

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2021



INTEGRATED SEWER SYSTEM

An Enterprise Fund of the County of Fairfax, Virginia

Published November, 2021

INTEGRATED SEWER SYSTEM

AN ENTERPRISE FUND OF THE
COUNTY OF FAIRFAX, VIRGINIA

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

DEPARTMENT OF PUBLIC WORKS AND ENVIRONMENTAL SERVICES

12000 Government Center Parkway, Suite 358

Fairfax, Virginia 22035

(703) 324-5030, TTY 711

www.fairfaxcounty.gov

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INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2021

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FAIRFAX COUNTY
WASTEWATER MANAGEMENT



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INTRODUCTORY SECTION





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Integrated Sewer System
An Enterprise Fund of the County
of Fairfax, Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 8, 2021

The Board of Supervisors
County of Fairfax
Commonwealth of Virginia

Honorable Chairman and Members of the Board:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the County of Fairfax, Virginia (the County) Integrated Sewer System (the System) for the fiscal year ended June 30, 2021. The financial statements included in this report conform to U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the System. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the System's financial affairs.

The General Bond Resolution dated July 29, 1985, governing the issuance of sewer revenue bonds, as modified through July 2009, requires an annual audit of the financial records and transactions of the System by independent certified public accountants. The System's financial statements for the year ended June 30, 2021, were audited by the accounting firm of Cherry Bekaert LLP. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering their opinion that the financial statements are fairly presented in conformity with GAAP. The report of independent auditor is presented in the financial section of this ACFR.

This ACFR consists of management's representations concerning the finances of the System. To provide a reasonable basis for making these representations, the System's accounting system is dependent upon a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable; however, because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of independent auditor.

PROFILE OF THE SYSTEM

The Fairfax County, Virginia Integrated Sewer System is operated as the Wastewater Management Program (WWM), one of four major activities of the Department of Public Works and Environmental Services, and governed by the County of Fairfax, Board of Supervisors. The System handles approximately 97 million gallons of wastewater per day (MGD) generated mostly from approximately 954,000 County residents. More than 88 percent of the 424,100 County housing units and virtually all businesses in the County are connected to the public sewer system.

Department of Public Works and Environmental Services

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The System consists of over 3,250 miles of sewer lines and force mains ranging in size from 8 inches to 72 inches, 63 pump stations ranging in capacity from 0.1 to 37 MGD, and 57 metering stations. The total System workforce is 329 employees. The sewer service area covers approximately 234 square miles in the Potomac River Watershed, a tributary shed of the Chesapeake Bay Basin.

Nearby counties, cities, and towns served by the System receive service through sales of service agreements. The System currently has agreements with the Counties of Loudoun and Arlington, Fort Belvoir, the Cities of Fairfax and Falls Church, and the Towns of Herndon and Vienna. As prescribed by each service agreement, each entity shares in the cost of operating the System. Each entity's share is determined on the basis of actual wastewater flows or reserved treatment capacity.

To treat the wastewater flows generated, the System operates and maintains one advanced wastewater treatment plant, the 67 MGD Noman M. Cole, Jr. Pollution Control Plant, and has 89.50 MGD of purchased capacity entitlement at five non-County facilities, all of which are advanced wastewater treatment facilities. Purchased capacity entitlements are managed through treatment by contract agreements with the District of Columbia Water and Sewer Authority (the Blue Plains Advanced Water Treatment Facility), Loudoun County, Alexandria Renew Enterprises (ARE), Upper Occoquan Sewage Authority (UOSA), and Arlington County. In addition, the System has purchased 0.1 MGD of capacity from the Prince William County Service Authority. As prescribed by each agreement, the System pays its share of the operating, capital, and/or debt costs of each entity's system based on actual wastewater flows and allocated capacity.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Business, Professional, and Occupational License (BPOL) and Sales Taxes are two revenue sources that are good indicators of economic activity in the County. BPOL receipts decreased 1.5 percent from the fiscal year 2020 level. Sales Tax receipts were up 5.1 percent for the year, thanks to federal stimulus provided as a result of the COVID-19 pandemic and the pandemic-related shift toward online spending. The unemployment rate in the County as of June 2021 was 4.1 percent. Residential sewer connections in the system, which are a measure of system growth, grew 0.2% in fiscal year 2021.

Debt Management

To finance major capital projects, the System borrows money by issuing sewer revenue bonds or sharing in debt issued by other service authorities. Authorization to issue any debt or share in any debt service rests with the County's Board of Supervisors. As of June 30, 2021, the System had \$500.9 million in Sewer revenue bonds, \$3.3 million in VRA financing, and \$238.0 million in UOSA debt outstanding. The System continues to maintain its status as a top-rated bond issuer: AAA from Fitch Investor Service (Fitch) and Standard and Poor's Corporation (S&P) and AAA from Moody's Investors Service, Inc (Moody's).

Note (8) to the Financial Statements provides information pertaining to future debt service payments. Table 3 in the Statistical Section provides historical information regarding debt coverage and debt service requirements of the System.

Relevant Financial Policies

Sewer rates are reviewed and revised annually as part of the County's annual strategic planning and budgeting process in order to minimize the annual cost impact on customers due to increases in funding needs for Wastewater Program funding. Due to the financial impact on local economy caused by COVID-19 pandemic, Board of

Supervisors has decided to maintain the same rate for System's volumetric sewer service charges and service base charge in fiscal year 2021.

Major Initiatives and Accomplishments

Nutrient Removal at Area Treatment Plants - In August 2004, the Virginia Department of Environmental Quality proposed reduced nutrient waste load allocations for Virginia wastewater treatment facilities as amendments to the Water Quality Management Regulation (9VAC25-720). These load allocations were then incorporated into the Virginia's Phase I Watershed Implementation Plan for meeting the EPA Chesapeake Bay Total Maximum Daily Loads (TMDL). To meet the load allocations, enhanced nutrient removal was required of all wastewater treatment plants serving Fairfax County to meet more stringent Chesapeake Bay water quality standards by January 1, 2011. Significant capital funding has been needed to bring treatment facilities into compliance. At the Noman M. Cole, Jr. Pollution Control Plant, a new Moving Bed Bioreactor was constructed and brought online in 2012 to comply with the new waste load allocation. As a result of the new facility, the Noman M. Cole, Jr. Pollution Control Plant was under its new waste load allocation by more than 50 percent. In fiscal year 2021, total nitrogen discharges from the County's Noman M. Cole, Jr. Pollution Control Plant averaged less than 2.6 mg/l.

Solid Stabilization and Disposal - The Noman M. Cole, Jr. Pollution Control Plant initiated a Biosolids Program in fiscal year 2014 to meet the new EPA Clean Air Act regulations. Phase I includes replacement of the Venturi Scrubbers on the incinerators to provide compliance with the new Clean Air Act Maximum Available Control Technology requirements that went into effect in March 2016. Phases I & II have been completed. Construction on Phase III of the program focuses on the rehabilitation of the existing incineration system and supporting biosolids processing infrastructure. It commenced in fiscal year 2020. Phase IV is expected to commence construction in fiscal year 2027.

Primary and Secondary Renewal Program - In fiscal year 2016, the Noman M. Cole, Jr. Pollution Control Plant initiated a renewal program of the facility's primary and secondary process areas. The goal of the program is to renew facilities to address current and future process, technological, and capacity needs. The program currently has two major phases, interim sustaining improvements and the major program renewal which includes piloting of technologies. Assessment and design of the interim sustaining improvement is in progress and construction is scheduled to start in fiscal year 2022. Depending on the results of piloting and technologies selected construction on the first phase of the major program is estimated to start between fiscal year 2030 and fiscal year 2032.

Major Sustaining Program - In fiscal year 2020, WTD initiated a Major Sustaining Study to evaluate infrastructure throughout the facility, include portions of the advanced water treatment, reclaimed water, and preliminary treatment systems. It is expected that this evaluation will be completed in fiscal year 2021. Upon completion, appropriate projects and schedules will be created to address findings of the study, both in terms of scope and timing. It is anticipated that findings of the evaluation will result in multiple design and construction packages with some their implementation occurring within the next five fiscal years.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting - For the eighteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable financial reporting requirements.

A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of state and local government financial reports.

NACWA Platinum Peak Performance Award - The System's Noman M. Cole, Jr. Pollution Control Plant received the Peak Performance Award from the National Association of Clean Water Agencies (NACWA), recognizing the facility's accomplishments in protecting water quality in the County. The award recognizes plants that obtain permit compliance of federal standards for preventing pollution. The System's Noman M. Cole, Jr. Pollution Control Plant has received NACWA awards for permit compliance since 1984. The plant has protected the water quality of the County's streams and watersheds, as well as the Chesapeake Bay.

Extraordinary Environmental Enterprise - The Wastewater Management program has received the designation of Extraordinary Environment Enterprise (E4) from the Virginia Department of Environmental Quality (DEQ) Virginia Environmental Excellence Program (VEEP) for its Environmental Management System (EMS). Currently approximately 276 public and private organizations participate in the VEEP EMS certification program at the E2, E3, and E4 levels. Of these 276 organizations, approximately 44 facilities within the State have reached the E4 level of certification. This designation recognizes facilities that have fully implemented an EMS emphasizing pollution prevention, continual improvement, environmental outreach, and sustainability. This program encourages facilities to surpass compliance with federal and local regulations and engage in environmental stewardship and sustainability practices.

Utility of the Future Recognition (UOTF) - The Wastewater Management Program retained the Utility of the Future Today recognition by the Water Environment Federation, National Association of Clean Water Agencies, Water Environment & Reuse Foundation and Water Reuse Association. The UOTF concept was introduced in 2016 to guide utilities of all sizes toward smarter, more efficient operations and a progression to full resource recovery with enhanced productivity, sustainability, and resiliency. Fairfax County Wastewater Management was one of the sixty-five utilities were honored to receive the UOTF Award.

ACKNOWLEDGMENTS

We express our sincere appreciation to all staff who contributed to this ACFR, especially the members of the System's Wastewater Planning and Monitoring Division of the Department of Public Works and Environmental Services and the Financial Reporting Division of the Department of Finance, who prepared and compiled this report. We commend them for their professionalism, hard work, and continued efforts to improve this report.

This ACFR reflects our continued commitment to the citizens of Fairfax County, the Board of Supervisors, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully,


Bryan J. Hill
County Executive


Christina C. Jackson
Chief Financial Officer


Anand Goutam
Financial Manager
Integrated Sewer System

INTEGRATED SEWER SYSTEM
COUNTY OF FAIRFAX, VIRGINIA
Urban County Executive Form of Government
As of June 30, 2021

BOARD OF SUPERVISORS

Jeffrey C. McKay, Chairman	At-large
Penelope A. Gross, Vice Chairman	Mason District
James R. Walkinshaw	Braddock District
Daniel G. Storck	Mount Vernon District
John W. Foust	Dranesville District
Dalia A. Palchik	Providence District
Walter L. Alcorn	Hunter Mill District
Patrick S. Herrity	Springfield District
Rodney L. Lusk	Lee District
Kathy L. Smith	Sully District

COUNTY EXECUTIVE

Bryan J. Hill

DEPUTY COUNTY EXECUTIVE

Rachel Flynn

DEPARTMENT OF PUBLIC WORKS AND ENVIRONMENTAL SERVICES

Randy Bartlett, Director

WASTEWATER COLLECTION DIVISION

Stacey Smalls, Director

WASTEWATER TREATMENT DIVISION

Michael McGrath, Director

WASTEWATER PLANNING AND MONITORING DIVISION

Shahram Mohsenin, Director

DEPARTMENT OF MANAGEMENT AND BUDGET

Joseph M. Mondoro, Chief Financial Officer

DEPARTMENT OF FINANCE

Christopher J. Pietsch, Director

OFFICE OF THE COUNTY ATTORNEY

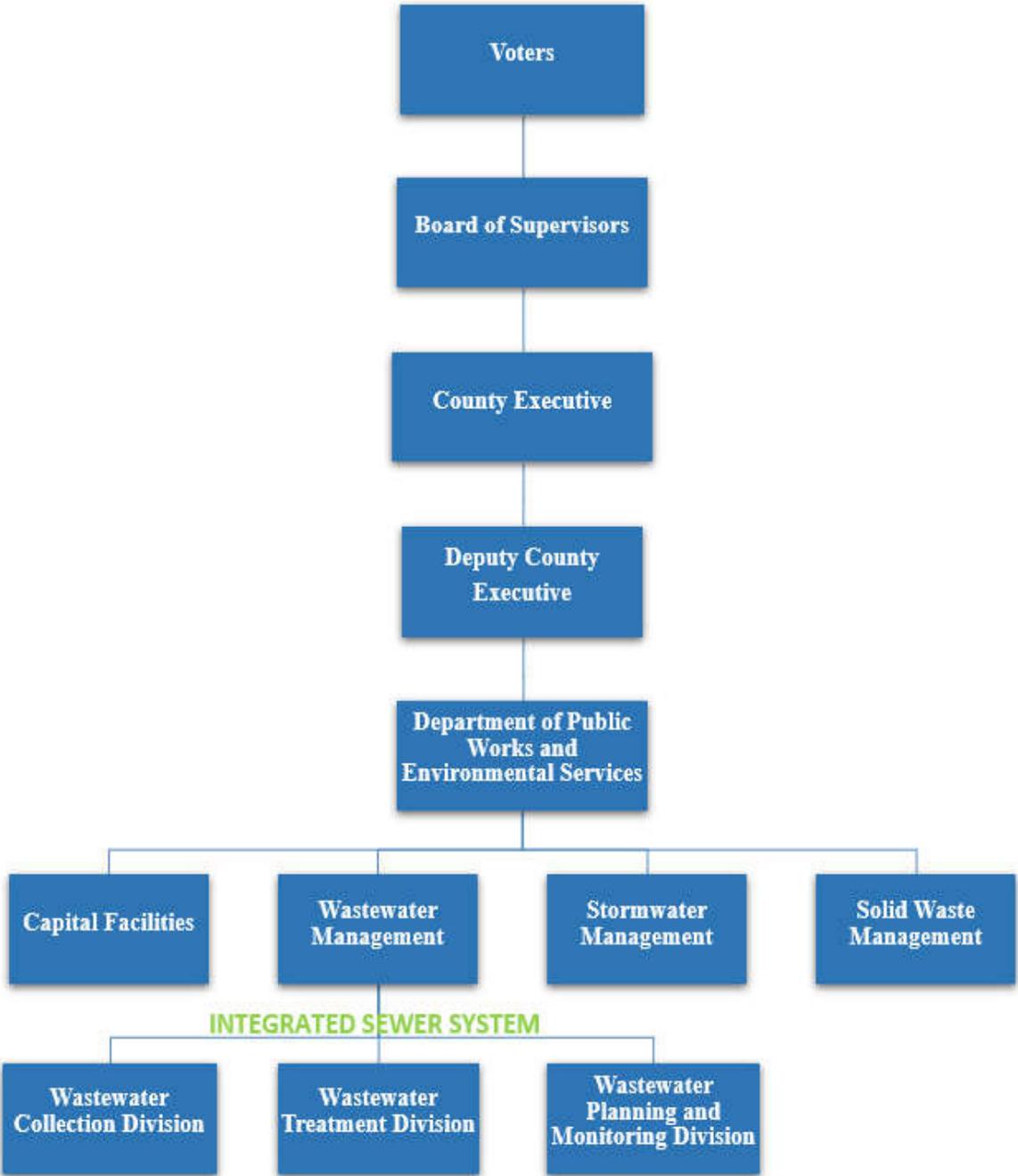
Elizabeth D. Teare, County Attorney

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

ORGANIZATION OF THE INTEGRATED SEWER SYSTEM - COUNTY OF FAIRFAX, VIRGINIA



This report was prepared by:

COUNTY OF FAIRFAX, VIRGINIA
WASTEWATER MANAGEMENT PROGRAM AND DEPARTMENT OF FINANCE

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Mersedeh Katouzian
Yvonne T. Sullivan

DEPARTMENT OF FINANCE

Christopher J. Pietsch, Director
Richard Modie Jr., Chief, Financial Reporting Division
Javed Khan, CPA, Financial Reporting Manager
Michelle Ashcraft, CPA
Jennifer Minix, CPA
Xuan Wang

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



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FINANCIAL SECTION



FAIRFAX COUNTY
WASTEWATER MANAGEMENT



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Report of Independent Auditor

To the Board of Supervisors
County of Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Integrated Sewer System (the "System"), an enterprise fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Other Information*

As discussed in Note 1(a), the financial statements referred to above present only the System and do not purport to, and do not, present fairly the financial position of the County of Fairfax, Virginia as of June 30, 2021, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplemental Information Section*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the required supplemental information section on pages 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information section in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 System'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 the System's internal control over financial reporting and compliance.



Tysons Corner, Virginia
November 8, 2021

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
June 30, 2021

This section of the County of Fairfax, Virginia Integrated Sewer System's (the System) Annual Comprehensive Financial Report presents a discussion and analysis of the System's financial performance for the fiscal year that ended on June 30, 2021.

The System is a County of Fairfax, Virginia (the County) business-type activity, which is funded separately from other County activities. The System is accounted for separately in an enterprise fund, and it is included in the County's Annual Comprehensive Financial Report.

We encourage readers to consider the information presented here in conjunction with the System's financial statements and notes to the financial statements to enhance their understanding of the System's financial performance.

FINANCIAL HIGHLIGHTS

The System's total net position was \$1,324.4 million as of June 30, 2021, compared to \$1,266.2 million as of June 30, 2020.

Operating revenues of \$216.4 million exceeded operating expenses of \$174.8 million, which include depreciation and amortization of \$65.6 million, by \$41.6 million, for the year ended June 30, 2021. After factoring in non-operating revenues and expenses (availability fees, investment revenue, interest expense, and capital contributions), the result was a \$58.2 million increase in net position for fiscal year 2021.

The System's cash and cash equivalents increased by \$200.3 million, which is primarily due the sale of Series 2021A Sewer revenue bonds and Series 2021B Sewer revenue refunding bonds during fiscal year 2021. This increase compares to a \$25.4 million decrease in the prior fiscal year, which was primarily due to significant construction expenses over the past several years, which fully depleted the unspent bond proceeds during fiscal year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of (1) the report of independent auditor, (2) this management's discussion and analysis, and (3) the financial statements of the System. The financial statements, which include notes to explain information presented in the financial statements and to provide more detailed data, report information about the System using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private sector companies. The following required financial statements provide both short-term and long-term information about the System's overall financial status.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on all of the System's assets, liabilities, and deferred inflows and outflows of resources, with assets and deferred outflows of resources less liabilities and deferred inflows of resources reported as net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). It provides a basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

Statement of Revenues, Expenses, and Changes in Net Position

All of the revenues and expenses for the fiscal year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the System's operations for the fiscal year and can be used to determine whether the System has successfully recovered all of its expenses through its user fees and charges and its other revenues.

