 30, 2023

50 S. Cameron St,
Winchester, VA 22601

540.662.3417

YHBcpa.com

November 13, 2023

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, 2023. 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.

Required Communications

Auditing standards generally accepted in the United States of America (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 25, 2023. 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 May 25, 2023, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, 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. 91, *Conduit Debt Obligations*, establishes a single model for conduit debt obligations by issuers and eliminated diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements (PPPs).

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

Area	Comments
	Significant Accounting Policies We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Significant Unusual Transactions** We did not identify any significant unusual transactions. **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's 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.
Audit Adjustments	Adjustments recorded during the audit process, other than those that are clearly trivial, are shown as an attachment.
Uncorrected Misstatements	One misstatement was identified as of June 30, 2023. The entry has no impact on net income or net position at year end. The impact to the financial report is an overstatement of construction in progress and an overstatement of accrued expenses in the amount of $714,013.

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 is the responsibility of management and, 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*** *Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.* *In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.*

Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters. We are aware the Authority contracted Moore Stephens Lovelace, an independent accounting and consulting services firm to assist with the preparation of the Annual Comprehensive Financial Report for the year ended June 30, 2023.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit.	We did not encounter any significant difficulties in dealing with management during the audit.
Difficult or Contentious Matters That Required Consultation	We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.
Shared Responsibilities: AICPA Independence	The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For YHB to fulfill its professional responsibility to maintain and monitor independence, management, and YHB each play an important role. **Our Responsibilities** • AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. YHB is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement. • Maintain a system of quality control over compliance with independence rules and firm policies.

Area	Comments

Shared Responsibilities: AICPA Independence (continued)	**The Authority's Responsibilities**
	
	• Timely inform YHB, before the effective date of transactions or other business changes, of the following:
	  o New affiliates, directors, officers, or person in financial reporting oversight roles.
	  o New beneficial owners of the AlexRenew's equity securities that have significant influence.
	  o Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
	• Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
	• Understand and conclude on the permissibility, prior to the Company and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with YHB.
	• Not entering into relationships resulting in YHB, YHB covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at AlexRenew.

Other Matters	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.
Internal Control Matters	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.

Number	Date	Name	Account No	Debit	Credit
1	6/30/2023	GFD-Market Value Contra Investment-GEN	40-0267-00000		-195,573.45
1	6/30/2023	GFD-INVESTMENT INCOME-GEN	40-5005-00000	195,573.45	
		PBC Entry - FY 2023 Market Value Adjustment			
2	6/30/2023	ALX-DEFERRED INFLOW OPEB-GEN	10-2362-00000	186,394.00	
2	6/30/2023	ALX-DEFERRED OUTFLOWS OPEB-GEN	10-2363-00000		-4,011.00
2	6/30/2023	ALX-OPEB-GEN	10-2635-00000	43,789.00	
2	6/30/2023	ALX-OPEB * LIABILITY-HUMAN RESOURCES	10-6074-13000		-226,172.00
		PBC Entry - Adjusting journal entry for OPEB accruals.			
3	6/30/2023	ALX-DEFERRED INFLOWS	10-2360-00000	4,476,977.00	
3	6/30/2023	ALX-DEFERRED OUTFLOWS	10-2365-00000		-698,294.34
3	6/30/2023	ALX-ACCRUED NET PENSION LIABILITY-GEN	10-2366-00000		-3,523,721.00
3	6/30/2023	ALX-VIRGINIA RETIREMENT SYSTEM-FINANCE	10-6020-11000		-254,961.66
		PBC Entry - Adjusting journal entry for pension accruals.			
4	6/30/2023	ALX-REFUND TO FAIRFAX COUNTY-GEN	10-0165-00000		-632,137.00
4	6/30/2023	ALX-FAIRFAX O & M CHARGES-GEN	10-5051-00000	632,137.00	
		PBC Entry - FY23 Fairfax Allocation adjustment.			
5	6/30/2023	SDS-CLEARING-GEN	50-0000-00000		-126,862,337.48
5	6/30/2023	SDS-BUILDING-GEN	50-0414-00000	2,147,674.96	
5	6/30/2023	SDS-PLANT EQUIP-GEN	50-0455-00000	6,307,002.40	
5	6/30/2023	SDS-RR CSO ASSETS-GEN	50-0456-00000	213,783.25	
5	6/30/2023	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000	2,738,979.60	
5	6/30/2023	SDS-VEHICLES-GEN	50-0510-00000	52,305.28	
5	6/30/2023	SDS-INFRASTRUCTURE/PLANT-GEN	50-0531-00000	968,927.72	
5	6/30/2023	SDS-CONSTRUCT IN PROCESS*UPGRADE-GEN	50-0595-00000	114,433,664.27	
		PBC Entry - To record fixed asset additions.			
6	6/30/2023	SDS-ACCUM DEPR.*BLGD -GEN	50-0589-00000		-2,985,036.49
6	6/30/2023	SDS-ACCUM DEPR.*PLANT-GEN	50-0590-00000		-13,631,610.34
6	6/30/2023	SDS-ACCUM DEPR.*PLANT/EQUIP-GEN	50-0591-00000		-2,725,660.84
6	6/30/2023	SDS-ACCUM DEPR. * ARL CTY-GEN	50-0592-00000		-1,044,244.74
6	6/30/2023	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN	50-0593-00000		-1,035,300.52
6	6/30/2023	SDS-ACCUM DEPR*VEHICLES-GEN	50-0594-00000		-20,026.36