Statement of Cash Flows

The Statement of Cash Flows reports all cash receipts, cash payments, and changes in cash from operating, investing, and capital and related financing activities. This statement provides information about all the sources and uses of cash and the net change in the balance of cash and cash equivalents for the fiscal year.

FINANCIAL ANALYSIS OF THE SYSTEM

Net Position

Net position may serve as a useful indicator of an entity's financial position. The following table presents a summary of the Statements of Net Position for the System as of June 30, 2021 and 2020:

Summary of Net Position As of June 30 (\$ in millions)				
	2021	\$ Change	% Change	2020
Assets:				
Current assets:				
Unrestricted	\$ 170.3	(27.4)	(13.9)	\$ 197.7
Restricted	286.5	238.3	494.4	48.2
Noncurrent assets:				
Capital assets (net)	1,743.3	64.3	3.8	1,679.0
Other non-current assets	0.8	(0.3)	(27.3)	1.1
Total assets	2,200.9	274.9	14.3	1,926.0
Deferred outflows of resources	50.9	18.9	59.1	32.0
Liabilities:				
Current liabilities	76.2	9.4	14.1	66.8
Noncurrent liabilities	842.3	221.5	35.7	620.8
Total liabilities	918.5	230.9	33.6	687.6
Deferred inflows of resources	9.0	4.8	114.3	4.2
Net position:				
Net investment in capital assets	1,207.8	95.4	8.6	1,112.4
Restricted	17.9	(2.4)	(11.8)	20.3
Unrestricted	98.7	(34.8)	(26.1)	133.5
Total net position	\$ 1,324.4	58.2	4.6	\$ 1,266.2

Nearly 91.2 percent and 87.9 percent of the System's total net position for the fiscal years 2021 and 2020, respectively, is represented by its investment in capital assets (e.g. treatment plants, sewer lines, and equipment) net of depreciation and amortization, less the outstanding debt that was issued to acquire these assets. The \$4.8 million increase in deferred inflows of resources in fiscal year 2021 is primarily attributable to a \$2.5 million increase in deferred inflows of resources related to the pension and OPEB plans. Deferred inflows of resources related to the pension plan decreased by \$0.4 million in fiscal year 2021. See Note 6 to the financial statements for more information related to the pension plan and detailed information on the related deferred inflows of resources. The OPEB plan deferred inflows of resources increased by \$2.9 million in fiscal year 2021. Further information regarding the OPEB plan can be found in Note 7 to the financial statements. Excluding the deferred inflows of resources related to the pension and OPEB plans, the total deferred inflows of resources increased by

\$2.3 million due to decreases in deferred gain on refunding of debt as a result of the issuance of Series 2021B Sewer revenue refunding bonds during fiscal year 2021. The \$18.9 million increase in deferred outflows of resources is primarily the result of a \$17.3 million increase in deferred loss on refunding of debt due to the issuance of Series 2020 UOSA revenue refunding bonds during fiscal year 2021. Although the System's investment in its capital assets is reported net of related debt, it should be noted that the resources to pay this debt must be provided from other resources, since the capital assets themselves are not intended to be used to liquidate these liabilities. The \$58.2 million increase in net position in fiscal year 2021 was primarily the result of revenue exceeding expenses due to increased revenue from availability fees.

The restricted portion of net position represents resources that are subject to external restrictions on how they may be used. Certain assets are restricted for capital projects and for debt service. See Note 4 to the financial statements for detailed information pertaining to the restricted net position.

The unrestricted portion of net position represents resources that are not subject to any external restrictions as to use; hence, they are available for future operations. The \$34.8 million decrease of unrestricted net position for fiscal year 2021 was primarily due to additional funds being restricted for capital projects and increases in unspent bond proceeds.

Changes in Net Position

The following table summarizes the Statements of Revenues, Expenses, and Changes in Net Position for the System for the fiscal years ended June 30, 2021 and 2020:

Summary of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30 (\$ in millions)				
	2021	\$ Change	% Change	2020
Operating revenues - sales of service	\$ 216.4	(1.5)	(0.7)	\$ 217.9
Less operating expenses:				
Personnel services	39.9	0.4	1.0	39.5
Materials and supplies	16.9	0.2	1.2	16.7
Contractual services and other	52.4	1.1	2.1	51.3
Depreciation and amortization	65.6	0.9	1.4	64.7
Total operating expenses	174.8	2.6	1.5	172.2
Operating income	41.6	(4.1)	(9.0)	45.7
Nonoperating revenues (expenses):				
Availability fees	34.7	12.5	56.3	22.2
Investment and other revenues	0.8	(2.1)	(72.4)	2.9
Interest and other expenses	(20.4)	0.9	(4.2)	(21.3)
Total nonoperating revenues, net	15.1	11.3	297.4	3.8
Income before contributions	56.7	7.2	14.5	49.5
Capital contributions	1.5	(1.1)	(42.3)	2.6
Special item - gain on sale of purchase capacity	-	(9.9)	(100.0)	9.9
Change in net position	58.2	(3.8)	(6.1)	62.0
Total net position at beginning of year	1,266.2	62.0	5.1	1,204.2
Total net position at end of year	\$ 1,324.4	58.2	4.6	\$ 1,266.2

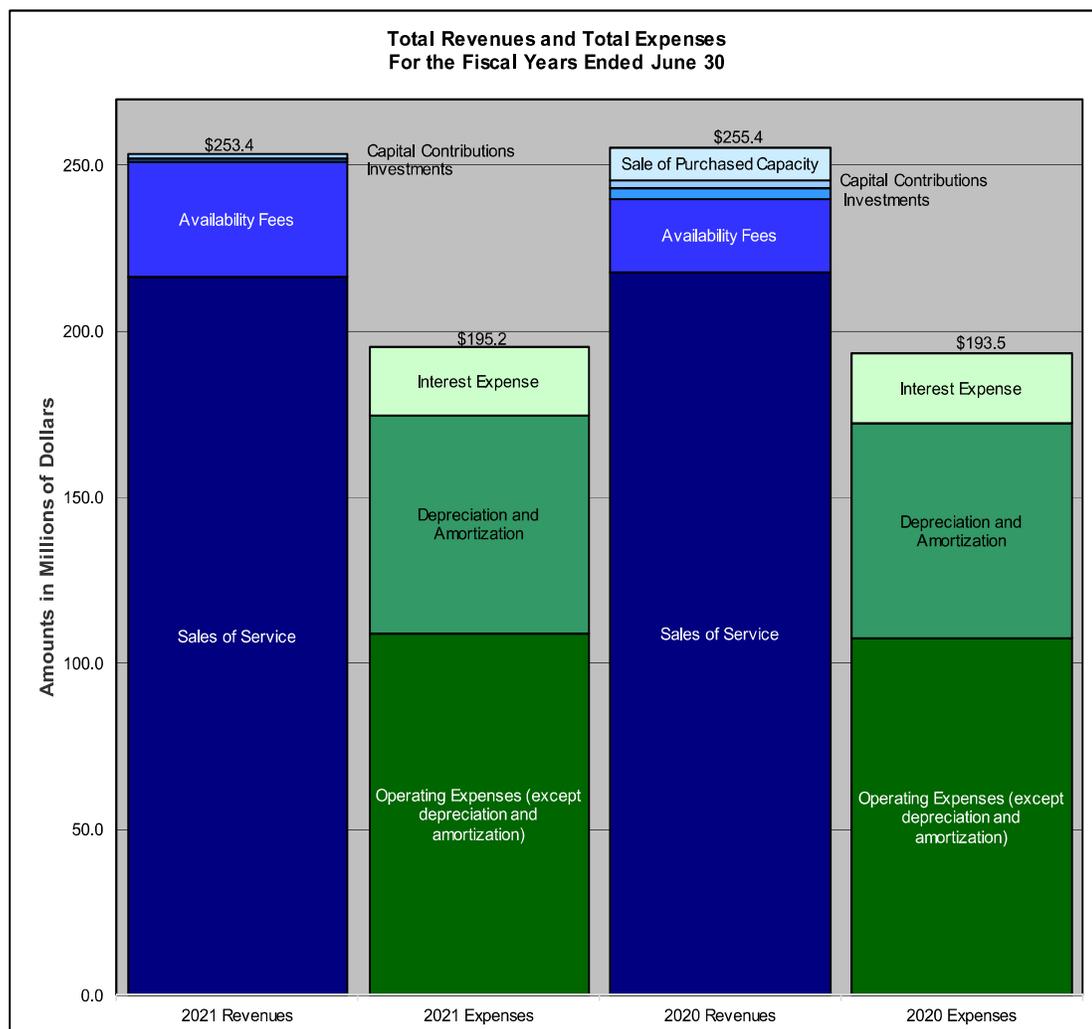
The System's operating revenues consist of volumetric service charges and a service base charge to County users and to neighboring jurisdictions, which reflects no rate change during fiscal year 2021. Operating income in fiscal year 2021 decreased 9.0 percent compared to prior year, which is consistent with the increase in operating expenses. Operating expenses increased \$2.6 million in fiscal year 2021. This was primarily due to an increase in personnel services and contractual services.

Sewer rates are established by the County Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually as part of the County's annual strategic planning and budgeting processes and are revised as necessary to ensure that rates generate revenues equitably from new and existing customers, based on the allocation of capital and operating costs, so that growth pays for growth.

System operations and upgrades are funded primarily through sewer service charges to existing customers based on water consumption, in 1,000 gallons, as measured by a water service meter. System expansion and increased treatment capacity is funded primarily through availability fees, one-time charges collected from new sewer customers prior to connection to the System.

The System owns and operates one treatment facility rated at 67.0 million gallons of wastewater per day (MGD), has a 22.1 MGD capacity entitlement in a joint venture facility, and has acquired capacity entitlements totaling 67.5 MGD at five facilities owned by neighboring jurisdictions. The System's share of renovation, upgrade, and expansion costs at non-System-owned facilities is reported as purchased capacity and amortized over ninety-nine years.

A graphic comparison of total revenues, including capital contributions, to total expenses for fiscal years 2021 and 2020 is shown below:



CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the System's gross investment in capital assets amounted to \$3,028.4 million, or \$1,743.3 million after deducting accumulated depreciation and amortization, as summarized in the table below:

Capital Assets As of June 30 (\$ in millions)				
	2021	\$ Change	% Change	2020
Land	\$ 17.4	-	-	\$ 17.4
Easement	0.7	0.1	16.7	0.6
Construction in progress	285.2	56.7	24.8	228.5
Buildings and improvements	91.8	-	-	91.8
Infrastructure	1,461.4	41.4	2.9	1,420.0
Equipment and vehicles	17.1	1.3	8.2	15.8
Purchased capacity	<u>1,154.8</u>	<u>30.5</u>	2.7	<u>1,124.3</u>
Gross capital assets	3,028.4	130.0	4.5	2,898.4
Accumulated depreciation and amortization	<u>(1,285.1)</u>	<u>(65.7)</u>	5.4	<u>(1,219.4)</u>
Total capital assets, net	\$ 1,743.3	64.3	3.8	\$ 1,679.0

The \$130.0 million increase in gross capital assets during fiscal year 2021 reflects the following major capital asset additions, which were funded with available resources:

- The ongoing improvement costs of the System's wastewater treatment facilities at its Noman M. Cole Pollution Control Plant amounted to \$60.5 million.
- The System's share of the ongoing upgrade costs of the Alexandria Sanitation Authority, the District of Columbia's wastewater treatment facilities, and Arlington County's wastewater treatment facilities, which provide services to certain County residents, were \$19.7 million, \$10.6 million, and \$0.3 million, respectively.
- Improvements to sewer lines and pumping stations in the System, other than donations from developers, totaled \$37.5 million.
- Developers contributed sewer lines and manholes valued at \$1.4 million.

Additional information relative to the System's capital assets can be found in Note 5 to the financial statements.

Long-term Debt

The following is a summary of the System's gross outstanding long-term debt as of June 30, 2021 and 2020:

Gross Outstanding Debt As of June 30 (\$ in millions)				
	<u>2021</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>	<u>2020</u>
Sewer revenue bonds, net of premiums	\$ 500.9	176.3	54.3	\$ 324.6
Subordinated bonds:				
Sewer revenue bonds	3.3	(5.8)	(63.7)	9.1
System's share of UOSA's debt	<u>238.0</u>	<u>7.4</u>	3.2	<u>230.6</u>
Total outstanding debt	\$ 742.2	177.9	31.5	\$ 564.3

The \$500.9 million of outstanding sewer revenue bonds and sewer revenue refunding bonds, issued by the System in 2021, 2017, 2016, 2014, and 2012, are currently rated AAA by Fitch and S&P and AAA by Moody's. These credit ratings are higher than those obtained by most sewer authorities and they have enabled the County to sell bonds on behalf of the System at lower interest rates, thereby achieving savings throughout the life of the bonds.

In June 2021, the System issued \$192.0 million of Series 2021A Sewer Revenue Bonds with an average rate of 4.66% to provide funds for certain additions, extensions and improvements to the County's sewage collection, treatment and disposal systems, and capital improvement costs allocable to the County at certain wastewater treatment facilities that provide service to the County.

In June 2021, the System took advantage of lower market interest rates and issued \$24.2 million of Series 2021B Sewer Revenue Refunding Bonds with an average rate of 3.67% to advance refund \$28.6 million of the outstanding Series 2012 Sewer Revenue Bonds with an average interest rate of 4.50%.

In June 2002 and June 2001, the System issued twenty-year subordinated sewer revenue bonds in the amounts of \$50 million and \$40 million at interest rates of 3.8 percent and 4.1 percent, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA), to fund its share of the ongoing expansion costs of the Alexandria Renew Enterprises' (AlexRenew) wastewater treatment facilities, which provide service to certain County residents. In September 2012, the System executed a rate reduction agreement with VRA, reducing the interest rates on these bonds to 2.4 percent. In May 2016, the System executed another rate reduction agreement with VRA, reducing the interest rates on these bonds to 0.95 percent. In February 2021, the June 2001 subordinated sewer revenue bonds reached final maturity. As of June 30, 2021, the outstanding balance of the June 2002 subordinated sewer revenue bond was \$3.3 million.

The Upper Occoquan Service Authority (UOSA), a joint venture that operates a regional sewage facility, issued regional sewer system revenue refunding bonds in November 2013, May 2013, November 2004, and February 2007 to advance refund certain of its outstanding bonds. In December 2010 and 2007, UOSA issued regional sewer system revenue bonds to fund certain capital improvements. In fiscal year 2012, UOSA entered into VRA loans 2011A and 2011B to fund costs related to the Energy Service project and Phase 1 of the Nutrient Compliance Improvement project (PINR), respectively. In fiscal year 2015, UOSA advance refunded a portion of the total Series 2007A and 2007B bonds. Of the outstanding balance, \$93,175,291 was advance refunded into the Series 2014 bonds. In fiscal year

2016, UOSA advance refunded the \$19,015,689 remaining outstanding balance of the Series 2007B bonds into the Series 2016B bonds. In fiscal year 2020, UOSA issued regional sewer system revenue bonds to fund improvements to UOSA's regional advanced wastewater treatment system. In fiscal year 2021, UOSA advance refunded the \$91,146,092 remaining outstanding balance of the Series 2014 bonds into the Series 2020 bonds. As of June 30, 2021, the System's share of UOSA's outstanding debt was \$238.0 million.

The System is required by the covenants of the 2009 General Bond Resolution to generate net revenues at least equal to the debt service on its sewer revenue bonds each year. Net revenues are defined as all revenues, except grants and contributed assets, less operating expenses, except depreciation and amortization. The ratio of net revenues to debt service for the senior sewer revenue bonds was 4.30 and 4.52 for fiscal years 2021 and 2020, respectively. The fiscal year 2021 ratio is less favorable than the fiscal year 2020 ratio. Taking all long-term debt into account, the ratio is 2.16 and 2.27 for fiscal years 2021 and 2020, respectively. The fiscal year 2021 ratio is less favorable than the fiscal year 2020 ratio.

Additional information related to the debt coverage ratios is contained in Table 3.2 of the statistical section of this report. Additional information relative to the System's long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors, decisions, and conditions are expected to have a significant effect on the financial position and the results of operations for fiscal year 2022 and beyond:

The sewer service charge rate to System users will increase from \$7.28 to \$7.72 per 1,000 gallons of water consumption and the sewer service base charge will increase from \$32.91 to \$36.54 per quarter for residential customers for fiscal year 2022. Subsequent rate increases for the sewer service charge to \$8.18, \$8.47, \$8.76, \$9.20, along with increases to the sewer service base charge to \$41.03, \$45.05, \$49.48, and \$51.95 for fiscal years 2023, 2024, 2025, and 2026, respectively, have also been approved. The base charge for commercial customers is based on the meter size.

Sewer availability fees will increase in fiscal year 2022. Rates for single family homes will increase from \$8,340 to \$8,507, rates for townhouses and apartments will increase from \$6,672 to \$6,806, and rates for hotels and motels will increase from \$2,085 to \$2,127. Nonresidential rates will increase from \$417 per fixture unit to \$425 per fixture unit. Subsequent rate increases for availability fees have been adopted for fiscal years 2023, 2024, 2025, and 2026. The individual rate for each year can be found in Board Item attachments 1a and 1b. Unit sales of sewer availability taps averaged 148 per month during the first quarter of fiscal year 2022, compared to 88 per month during the comparable period of fiscal year 2021.

Fiscal year 2021 revenue decreased approximately 0.6 percent as a result of the COVID-19 pandemic. Sewage flow decreased due to restrictions on business activities to comply with legislation to slow the spread of the COVID-19 virus. Management is optimistic revenues and sewage flows will return close to normal in fiscal year 2022 because most businesses have reopened, the vaccination rate in the County is over 70%, and the Board of Supervisors adopted a 7.0 percent increase in sewer rates in fiscal year 2022 compared to zero percent in fiscal year 2021.

Delinquent accounts increased to over 2.0 percent due to financial hardship on many County residents caused by the pandemic and the State's moratorium on shutting off services due to non-payment of utility bills. This relatively low delinquency rate did not have a significant financial impact on the System. Many County residents are continuing to use the CARES Act funding to clear their delinquent balances. The delinquency rate

is expected to reduce since the moratorium on shutting off services due to non-payment has been lifted and economic activities have improved.

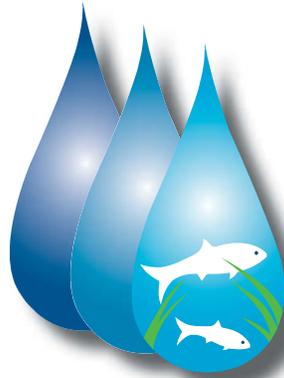
Interest rates on the County's investments through the first quarter of fiscal year 2022 have been approximately 0.36 percent, a decrease from fiscal year 2021 rates.