6	6/30/2023	SDS-DEPRECIATION BUILDING-GEN	50-6026-00000	2,985,036.49	
6	6/30/2023	SDS-DEPRECIATION PLANT-GEN	50-6027-00000	16,357,271.18	
6	6/30/2023	SDS-DEPRECIATION OFFICE-GEN	50-6028-00000	1,035,300.52	
6	6/30/2023	SDS-DEPRECIATION VEHICLES-GEN	50-6029-00000	20,026.36	
6	6/30/2023	SDS-AMORTIZATION EXPENSE-GEN	50-6049-00000	1,044,244.74	
		PBC Entry - To record FY23 depreciation expense.			

7	6/30/2023	IRR-DUE TO/FROM SDS-GEN	30-2630-00000	10,963,250.83	
7	6/30/2023	IRR-PROJECT MANAGEMENT-PROCESS ADMIN	30-4010-16000		-609,898.28
7	6/30/2023	IRR-LAND-ENG*ENGINEERING GROUNDS	30-4020-12098		-14,219.40
7	6/30/2023	IRR-PLANNING-PROGRAM WIDE IRR TS	30-4110-16000		-248,533.41
7	6/30/2023	IRR-BUILDINGS-ENG*BUILDINGS	30-4140-12100	2,129.70	
7	6/30/2023	IRR-BUILDINGS-SERVICE & GAS MONITOR	30-4140-16056		-12,430.00
7	6/30/2023	IRR-BUILDINGS-BUILDINGS	30-4140-16100		-805,191.72
7	6/30/2023	IRR-BUILDINGS-FURNITURE AND FIXTURES	30-4140-17101		-97,672.23
7	6/30/2023	IRR-Campus Drainage Systems-ENG*OPS*EQUIP	30-4163-20150		-37,237.17
7	6/30/2023	IRR-SECURITY UPGRADES	30-4481-20130	384,926.38	
7	6/30/2023	IRR-PLANT EQUIP-ENG*PRIMARY SETTLING	30-4550-12015		-95,858.41
7	6/30/2023	IRR-PLANT EQUIP-ENG*PRIMARY EFFLUENT PUMP & NMF	30-4550-12020		-12,690.65
7	6/30/2023	IRR-PLANT EQUIP-ENG*BIOLOGICAL REACTOR BASINS	30-4550-12021		-31,018.23
7	6/30/2023	IRR-PLANT EQUIP-ENG*PROCESS AIR COMPRESSORS	30-4550-12022		-714.00
7	6/30/2023	IRR-PLANT EQUIP-ENG*SECONDARY SETTLING	30-4550-12023		-20,316.63
7	6/30/2023	IRR-PLANT EQUIP-ENG*INTERMEDIATE PUMPING	30-4550-12030		-94,041.96
7	6/30/2023	IRR-PLANT EQUIP-ENG*FILTRATION	30-4550-12034		-18,268.45
7	6/30/2023	IRR-PLANT EQUIP-ENG*UV DISINFECTION	30-4550-12037		-242,891.13
7	6/30/2023	IRR-PLANT EQUIP-ENG*BRB DRAIN PUMPS	30-4550-12057		-272,429.00
7	6/30/2023	IRR-PLANT EQUIP-ENG*DIGESTED SLUDGE HEATING	30-4550-12071		-1,417,478.37
7	6/30/2023	IRR-PLANT EQUIP-ENG*DIGESTER GAS	30-4550-12072		-29,854.00
7	6/30/2023	IRR-PLANT EQUIP-ENG*STEAM BOILER AND FEEDWATER SYS	30-4550-12074		-59,615.16
7	6/30/2023	IRR-PLANT EQUIP-ENG*BIO PASTEURIZATION	30-4550-12085		-1,155.00
7	6/30/2023	IRR-PLANT EQUIP-ENG*MAJOR ELECTRICAL	30-4550-12095		-89,287.00
7	6/30/2023	IRR-PLANT EQUIP-CAMPUS WIDE	30-4550-16000		-49,580.69
7	6/30/2023	IRR-PLANT EQUIP-COARSE SCREENING	30-4550-16010		-35,806.00
7	6/30/2023	IRR-PLANT EQUIP-FINE SCREENING	30-4550-16012		-42,853.00
7	6/30/2023	IRR-PLANT EQUIP-GRIT REMOVAL/CLARIFIERS	30-4550-16013		-12,416.45
7	6/30/2023	IRR-PLANT EQUIP-PRIMARY SETTLING	30-4550-16015		-301,840.00
7	6/30/2023	IRR-PLANT EQUIP-PRIMARY SLUDGE PUMPING	30-4550-16018		-59,181.54
7	6/30/2023	IRR-PLANT EQUIP-PRIMARY EFFLUENT PUMP & NMF	30-4550-16020		-47,660.87
7	6/30/2023	IRR-PLANT EQUIP-BIOLOGICAL REACTOR BASINS	30-4550-16021		-281,984.08
7	6/30/2023	IRR-PLANT EQUIP-SECONDARY SETTLING	30-4550-16023		-164,328.13
7	6/30/2023	IRR-PLANT EQUIP-RAS PUMPING	30-4550-16025		-501,000.00
7	6/30/2023	IRR-PLANT EQUIP-MAINSTREAM ANNAMOX	30-4550-16027		-88,197.52
7	6/30/2023	IRR-PLANT EQUIP-INTERMEDIATE PUMPING	30-4550-16030		-147,811.99
7	6/30/2023	IRR-PLANT EQUIP-TERTIARY SETTLING	30-4550-16031		-54,476.89
7	6/30/2023	IRR-PLANT EQUIP-FILTRATION	30-4550-16034		-114,145.01
7	6/30/2023	IRR-PLANT EQUIP-FILTER BACKWASH PUMPING	30-4550-16035		-150,416.00
7	6/30/2023	IRR-PLANT EQUIP-FILTER AIR SCOUR	30-4550-16036		-15,439.40