The System's adopted budget for operating expenses, excluding depreciation and amortization, for fiscal year 2022 is \$113.2 million. The System's adopted budget for capital asset acquisitions for fiscal year 2022 is \$86.0 million, to be funded with available resources and bond proceeds. This budget includes \$50.0 million for the rehabilitation and renovation of the System's sewer lines and \$36.0 million for upgrades to the county-owned treatment plant, to be funded with available resources. This budget also includes \$160.9 million for renovations to the county-owned treatment plant, \$39.7 million for upgrades to the county-owned treatment plant, and \$20.0 million, \$1.5 million, and \$23.0 million for the System's share of the upgrade costs of the Alexandria Renew Enterprises, Arlington, and District of Columbia wastewater treatment facilities, respectively, to be funded with bond proceeds.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide the System's customers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the County of Fairfax, Virginia, Department of Finance, 12000 Government Center Parkway, Fairfax, Virginia, 22035.

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2021

	2021
Assets	
Current assets:	
Cash and cash equivalents	\$ 104,322,559
Due from other governmental entities (Note 2):	
Service charges	34,314,909
Unbilled service charges	30,658,804
Accounts receivable	568,834
Inventories	453,527
Total unrestricted assets	170,318,633
Restricted assets (Note 4):	
Cash and cash equivalents	235,966,039
Temporary investments with fiscal agent (Note 3)	17,941,505
Investments with fiscal agent (Note 3)	32,570,543
Total restricted assets	286,478,087
Total current assets	456,796,720
Long-term assets:	
Capital assets (Note 5):	
Non-depreciable:	
Land	17,407,323
Easement	656,441
Construction in progress	285,175,888
Depreciable/amortizable:	
Building and improvements	91,850,481
Infrastructure	1,461,362,424
Equipment and vehicles	17,164,967
Purchased capacity	1,154,792,912
Gross capital assets	3,028,410,436
Accumulated depreciation and amortization	(1,285,062,529)
Total capital assets, net	1,743,347,907
Other non-current assets:	
Accounts receivable	794,967
Total long-term assets	1,744,142,874
Total assets	2,200,939,594
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 6)	12,125,525
Deferred outflows related to other postemployment benefits (Note 7)	2,753,096
Deferred loss on refunding of debt	36,004,193
Total deferred outflows of resources	50,882,814
Total assets and deferred outflows of resources	\$ 2,251,822,408

continued

	<u>2021</u>
Liabilities	
Current liabilities:	
Accrued salaries and wages	\$ 2,352,592
Accounts payable and accrued liabilities	1,962,745
Contracts payable	27,957,265
Accrued interest payable	6,238,664
Compensated absences (Note 8)	1,557,921
Bonds payable (Notes 8 and 9)	<u>36,133,788</u>
Total current liabilities	<u>76,202,975</u>
Long-term liabilities:	
Net pension liability (Note 6)	41,009,432
Net other postemployment benefits liability (Note 7)	420,338
Compensated absences (Note 8)	1,632,067
Bonds payable (Notes 8 and 9)	<u>799,211,374</u>
Total long-term liabilities	<u>842,273,211</u>
Total liabilities	<u>918,476,186</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 6)	698,945
Deferred inflows related to other postemployment benefits (Note 7)	3,513,862
Deferred gain on refunding of debt	<u>4,763,412</u>
Total deferred inflows of resources	<u>8,976,219</u>
Total liabilities and deferred inflows of resources	<u>927,452,405</u>
Net Position	
Net investment in capital assets	1,207,780,108
Restricted for (Note 4):	
Debt service	17,941,505
Unrestricted	<u>98,648,390</u>
Total net position	<u>\$ 1,324,370,003</u>
See accompanying notes to the financial statements.	concluded

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021

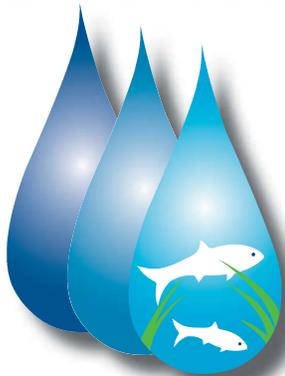
	2021
Operating Revenues	
Sales of service	\$ 216,447,771
Total operating revenues	216,447,771
Operating Expenses	
Personnel services	39,859,440
Materials and supplies	16,915,830
Contractual services	50,889,539
Depreciation and amortization	65,629,470
Professional fees	1,530,292
Total operating expenses	174,824,571
Operating income	41,623,200
Nonoperating Revenues (Expenses)	
Availability fees	34,714,848
Interest income	790,769
Interest expense	(19,458,780)
Gain on disposal of capital assets	55,287
Bond issuance costs	(993,208)
Total nonoperating revenues, net	15,108,916
Income before contributions	56,732,116
Capital Contributions	
Grants	51,862
From developers	1,423,762
Total capital contributions	1,475,624
Change in net position	58,207,740
Total net position at beginning of year	1,266,162,263
Total net position at end of year	\$ 1,324,370,003

See accompanying notes to financial statements.

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021

	2021
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 213,832,425
Payments to employees	(37,093,208)
Payments to suppliers and contractors	(68,520,776)
Net cash provided by operating activities	108,218,441
Cash Flows from Capital and Related Financing Activities	
Capital grants received	51,862
Increase in contracts payable	4,041,052
Availability fees received	34,714,848
Principal payments on revenue bonds	(29,088,088)
Interest payments on revenue bonds	(20,885,736)
Revenue and refunding bonds issued, including premium	270,107,705
Escrow for refunded bonds	(29,269,064)
Payment of bond issuance costs	(993,208)
Purchase of capital assets other than purchased capacity	(98,100,207)
Acquisition of purchased capacity	(30,647,350)
Proceeds from the sale of capital assets	55,287
Net cash provided by capital and related financing activities	99,987,101
Cash Flows from Investing Activities	
Sale of restricted investments	25,778,477
Purchase of restricted investments	(34,116,478)
Interest received	402,200
Net cash used in investing activities	(7,935,801)
Net Increase in Cash and Cash Equivalents	
	200,269,741
Cash and cash equivalents at beginning of year, unrestricted and restricted	140,018,857
Cash and cash equivalents at end of year, unrestricted and restricted	\$ 340,288,598
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 41,623,200
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	65,629,470
Changes in assets and liabilities:	
Increase in due from other governmental entities	(2,615,346)
Decrease in inventories and other assets	287,750
Increase in accounts payable and accrued liabilities, net of interest	1,136,949
Increase in pension and OPEB related deferred outflows, deferred inflows, and change in liabilities	2,156,418
Total adjustments	66,595,241
Net cash provided by operating activities	\$ 108,218,441
Noncash Investing, Capital, and Financing Activities	
Capital contributions - sewer lines, manholes, etc.	\$ 1,423,762
Net increase in long-term debt resulting from the issuance of loans/revenue bonds by UOSA	19,939,089
Amortization of bond premium	2,371,450
Increase in deferred gain recognized resulting from the issuance of refunded revenue bonds	3,969,019
Increase in fair value of investments not classified as cash and cash equivalents	2,002
Removal of purchased capacity through credit of UOSA debt	177,000
UOSA adjustment to bond payments	(1,893)
Net decrease in long-term debt resulting from the sale of purchased capacity	(365,706)
See accompanying notes to the financial statements.	

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The County of Fairfax, Virginia Integrated Sewer System (the System) is an enterprise fund of the County of Fairfax, Virginia (the County), and provides sewer services to approximately 1.0 million residents through a County-wide sewer system of over 3,200 miles of sewer lines. The sewer service area, approximately 234 square miles, is defined and controlled through the County of Fairfax Board of Supervisors (the Board). The System is governed by the Board and managed and operated separately as the Wastewater Management Program, one of five major activities of the County's Department of Public Works and Environmental Services.

As a County business-type activity, System financial information is separately accounted for in an enterprise fund and is included in the County's Annual Comprehensive Financial Report (ACFR).

These financial statements are only of the operations of the System and are not intended to present the financial position, changes in financial position, or, where applicable, cash flows of the County.

(b) Basis of Accounting

The System is required to recover the costs of providing services, including capital costs, through user charges. Accordingly, the System uses enterprise fund accounting, an economic resources measurement focus, and the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recorded as incurred. The System defines operating revenues and expenses as those directly related to providing sewer services. Operating revenues consist of charges to System users. Operating expenses include personnel, materials and supplies, services purchased from other local jurisdictions, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. These include sewer availability fees, bond issue costs, gain (loss) on disposal of capital assets, investment earnings, and interest on outstanding debt.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (the GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Tax Status

The System, as part of a local government, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is made.

(e) Sewer Service Charges

The major sources of revenue for the System are sales to existing customers for continuing sewer service. Customers are charged for sewer service based on metered water usage in addition to a base

charge, which is determined by meter size. Sewer service charges are designed to recover the costs of operation and maintenance of the System as well as debt service and capital project costs attributable to supporting or improving wastewater treatment services to the System's customers. Sewer service charges are recorded as operating revenue.

(f) Unbilled Service Charges

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year. This estimated receivable is calculated by prorating water consumption and billings for certain prior months.

(g) Availability Charges

New customers connecting to the System are required to pay an availability fee before obtaining a building permit in the County. Availability fees are used to recover the construction and financing costs associated with expanding System capacity. Availability fees are reported as nonoperating revenue.

In fiscal year 2015, a payment plan for an availability charge was established with a customer. This payment arrangement necessitated presenting the accounts receivables due beyond one year, as a long-term receivable.

(h) Cash and Investments on Deposit with the County of Fairfax, Virginia

The System maintains the majority of its available cash in a cash and investment pool administered by the County. Such amounts are considered to be cash equivalents for purposes of the Statement of Cash Flows. To optimize investment returns, the System's funds are invested together with all other County pooled funds, all of which are fully insured or collateralized. The County allocates, on a monthly basis, any investment earnings based on the System's average balance in pooled cash and investments, less an administrative charge.

(i) Flow Assumption for Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted assets are available for use, it is the System's policy to use restricted resources first and then unrestricted assets when needed. See Note 4 for additional information regarding restricted assets.

(j) Investments

Pooled investments and investments held by fiscal agent consist primarily of U.S. government securities that mature in less than one year from the date of purchase and discount government-sponsored enterprise (GSE) securities, which are stated at amortized cost unless otherwise noted.

(k) Inventories

Inventories are carried at cost using an average unit cost method. The System's inventories consist of operating supplies and certain system replacement parts.

(l) Capital Assets

Capital assets that individually cost \$5,000 or more with a useful life of more than one year are capitalized and recorded at cost. Contributed capital assets are recorded at their estimated acquisition value on the date of donation. Capital assets are depreciated or amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	50 years
Buildings	20-50 years
Purchased capacity	30-99 years
Improvements	15-25 years
Equipment	5-20 years
Vehicles	5-20 years

For constructed assets, all costs necessary to bring such assets to the condition and location necessary for their intended use are initially treated as construction in progress and, subsequently, as buildings, improvements, or purchased capacity once the assets are substantially complete. Depreciation and amortization on constructed assets begin when the assets are substantially ready for their intended use.

(m) Retirement and Other Postemployment Benefits Plans

Employees of the System participate in the Fairfax County Employees' Retirement System (Retirement plan) and the Fairfax County Other Postemployment Benefits (OPEB) plan. The net pension liability, net OPEB liability, and associated deferred outflows of resources and deferred inflows of resources are reported with a one year lag when compared with the fiduciary net positions as reported by the retirement plan and OPEB plan. Employer contributions to the retirement plan and OPEB plan during the current fiscal year are reflected as deferred outflows of resources which will impact the net pension liability and net OPEB liability of the subsequent year. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Detailed information about the retirement plan is found in Note 6 and detailed information about the OPEB plan is found in Note 7.

(n) Compensated Absences

Employees earn vacation pay based on a prescribed formula, which allows employees with less than 10 years of service to accumulate a maximum of 240 hours and employees with 10 years or more of service to accumulate a maximum of 320 hours of vacation benefits as of the end of each calendar year. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate and certain employer-related fringe benefits are used to calculate the year end accruals. At June 30, 2021, the System accrued \$3,189,988 for such compensated absences.

(o) Intergovernmental Agreements

The County has entered into several intergovernmental agreements for the purpose of sharing sewage flow and treatment facility costs. The payments to other governmental units made to reimburse operating costs are reported as expenses in the year incurred. The interest payments for debt service are reported as nonoperating expenses. The payments made for construction costs for facility capacity expansions are reported as purchased capacity (Notes 5 and 9). Through these capital payments, the System has exclusive entitlements to treatment capacities at other governmental sewage treatment facilities.

(2) DUE FROM OTHER GOVERNMENTAL ENTITIES

Amounts due from other governmental entities consist of customer service charges, which are billed and collected by Fairfax Water and other local water authorities, and sales of sewer services to other jurisdictions which utilize the System’s sewage treatment and collection facilities.

The Board appoints the members of the board of Fairfax Water; however, the County’s accountability does not extend beyond making the appointments. During fiscal year 2021, Fairfax Water collected approximately \$202.2 million on behalf of the System. As of June 30, 2021, the System had receivables of approximately \$51.0 million due from Fairfax Water and \$14.0 million due from other governmental entities.

(3) DEPOSITS AND INVESTMENTS

The System’s available cash is invested in the County’s cash and investment pool. The County maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Investment Committee, which is comprised of the chief financial officer and certain key management and investment staff.

The Code of Virginia (the Code) authorizes the County and the System to purchase the following types of investments:

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips
- Certificates of deposits and bank notes
- Insured deposits
- Demand deposit accounts
- Money market funds
- Banker’s acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool (LGIP)
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Commonwealth of Virginia and its instrumentalities
- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local government units located within other states
- Savings accounts or time deposits in any bank or savings institution within the Commonwealth that complies with the Code
- Qualified investment pools
- Supranationals

However, the County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, security lending programs, asset-backed securities, hedged debt, obligations of sovereign governments, obligations of the Commonwealth and its instrumentalities, obligations of counties, cities, towns, and other public bodies located within the Commonwealth, and obligations of state and local government units located within other states.

(a) Interest Rate Risk

The System's investment in the pool is covered by the County's policy to minimize the risk that the fair value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days or less. All other pooled funds are invested primarily in shorter-term securities with a maximum of five years or less from settlement date.

(b) Credit Risk

It is the County's policy to minimize the risk of loss due to the failure of an issuer or other counter party to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. Based on the County's investment policy, the pooled investments are limited to relatively low-risk types of securities and are diversified so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody's Watchlist or Standards & Poor's, Inc. (S&P) Credit Watch with a short term negative rating. Moody's, S&P, and Fitch Ratings, Inc. (Fitch) are nationally recognized statistical rating organizations (NRSROs) serving investors, regulators, and issuers. The policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government agency and GSE instruments should have a rating of at least P-1 by Moody's and A-1 by S&P. In those instances when an instrument does not have a rating, a thorough credit and financial analysis will be conducted by County investment staff.
- Prime quality commercial paper must be rated by at least two of the following: Moody's, with a minimum rating of Prime 1; S&P, with a minimum rating of A-1; Fitch, with a minimum rating of F-1; or by Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody's, or another nationally recognized rating agency.
- Negotiable certificates of deposit must have a rating of at least A-1 by S&P and P-1 by Moody's if less than one year and a rating of AA by S&P if more than one year.
- Bankers' acceptances must have a rating of at least A-1 by S&P and P-1 by Moody's.
- Commonwealth's LGIP bond funds must have a rating of AAA by S&P and the Virginia Investment Pool Stable NAV Liquidity Pool must have a rating of AAAM by S&P.
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P.

- Supranationals must have a rating of AAA or better by S&P or Moody's.

The portfolio weighted average maturity for the County's entire cash and investment pool was 384 days as of June 30, 2021. The County's portfolio, as of June 30, 2021, consisted of investments with credit quality ratings as follows:

<u>AA</u>	<u>A-1</u>	<u>AAA-m</u>	<u>Unrated</u>	<u>Total</u>
24.5%	46.1%	20.3%	9.1%	100.0%

(c) Concentration of Credit Risk

The County's investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

U.S. Treasury securities and agencies	100%	maximum
Negotiable certificates of deposit	40%	maximum
Bankers' acceptances	35%	maximum
Commercial paper	35%	maximum
Repurchase agreements	30%	maximum
Mutual funds	30%	maximum
Virginia Investment Pool - LGIP daily liquidity	30%	maximum
Corporate notes	25%	maximum
Non-negotiable certificates of deposit	25%	maximum
Virginia Investment Pool - LGIP bond fund	25%	maximum
Insured certificates of deposit	15%	maximum
Bank demand deposit	10%	maximum
Supranationals	10%	maximum

In addition, not more than 5 percent of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, corporate notes, negotiable certificates of deposits, bankers' acceptances, and supranationals.

(d) Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (the Act), all of the County's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. Therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that the County will not be able to recover the value of

its investments or collateral securities that are in the possession of an outside party in the event of the failure of a counter party. Per policy, all of the pooled investments purchased by the County are insured, collateralized, registered, or are securities held by their agent in the County's name.

Additional information, including information by investment type related to the interest rate risk and the credit risk pertaining to the entire cash and investment pool, can be found in the County's ACFR for the fiscal year ended June 30, 2021.

(e) Fair Value Measurement

The System's money market cash and cash equivalents are held by the County and are reported at amortized cost, which approximates fair value. The reporting entity categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the source and type of information used to determine the fair value of the asset. Level 1 information is unadjusted quoted prices for identical instruments in accessible active markets. Level 2 information is quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or quoted prices that are observable, either directly or indirectly from a source other than an active market. Level 3 includes unobservable information to arrive at a valuation. As of June 30, 2021, the System's total investments were \$50,512,048 carried at amortized cost.