7	6/30/2023	IRR-PLANT EQUIP-UV DISINFECTION	30-4550-16037		-188,184.10
7	6/30/2023	IRR-PLANT EQUIP-RECLAIMED WATER	30-4550-16039		-333,564.60
7	6/30/2023	IRR-PLANT EQUIP-POLYMER CONTAINMENT	30-4550-16042		-35,631.40
7	6/30/2023	IRR-PLANT EQUIP-SODIUM HYPOCHLORITE FEED	30-4550-16044		-7,664.00
7	6/30/2023	IRR-PLANT EQUIP-PLANT WATER (W3)	30-4550-16055		-56,174.23
7	6/30/2023	IRR-PLANT EQUIP-LIQUIDS TREATMENT POLYMER	30-4550-16058		-16,962.33
7	6/30/2023	IRR-PLANT EQUIP-SOLIDS PROCESSING POLYMER	30-4550-16059		-23,247.00
7	6/30/2023	IRR-PLANT EQUIP-GRAVITY THICKENING	30-4550-16060		-19,361.92
7	6/30/2023	IRR-PLANT EQUIP-GRAVITY THICKENED SLUDGE PUMP	30-4550-16062		-27,358.76
7	6/30/2023	IRR-PLANT EQUIP-DIGESTED SLUDGE	30-4550-16070		-6,046.13
7	6/30/2023	IRR-PLANT EQUIP-DIGESTER GAS	30-4550-16072		-271,729.31
7	6/30/2023	IRR-PLANT EQUIP-STEAM BOILER AND FEEDWATER SYS	30-4550-16074		-108,420.78
7	6/30/2023	IRR-PLANT EQUIP-ONSITE NATURAL GAS SYSTEM	30-4550-16078		-18,412.50
7	6/30/2023	IRR-PLANT EQUIP-CENTRIFUGE DEWATERING	30-4550-16080		-453,446.45
7	6/30/2023	IRR-PLANT EQUIP-BIO PASTEURIZATION	30-4550-16085		-530,385.11
7	6/30/2023	IRR-PLANT EQUIP-BLEND THICKENED SLUDGE SCREEN	30-4550-16086		-5,239.40
7	6/30/2023	IRR-PLANT EQUIP-BIOSOLIDS HANDLING	30-4550-16091		-71,010.06
7	6/30/2023	IRR-PLANT EQUIP-MAJOR ELECTRICAL	30-4550-16095		-358,628.35
7	6/30/2023	IRR-PLANT EQUIP-OPS*BIOLOGICAL REACTOR BASINS	30-4550-17021		-493,270.94
7	6/30/2023	IRR-PLANT EQUIP-OPS*GRAVITY THICKENING	30-4550-17060		-5,111.00
7	6/30/2023	IRR-PLANT EQUIP-OPS*CENTRIFUGE DEWATERING	30-4550-17080		-156,258.00
7	6/30/2023	IRR-BUILDING SYSTEMS-ENG*BUILDING SYSTEMS	30-4870-12099		-7,065.85
7	6/30/2023	IRR-BUILDING SYSTEMS-BUILDING SYSTEMS	30-4870-16099		-325,241.64
7	6/30/2023	IRR-INFO SYSTEMS & OTHER-ADMIN INFO SYS	30-4900-10089		-40,427.07
7	6/30/2023	IRR-INFO SYSTEMS & OTHER-ENG*INFORMATION SYSTEMS	30-4900-12089		-1,354,297.28