(4) RESTRICTED ASSETS AND RESTRICTED NET POSITION

As of June 30, 2021, the System had restricted cash and investments of \$286,478,087 for certain purposes in order to manage its funds in accordance with the 1985 General Bond Resolution (the Resolution), as modified through July 2009. The Resolution requires the System to set aside or restrict funds for certain purposes including sewer construction, extensions and improvements, establishing a long-term debt service reserve, and funding current debt service requirements. The System's restricted assets and restricted net position as of June 30, 2021 are as follows:

	2021
Assets restricted for:	
Capital projects	\$ 232,689,428
Long-term debt service requirements:	
Sewer revenue bonds:	
Series 2012, 2014, 2016A, 2017, 2021A, and 2021B	\$ 32,570,543
Subordinated sewer revenue bonds:	
VRA 2002	3,276,611
Total long-term debt service requirements	35,847,154
Current debt service requirements	17,941,505
Total restricted assets	286,478,087
Less related debt:	
Long-term debt service requirements	(35,847,154)
Long-term debt related to unspent bond proceeds	(232,689,428)
Total restricted net position	\$ 17,941,505

(5) CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021 are as follows:

	Balances June 30, 2020	Increases	Decreases	Balances June 30, 2021
Capital assets:				
Non-depreciable:				
Land	\$ 17,407,323	\$ -	\$ -	\$ 17,407,323
Easement	608,803	47,638	-	656,441
Construction in progress	228,534,517	81,200,014	(24,558,643)	285,175,888
Depreciable and amortizable:				
Buildings and improvements	91,782,433	68,048	-	91,850,481
Infrastructure	1,419,953,831	41,408,593	-	1,461,362,424
Equipment and vehicles	15,844,067	1,387,594	(66,694)	17,164,967
Purchased capacity	<u>1,124,322,562</u>	<u>30,647,350</u>	<u>(177,000)</u>	<u>1,154,792,912</u>
Total capital assets	<u>2,898,453,536</u>	<u>154,759,237</u>	<u>(24,802,337)</u>	<u>3,028,410,436</u>
Accumulated depreciation and amortization for:				
Buildings and improvements	(54,228,907)	(2,237,873)	(29,274)	(56,496,054)
Infrastructure	(692,576,194)	(31,946,416)	-	(724,522,610)
Equipment and vehicles	(11,128,249)	(1,216,553)	66,694	(12,278,108)
Purchased capacity	<u>(461,537,129)</u>	<u>(30,228,628)</u>	<u>-</u>	<u>(491,765,757)</u>
Total accumulated depreciation and amortization	<u>(1,219,470,479)</u>	<u>(65,629,470)</u>	<u>37,420</u>	<u>(1,285,062,529)</u>
Total capital assets, net	<u>\$ 1,678,983,057</u>	<u>\$ 89,129,767</u>	<u>\$ (24,764,917)</u>	<u>\$ 1,743,347,907</u>

Changes in purchased capacity, net of accumulated amortization, for the year ended June 30, 2021, in relation to each jurisdiction, are as follows:

	Balances June 30, 2020	Additions (net of disposals)	Amortization	Balances June 30, 2021
Purchased capacity, net:				
Blue Plains	\$ 216,383,376	\$ 10,629,548	\$ (6,937,046)	\$ 220,075,878
UOSA	163,271,174	(177,000)	(10,618,205)	152,475,969
Alexandria Renew Enterprises	234,597,648	19,700,433	(10,316,318)	243,981,763
Arlington County	34,027,880	317,369	(1,651,852)	32,693,397
Prince William County Service Authority	334,400	-	(30,400)	304,000
Loudoun Water	<u>14,170,955</u>	<u>-</u>	<u>(674,807)</u>	<u>13,496,148</u>
Total purchased capacity, net	<u>\$ 662,785,433</u>	<u>\$ 30,470,350</u>	<u>\$ (30,228,628)</u>	<u>\$ 663,027,155</u>

(6) RETIREMENT PLAN***(a) Plan Description***

Employees of the System are provided with pensions through the Fairfax County Employees' Retirement System (ERS), a single-employer defined benefit pension plan, presented as a cost-sharing plan in the System's financial statements, which covers full-time and certain part-time employees of Fairfax County and its component units who are not covered by other plans of the County or the Virginia Retirement System.

(b) Benefits Provided

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, (b) for Plans A and B, attain the age of 50 with age plus years of creditable service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e. the highest 78 consecutive two week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or Deferred Retirement Option Program (DROP) entry. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, DROP was established for eligible members of the ERS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0% per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual cost-of-living adjustment provided for retirees.

(c) Funding Policy

All contribution requirements for ERS are established and may be amended by County ordinances, including member contribution rates. Plan A and Plan C require member contributions of 4.00 percent of compensation up to the wage base and 5.33 percent of compensation in excess of the Social Security wage base. Plan B, Plan D, and Plan E require member contributions of 5.33 percent of compensation.

The County is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2021, was 28.35 percent of annual covered payroll. The employer contribution made during the measurement period of the liability, for fiscal year 2020 determined contribution, was \$5,292,297. This is prior year's subsequent period contribution. For fiscal year 2021 employer contribution, a deferred outflow of resources as of June 30, 2021, was \$5,387,683. This is current year's subsequent period contribution.

(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the System reported a liability of \$41,009,432 for its proportionate share of the net pension liability. The ERS calculated total pension liability was based on participant data collected as of December 31, 2019 and an actuarial valuation as of June 30, 2020, using the entry age actuarial cost method, with a measurement date of June 30, 2020. At June 30, 2020, the System’s proportion was 2.25 percent, an increase of 0.07 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the System recognized pension expense of \$7,496,962. As of June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,108,033	\$ (490,250)
Changes of assumptions	257,664	-
Net difference between projected and actual earning on pension plan investments	3,897,205	-
Change in proportion applicable to the System System contributions subsequent to the measurement date	1,474,940	(208,695)
	<u>5,387,683</u>	<u>-</u>
Total	<u>\$ 12,125,525</u>	<u>\$ (698,945)</u>

Deferred outflows of resources in the amount of \$5,387,683 related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended June 30:
Measurement Date June 30 of Prior Year

2022	\$ 2,040,229
2023	1,520,620
2024	1,440,095
2025	1,037,953
	<u>\$ 6,038,897</u>

(e) Actuarial Assumptions

The reported total pension liability (TPL) calculation was based on participant data collected as of December 31, 2019 and an actuarial valuation as of June 30, 2020, using the entry age actuarial cost method with a measurement date of June 30, 2020. Significant actuarial assumptions used in the valuation include the following, found on the next page:

Actuarial Assumptions

Inflation	2.75%
Salary increases, including inflation	2.75% plus merit
Investment rate of return, net of plan investment expenses	7.25%
Projected period of unfunded benefit payments	None
Mortality	Health and Disabled Annuity RP-2014 Combined Mortality projected using RPEC-2015

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the ERS’s target asset allocation as of June 30, 2020, are summarized below:

Long-Term Expected Real Rate of Return/Target Allocation

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation*
U.S. equity	5.6%	16.0%
U.S. small cap equity	7.8%	4.0%
International equity - developed market	5.6%	7.0%
International equity - emerging market	10.1%	3.0%
Private equities	14.4%	2.0%
Core bonds	2.1%	25.0%
High yield	4.6%	10.0%
Global bonds	0.9%	5.0%
Emerging markets debt	4.8%	2.0%
Real estate	6.8%	8.0%
Absolute return	11.3%	20.0%
Risk parity	6.5%	15.0%
Commodities	5.9%	5.0%

*Target totals may exceed 100% due to futures and other derivatives

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made according to the County’s stated policy. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A schedule of funding progress can be found in the required supplementary information section of the report.

(g) Sensitivity of the System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the System’s share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Total pension liability	\$ 150,347,558	\$ 134,392,275	\$ 121,020,486
Plan fiduciary net position	(93,382,843)	(93,382,843)	(93,382,843)
Net pension liability	<u>\$ 56,964,715</u>	<u>\$ 41,009,432</u>	<u>\$ 27,637,643</u>
Plan fiduciary net position as a percentage of the total pension liability	62.1%	69.5%	77.2%

(h) Pension Plan Fiduciary Net Position

The retirement system is considered a part of the County’s reporting entity, and the retirement system’s financial statements are included in the County’s basic financial statements as a trust fund.

Information concerning ERS as a whole, including the pension plan’s fiduciary net position, is available in the County ACFR for the fiscal year ended June 30, 2021. Additionally, the ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees’ Retirement System, 12015 Lee Jackson Memorial Highway, Suite 350, Fairfax, Virginia 22033, or by calling (703) 279-8200. The reports are also available at the following links:

ERS: <https://www.fairfaxcounty.gov/retirement/financial-publications>

County: <https://www.fairfaxcounty.gov/finance/financialreporting/annualcomprehensivefinancialreport>

(7) OTHER POSTEMPLOYMENT BENEFITS

The Fairfax County OPEB Plan (the Plan) is a single-employer defined benefit plan administered by the County, presented as a cost-sharing plan in the System’s financial statements. The Plan provides eligible retirees and their spouses the opportunity to continue participation in medical, dental, vision, and life insurance benefits. The Plan benefits correspond with the benefits available to active employees. The benefit provisions of the Plan are established, and may be amended, by the Board. Fiduciary oversight of OPEB and deferred compensation is provided by the members of the Local Finance Board. The members of the Local Finance Board are the CFO/Director of Management and Budget, the Director of Finance, the Director of Human Resources, and the Executive Director of the Retirement Agency. The Plan does not issue a stand-alone financial report. Financial information about the Plan and its fiduciary net position is available in the County’s ACFR, available online at the address stated above.

In order to participate in the Plan, an employee must meet retirement criteria for the ERS. The retiree must have the applicable benefit(s) in place as an active employee and must maintain continuous participation in the benefit plan into retirement. Upon retirement, the County no longer contributes to the benefit premium payments of the participant and the participant becomes responsible for 100 percent of the applicable premiums, less any applicable subsidies.

Beginning in fiscal year 2006, the amount of monthly medical subsidy provided by the County is based on the participant's years of service, and ranges from \$30 per month to \$220 per month. Employees who retired prior to July 1, 2003 are eligible for the greater of the amount based on the current subsidy structure or the amount calculated based on the subsidy structure in place prior to July 2003. In addition, the Board has established a program to subsidize the continuation of term life insurance at reduced coverage amounts for retirees. Retirees generally pay for 50 percent of their coverage amount at age-banded premium rates, with the County incurring the balance of the cost. In order to receive these subsidies, retirees must be 55 years or older and have a minimum of five years of service credit. If participation in any of the benefit areas is discontinued, eligibility is lost, and a retiree may not re-enroll into the Plan's benefits. Consequently, all inactive employees are considered to be receiving benefits of the Plan.

Contributions to the Plan are made by appropriation from the Board, based on an actuarially determined amount. The employer contribution made during the measurement period of the liability was \$474,204. The System's contribution to the Plan for fiscal year 2021 was \$435,536. Plan members are not required to contribute to the OPEB trust fund.

(a) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using the following actuarial assumptions:

Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation.
Retirement age	Varies by age and pension plan.
Mortality	Pub-2010, "General" classification, Employees & Healthy Annuitant mortality table, projected using scale MP-2019, sex-distinct. Disabled mortality table Pub-2010, "General" classification, Disabled Retirement mortality table, projected using scale MP-2019, sex distinct.
Healthcare cost trend rate	7.60% - 10.60% decreasing to 4.30%

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target allocations as of June 30, 2020, are as follows:

Long-Term Real Expected Rate of Return/Target Allocation

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity (Large Cap)	6.50%	27.83%
Domestic Equity (Small Cap)	7.00%	10.42%
International Equity	7.50%	12.94%
Emerging Markets Equity	8.10%	4.92%
Long / Short Equity	4.90%	6.42%
Core US Fixed Income	2.00%	6.95%
Core Plus US Fixed Income	2.70%	13.44%
Absolute Return Fixed Income	1.70%	4.29%
Real Estate	5.70%	6.30%
Private Equity	9.50%	2.06%

There are no concentrations in any one organization that represents 5 percent or more of the fiduciary net position in the Plan. The Plan’s funds are invested in domestic equity, international equity, and fixed income funds through the Virginia Pooled OPEB Trust Fund, established as the investment vehicle for participating employers. The County is not involved in the administration of these funds. Further information about the Virginia Pooled OPEB Trust Fund, sponsored by VML/VACo Finance, including financial statements, can be obtained by writing to VML/VACo Finance Program, 8 East Canal Street, Suite 100, Richmond, Virginia 23219.

(b) Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected County contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future OPEB payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(c) Net OPEB Liability

At June 30, 2021, the System reported a liability of \$420,338 for its proportionate share of the net OPEB liability. The actuary calculated total OPEB liability was based on participant data collected as of June 30, 2019 and an actuarial valuation of the same date rolled forward to June 30, 2020, using the entry age actuarial cost method, with a measurement date of June 30, 2020. At June 30, 2020, the System’s proportion was 2.41 percent, an increase of 0.03 percent from its proportion measured as of June 30, 2019.

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System’s net OPEB liability is determined by the System’s proportionate share of the OPEB plan participation. The System’s share of the net OPEB liability at June 30, 2021 is presented below:

Total OPEB liability	\$	8,391,759
Plan fiduciary net position (market value of assets)		(7,971,421)
Net OPEB liability	\$	<u>420,338</u>
Plan fiduciary net position as a percentage of the OPEB liability		94.99%

(d) Sensitivity of the System’s Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following presents the System’s share of the net OPEB (asset) liability using the discount rate of 7.00 percent, as well as what the System’s share of the net OPEB (asset) liability would be if the discount rate was one percentage point higher (8.00 percent) or one percentage point lower (6.00 percent) than the current rate:

Sensitivity of Net OPEB (Asset) Liability to Changes in Discount Rate

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total OPEB liability	\$ 9,711,046	\$ 8,391,759	\$ 7,340,208
Plan fiduciary net position	(7,971,421)	(7,971,421)	(7,971,421)
Net OPEB (asset) liability	<u>\$ 1,739,625</u>	<u>\$ 420,338</u>	<u>\$ (631,213)</u>

The following table on the next page presents the System’s share of the net OPEB (asset) liability calculated using the current healthcare trend rates (4.30 percent), as well as what the System’s share of the net OPEB (asset) liability would be with healthcare trend rates at one percentage point lower (ultimate rate decreasing to 3.30 percent) or one percentage point higher (ultimate rate increasing to 5.30 percent) than the current rates:

Sensitivity of Net OPEB (Asset) Liability to Changes in Healthcare Trend Rate

	1% Decrease (Varied decreasing to 3.30%)	Current Discount Rate (Varied decreasing to 4.30%)	1% Increase (Varied decreasing to 5.30%)
Total OPEB liability	\$ 7,094,786	\$ 8,391,759	\$ 10,087,036
Plan fiduciary net position	(7,971,421)	(7,971,421)	(7,971,421)
Net OPEB (asset) liability	\$ (876,635)	\$ 420,338	\$ 2,115,615

(e) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the System recognized OPEB expense of \$8,471. As of June 30, 2021, the System reported deferred outflows of resources and 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	\$ 359,607	\$ (185,004)
Changes of assumptions	1,722,463	(3,316,055)
Net difference between projected and actual earning on OPEB plan investments	235,490	-
Change in proportion applicable to the System	-	(12,803)
System contributions subsequent to the measurement date	435,536	-
Total	\$ 2,753,096	\$ (3,513,862)

Deferred outflow of resources in the amount of \$435,536, reported above as System contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:
Measurement Date June 30 of Prior Year

2022	\$ (153,335)
2023	(87,261)
2024	(55,585)
2025	(69,695)
2026	(159,600)
Thereafter	(670,826)
	\$ (1,196,302)

(8) LONG-TERM LIABILITIES

The following is a summary of the changes in the System's long-term liabilities for the fiscal year ended June 30, 2021:

	Balances			Balances June 30, 2021	Current Portions
	June 30, 2020	Increases	Decreases		
Compensated absences	\$ 2,751,087	\$ 1,863,821	\$ (1,424,920)	\$ 3,189,988	\$ 1,557,921
Sewer revenue bonds - Series 2012	32,635,000	-	(30,580,000)	2,055,000	2,055,000
Sewer revenue refunding bonds - Series 2014	44,440,000	-	(4,035,000)	40,405,000	4,255,000
Sewer revenue refunding bonds - 2016A Series	164,450,000	-	(3,815,000)	160,635,000	3,950,000
Sewer revenue bonds - Series 2017	83,070,000	-	(1,430,000)	81,640,000	1,485,000
Sewer revenue bonds - Series 2021A	-	191,990,000	-	191,990,000	-
Sewer revenue refunding bonds - Series 2021B	-	24,210,000	-	24,210,000	-
Premium on sewer revenue refunding bonds (net)	46,210,217	53,907,705	(6,984,533)	93,133,389	4,020,717
Subordinated revenue bonds - VRA2001	2,679,176	-	(2,679,176)	-	-
Subordinated revenue bonds - VRA2002	6,476,136	-	(3,222,724)	3,253,412	3,253,412
Subordinated UOSA revenue bonds	230,580,059	111,228,596	(103,785,294)	238,023,361	17,114,659
Net pension liability	36,801,215	13,045,273	(8,837,056)	41,009,432	-
Net OPEB liability	3,455,612	1,283,724	(4,318,998)	420,338	-
	<u>\$ 653,548,502</u>	<u>\$ 397,529,119</u>	<u>\$ (171,112,701)</u>	<u>\$ 879,964,920</u>	<u>\$ 37,691,709</u>

(a) Sewer Revenue Bonds

The System issues bonds under the 1985 General Bond Resolution (the Resolution) adopted by the County Board. The Resolution includes a rate covenant under which the System agrees to charge reasonable rates for the use of services rendered by the System. Furthermore, the System will adjust the rates from time to time in order to generate net revenues sufficient to provide an amount equal to 100 percent of its annual principal and interest requirements, as well as the System's annual commitments to fund its proportionate share of other jurisdictions' debt service requirements. Pursuant to the Resolution, the System is required to maintain a reserve equal to the lesser of (i) the maximum principal and interest requirements of the outstanding bonds for any bond year or (ii) 125 percent of the average annual principal and interest for any bond year. In the opinion of the System's management, the System is in compliance with all Resolution covenants. Payment of the principal and interest on all Sewer revenue bonds is secured by a pledge of gross revenues derived from the System after provisions for payment of the operating expenses of the System. The bonds do not constitute general obligations of the County and authorization to issue any additional debt rests with the Board. In addition, the System is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage.

On October 14, 2004, the System issued \$94,005,000 of sewer revenue refunding bonds (Series 2004), with an average interest rate of 4.61 percent, to advance refund \$91,430,000 of the outstanding Series 1996 bonds with an average interest rate of 5.82 percent. The net proceeds were used to redeem the Series 1996 bonds on July 15, 2006.

On August 8, 2012, the System issued \$90,710,000 of sewer revenue bonds (Series 2012), with an average interest rate of 4.53 percent, to fund upgrade costs allocable to the System at certain treatment facilities that are owned by or that provide service to the County, the purchase of additional capacity at certain wastewater treatment facilities for the benefit of the County, and the costs of certain additions, extensions, and improvements to the County's sewage collection, treatment, and disposal systems.