7	6/30/2023	IRR-INFO SYSTEMS & OTHER-ENG*SCADA	30-4900-12097		-96,627.35
7	6/30/2023	IRR-INFO SYSTEMS & OTHER-SAFETY AND SECURITY	30-4900-16088		-11,170.00
7	6/30/2023	IRR-VEHICLES/MOVEABLE EQUIP-VEHICLES/MOVEABLE EQUI	30-5100-16094		-52,305.28
7	6/30/2023	IRR-CASH DISCOUNT-GEN	30-6841-00000	871.70	
7	6/30/2023	GFD-TRFR TO/FROM SDS-GEN	40-2326-00000	67,657,257.01	
7	6/30/2023	GFD-CONSTRUCTION PERMITTING LEGAL-RR TUNNEL SYSTEM	40-4510-77220		-1,283,095.75
7	6/30/2023	GFD-CONSTRUCTION-RR TUNNEL SYSTEM	40-4610-77220		-63,475,630.05
7	6/30/2023	GFD-Construction-Collection Sys Eng*Innov Dist.PS	40-4610-77465		-200,724.18
7	6/30/2023	GFD-COLLECTION SYSTEM-ENG*POTOMAC YARDS PS	40-4670-12002		-1,122,230.06
7	6/30/2023	GFD-PRELIMINARY DESIGN-WET WEATHER MGT TUNNEL	40-7005-77220		-1,540,764.97
7	6/30/2023	GFD-Capital Funding Costs-WET WEATHER STORAGE TUNN	40-7016-77220		-34,812.00
7	6/30/2023	SDS-CLEARING-GEN	50-0000-00000	126,862,337.48	
7	6/30/2023	SDS-TRANSFERS FROM CONSTRUCTION FUND-GEN	50-2336-00000		-48,241,829.64
7	6/30/2023	SDS-TRANSFERS FROM GENERAL FUND-GEN	50-2348-00000		-67,657,257.01
7	6/30/2023	SDS-TRANSFERS FROM IRR-GEN	50-2357-00000		-10,963,250.83
7	6/30/2023	CFD-TRANSFER TO/FROM SDS-GEN	60-2326-00000	48,241,829.64	
7	6/30/2023	CFD-PROJECT MANAGEMENT-RR TUNNEL SYSTEM	60-4010-77220		-3,984,782.47
7	6/30/2023	CFD-PLANNING-Tertiary Settle Tanks	60-4110-77001		-50,428.24
7	6/30/2023	CFD-PLANNING-RR TUNNEL SYSTEM	60-4110-77220		-852,729.51
7	6/30/2023	CFD-PLANNING-Solids Master Planning Svcs	60-4110-77228		-903,905.46
7	6/30/2023	CFD-Buildings- G Roof	60-4140-77006		-1,377,836.86
7	6/30/2023	CFD-PRELIM ENGINEERING--PREL/PRIM SYST UPGRADES	60-4210-77466		-182,171.67
7	6/30/2023	CFD-FINAL DESIGN-RR TUNNEL SYSTEM	60-4360-77220		-99,810.10
7	6/30/2023	CFD-DESIGN BUILD SVCS-RR TUNNEL SYSTEM	60-4390-77220		-2,865,890.22

7	6/30/2023	CFD-Construction Permitting & Legal-RR Tunnel Syst	60-4510-77217		-81,666.57
7	6/30/2023	CFD-CONSTRUCTION PERMITTING -RR TUNNEL SYSTEM	60-4510-77220		-19,612.40
7	6/30/2023	CFD-PLANT EQUIP-Primary Settling Tanks	60-4550-16015		-3,084,756.25
7	6/30/2023	CFD-CONSTRUCTION-PAC SYSTEM UPGRADE	60-4610-77020		-63,582.03
7	6/30/2023	CFD-Construction-Cat 3 26PCT Joint RR Tunn Sys	60-4610-77218		-5,633,879.65
7	6/30/2023	CFD-Construction-Cat 4 13PCTJoint RR Tunn Sys	60-4610-77219		-3,398,579.90
7	6/30/2023	CFD-CONSTRUCTION-RR TUNNEL SYSTEM	60-4610-77220		-20,603,638.48
7	6/30/2023	CFD-CONSTRUCTION-RR BLDG J DECOMMISSIONING	60-4610-77222		-87,585.52
7	6/30/2023	CFD-CONSTRUCTION-PLC UPGRADE	60-4610-77225		-198,309.82
7	6/30/2023	CFD-CONSTRUCTION-HMI UPGRADE	60-4610-77464		-814,650.72
7	6/30/2023	CFD-CONSTRUCTION-INFORMATION TECHNOLOGY	60-7011-77035		-3,458,517.80
7	6/30/2023	CFD-SERVICES DURING CONSTRUCTION-SECURITY	60-7012-77160		-479,495.97
		PBC Entry - Adjustment to fixed assets.			
8	6/30/2023	IT SUBSCRIPTIONS	YHB-001	1,563,629.00	
8	6/30/2023	IT SUBSCRIPTIONS A/D	YHB-002		-286,665.00
8	6/30/2023	ALX-PREPAID EXPENSES-GEN	10-1705-00000		-1,276,964.00
8	6/30/2023	SDS-INFORMATION SYSTEMS AND OTHER ASSETS-GEN	50-0490-00000		-286,665.00
8	6/30/2023	SDS-ACCUM DEPREC*OFFICE EQUIP-GEN	50-0593-00000	286,665.00	
		PBC - To reclass portion of Presidio Invoices to SBITA account			

DATE, 2023

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 years ended June 30, 2023 and 2022 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 DATE, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 25, 2023, 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 controls to prevent and detect fraud.

4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, 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 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. The entity is following either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

8. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities,* as amended.

9. The financial statements include all fiduciary activities required by GASB Statement No. 84, Fiduciary Activities, as amended.

10. 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.

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

12. Management has followed applicable laws and regulations in adopting, approving, and amending budgets.

13. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.

14. The government has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88.

15. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

16. 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.

17. 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.

18. 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.

19. We believe the implementation of the GASB Statements listed below is appropriate:
    a. GASB Statement No. 96, Subscription-Based Information Technology Arrangements

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

21. We are aware of one uncorrected misstatements in the financial statements. The entry does not impact net income or net position at year end. CIP and accrued expenses are overstated by $714,013.

22. We have requested an unsecured electronic copy of the auditor’s report and agree that the auditor’s report will not be modified in any manner.

Information Provided

23. 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.

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

25. 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.

26. 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.

27. 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.

28. 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, or others.

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

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

31. 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.

32. 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.

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

34. 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.

35. 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

36. 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.

37. With respect to Required Supplementary Information (Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Investment Returns – OPEB Trust, Schedule of OPEB Contributions) 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:

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

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

40. 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.

41. 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.

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

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

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

45. 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.