On April 16, 2014, the System issued \$61,755,000 of sewer revenue refunding bonds (Series 2014), with an average interest rate of 4.14 percent, to refund \$69,745,000 of the outstanding Series 2004 bonds with an average interest rate of 4.61 percent. The net proceeds were used to redeem the Series 2004 bonds on July 15, 2014. This refunding resulted in a deferred net loss of \$4,045,945, which is being amortized over 15 years, but an aggregate decrease in the overall debt service of \$15,461,166.

On May 12, 2016, the System issued \$164,450,000 of sewer revenue refunding bonds (Series 2016A), with a weighted average rate of 3.92 percent, to advance refund \$123,065,000 of the outstanding Series 2009 bonds with an average interest rate of 4.80 percent and \$46,720,000 of the outstanding Series 2012 bond with an average interest rate of 4.67 percent. This refunding resulted in a deferred net loss of \$12,406,377, which is being amortized over 24 years, and a remaining outstanding balance of \$13,400,000 unrefunded Series 2009 bonds and \$39,545,000 unrefunded Series 2012 bonds. This refunding resulted in an aggregate decrease in the overall debt service of \$35,116,418.

On June 28, 2017, the System issued \$85,785,000 of sewer revenue bonds (Series 2017), with an average interest rate of 4.77 percent, to fund certain additions, extensions, and improvements to the County’s sewage collection, treatment, and disposal systems, capital improvement costs allocable to the County at certain wastewater treatment facilities that provide service to the County, the purchase of any necessary additional capacity at certain wastewater treatment facilities for the benefit of the County, the costs of issuing the Series 2017 bonds, and the necessary deposit to the reserve subfund.

On June 9, 2021, the System issued \$191,990,000 of Sewer Revenue Bonds (Series 2021A), with an average interest rate of 4.66 percent to pay the costs of certain additions, extensions and improvements to the County’s sewage collection, treatment and disposal systems, pay for capital improvement costs allocable to the County at certain wastewater treatment facilities that provide service to the County and, if necessary, purchase additional capacity at certain wastewater treatment facilities for the benefit of the County, the costs of issuing the Series 2021A bonds, and the necessary deposit to the reserve subfund.

On June 9, 2021, the System took advantage of lower market interest rates and issued \$24,210,000 of Sewer Revenue Refunding Bonds (Series 2021B), with an average interest rate of 3.67 percent to refund \$28,625,000 of the outstanding Series 2012 Bonds with an average interest rate of 4.50 percent. The net proceeds were used to redeem the Series 2012 bonds on July 15, 2021. This refunding resulted in a deferred net gain of \$3,969,019, which is being amortized over 21 years, and an aggregate decrease in the overall debt service of \$11,937,848.

The outstanding bonds as of June 30, 2021, consist of \$2,055,000 of Series 2012 revenue bonds, \$40,405,000 of Series 2014 revenue refunding bonds, \$160,635,000 of Series 2016A revenue refunding bonds, \$81,640,000 of Series 2017 revenue bonds, \$191,990,000 of Series 2021A revenue bonds, and \$24,210,000 of Series 2021B revenue refunding bonds that bear interest at varying rates and mature in varying amounts. The bond principal and interest payment schedule details are as follows:

Fiscal Year	Series 2012			Series 2014			Series 2016A		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,055,000	\$ 51,375	\$ 2,106,375	\$ 4,255,000	\$ 1,531,875	\$ 5,786,875	\$ 3,950,000	\$ 6,503,731	\$ 10,453,731
2023	-	-	-	4,485,000	1,313,375	5,798,375	6,290,000	6,267,481	12,557,481
2024	-	-	-	4,735,000	1,082,875	5,817,875	6,615,000	5,944,856	12,559,856
2025	-	-	-	4,995,000	839,625	5,834,625	6,950,000	5,605,731	12,555,731
2026	-	-	-	5,205,000	636,675	5,841,675	7,310,000	5,249,231	12,559,231
2027-2031	-	-	-	16,730,000	878,150	17,608,150	41,810,000	20,979,155	62,789,155
2032-2036	-	-	-	-	-	-	51,800,000	10,987,909	62,787,909
2037-2041	-	-	-	-	-	-	35,910,000	2,742,750	38,652,750
2042-2046	-	-	-	-	-	-	-	-	-
2047-2048	-	-	-	-	-	-	-	-	-
Total	\$ 2,055,000	\$ 51,375	\$ 2,106,375	\$ 40,405,000	\$ 6,282,575	\$ 46,687,575	\$ 160,635,000	\$ 64,280,844	\$ 224,915,844

Fiscal Year	Series 2017			Series 2021A			Series 2021B		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,485,000	\$ 4,022,000	\$ 5,507,000	\$ -	\$ 5,235,210	\$ 5,235,210	\$ -	\$ 537,390	\$ 537,390
2023	1,545,000	3,961,400	5,506,400	-	8,725,350	8,725,350	-	895,650	895,650
2024	1,620,000	3,890,000	5,510,000	3,130,000	8,647,100	11,777,100	-	895,650	895,650
2025	1,700,000	3,807,000	5,507,000	3,290,000	8,486,600	11,776,600	-	895,650	895,650
2026	1,790,000	3,719,750	5,509,750	3,460,000	8,317,850	11,777,850	-	895,650	895,650
2027-2031	10,415,000	17,125,125	27,540,125	20,155,000	38,737,875	58,892,875	-	4,478,250	4,478,250
2032-2036	13,380,000	14,165,500	27,545,500	25,875,000	33,012,875	58,887,875	-	4,478,250	4,478,250
2037-2041	17,170,000	10,365,500	27,535,500	32,675,000	26,218,550	58,893,550	15,295,000	3,140,425	18,435,425
2042-2046	22,050,000	5,487,500	27,537,500	40,615,000	18,268,075	58,883,075	8,915,000	360,100	9,275,100
2047-2051	10,485,000	530,875	11,015,875	51,245,000	7,648,150	58,893,150	-	-	-
2052	-	-	-	11,545,000	230,900	11,775,900	-	-	-
Total	\$ 81,640,000	\$ 67,074,650	\$ 148,714,650	\$ 191,990,000	\$ 163,528,535	\$ 355,518,535	\$ 24,210,000	\$ 16,577,015	\$ 40,787,015

Per the bond agreements, upon the occurrence of any event of default, Trustees may proceed to protect and enforce its rights and rights of the Bond Holders under the laws of the Commonwealth or the General Bond Resolution or by proceedings in the office of any board having jurisdiction, either for the specific performance of any agreement or for the enforcement of any proper legal or equitable remedy. In the enforcement of any remedy under the General Bond Resolution, the Trustee or the Bond Holders will be entitled to sue for, enforce payment of amounts remaining due for principal, interest, interest on overdue payments of principal, all costs and expenses of collection and all proceedings under the General Bond Resolution. The acceleration clause allows the lender, upon default, to accelerate payment of the entire unpaid Bond principal and interest.

(b) In-substance Defeasance of Debt

The System defeased \$46,720,000 of outstanding Series 2012 bonds, with a call date of July 15, 2021, with the issuance of the Series 2016A sewer revenue refunding bonds and \$28,625,000 of outstanding Series 2012 bonds, with a call date of July 15, 2021, with the issuance of the Series 2021B sewer revenue refunding bonds. The proceeds of the Series 2016A bonds and Series 2021B bonds were placed in an irrevocable escrow fund to provide for all future debt service payments on the defeased bonds. Therefore, the escrow fund assets and the defeased bond liabilities are not included in the System’s financial statements. As of June 30, 2021, the amount of outstanding bonds considered to be defeased in-substance but not yet redeemed is \$75,345,000.

(c) Subordinated Sewer Revenue Bonds

In June 2001 and June 2002, the System issued 20-year subordinated sewer revenue bonds in the amounts of \$40,000,000 (Series VRA 2001) and \$50,000,000 (Series VRA 2002), respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA). The proceeds have been used to fund a portion of the System’s share of the expansion and upgrade costs of the Alexandria Renew Enterprises’ wastewater treatment facilities, which provide service to certain County residents. In September 2012, the System executed a rate reduction agreement with VRA, reducing the interest rates on these VRA 2001 and VRA 2002 bonds from 4.10 percent and 3.75 percent per annum, respectively, to 2.35 percent per annum. This reduced the required semi-annual debt service payments from \$1,499,642 and \$1,818,894, respectively, to \$1,395,539 and \$1,706,099, respectively. This rate reduction agreement resulted in an aggregate decrease in the VRA 2001 and VRA 2002 bond debt service of \$1,769,745 and \$2,143,099, respectively.

In May 2016, the System executed a rate reduction agreement with VRA, reducing the interest rate of the VRA 2001 and VRA 2002 bonds from 2.35 percent per annum to 0.95 percent per annum. This reduced the semi-annual debt service payments from \$1,395,539 and \$1,706,099, respectively, to \$1,349,141 and \$1,638,306, respectively. This rate reduction resulted in an aggregate decrease in the VRA 2001 and VRA 2002 bond debt service of \$463,990 and \$813,525, respectively. These bonds are subordinate to all outstanding prior bond issues of the System and payments for operation and maintenance expenses. In February 2021, the VRA 2001 subordinated sewer revenue bonds reached final maturity.

As of June 30, 2021, the principal and interest payment schedule for the VRA 2002 subordinated revenue bond is as follows:

Fiscal Year	2002 Subordinated Revenue Bonds		
	Principal	Interest	Total
2022	\$ 3,253,412	\$ 23,199	\$ 3,276,611
Total	\$ 3,253,412	\$ 23,199	\$ 3,276,611

Per the bond agreements, upon the occurrence of any event of default, VRA has the right to immediately declare all outstanding bond payments due and payable by the System without further notice or demand and is authorized to take legal action necessary to collect the payments owed.

(d) Upper Occoquan Service Authority (UOSA) Debt

In December 2003, UOSA issued \$58,150,000 of regional sewer system revenue refunding bonds (UOSA 2003), of which the System's share is \$36,848,116, to advance refund the outstanding UOSA 1993 bonds. This refunding resulted in a deferred net gain of \$1,514,494, which is being amortized over the life of the UOSA 2003 bonds.

In July 2005, UOSA issued \$82,465,000 of regional sewer system revenue refunding bonds (UOSA 2005), of which the System's share is \$53,201,198, to advance refund another portion of the outstanding UOSA 1995 bonds. This refunding resulted in a deferred net gain of \$1,909,604, which is being amortized over the life of the UOSA 2005 bonds.

In February 2007, UOSA issued \$90,315,000 of regional sewer system revenue refunding bonds (UOSA 2007A), of which the System's share is \$58,265,521, to advance refund another portion of the outstanding UOSA 1995 bonds. This refunding resulted in a deferred net loss of \$83,868, which is being amortized over the life of the UOSA 2007A bonds.

In December 2007, UOSA issued \$119,715,000 of regional sewer system revenue bonds (UOSA 2007B), of which the System's share is \$53,925,458, to fund the expansion of its wastewater treatment and conveyance facilities.

In December 2010, UOSA issued \$85,180,000 of regional sewer system revenue bonds (UOSA 2010), of which the System's share is \$34,113,615, to fund certain capital improvements.

In July 2011, UOSA entered into VRA loan Series 2011A to fund costs related to the Energy Service (ESCO) project. In December 2011, UOSA entered into VRA loan Series 2011B to fund Phase 1 of the Nutrient Compliance Improvement Project (PINR).

In May 2013, UOSA issued \$101,615,000 of regional sewer system revenue refunding bonds (UOSA 2013A), of which the System's share is \$65,555,566, to advance refund the outstanding UOSA 2005 bonds. This refunding resulted in a deferred net loss of \$12,354,368, which is being amortized over the life of the UOSA 2013A bonds, but an aggregate decrease in the overall debt service of approximately \$4.9 million.

In November 2013, UOSA issued \$37,735,000 of regional sewer system revenue refunding bonds (UOSA 2013B), of which the System's share is \$23,911,671, to advance refund the outstanding UOSA 2003 bonds. This refunding resulted in a deferred net loss of \$2,520,436, which is being amortized over the life of the UOSA 2013B bonds, but an aggregate decrease in the overall debt service of approximately \$2.1 million.

In fiscal year 2015, UOSA issued regional sewer system revenue refunding bonds (UOSA 2014) to advance refund the outstanding UOSA 2007A bonds and a portion of the outstanding UOSA 2007B bonds. Of the \$112,190,980 UOSA 2007 bonds outstanding balance, \$93,175,291 was refunded into the UOSA 2014 bonds. This resulted in a deferred net gain of \$2,029,199, which is being amortized over 24 years, and an aggregate decrease in the overall debt service of \$6,359,186.

In fiscal year 2016, UOSA issued regional sewer system revenue refunding bonds (UOSA 2016B) to advance refund the \$19,015,689 remaining outstanding UOSA 2007B bonds. This refunding resulted in a deferred net gain of \$533,782, which is being amortized over 22 years, and an aggregate decrease in the overall debt service of \$4,676,694.

In December 2019, UOSA issued \$52,440,000 of regional sewer system revenue bonds (UOSA 2019), of which the System’s share is \$21,410,631, to fund improvements to UOSA’s regional advanced wastewater treatment system.

In November 2020, UOSA issued \$199,755,000 of regional sewer system revenue refunding bonds (UOSA 2020), of which the System’s share is \$111,228,596, to advance refund the \$91,146,092 remaining outstanding UOSA 2014 bonds. This refunding resulted in a deferred net loss of \$19,939,089, which is being amortized over 20 years, but an aggregate decrease in the overall debt service of \$2,594,724.

The System’s share of UOSA’s total outstanding debt as of June 30, 2021 is \$238,023,361 and it is subordinate to the sewer revenue bonds issued by the System. The System’s share of outstanding UOSA regional sewer system revenue and refunding bonds as of June 30, 2021 is as follows:

Fiscal Year	UOSA		
	Principal	Interest	Total
2022	\$ 17,114,659	\$ 5,547,192	\$ 22,661,851
2023	15,417,644	5,206,350	20,623,994
2024	15,768,213	4,856,276	20,624,489
2025	16,157,223	4,469,608	20,626,831
2026	23,724,279	4,056,576	27,780,855
2027-2031	66,228,978	15,588,547	81,817,525
2032-2036	32,888,101	11,192,454	44,080,555
2037-2041	36,706,097	5,598,777	42,304,874
2042-2046	8,057,163	1,507,308	9,564,471
2047-2051	4,893,333	609,125	5,502,458
2052	1,067,671	32,029	1,099,700
Total	\$ 238,023,361	\$ 58,664,242	\$ 296,687,603

Per the bond agreements, upon the occurrence of any event of default, bondholders have the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement. Bondholders do not have the right to institute any suit, action, or proceeding in equity or at law for enforcement of the Trust Agreement for the execution trust unless the specific terms of the bond agreement are met. Nothing in the Trust Agreement shall affect or impair the right of any bondholder to enforce legal action for payment of the principal, premium, and interest upon maturity of the bond.

(9) COMMITMENTS AND CONTINGENCIES***(a) Cost Sharing Agreement with Alexandria Renew Enterprises (AlexRenew)***

The System is obligated under an agreement with AlexRenew to share in the construction and operating costs and debt service requirements for AlexRenew's sewage treatment facility. Currently, the System has a capacity entitlement of 32.4 MGD, which is 60 percent of the facility's total capacity of 54 MGD. Although the System is allowed one nonvoting representative at the meetings of AlexRenew, the System has no significant influence in the management of the treatment facility. In addition, the System has no direct ongoing equity interest in the assets or liabilities of AlexRenew. Accordingly, the System does not account for this commitment as a joint venture.

A new construction program to build enhanced nutrient removal facilities has been initiated. The System paid AlexRenew \$19,700,433 for purchased capacity in fiscal year 2021 to fund its share of the construction and land acquisition costs. The System estimates its share of the remaining construction costs to be \$102,996,000, of which \$20,342,000 is expected to be incurred in fiscal year 2022 and the remaining balance over fiscal years 2023 to 2030. In addition, the System made total payments of \$11,272,272 to AlexRenew during fiscal year 2021 for its share of AlexRenew's operating costs.

(b) Cost Sharing Agreement with the District of Columbia (District)

The System is obligated under the 2012 Blue Plains Intermunicipal Agreement (2012 IMA), which replaced the 1985 IMA, between the County, the District, the District of Columbia Water and Sewer Authority (DC Water), Montgomery County in Maryland, Prince George's County in Maryland, and the Washington Suburban Sanitary Commission, to share the construction and operating costs of the Blue Plains Wastewater Treatment Plant, which is operated by DC Water. Currently, the System has a capacity entitlement of 31 MGD, which is approximately 8.4 percent of the Plant's total capacity of 370 MGD. DC Water has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The System has no significant control over plant operations and construction and no ownership interest in the assets of DC Water. Accordingly, the System does not account for this commitment as a joint venture.

The Blue Plains Plant is currently undergoing a major renovation of its nitrogen removal facilities and the construction of new wet weather flow facilities. The System paid DC Water \$10,629,548 for purchased capacity in fiscal year 2021 to fund its share of construction costs. The System estimates its share of the remaining construction costs to be \$232,314,000, of which \$21,668,000 is expected to be incurred in fiscal year 2022, and the remaining balance over fiscal years 2023 to 2030. In addition, the System made total payments of \$15,317,242 to DC Water during fiscal year 2021 for its share of the Blue Plains Plant's operating costs.

(c) Joint Venture – Upper Occoquan Service Authority (UOSA)

UOSA is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act on March 3, 1971 by a concurrent resolution of the governing bodies of the County, Prince William County, the City of Manassas, and the City of Manassas Park to finance, construct, and operate a regional sewage treatment facility. Currently, the System has a capacity entitlement of 22.1 MGD, which is 41 percent of the facility's total capacity of 54 MGD. The governing body of UOSA is an eight-member board of directors consisting of two members from each participating jurisdiction, appointed to four-year terms. The UOSA Board of Directors adopts an annual operating budget based on projected sewage flows.

The County has no explicit and measurable interest in UOSA but does have an ongoing financial responsibility for its share of UOSA’s construction costs, operating costs, and annual debt service. There are no ongoing construction costs for UOSA and the System did not purchase capacity from UOSA in fiscal year 2021. In addition, the System made total payments to UOSA of \$13,515,517 in fiscal year 2021 to pay its share of UOSA’s operating costs.

Summarized UOSA financial information as of and for the year ended June 30, 2020, the most recent available audited financial information, is shown below:

	2020
Total assets	\$ 579,854,777
Deferred outflows of resources	17,674,213
Total liabilities	(554,186,450)
Deferred inflows of resources	<u>(2,274,841)</u>
Net position	<u>\$ 41,067,699</u>
Operating revenues	\$ 30,622,512
Operating expenses	(59,493,683)
Nonoperating revenues and expenses, net	3,787,368
Capital contributions	<u>19,301,263</u>
Decrease in net position	<u>\$ (5,782,540)</u>

The complete financial statements for UOSA can be obtained by writing to UOSA at 14631 Compton Road, Centreville, Virginia 20121 or by accessing UOSA’s website.