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

47. 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:

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

49. Management is responsible for understanding and complying with the federal statues, regulations, and terms and conditions of federal awards related to each of its federal programs.

50. Management is responsible for the design and implementation and maintenance, and has designed, implemented, 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.

51. 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.

52. 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.

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

54. 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.

55. 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.

56. 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.

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

58. 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.

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

60. 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.

61. 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.

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

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

64. 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.

65. 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.

66. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the entity's system of 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.

67. 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.

68. 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.

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

70. 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.

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

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

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

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

ALEXANDRIA RENEW ENTERPRISES

____
Justin Carl
Chief Executive Officer

____
Lake Akinkugbe
Chief Financial Officer

50 S. Cameron St,
Winchester, VA 22601

540.662.3417

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

In planning and performing our audit of the financial statements of Alexandria Renew Enterprises (the Authority) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Capital Asset and Accrued Expense Reconciliation Process

As part of our audit procedures, we noted one capital asset invoice had been incorrectly duplicated in both construction in progress and accounts payable as part of the year end accrual process. We recommend that all capital asset additions, along with supporting documentation for each addition, be reviewed by an individual other than the preparer to ensure the accuracy of amounts posted.

We also noted source documentation for certain capital asset additions were not available at the time of the audit as the related invoices had not yet been received. In cases where invoices are not received timely, quotes, contracts, or other documentation should be maintained to support the balances accrued during the capital asset reconciliation process.

Accounts Receivable Aging Reconciliation

We recommend accounts receivable aging reports be obtained monthly and reconciled to the Authority's general ledger timely each month. The aging report that was provided as of June 30, 2023 was not able to be fully reconciled to the general ledger. We suggest that procedures be established to ensure that accounts receivable balances at the customer level are reconciled in total to the general ledger on a consistent and timely basis. Differences should be investigated and resolved as they arise. This procedure will assist in establishing reliable internal controls over the collection of accounts receivable.

Review and Approval of Journal Entries

During our testing, we noted that certain journal entries were not approved by an individual other than the preparer. We recommend a member of management, who is not involved in the posting of the entries, review all journal entries and document this review through a process such as a signature or initial and date on the entry.

The following are best practices management may wish to consider:

Uniform Guidance Compliance Policies

During our review of compliance policies surrounding the WIFIA loan, it was noted that the Authority is required to monitor project funding to ensure that the federally funded portion of the project does not exceed 49% of total project costs. The matching requirement was satisfied during the year ended June 30, 2023. We recommend a monthly review of cumulative project costs continue to be prepared to ensure the federal match is met throughout the project. Management should consider establishing a procedure to reconcile the total project funding each month (or quarter) to ensure compliance for the duration of the project.

Unclaimed Property Report

The Authority does not appear to currently have procedures in place for filing the unclaimed property listing with the State Treasurer. We recommend the Authority develop a procedure to ensure the accurate and timely submission of this report each year in which there is unclaimed property.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving Alexandria Renew Enterprises and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Winchester, Virginia
DATE, 2023

ALEXANDRIA RENEW ENTERPRISES

Alexandria, Virginia

ALLOCATION OF CURRENT EXPENSES

**FOR THE YEAR ENDED
JUNE 30, 2023**

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

50 S. Cameron St,
Winchester, VA 22601

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

Report on the Audit of the Schedule

Opinion

We have audited the accompanying allocation of current expenses for operations and maintenance of the sewage treatment disposal system (the "schedule") between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia (the "County") for the year ended June 30, 2023 and the related notes to the schedule, in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998.

In our opinion, the schedule referred to above presents fairly, in all material respects, the allocation of current expenses for operations and maintenance of the sewage treatment disposal system between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia for the year ended June 30, 2023, in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998 and in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Alexandria Renew Enterprises and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

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

In preparing the schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alexandria Renew Enterprises' ability to continue as a going concern for 12 months beyond the schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit 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 Alexandria Renew Enterprises' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alexandria Renew Enterprises' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Audited Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Alexandria Renew Enterprises as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements. Our report thereon dated DATE, 2023, expressed an unmodified opinion on those financial statements.

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

Winchester, Virginia
DATE, 2023

ALEXANDRIA RENEW ENTERPRISES

Allocation of 2022 - 2023 Current Expenses for Operations and Maintenance of the Sewage Treatment Disposal System Between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia

For the Year Ended June 30, 2023

Item	Total Current Expense	Less: Portion applicable to facilities used solely by Alexandria — Administration	Less: Portion applicable to facilities used solely by Alexandria — Pumping Stations	Current Joint Expense
Personnel Services:				
Administration	$ 3,773,207	$ 506,634	$ 11,470	$ 3,255,104
Operation and Maintenance	7,289,456	7,816	85,628	7,196,013
Total Personnel Services	11,062,663	514,449	97,097	10,451,117
Contractual services:				
Employee Retirement	1,393,928	64,822	12,235	1,316,871
Employee Welfare	2,807,155	130,542	24,638	2,651,974
Property and liability insurance	531,051	- -	20,180	510,871
Utility service	3,942,928	- -	104,717	3,838,211
Equipment				
-Operations and maintenance	1,652,686	278,200	48,186	1,326,301
Structure and grounds				
-Operations and maintenance	- -	- -	- -	- -
Process chemicals	2,785,388	- -	- -	2,785,388
Professional Services	1,776,883	318,704	- -	1,458,178
Customer Billing	1,293,007	1,293,007	- -	- -
Sewage Disposal Service				
-Arlington County	2,188,461	2,188,461	- -	- -
Residuals disposal	1,144,759	- -	- -	1,144,759
General expenses	1,780,293	69,436	- -	1,710,857
Total contractual services	21,296,537	4,343,171	209,955	16,743,410
Total current expenses	$ 32,359,200	$ 4,857,620	$ 307,053	$ 27,194,527

Computation of Share of 2022 - 2023 Current Expenses for Operations and Maintenance of the Sewage Disposal System Used Jointly by Alexandria Renew Enterprises and Fairfax County to be Assumed by Fairfax County

Total Current Expenses		$ 32,359,200
Portion Applicable to Joint Use		$ 27,194,527
Total Sewage Flow Received at Treatment Plant	13,093,995 MG	
Portion Contributed by Fairfax County	5,326,558 MG	
Percentage of Total Flow Contributed by Fairfax County	40.68%	
Fairfax County's Share of Costs		$ 11,062,569
LESS: Payments Received from Fairfax County		11,694,706
Total balance due to Fairfax County from Alexandria Renew Enterprises		$ (632,137)

See Accompanying Notes to Schedule.

ALEXANDRIA RENEW ENTERPRISES

Notes to Schedule of Allocation

June 30, 2023

Note 1. Basis of Presentation

The accompanying Allocation of 2022 - 2023 Current Expenses for Operations and Maintenance of the Sewage Treatment Disposal System between Alexandria Renew Enterprises and the Board of Supervisors of Fairfax County, Virginia, is presented in accordance with the agreement between Alexandria Renew Enterprises and the County dated October 1, 1998, on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, except for the changes in pension plan actuarial adjustments.

Note 2. Estimates

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

ALEXANDRIA RENEW ENTERPRISES

Alexandria, Virginia

SINGLE AUDIT REPORTING PACKAGE

June 30, 2023

CONTENTS

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

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activity of Alexandria Renew Enterprises as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alexandria Renew Enterprises' basic financial statements, and have issued our report thereon dated DATE, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Winchester, Virginia
DATE, 2023

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

To the Board of Directors
Alexandria Renew Enterprises
Alexandria Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alexandria Renew Enterprises' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Alexandria Renew Enterprises' major federal programs for the year ended June 30, 2023. Alexandria Renew Enterprises' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alexandria Renew Enterprises complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit Compliance section of our report.

We are required to be independent of Alexandria Renew Enterprises and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alexandria Sanitation Enterprises' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, and rules and provisions of contracts or grant agreements applicable to Alexandria Renew Enterprises' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alexandria Renew Enterprises' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alexandria Renew Enterprises' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Alexandria Renew Enterprises' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Alexandria Renew Enterprises' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Alexandria Renew Enterprises' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the business-type activities and fiduciary activity of Alexandria Renew Enterprises as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alexandria Renew Enterprise's basic financial statements. We issued our report thereon dated DATE, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Winchester, Virginia
DATE, 2023

ALEXANDRIA RENEW ENTERPRISES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number(s)	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Environmental Protection Agency: Water Infrastructure Finance and Innovation Act (WIFIA) Loan (WIFIA Project No. N19103VA)	66.958	n/a	n/a	$ 28,443,456
Passed through Virginia Resources Authority				
U.S. Department of Environmental Protection Agency: Capitalization Grant for Clean Water State Revolving Funds	66.458	CS-51001-19	n/a	70,324
Total Expenditures of Federal Awards				$ 28,513,780

The accompanying notes are an integral part of this schedule.