(d) Cost Sharing Agreement with Arlington County, Virginia (Arlington)

The System is obligated under the 1989 Sewage Conveyance Treatment and Disposal Agreement with Arlington to share the construction and operating costs of the sewage treatment facility owned and operated by Arlington. Currently, the System has a capacity entitlement of 3 MGD, which is 7.5 percent of the facility’s total capacity of 40 MGD. The System has no direct ongoing equity interest in the facility’s assets and liabilities. Furthermore, the System has no significant influence in the management of Arlington’s treatment facility. Accordingly, the System does not account for this commitment as a joint venture.

The Arlington facility has recently completed a major upgrade to meet new water quality standards. The System paid Arlington \$317,369 for purchased capacity in fiscal year 2021 to fund its share of construction costs. The System estimates its share of the remaining construction costs to be \$15,565,000, of which \$1,638,000 is expected to be incurred in fiscal year 2022 and the remaining balance over fiscal years 2023 to 2030. In addition, the System made total payments of \$2,616,182 to Arlington during fiscal year 2021 for its share of Arlington’s operating costs.

(e) Cost Sharing Agreement with Loudoun County, Virginia, Sanitation Authority (Loudoun Water)

The System is obligated under the Broad Run Water Reclamation Facility Capacity Agreement with Loudoun Water to share the construction and operating costs and debt service requirements of the sewage treatment facility owned and operated by Loudoun Water. Currently, the System has a capacity entitlement of 1.0 MGD, which is 9.0 percent of the facility’s total capacity of 11 MGD. The System has no direct ongoing interest in the facility’s assets and liabilities. Furthermore, the System has no significant influence in the management of Loudoun Water’s treatment facility. Accordingly, the System does not account for this commitment as a joint venture.

The System will incur operating costs once it starts to deliver flows to Loudoun Water’s facilities, which has not happened to date and is not expected to start in fiscal year 2022. The Broad Run Plant is a new facility; therefore, no construction or debt service requirements are expected in the near future.

(f) Other Commitments

As of June 30, 2021, the System had contractual commitments, excluding the above noted AlexRenew, District, UOSA, Arlington, and Loudoun Water contractual commitments, of \$86,388,237 for the construction of various sewer projects.

(g) Other Contingencies

The System is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of the management of the System and the County, as well as the County Attorney, that any losses which may ultimately be incurred as a result of those lawsuits and claims will not be material to the System’s financial statements.

(h) Coronavirus Aid, Relief, and Economic Security (CARES) Act Grant

Fairfax County Wastewater Management Program was awarded the Federal CARES Act funds from the Virginia State Department of Accounts in the amount of \$1,468,639 on December 22, 2020, to assist municipal utility customers experiencing economic hardship due to the COVID-19 pandemic.

The County created a grant fund to track the grant amount received and the usage of the grant to credit customers’ accounts that are delinquent due to financial hardship caused by COVID-19.

The County signed an agreement with Fairfax Water, its billing and collection agent, to administer the process of collecting, reviewing, and approving customers applications and crediting customers delinquent accounts. Fairfax Water periodically provides the County with data showing the amounts credited and is reimbursed by the County’s grant fund.

The impact of the Sewer System’s customers receiving the CARES Act Utility Relief grant funding to reduce or clear their delinquent Sewer balance on the Sewer Revenue fund is the reduction of the System’s Service Charge outstanding receivables.

Any of the CARES Act Utility grant funds, not expended or that will not be expended on necessary expenditures incurred before December 31, 2021, by the municipal utility or its grantee(s), must be returned to the Commonwealth of Virginia no later than December 31, 2021.

As of June 30, 2021, \$573,601 was expended and distributed to customers experiencing economic hardship due to the COVID-19 pandemic.

(10) RISK MANAGEMENT

The System 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 citizens; and natural disasters. For all of these risks, the System participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies. The System is charged by the County for costs associated with workers' compensation, vehicle and general liability risks, and the costs associated with other risks borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's ACFR for the fiscal year ended June 30, 2021.

(11) IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2021, the System implemented the following standard, which had no material impact on the System's financial statements:

GASB Statement No. 84, *Fiduciary Activities*.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of these standards did not have a material impact on the County's financial statements.

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

REQUIRED SUPPLEMENTAL INFORMATION SECTION



FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM • COUNTY OF FAIRFAX, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

1.0 SUPPLEMENTAL PENSION INFORMATION

Tables indicating the System’s proportionate share of the net pension liability and a schedule of the System’s contributions to the pension plan.

TABLE 1.1

Schedule of the Proportionate Share of the Net Pension Liability
ERS Pension Plan
Last Ten Fiscal Years*

	2021	2020	2019	2018
System's proportion of the net pension liability	2.2545%	2.1775%	2.1448%	2.1835%
System's proportion share of the net pension liability	\$ 41,009,432	\$ 36,801,215	\$ 35,395,232	\$ 35,335,899
System's covered payroll	18,667,714	16,926,367	15,992,847	15,952,731
System's proportionate share of the net pension liability as a percentage of its covered payroll	219.68%	217.42%	221.32%	221.50%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	70.80%	70.50%	69.90%

	2017	2016	2015
System's proportion of the net pension liability	2.1338%	2.0718%	2.1040%
System's proportion share of the net pension liability	\$ 32,568,322	\$ 26,649,164	\$ 21,919,467
System's covered payroll	15,115,867	14,239,466	14,130,410
System's proportionate share of the net pension liability as a percentage of its covered payroll	215.46%	187.15%	155.12%
Plan fiduciary net position as a percentage of the total pension liability	70.20%	74.20%	78.30%

The amounts presented for each fiscal year were determined as of 6/30, year shown is fiscal year of presentation.

*This schedule is intended to show information for 10 years. 2015 is the first year implemented, additional years will be displayed as they become available.

Unaudited - see accompanying report of independent auditor

TABLE 1.2

**Schedule of Pension Contributions
ERS Pension Plan
Last Ten Fiscal Years***

	Actuarial Determined Contribution	Contributions in Relations to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 5,387,683	\$ 5,387,683	\$ -	\$ 19,004,173	28.35 %
2020	5,292,297	5,292,297	-	18,667,714	28.35
2019	4,593,816	4,593,816	-	16,926,367	27.14
2018	4,044,590	4,044,590	-	15,992,847	25.29
2017	3,653,175	3,653,175	-	15,952,731	22.90
2016	3,323,979	3,323,979	-	15,115,867	21.99
2015	2,869,250	2,869,250	-	14,239,466	20.15
2014	2,727,132	2,727,132	-	14,130,410	19.30

*This schedule is intended to show information for 10 years. 2015 is the first year implemented, additional years will be displayed as they become available.

Unaudited - see accompanying report of independent auditor

2.0 SUPPLEMENTAL OPEB INFORMATION

Tables indicating the System’s proportionate share of the total OPEB liability, the net OPEB liability, and a schedule of the System’s contributions to the OPEB plan.

TABLE 2.1

**Schedule of the Proportionate Share of the Net OPEB Liability
OPEB Plan
Last Ten Fiscal Years***

	2021	2020	2019	2018
System's proportion of the net OPEB liability	2.4100 %	2.3800 %	2.4100 %	2.4305 %
System's proportionate share of the net OPEB liability	420,338	3,455,612	2,223,715	1,039,781
System's covered employee payroll	23,173,524	22,199,783	21,706,117	22,072,644
System's proportionate share of the net OPEB liability as a percentage of covered employee payroll	1.81 %	15.57 %	10.24 %	4.71 %
Plan fiduciary net position as a percentage of the total OPEB liability	94.99 %	69.11 %	76.97 %	86.73 %

The amounts presented for each fiscal year were determined as of 6/30, year shown is fiscal year of presentation.

*This schedule is intended to show information for 10 years. FY2018 is the first year implemented, additional years will be displayed as they become available.

Unaudited - see accompanying report of independent auditor

TABLE 2.2

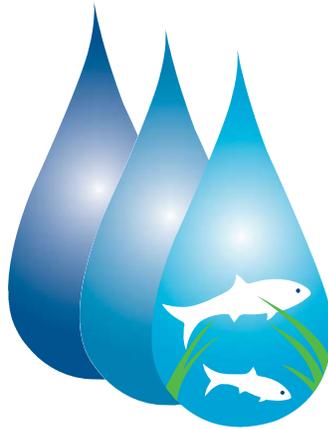
**Schedule of OPEB Contributions
OPEB Plan
Last Ten Fiscal Years***
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 455	\$ 391	\$ 543	\$ 516	\$ 493
Contributions made in relation to the actuarially determined contribution	436	474	611	580	680
Contribution deficiency (excess)	19	(83)	(68)	(64)	(187)
Covered employee payroll	24,753	23,174	22,200	21,706	22,073
Contributions as a percentage of covered employee payroll	1.76 %	2.05 %	2.75 %	2.67 %	3.08 %

*This schedule is intended to show information for 10 years. FY2018 is the first year implemented. Additional years will be displayed as they become available.

Unaudited - see accompanying report of independent auditor

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

STATISTICAL SECTION



FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM - COUNTY OF FAIRFAX, VIRGINIA
STATISTICAL SECTION (unaudited)

1.0 FINANCIAL TRENDS

Financial trend information is intended to assist users in understanding how the System’s financial position has changed over time. There are four tables presented in this section.

TABLE 1.1 - NET POSITION BY COMPONENT (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	Restated (a) 2017
Net investment in capital assets	\$ 1,207,780,108	\$ 1,112,420,058	\$ 1,065,086,054	\$ 1,038,360,082	\$ 1,003,960,254
Restricted	17,941,505	20,281,937	19,398,343	18,178,132	14,185,711
Unrestricted	98,648,390	133,460,268	119,690,633	99,372,962	90,123,639
Total net position	\$ 1,324,370,003	\$ 1,266,162,263	\$ 1,204,175,030	\$ 1,155,911,176	\$ 1,108,269,604

	Fiscal Year				
	2016	2015	Restated (a) 2014	2013	Restated (a) 2012
Net investment in capital assets	\$ 940,641,576	\$ 892,414,328	\$ 843,276,715	\$ 778,825,722	\$ 769,135,097
Restricted	73,853,503	66,038,662	43,116,468	44,113,954	51,055,374
Unrestricted	38,417,623	66,651,531	100,358,086	147,119,567	116,578,189
Total net position	\$ 1,052,912,702	\$ 1,025,104,521	\$ 986,751,269	\$ 970,059,243	\$ 936,768,660

Source: Fairfax County Wastewater Management Program

Notes:

(a) Certain amounts for fiscal years 2012, 2014, and 2017 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period. Fiscal year 2012 was related to GASB 65, fiscal year 2014 was related to GASB 68, and fiscal year 2017 was related to GASB 75.

Unaudited - see accompanying report of independent auditor.

TABLE 1.2 - CHANGES IN NET POSITION - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017 (b)
Operating revenues:					
Sales of service	\$ 216,447,771	\$ 217,853,523	\$ 210,961,807	\$ 199,758,856	\$ 195,753,184
Operating expenses:					
Personnel services	39,859,440	39,488,665	33,607,870	32,841,348	33,131,199
Materials and supplies	16,915,830	16,675,060	17,903,555	17,421,987	15,588,636
Contractual services	50,889,539	50,821,222	49,486,830	50,481,605	46,232,788
Depreciation and amortization	65,629,470	64,683,862	64,666,137	63,654,892	63,441,165
Professional fees and other	1,530,292	474,940	360,872	251,504	721,903
Total operating expenses	174,824,571	172,143,749	166,025,264	164,651,336	159,115,691
Operating income	41,623,200	45,709,774	44,936,543	35,107,520	36,637,493
Nonoperating revenues (expenses):					
Availability fees	34,714,848	22,180,962	21,473,258	25,974,491	25,206,124
Investment earnings	790,769	2,859,826	3,675,949	2,525,508	1,022,586
Interest expense	(19,458,780)	(21,212,596)	(22,702,763)	(23,635,250)	(19,502,116)
Amortization of bond issuance costs	(993,208)	(6,938)	-	-	(673,776)
Amortization of deferred amounts on refundings	-	-	-	-	-
Gain (loss) on disposal of capital assets	55,287	(37,398)	21,249	54,378	152,917
Total nonoperating revenues (expenses), net	15,108,916	3,783,856	2,467,693	4,919,127	6,205,735
Income before contributions and special items	56,732,116	49,493,630	47,404,236	40,026,647	42,843,228
Capital contributions:					
Grants from the Commonwealth	51,862	68,519	197,696	5,315,145	9,394,529
From developers	1,423,762	2,526,683	661,922	2,299,780	3,119,145
Special items:					
Gain on sale of purchased capacity	-	9,898,401	-	-	-
Change in net position	\$ 58,207,740	\$ 61,987,233	\$ 48,263,854	\$ 47,641,572	\$ 55,356,902

continued

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Certain amounts for fiscal year 2012 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period.
- (b) Certain amounts for fiscal year 2017 have been restated due to the implementation of GASB 75.

Unaudited - see accompanying report of independent auditor.

	Fiscal Year				
	2016	2015	2014	2013	2012 (a)
Operating revenues:					
Sales of service	\$ 190,433,799	\$ 187,538,854	\$ 188,168,475	\$ 173,553,631	\$ 159,957,639
Operating expenses:					
Personnel services	29,532,231	26,416,320	27,576,508	25,607,805	24,735,872
Materials and supplies	15,409,135	14,063,157	15,635,981	13,238,456	13,974,834
Contractual services	46,873,730	51,342,024	47,658,923	47,167,159	46,236,052
Depreciation and amortization	61,090,693	58,046,612	55,558,575	54,358,299	52,429,103
Professional fees and other	637,717	490,055	240,007	427,705	508,080
Total operating expenses	153,543,506	150,358,168	146,669,994	140,799,424	137,883,941
Operating income	36,890,293	37,180,686	41,498,481	32,754,207	22,073,698
Nonoperating revenues (expenses):					
Availability fees	14,681,449	21,689,013	24,007,197	20,477,318	28,959,575
Investment earnings	1,171,307	780,354	484,332	1,409,377	521,755
Interest expense	(20,601,532)	(23,677,340)	(26,960,382)	(28,052,165)	(25,227,137)
Amortization of bond issuance costs	(605,018)	-	(343,229)	(699,561)	(1,083,241)
Amortization of deferred amounts on refundings	-	(945,079)	(994,404)	151,242	229,931
Gain (loss) on disposal of capital assets	(8,326,757)	48,459	122,334	187,421	8,481
Total nonoperating revenues (expenses), net	(13,680,551)	(2,104,593)	(3,684,152)	(6,526,368)	3,409,364
Income before contributions and special item	23,209,742	35,076,093	37,814,329	26,227,839	25,483,062
Capital contributions:					
Grants from the Commonwealth	1,958,258	900,914	591,814	1,107,952	10,270,459
From developers	2,640,181	2,376,245	3,482,762	5,954,792	3,703,747
Special items:					
Gain on sale of purchased capacity	-	-	-	-	-
Change in net position	\$ 27,808,181	\$ 38,353,252	\$ 41,888,905	\$ 33,290,583	\$ 39,457,268

concluded

Unaudited - see accompanying report of independent auditor.

TABLE 1.3 - OPERATING REVENUE DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017
Sewer service:					
County connections	\$ 205,801,851	\$ 208,257,853	\$ 198,631,795	\$ 190,500,757	\$ 186,702,496
City of Fairfax	2,280,047	1,913,176	2,275,982	2,257,047	2,304,397
Town of Herndon	1,643,043	1,398,220	2,571,350	1,376,980	1,281,635
Arlington County	772,690	606,531	839,357	614,338	339,303
Fort Belvoir	2,692,819	2,263,915	3,051,171	2,327,058	2,204,729
City of Falls Church	672,472	595,412	716,759	820,972	684,338
Town of Vienna	651,000	680,750	810,220	501,998	479,276
Other (a)	603,980	764,050	786,530	608,854	722,920
Other services	1,329,869	1,373,616	1,278,643	750,582	1,034,090
Total operating revenues	\$ 216,447,771	\$ 217,853,523	\$ 210,961,807	\$ 199,758,586	\$ 195,753,184

	Fiscal Year				
	2016	2015	2014	2013	2012
Sewer service:					
County connections	\$ 180,554,128	\$ 176,558,827	\$ 176,471,310	\$ 163,052,021	\$ 148,891,691
City of Fairfax	2,301,634	1,667,693	2,158,338	1,702,234	3,162,214
Town of Herndon	1,034,990	3,229,858	3,758,078	2,992,525	3,193,471
Arlington County	727,823	705,557	540,121	538,464	566,991
Fort Belvoir	2,542,802	2,189,831	2,431,455	2,429,616	1,842,643
City of Falls Church	1,095,921	1,049,188	1,022,967	921,702	1,030,951
Town of Vienna	454,525	467,888	455,670	650,817	451,532
Other (a)	824,581	755,256	563,866	651,188	348,552
Other services	897,395	914,756	766,670	615,064	469,594
Total operating revenues	\$ 190,433,799	\$ 187,538,854	\$ 188,168,475	\$ 173,553,631	\$ 159,957,639

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other sewer service revenues include revenues from Fairfax Water and the County's solid waste resource recovery facility.

Unaudited - see accompanying report of independent auditor.