ALEXANDRIA RENEW ENTERPRISES

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alexandria Renew Enterprises under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Alexandria Renew Enterprises, it is not intended to and does not present the financial position, changes in net position or cash flows of Alexandria Renew Enterprises.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Outstanding Federal Award Loans

The Authority had the following outstanding loan balances for the WIFIA and Virginia Water Facilities Revolving fund loan listed in the Schedule of Expenditures of Federal Awards as of June 30, 2023.

Federal Assistance Listing Number	Grant Number	Loan Number	Balance Outstanding
66.958	n/a	N19103VA	$ 12,602,321
66.458	CS-510001-19	C-515652E-01	$ 4,781,504

Note 4. Indirect Cost Rate

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

ALEXANDRIA RENEW ENTERPRISES

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

I. Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	No.
Noncompliance material to financial statements noted?	No.

Federal Awards

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

Identification of major programs:

66.958	Water Infrastructure Finance and Innovation Act (WIFIA) Loan

Dollar threshold used to distinguish between type A and type B programs	$750,000
Did the auditee qualify as low-risk auditee?	Yes.

II. Section II - Financial Statement Findings	None.
III. Section III - Federal Award Findings and Questioned Costs	None.
IV. Summary Schedule of Prior Audit Findings	None.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alexandria Renew Enterprises
Alexandria, Virginia

We have audited the financial statements of the business-type activities and fiduciary activity of Alexandria Renew Enterprises (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated DATE, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions or conditions of Section 9.10 of the Master Indenture of Trust between City of Alexandria, Virginia, Sanitation Authority and Crestar Bank, dated March 15, 1999, as amended by a First Supplemental Indenture of Trust between City of Alexandria, Virginia, Sanitation Authority and Crestar Bank, dated September 1, 1999. Further, in making the examination necessary for our audit, we have obtained no knowledge of the occurrence of any condition or event which constitutes, or which, with notice or lapse of time, or both, would constitute an Event of Default. However, our audit was not directed primarily toward obtaining knowledge of noncompliance as described in such agreement. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above-referenced terms as described in the agreement.

This report is intended solely for the information and use of directors and management of the Authority, and U.S. Bank, as successor trustee to SunTrust Bank (and SunTrust Bank as successor to Crestar Bank), as bond trustee, and is not intended to be, and should not be, used by anyone other than these specified parties.

Winchester, Virginia
DATE, 2023

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

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

Independent Accountant's Report

We have examined management of Alexandria Renew Enterprises' assertion that the census data reported to the Virginia Retirement System by Alexandria Renew Enterprises during the year ended June 30, 2023, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia. Alexandria Renew Enterprises' management is responsible for its assertion. Our responsibility is to express an opinion on the assertion based on our examination.

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

We are required to be independent of Alexandria Renew Enterprises and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the census data reported to the Virginia Retirement System by Alexandria Renew Enterprises during the year ended June 30, 2023, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia, is fairly stated, in all material respects.

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

YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia
DATE, 2023

Appendix A

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

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

Required Audit Procedure	**Population Size**	**Sample Size**	**Risks and Other Considerations Used to Determine Sample Size**
Review of Census Data Elements	148	35	AICPA Audit Sampling Audit Guide dated December 1, 2019, Chapter 3, *Nonstatistical and Statistical Audit Sampling in Tests of Controls*, Table 3-4, *Limited Effect of Population Size on Sample Size*, using parameters of 10% Risk of Overreliance, 10% Tolerable Rate of Deviation, and 1% expected population deviation rate.
Review of Eligibility of Newly Enrolled Members Reported to the VRS	35	7	AICPA Audit Sampling Audit Guide dated December 1, 2019, Chapter 3, *Nonstatistical and Statistical Audit Sampling in Tests of Controls*, Table 3-5, *Testing Operating Effectiveness of Small Populations.*
Review of Monthly *my*VRS Navigator Contribution Confirmation Reconciliations	12	4	Same as above
Review of *my*VRS Navigator System Access	3	3	Same as above

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INDEPENDENT AUDITOR'S REPORT

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Management and the Board of Directors
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