TABLE 1.4 - OPERATING EXPENSES DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	\$ 23,792,593	\$ 23,065,261	\$ 23,524,169	\$ 23,094,407	\$ 20,837,175
Alexandria Renew Enterprises	11,272,272	11,083,752	11,122,097	13,575,257	13,350,729
DCWASA Blue Plains	15,317,242	15,930,135	15,517,396	14,271,793	10,644,395
Upper Occoquan Service Authority	13,515,517	14,281,321	12,979,718	12,977,850	13,420,485
Arlington County	2,616,182	2,073,297	2,592,200	2,453,677	2,066,590
City of Falls Church Sewer	617,828	381,118	415,768	420,592	-
Other (b)	615,213	587,386	529,851	616,062	556,511
Total wastewater treatment expenses	67,746,847	67,402,270	66,681,199	67,409,638	60,875,885
Other operating expenses:					
Pumping, collection, and inspection	18,819,691	19,289,862	16,834,560	18,119,901	18,347,241
System repairs and renovations	360,614	422,944	456,351	505,937	238,102
Planning, engineering, and monitoring support	15,332,664	13,860,598	11,057,216	8,794,593	8,511,113
Billing and bill collection	6,935,285	6,484,213	6,329,801	6,166,375	6,194,078
Depreciation and amortization	65,629,470	64,683,862	64,666,137	63,654,892	63,441,165
Total operating expenses	\$ 174,824,571	\$ 172,143,749	\$ 166,025,264	\$ 164,651,336	\$ 157,607,584

	Fiscal Year				
	2016	2015	2014	2013	2012
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	\$ 20,325,332	\$ 18,425,015	\$ 19,931,898	\$ 19,605,159	\$ 20,088,669
Alexandria Renew Enterprises	11,590,585	13,380,703	13,133,545	12,786,521	12,836,900
DCWASA Blue Plains	12,800,588	15,016,549	11,815,951	13,214,346	13,257,118
Upper Occoquan Service Authority	13,472,493	12,687,555	12,276,384	12,635,433	12,045,467
Arlington County	2,012,313	2,711,644	2,225,036	2,174,228	2,224,503
City of Falls Church Sewer	48,617	664,936	-	-	-
Other (b)	533,502	1,074,445	496,374	530,959	497,634
Total wastewater treatment expenses	60,783,430	63,960,847	59,879,188	60,946,646	60,950,291
Other operating expenses:					
Pumping, collection, and inspection	16,671,232	13,512,902	13,280,579	13,759,928	13,445,481
System repairs and renovations	194,724	260,030	115,557	280,341	500,654
Planning, engineering, and monitoring support	8,387,796	8,771,586	10,240,019	5,655,443	5,305,778
Billing and bill collection	6,415,631	5,806,191	7,596,076	5,798,767	5,252,634
Depreciation and amortization	61,090,693	58,046,612	55,558,575	54,358,299	52,429,103
Total operating expenses	\$ 153,543,506	\$ 150,358,168	\$ 146,669,994	\$ 140,799,424	\$ 137,883,941

Source: Fairfax County Wastewater Management Program

Notes:

(a) Wastewater treatment expenses are direct operating expenses, excluding depreciation and amortization.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

2.0 REVENUE CAPACITY

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the system's ability to generate its own-source revenues. There are six tables presented in this section.

TABLE 2.1 - SEWER RATE STRUCTURE (a) - LAST TEN FISCAL YEARS

Fiscal Year	Availability Charge (b) (Per Unit)			Retail Sewer Service Charge (c) (Per 1,000 gallons)	Retail Residential Sewer Service Base Charge (d) (Per Bill)
	Single Family Residence	Townhouse/ Apartment	Commercial Fixture		
2021	\$ 8,340	\$ 6,672	\$ 417	\$ 7.28	\$ 32.91
2020	8,340	6,672	417	7.28	32.91
2019	8,100	6,480	405	7.00	30.38
2018	8,100	6,480	405	6.75	27.62
2017	7,750	6,200	401	6.68	24.68
2016	7,750	6,200	401	6.65	20.15
2015	7,750	6,200	401	6.62	15.86
2014	7,750	6,200	401	6.55	12.79
2013	7,750	6,200	401	6.55	5.50
2012	7,750	6,200	401	6.01	5.00

Connection Charge (e) - Effective July 1, 2011, the rate was increased to \$152.50 per foot.

Prior to this date, the rate was \$6.00 per foot since December 1970.

Lateral Spur Charge (f) - The rate has been \$600 per spur connection since March 1981.

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Sewer rates are established by the Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually by the County staff as part of the County's annual long-range planning and short-term budgeting process and revised as necessary. These rates are in effect for County customers only. Customers outside the County are billed subject to sale of service agreements.
- (b) Availability Charge - This is a one-time charge collected from all new customers prior to connection to the System to cover in part the new customer's proportionate cost of System facilities beyond the collector system. Residential units pay on a per unit basis. Commercial units pay an equivalent residential (single family residence) unit fee for the first 19 plumbing fixture units, then on a per fixture unit basis for any fixture units in excess of the residential equivalent amount.
- (c) Retail Sewer Service Charge - Single family residences and townhouses are billed sewer service charges quarterly based on water consumption from the previous winter quarter. Apartment and nonresidential complexes are billed based on consumption used during the billing period. These charges are collected by three water billing agents: Fairfax Water, the City of Falls Church, and the Town of Vienna.
- (d) Beginning in FY 2010, a base charge of \$5.00 per bill is assessed, in addition to the sewer service charge, to partially recover fixed expenses for billing, wastewater collection, engineering, planning, and administrative expenses.
- (e) Connection Charge: frequently called the front footage charge, this is a one-time charge collected from new customers prior to connection to the System as a partial repayment of County installed collector sewers.
- (f) Lateral Spur Charge: this is a one-time charge that applies only to those new customers who are connecting to County installed sanitary sewers where the lateral spurs have been installed at County expense.

Unaudited - see accompanying report of independent auditor.

TABLE 2.2 - CUSTOMER BASE BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	153,178	152,990	150,482	150,103	149,880
DCWASA Blue Plains	90,927	90,617	89,578	89,182	88,920
Alexandria Renew Enterprises	70,323	70,232	68,754	68,663	68,606
Upper Occoquan Service Authority	50,563	50,435	49,734	49,576	49,467
Arlington County	10,990	10,976	10,733	10,716	10,706
Other (a)	376	376	375	373	372
Customer base	376,357	375,626	369,656	368,613	367,951

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	149,667	149,344	149,172	148,734	147,998
DCWASA Blue Plains	88,701	88,325	88,139	87,841	87,551
Alexandria Renew Enterprises	68,455	68,293	68,207	68,035	67,805
Upper Occoquan Service Authority	49,428	49,351	49,288	49,239	49,188
Arlington County	10,688	10,675	10,664	10,650	10,644
Other (a)	372	369	368	367	357
Customer base	367,311	366,357	365,838	364,866	363,543

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other service areas include Harbor View and Prince William County Service Authority. In addition, there are holding tank facilities in the Town of Clifton and Gunston Wiley.

Unaudited - see accompanying report of independent auditor.

TABLE 2.3 - CUSTOMER BASE BY SERVICE CLASS - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2021	2020	2019	2018	2017
Residential units:					
Single family	167,359	166,981	166,462	165,936	165,552
Multi-family	96,264	96,263	96,258	96,256	96,251
Townhouse	79,502	79,155	78,636	78,159	77,905
Total residential units	343,125	342,399	341,356	340,351	339,708
Nonresidential units (a)	28,335	28,330	28,300	28,262	28,243
Total customer base	371,460	370,729	369,656	368,613	367,951

Service Class	Fiscal Year				
	2016	2015	2014	2013	2012
Residential units:					
Single family	165,113	164,418	164,021	163,266	162,671
Multi-family	96,247	96,226	96,212	96,207	96,177
Townhouse	77,722	77,549	77,469	77,301	77,019
Total residential units	339,082	338,193	337,702	336,774	335,867
Nonresidential units (a)	28,229	28,164	28,136	28,092	27,676
Total customer base	367,311	366,357	365,838	364,866	363,543

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms, and extended-stay rooms.

Unaudited - see accompanying report of independent auditor.

TABLE 2.4 - NUMBER OF SEWER CONNECTIONS SOLD (a) - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2021	2020	2019	2018	2017
Residential units:					
Single family	228	156	225	135	227
Multi-family	3,076	1,655	1,121	2,575	2,709
Townhouse	555	430	436	424	213
Total residential units	3,859	2,241	1,782	3,134	3,149
Nonresidential units (b)	1	-	5	9	18
Total sewer connections sold	3,860	2,241	1,787	3,143	3,167
Additional commercial fixture units sold	19,443	12,414	12,562	12,315	12,151

Service Class	Fiscal Year				
	2016	2015	2014	2013	2012
Residential units:					
Single family	161	189	168	242	299
Multi-family	1,386	1,608	2,571	1,580	3,176
Townhouse	136	195	84	218	146
Total residential units	1,683	1,992	2,823	2,040	3,621
Nonresidential units (b)	12	19	571	121	559
Total sewer connections sold	1,695	2,011	3,394	2,161	4,180
Additional commercial fixture units sold	9,163	12,898	12,463	17,856	12,147

Source: Fairfax County Wastewater Management Program

Notes:

- (a) The number of sewer connections sold includes only County customers. Availability fees are generated by sewer connections sold. See Table 2.1 for the rate structure.
- (b) Nonresidential units include long-term care, dorms and extended-stay rooms.

Unaudited - see accompanying report of independent auditor.

TABLE 2.5 - NUMBER OF NEW SEWER CONNECTIONS - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2021	2020	2019	2018	2017
Residential units:					
Single family	378	519	526	384	439
Multi-family	1	5	2	5	4
Townhouse	347	519	477	254	183
Total residential units	726	1,043	1,005	643	626
Nonresidential units (a)	5	30	38	19	14
Total new sewer connections	731	1,073	1,043	662	640

Service Class	Fiscal Year				
	2016	2015	2014	2013	2012
Residential units:					
Single family	695	397	755	595	407
Multi-family	21	14	5	30	528
Townhouse	173	80	168	282	134
Total residential units	889	491	928	907	1,069
Nonresidential units (a)	65	28	44	416	265
Total new sewer connections	954	519	972	1,323	1,334

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms and extended-stay rooms.

Unaudited - see accompanying report of independent auditor.

TABLE 2.6 - TEN LARGEST CUSTOMERS - CURRENT YEARS AND NINE YEARS AGO

Name	Fiscal Year 2021			Fiscal Year 2012		
	Annual Revenues	Rank	Percentage of Total Operating Revenues	Annual Revenues	Rank	Percentage of Total Operating Revenues
Skyline Plaza	\$ 478,545	1	0.22 %	\$ -	-	- %
INOVA Health Systems - Fair Oaks Hospital	465,547	2	0.22	-	-	-
Skyline SQ Owner Association	388,463	3	0.18	-	-	-
INOVA Fairfax Hospital	384,985	4	0.18	490,045	1	0.31
Skyline House Owners Association	312,554	5	0.14	-	-	-
Fairmont Gardens	182,537	6	0.08	-	-	-
Kay Management Company	167,683	7	0.08	-	-	-
RBDW AVANT LLC	162,173	8	0.07	-	-	-
Woodlake Towers Inc	161,296	9	0.07	-	-	-
Goodwin House Inc.	153,092	10	0.07	-	-	-
Green Springs Village	-	-	-	398,697	2	0.25
Reston Hospital Center	-	-	-	252,663	3	0.16
Montebello Condo Unit	-	-	-	208,147	4	0.13
Shenandoah's Pride Dairy	-	-	-	198,135	5	0.12
Homart Development Corp.	-	-	-	197,539	6	0.12
Hyatt Regency Reston	-	-	-	157,939	7	0.10
BECO Management	-	-	-	140,955	8	0.09
Ritz-Carlton Hotel Co.	-	-	-	137,914	9	0.09
ZML-Reston Town Center LLC	-	-	-	128,932	10	0.08
Totals	\$ 2,856,875		1.31 %	\$ 2,310,966		1.45 %

Source: Fairfax County Wastewater Management Program and FY2012 CAFR

Unaudited - see accompanying report of independent auditor.

3.0 - DEBT CAPACITY

Debt capacity information is intended to assist users in understanding and assessing the System’s debt burden and its ability to issue additional debt. There are three tables in this section.

TABLE 3.1 - RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017
Senior debt:					
2021A Sewer revenue bonds	\$ 241,366,552	\$ -	\$ -	\$ -	\$ -
2021B Sewer revenue refunding bonds	28,741,153	-	-	-	-
2017 Sewer revenue bonds	97,276,512	99,306,954	101,287,396	103,222,838	103,823,280
2016 Sewer revenue refunding bonds	180,254,571	185,102,180	186,134,789	187,167,398	188,200,007
2014 Sewer revenue refunding bonds	44,043,426	48,592,086	52,935,746	57,059,406	60,998,066
2012 Sewer revenue bonds	2,386,175	37,803,997	39,888,736	41,883,475	43,788,214
2009 Sewer revenue bonds	-	-	4,146,400	7,603,470	10,890,540
Total senior debt	594,068,389	370,805,217	384,393,067	396,936,587	407,700,107
Subordinate debt:					
Upper Occoquan Service Authority bonds	238,023,361	230,580,059	220,716,512	231,842,892	242,574,706
Virginia Resources Authority bonds	3,253,412	9,155,312	15,001,542	20,792,625	26,529,083
Total subordinate debt	241,276,773	239,735,371	235,718,054	252,635,517	269,103,789
Total outstanding debt	\$ 835,345,162	\$ 610,540,588	\$ 620,111,121	\$ 649,572,104	\$ 676,803,895
Outstanding debt ratios:					
Per capita (a)	\$ 713	\$ 523	\$ 538	\$ 568	\$ 594
Percent of personal income (a)	0.83%	0.63%	0.69%	0.75%	0.79%
Per connection (b)	\$ 2,220	\$ 1,647	\$ 1,678	\$ 1,762	\$ 1,839
To operating revenues (c)	\$ 3.86	\$ 2.80	\$ 2.94	\$ 3.25	\$ 3.46

	Fiscal Year				
	2015	2015	2014	2013	2012
Senior debt:					
2016 Sewer revenue bonds	\$ 189,232,620	\$ -	\$ -	\$ -	\$ -
2014 Sewer revenue bonds	64,786,726	68,475,386	68,989,046	-	-
2012 Sewer revenue bonds	45,612,953	101,522,504	103,487,772	105,418,040	-
2009 Sewer revenue bonds	14,022,610	146,030,833	149,111,493	152,057,153	147,430,000
2004 Sewer revenue refunding bonds	-	-	3,413,434	77,950,428	79,280,000
Total senior debt	313,654,909	316,028,723	325,001,745	335,425,621	226,710,000
Subordinate debt:					
Upper Occoquan Service Authority bonds	254,524,994	265,680,629	277,293,041	283,269,711	273,056,094
Virginia Resources Authority bonds	32,085,998	37,440,694	42,671,739	47,781,987	52,487,594
Total subordinate debt	286,610,992	303,121,323	319,964,780	331,051,698	325,543,688
Total outstanding debt	\$ 600,265,901	\$ 619,150,046	\$ 644,966,525	\$ 666,477,319	\$ 552,253,688
Outstanding debt ratios:					
Per capita (a)	\$ 526	\$ 544	\$ 570	\$ 596	\$ 493
Percent of personal income (a)	0.70%	0.76%	0.80%	0.87%	0.78%
Per connection (b)	\$ 1,634	\$ 1,690	\$ 1,763	\$ 1,827	\$ 1,519
To operating revenues (c)	\$ 3.15	\$ 3.30	\$ 3.43	\$ 3.84	\$ 3.45

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 4.1 for population and personal income data. Ratios are based on the population and personal income data as of the prior calendar year.

(b) See Tables 2.2 and 2.3 for customer base data.

(c) See Table 1.3 for operating revenue data.

(d) For FY 2012 - 2015, amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.

Unaudited - see accompanying report of independent auditor.

TABLE 3.2 - PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements (e)			Debt Coverage (f)		
				Senior Debt (c)	Subordinate Debt (d)	Total	Senior w/o AF	Total w/AF w/o AF	
2021	\$ 251,953,388	\$ 109,195,101	\$ 142,758,287	\$ 25,134,131	\$ 24,839,693	\$ 49,973,824	4.30	2.86	2.16
2020	242,894,311	107,459,887	135,434,424	25,062,781	24,626,802	49,689,583	4.52	2.73	2.28
2019	236,111,014	101,359,127	134,751,887	25,026,131	25,002,875	50,029,006	4.53	2.69	2.26
2018	228,258,855	100,996,444	127,262,411	21,798,234	21,545,695	43,343,929	4.65	2.94	2.34
2017	221,981,894	94,166,419	127,815,475	17,319,472	25,812,397	43,131,869	5.92	2.96	2.38
2016	206,286,555	92,452,813	113,833,742	20,896,350	26,219,955	47,116,305	4.74	2.42	2.10
2015	210,056,680	92,311,556	117,745,124	20,524,756	26,239,074	46,763,830	4.68	2.52	2.04
2014	212,782,338	91,111,419	121,670,919	21,889,744	26,107,036	47,996,780	4.46	2.53	2.03
2013	195,627,747	86,441,125	109,186,622	18,153,551	26,155,106	44,308,657	4.89	2.46	2.00
2012	189,447,450	85,454,838	103,992,612	16,334,719	25,528,010	41,862,729	4.59	2.48	1.79

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Gross revenues include all revenues except amortization of deferred gains on bond refundings and gains on disposals of capital assets.
- (b) Operating expenses do not include depreciation and amortization.
- (c) Senior debt includes sewer revenue and revenue refunding bonds issued by the System and the System's share of debt of the Alexandria Sanitation Authority.
- (d) Subordinate debt is paid after senior debt and operating expenses. It includes debt service on the System's share of debt of UOSA Revenue Bonds and VRA Revenue Bonds.
- (e) The same resources are used for all debt service requirements. See Table 3.3 for details of principal and interest amounts.
- (f) The minimum senior debt service coverage should be no less than 1.25 times. The Sewer Fund changed the minimum senior debt coverage to 2.0 times in FY 2011.

Unaudited - see accompanying report of independent auditor.

TABLE 3.3 - DEBT SERVICE REQUIREMENTS - LAST TEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017
Senior debt:					
2021A Sewer revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -
2021B Sewer revenue refunding bonds	-	-	-	-	-
2017 Sewer revenue bonds	5,510,300	5,509,600	5,505,325	2,293,053	-
2016 Sewer revenue refunding bonds	10,454,956	6,697,181	6,697,181	6,697,181	4,520,597
2014 Sewer revenue refunding bonds	5,774,125	5,765,750	5,731,750	5,722,625	5,707,375
2012 Sewer revenue bonds	3,394,750	3,395,125	3,395,875	3,392,125	3,394,125
2009 Sewer revenue bonds	-	3,695,125	3,696,000	3,693,250	3,697,375
Total senior debt	25,134,131	25,062,781	25,026,131	21,798,234	17,319,472
Subordinate debt:					
Upper Occoquan Service Authority bonds	18,864,801	18,651,910	19,027,983	15,570,803	19,837,505
Virginia Resources Authority bonds	5,974,892	5,974,892	5,974,892	5,974,892	5,974,892
Total subordinate debt	24,839,693	24,626,802	25,002,875	21,545,695	25,812,397
Total debt service requirements	\$ 49,973,824	\$ 49,689,583	\$ 50,029,006	\$ 43,343,929	\$ 43,131,869

	Fiscal Year				
	2016	2015	2014	2013	2012
Senior debt:					
2014 Sewer revenue refunding bonds	\$ 5,688,250	\$ 1,901,681	\$ -	\$ -	\$ -
2012 Sewer revenue bonds	5,556,950	5,554,675	5,556,200	1,801,401	-
2009 Sewer revenue bonds	9,651,150	9,650,025	9,651,900	9,652,150	9,651,213
2004 Sewer revenue refunding bonds	-	3,418,375	6,681,644	6,700,000	6,683,506
Total senior debt	20,896,350	20,524,756	21,889,744	18,153,551	16,334,719
Subordinate debt:					
Upper Occoquan Service Authority bonds	20,016,677	20,035,797	19,903,758	19,734,931	18,890,938
Virginia Resources Authority bonds	6,203,278	6,203,277	6,203,278	6,420,175	6,637,073
Total subordinate debt	26,219,955	26,239,074	26,107,036	26,155,106	25,528,011
Total debt service requirements	\$ 47,116,305	\$ 46,763,830	\$ 47,996,780	\$ 44,308,657	\$ 41,862,730

Source: Fairfax County Wastewater Management Program

(a) Debt service amounts reported in this table include both principal and interest payments on bonds based on a cash basis.

Unaudited - see accompanying report of independent auditor.

4.0 DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information is intended to assist users in understanding the socioeconomic environment within which a government entity operates and to provide information that facilitates comparisons of financial statement information over time and among environments. There are two tables presented in this section.

TABLE 4.1 - DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN CALENDAR YEARS

Calendar Year	County Population		Personal Income (c) (000s)	Per Capita Personal Income (c)	Unemployment Rate (d)
	Total (a)	On County Sewer (b)			
2020	1,171,848	954,000	\$ 100,944,159	\$ 86,141	5.6 %
2019	1,166,965	952,000	96,205,762	82,441	2.3
2018	1,152,873	949,000	90,357,574	78,376	2.4
2017	1,142,888	945,000	86,834,344	75,978	3.0
2016	1,138,652	941,000	85,311,224	74,923	3.2
2015	1,142,234	937,000	85,675,546	75,007	3.1
2014	1,137,538	936,245	81,620,627	71,752	3.5
2013	1,130,924	935,435	80,982,075	71,607	3.7
2012	1,118,602	932,864	77,012,392	68,847	4.3
2011	1,100,692	930,350	71,145,429	64,637	4.2

Notes:

- (a) Total population data includes the Cities of Fairfax and Falls Church and is obtained from the U.S. Census Bureau's American Fact Finder.
- (b) Population data for those on County Sewer is obtained from the Fairfax County Wastewater Management Program.
- (c) Personal income data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce and includes the Cities of Fairfax and Falls Church. Data for only Fairfax County is not available; however, it is believed that the inclusion of these Cities does not significantly affect the County's data. Fairfax County data for 2020 is estimated using percent change in per capita personal income from 2019.
- (d) Unemployment rates are obtained from the Virginia Employment Commission's Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

Unaudited - see accompanying report of independent auditor.

TABLE 4.2 - PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2021 (1)			Fiscal Year 2012 (1)		
	Number of Employees (2)	Rank	Pct. of Total County Employment (3)	Number of Employees (2)	Rank	Pct. of Total County Employment (3)
Federal Government	26,543	1	4.30 %	23,361	2	4.02 %
Fairfax County Public Schools	25,389	2	4.12	23,534	1	4.05
Fairfax County Government	12,128	3	1.97	12,070	3	2.08
Inova Health System	10,000-12,000	4	1.78	7,000-10,000	5	1.46
George Mason University	5,000-9,999	5	1.22	4,000-6,999	7	0.95
Booz-Allen Hamilton	5,000-9,999	6	1.22	7,000-10,000	4	1.46
Amazon	5,000-9,999	7	1.22			
Federal Home Loan Mortgage	5,000-9,999	8	1.22	4,000-6,999	8	0.95
Science Applications International Corporation (4)	5,000-9,999	9	1.22	4,000-6,999	6	0.95
Capital One	5,000-9,999	10	1.22			
Northrop Grumman	-	-	-	4,000-6,999	9	0.95
The Mitre Corp	-	-	-	1,000-3,999	10	0.43
Total			<u>19.49 %</u>			<u>17.30 %</u>

Source: Fairfax County Economic Development Authority, using Virginia Employment Commission data; Fairfax County Public Schools; Fairfax County Department of Management and Budget

Notes:

- (1) Employment information for fiscal year 2021, excluding data from Fairfax County Government and Fairfax County Public Schools, is from the 1st quarter of calendar year 2021 VEC and Fairfax County's Economic Development Authority. Employment information for fiscal year 2012 is as presented in the fiscal year 2012 ACFR.
- (2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.
- (3) Percentages are based on the midpoint of the employment range. Average total County employment for fiscal year 2021 is estimated at 616,633 based on Virginia Employment Commission. Average total County employment for fiscal year 2012 was estimated at 581,547.
- (4) Science Applications International Corporation employment is reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

Unaudited - see accompanying report of independent auditor.

5.0 OPERATING INFORMATION

Operating information is intended to provide contextual information about a government entity's operations and resources to assist readers in using financial statement information to understand and assess a government entity's economic condition. There are nine tables presented in this section.

TABLE 5.1 - WASTEWATER MANAGEMENT EMPLOYEES BY DIVISION (a) - LAST TEN FISCAL YEARS

Division	Fiscal Year				
	2021	2020	2019	2018	2017
Planning & Administration	32	31	29	29	32
Laboratory	23	23	23	23	21
Collection	139	139	138	134	134
Treatment	135	135	134	131	132
Total	329	328	324	317	319

Division	Fiscal Year				
	2016	2015	2014	2013	2012
Planning & Administration	35	35	35	25	25
Laboratory	19	19	19	21	21
Collection	132	132	132	140	140
Treatment	129	129	129	135	135
Total	315	315	315	321	321

Source: Fairfax County Wastewater Management Program

Notes:

(a) Number of employees represents full time equivalents as of June 30 of the fiscal year.

Unaudited - see accompanying report of independent auditor.

TABLE 5.2 - TREATMENT PLANT CAPACITIES (MGD) - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	67.00	67.00	67.00	67.00	67.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Renew Enterprises	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Service Authority	22.10	22.10	22.60	22.60	22.60
Arlington County	3.00	3.00	3.00	3.00	3.00
Loudoun Water	1.00	1.00	1.00	1.00	1.00
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	156.68	156.68	157.18	157.18	157.18

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	67.00	67.00	67.00	67.00	67.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Renew Enterprises	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Service Authority	22.60	22.60	22.60	22.60	22.60
Arlington County	3.00	3.00	3.00	3.00	3.00
Loudoun Water	1.00	1.00	1.00	1.00	1.00
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	157.18	157.18	157.18	157.18	157.18

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

TABLE 5.3 - AVERAGE WASTEWATER FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	40.54	37.08	42.24	36.95	35.64
DCWASA Blue Plains	26.86	27.53	31.66	26.80	25.36
Alexandria Renew Enterprises	18.06	16.18	21.64	17.31	15.46
Upper Occoquan Service Authority	13.06	12.43	14.44	12.47	11.86
Arlington County	2.11	2.18	2.34	2.25	2.18
Other (a)	0.06	0.04	0.06	0.02	0.02
Total system flow	100.69	95.44	112.38	95.80	90.52

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	37.78	38.36	39.77	37.56	39.91
DCWASA Blue Plains	27.14	28.17	29.98	28.39	29.31
Alexandria Renew Enterprises	16.52	16.39	19.07	17.66	18.93
Upper Occoquan Service Authority	12.64	12.76	13.53	12.50	12.60
Arlington County	2.08	2.04	1.96	1.96	2.00
Other (a)	0.04	0.03	0.03	0.02	0.04
Total system flow	96.20	97.75	104.34	98.09	102.79

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Loudoun Water, Harbor View, and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

TABLE 5.4 - AVERAGE WASTEWATER FLOWS (MGD) BY SOURCE - LAST TEN FISCAL YEARS

Source	Fiscal Year				
	2021	2020	2019	2018	2017
County connections	89.77	85.66	100.21	85.93	80.85
City of Fairfax	2.88	2.34	3.06	2.57	2.95
Town of Herndon	2.97	3.02	3.36	2.88	2.68
Arlington County	1.39	1.24	1.59	1.17	1.09
Fort Belvoir	1.23	1.02	1.40	1.18	1.08
City of Falls Church	1.18	1.05	1.24	1.04	0.86
Town of Vienna	0.97	0.89	1.14	0.75	0.69
Other (a)	0.29	0.22	0.38	0.28	0.32
Total system flow	100.68	95.44	112.38	95.80	90.52

Source	Fiscal Year				
	2016	2015	2014	2013	2012
County connections	85.82	87.93	92.26	88.72	92.75
City of Fairfax	3.24	2.84	3.20	2.63	3.15
Town of Herndon	2.43	2.46	2.66	2.27	2.46
Arlington County	1.35	1.37	1.39	1.21	1.36
Fort Belvoir	1.29	1.13	2.70	1.30	1.05
City of Falls Church	0.94	0.89	0.98	0.94	0.99
Town of Vienna	0.75	0.77	0.86	0.73	0.82
Other (a)	0.38	0.36	0.29	0.29	0.21
Total system flow	96.20	97.75	104.34	98.09	102.79

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other sources of wastewater include Loudoun County, Fairfax Water, and the County's solid waste resource recovery facility.

Unaudited - see accompanying report of independent auditor.

TABLE 5.5 - MAXIMUM MONTHLY FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Recent Five Years		Past Ten Years	
	Flow	Month	Flow	Month
Noman M. Cole, Jr.	46.48	Mar-19	46.48	Mar-19
DCWASA Blue Plains	34.12	Mar-19	34.75	May-14
Alexandria Renew Enterprises	25.14	Dec-18	25.14	Dec-18
Upper Occoquan Service Authority	16.68	Nov-18	16.68	Nov-18
Arlington County	2.47	Dec-18	2.47	Dec-18

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying report of independent auditor.

TABLE 5.6 - AVERAGE UNUSED CAPACITY (MGD) BY TREATMENT PLANT (a) - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	26.46	29.92	24.76	30.05	31.36
DCWASA Blue Plains	4.14	3.47	(0.66)	4.20	5.64
Alexandria Renew Enterprises	14.34	16.22	10.76	15.09	16.94
Upper Occoquan Service Authority	9.04	9.67	8.16	10.13	10.74
Arlington County	0.89	0.82	0.66	0.75	0.82
Loudoun Water	1.00	1.00	1.00	1.00	1.00
Other (b)	0.12	0.14	0.12	0.16	0.16
Total unused capacity	55.99	61.24	44.80	61.38	66.66

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	29.22	28.64	27.23	29.44	27.09
DCWASA Blue Plains	3.86	2.83	1.02	2.60	1.69
Alexandria Renew Enterprises	15.88	16.01	13.33	14.73	13.47
Upper Occoquan Service Authority	9.96	9.83	9.07	10.10	10.00
Arlington County	0.92	0.97	1.04	1.04	1.00
Loudoun Water	1.00	1.00	1.00	1.00	1.00
Other (b)	0.14	0.15	0.15	0.15	0.14
Total unused capacity	60.98	59.43	52.84	59.06	54.39

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

TABLE 5.7 - AVERAGE CAPACITY UTILIZATION (a) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	60.51 %	55.34 %	63.04 %	55.15 %	53.19 %
DCWASA Blue Plains	86.65	88.79	102.13	86.45	81.81
Alexandria Renew Enterprises	55.74	49.95	66.79	53.43	47.72
Upper Occoquan Service Authority	59.10	56.24	63.89	55.18	52.48
Arlington County	70.33	72.80	78.00	75.00	72.67
Other (b)	31.11	20.00	33.33	11.11	11.11
Total system capacity utilization	64.26 %	60.91 %	71.50 %	60.95 %	57.59 %

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	56.39 %	57.25 %	59.36 %	56.06 %	59.57 %
DCWASA Blue Plains	87.55	90.87	96.71	91.61	94.55
Alexandria Renew Enterprises	50.99	50.59	58.86	54.53	58.43
Upper Occoquan Service Authority	55.93	56.46	59.87	55.75	55.75
Arlington County	69.33	68.00	65.33	66.67	66.67
Other (b)	22.22	16.67	16.11	16.67	22.22
Total system capacity utilization	61.20 %	62.19 %	66.38 %	62.42 %	65.40 %

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

TABLE 5.8 - AVERAGE UNIT COST OF WASTEWATER TREATMENT (\$/MG) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	\$ 1,834	\$ 1,979	\$ 1,705	\$ 1,903	\$ 1,856
DCWASA Blue Plains	1,562	1,586	1,343	1,452	1,150
Alexandria Renew Enterprises	1,710	1,876	1,408	2,148	2,366
Upper Occoquan Service Authority	2,836	3,148	2,442	2,825	3,070
Arlington County	3,399	2,601	3,032	2,982	2,595

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	\$ 1,651	\$ 1,542	\$ 1,509	\$ 1,551	\$ 1,379
DCWASA Blue Plains	1,245	1,460	1,080	1,275	1,239
Alexandria Renew Enterprises	1,938	2,237	1,887	1,983	1,858
Upper Occoquan Service Authority	2,868	2,701	2,486	2,769	2,620
Arlington County	2,703	3,642	3,110	3,039	3,050

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying report of independent auditor.

TABLE 5.9 - CAPITAL ASSET STATISTICS - LAST TEN FISCAL YEARS

Fiscal Year	Treatment Plants (a)		Number of Pumping Stations	Number of Metering Stations	Miles of Sewer Pipe
	System-Owned	Purchased Capacity			
2021	1	6	63	57	3,250
2020	1	6	63	57	3,243
2019	1	6	63	57	3,249
2018	1	6	63	57	3,247
2017	1	6	59	54	3,242
2016	1	6	59	54	3,431
2015	1	6	59	54	3,425
2014	1	6	59	54	3,420
2013	1	6	59	54	3,412
2012	1	6	65	54	3,398

Source: Fairfax County Wastewater Management Program

Notes:

(a) The System owns one treatment plant, the Noman M. Cole Jr. Plant, and has purchased capacity in the following treatment plants owned by other local jurisdictions: DC Water Blue Plains, Alexandria Renew Enterprises, Upper Occoquan Service Authority, Arlington County, Loudoun Water, and Prince William County Service Authority.

Unaudited - see accompanying report of independent auditor.

6.0 MISCELLANEOUS INFORMATION

Miscellaneous information is additional information presented that may be of interest to readers of this report. There are two tables and a wastewater treatment plant service area map presented in this section.

TABLE 6.1 - WASTEWATER FLOW (GPD) PER CAPITA BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	104	94	108	95	92
DCWASA Blue Plains	118	120	140	119	113
Alexandria Renew Enterprises	101	90	122	98	87
Upper Occoquan Service Authority	102	96	114	99	94
Arlington County	75	77	84	81	79
Total system flow per capita	106	99	118	101	96
Annual rainfall, inches	51.31	41.92	65.40	44.24	31.03

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	98	100	103	98	104
DCWASA Blue Plains	122	128	135	129	133
Alexandria Renew Enterprises	94	94	109	101	108
Upper Occoquan Service Authority	101	104	108	100	101
Arlington County	76	75	71	71	72
Total system flow per capita	103	105	112	105	110
Annual rainfall, inches	36.55	41.63	48.57	39.65	46.83

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying report of independent auditor.

TABLE 6.2 - WASTEWATER FLOW (GPD) PER CONNECTION BY TREATMENT PLANT - LAST TEN FISCAL YEARS

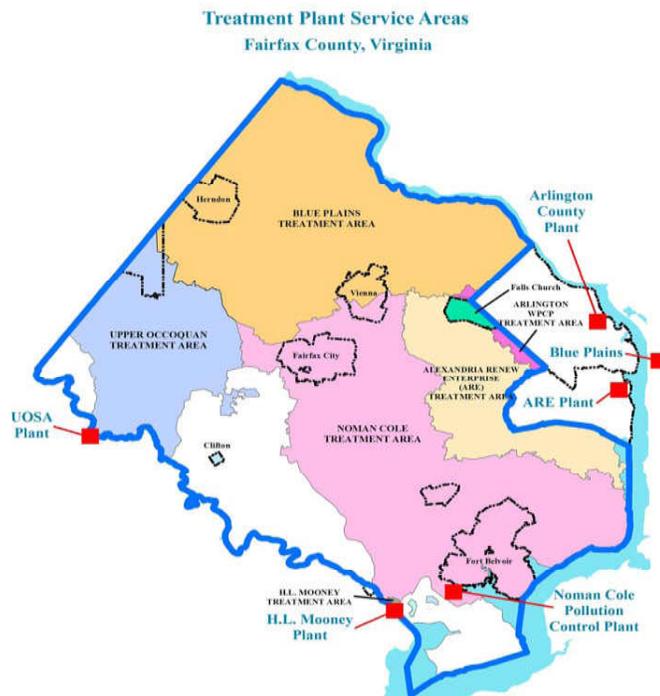
Treatment Plant	Fiscal Year				
	2021	2020	2019	2018	2017
Noman M. Cole, Jr.	268	246	281	247	238
DCWASA Blue Plains	298	306	353	302	286
Alexandria Renew Enterprises	262	235	315	253	226
Upper Occoquan Service Authority	261	249	290	252	240
Arlington County	195	202	218	211	204
Total system flow per connection	271	257	304	261	246

Treatment Plant	Fiscal Year				
	2016	2015	2014	2013	2012
Noman M. Cole, Jr.	252	257	267	253	269
DCWASA Blue Plains	306	319	340	323	335
Alexandria Renew Enterprises	241	240	280	260	279
Upper Occoquan Service Authority	256	261	275	254	256
Arlington County	195	191	184	184	188
Total system flow per connection	262	267	285	269	283

Source: Fairfax County Wastewater Management Program

Unaudited - see accompanying report of independent auditor.

WASTEWATER TREATMENT PLANT SERVICE AREA MAP



FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

The three droplets in the logo range in color from dark to medium to light tones to signify the purification process that takes place at treatment facilities.

The end result of this process is water that is returned to the County's streams at a high level of quality that supports a healthy ecosystem and end uses such as recreational boating, swimming and fishing.

The fish—the alewife—portrayed within the droplet, along with the aquatic grasses shown, are bellwethers of a hospitable environment.

The slogan, "Quality of Water = Quality of Life," represents the care taken by Wastewater Management to produce an end product that enhances the quality of residents' environmental and recreational lives.

About the Fairfax County
Wastewater Management Logo

VISION We aspire to achieve a pure and natural state of air and water quality by providing superior wastewater utility service in a spirit of teamwork and excellent customer service.

MISSION Our mission is to collect, treat, and monitor wastewater in compliance with all regulatory requirements, using state of the art technology in the most effective manner. We work to improve the environment and enhance the quality of life in Fairfax County.



FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

Fairfax County is committed to a policy of nondiscrimination in all county programs, services and activities and will provide reasonable accommodations upon request. Special accommodations/alternative information formats will be provided upon request. Call 703-324-5030, TTY 711.



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