2022 Annual Comprehensive Financial Report

For the fiscal years ended June 30, 2022 and June 30, 2021

UPPER OCCOQUAN SERVICE AUTHORITY
Regional Water Reclamation System, Centreville, VA

Upper Occoquan Service Authority is officially known as Upper Occoquan Sewage Authority

UPPER OCCOQUAN SERVICE AUTHORITY
Regional Water Reclamation System, Centreville, VA

2022 Annual Comprehensive Financial Report

For the fiscal years ended June 30, 2022 and June 30, 2021

Prepared by the Finance Department

Reclaimed water is as essential as our professionals who work diligently to provide it.

Behind every successful organization stands a team of talented, hardworking people.

UOSA is fortunate to have a dedicated team of highly trained individuals who work side by side, year after year to provide exemplary services to our stakeholders, customers, and community.

The foundation of our long-term success is our employees' passionate commitment to our mission: to safely, reliably, sustainably, and efficiently protect public health and the environment for our service community by collecting, conveying, and treating industrial, commercial, and residential wastewater for the recovery of valuable resources for beneficial uses.

We are proud that many of our employees have been with us for 10, 20, and even 40 years—reminding us that we are providing an environment where everyone can excel. Without our employees' consistently meeting the needs of UOSA's customers, we would not hold the record as the longest operating potable reuse project in the U.S., nor would we be recognized as one of the premier wastewater treatment authorities in the world.

Constructed 44 years ago, the UOSA plant was created to treat area wastewater and provide protection for the Occoquan Reservoir. Since that time, the Occoquan Reservoir's water quality has steadily improved, and the high-quality water reclaimed by UOSA has increased the safe yield of the Reservoir. UOSA has indisputably proven that treated plant effluent is far cleaner than the stream sources of surface water inflow into the Occoquan Reservoir. In fact, during drought periods, the plant may provide up to 90% of the Occoquan Reservoir inflow.

Recognized for our employee's ability to both innovate and deploy technologies, UOSA is a state-of-the-art wastewater treatment plant whose reclaimed water is an important component of the water supply for the Washington metropolitan area. Our exceptional water professionals are committed to continuously improving our products, services, and processes as we proudly move forward and build upon our legacy of achievement.

On behalf of the entire UOSA leadership team, we'd like to say a big THANK YOU to all of our valuable employees for what they do every day.

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"Just as my supervisor did for me, I make it my responsibility to clearly understand what it takes to support my team's overall well-being and empower them to grow and succeed."

Nina Andgren, Director of Operations & Maintenance

Nina has been with UOSA for 16 years. After two promotions, she now supervises a highly-qualified team responsible for safely, reliably, and efficiently keeping the interceptors and pumps in optimum working order and functioning without any interruption.

Nina provides day-to-day leadership and works with her valuable staff to ensure a high performance, cost-efficient work environment. By providing processes and strategies to protect assets and infrastructure, her team is able to consistently achieve annual goals and ensure compliance with environmental, regulatory, and internal requirements.

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Upper Occoquan Service Authority

Leader in Water Reclamation and Reuse

14631 COMPTON ROAD, CENTREVILLE, VIRGINIA 20121-2506
(703) 830-2200

November 3, 2022

Board of Directors
Upper Occoquan Service Authority
14631 Compton Road
Centreville, Virginia 20121-2506

Dear Members of the Board:

The Annual Comprehensive Financial Report (ACFR) of the Upper Occoquan Service Authority (UOSA) for the fiscal year ended June 30, 2022, is submitted herewith. This ACFR has been prepared by UOSA's Finance Department in accordance with accounting principles generally accepted in the United States of America and conforms to the requirements of the Governmental Accounting Standards Board (GASB).

Management is responsible, in all material respects, for the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of UOSA.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) found in the financial section of the ACFR and should be read in conjunction with it.

A brief history of UOSA, its fiscal operations, and selected accomplishments are presented below.

ORGANIZATION AND FUNCTION

UOSA was formed on March 3, 1971, by concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Towns (now Cities) of Manassas and Manassas Park. UOSA's discharge flows via Bull Run to the Occoquan Reservoir, a major water supply source for approximately 2 million people in the Northern Virginia communities of Fairfax, Loudoun, Prince William and Alexandria served by the Fairfax County Water Authority (Fairfax Water).

Studies in 1969-1970 concluded that inadequately treated sewage discharged by eleven secondary treatment plants in the Occoquan Watershed was largely responsible for the serious water quality problems in the Occoquan Reservoir. To remedy the problems, the Virginia State Water Control Board (SWCB) (now the Department of Environmental Quality) in 1971 adopted a comprehensive policy for the Occoquan Watershed (Occoquan Policy). A principal requirement of the Occoquan Policy was the construction of a regional water reclamation facility to replace the eleven existing treatment plants. UOSA was created to address this mandate.

UOSA was created under the provisions of the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, *Code of Virginia* of 1950 as amended) to construct, finance and operate the regional water reclamation facility mandated by the Occoquan Policy. The first of nine construction contracts was awarded in early 1974 and UOSA began operation of the treatment facility on June 26, 1978. The National

Pollutant Discharge Elimination System (NPDES) permit issued to UOSA by the SWCB and the United States Environmental Protection Agency (EPA) contained some of the most stringent discharge limits in the United States. UOSA has consistently met these limits and, as a result, eliminated wastewater as a source of pollution in the Occoquan Watershed. Further, the water reclaimed by UOSA contributes significantly to the water supply of Northern Virginia. Tenacious pursuit of an enhanced environment is a continuous activity for UOSA.

UOSA is a public body politic, corporate, and an instrumentality of the Commonwealth of Virginia. The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction. The UOSA Executive Director is responsible to the Board of Directors for the day-to-day operations of UOSA. The organization is comprised of seven Divisions: Finance, Operations & Maintenance, Treatment Process, Capital Improvements, Engineering & Technology, Regulatory Affairs and Human Resources.

REPORTING ENTITY

This ACFR includes all funds and accounts of UOSA. As described above, UOSA provides wastewater treatment and water reclamation services to four Member Jurisdictions on a wholesale basis. In accordance with accounting principles generally accepted in the United States of America for governmental entities, there are no component units to be included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

UOSA's service area is located in the Greater Washington D.C. metropolitan area, which is ranked as the fifth largest regional economy in the United States. The Washington D.C. metropolitan area provides close proximity to the federal government and continues to be a premier location for corporate headquarters. It is also the home to sixteen Fortune 500 companies. There have been several major corporate headquarters relocations to the area since 2008, including DXC Technology, Hilton Worldwide, Xylem Inc., StarKist and Northrop Grumman. Other industry leaders located within the Member Jurisdictions include Capital One, Booz Allen Hamilton, Micron Technology, Lockheed Martin, General Dynamics, and Inova Health System. In addition, Raytheon Technologies Corp., and Boeing Co. both recently announced plans to move their headquarters to Arlington, VA.

The Greater Washington D.C. area unemployment rate is consistently below the national average and is estimated to have the highest median household income in the United States in fiscal year 2022. The area has an exceedingly educated workforce and is highly ranked among all major metropolitan areas for the percent of population with graduate or professional degrees. While the U.S. government is a significant employer and customer of services, which provides a stable economic foundation, in recent years the region has become one of the country's leaders in Professional and Business Services. As a result, the economy is increasingly fueled by private sector growth. Some components of the region's economy have not yet returned to pre-pandemic levels and constraints in the labor market will slow economic growth. Residential housing values have continued to increase as the residential real estate market has improved.

UOSA's service area population has steadily increased over the last decade. With its expansion to 54 million gallons per day of capacity, UOSA continues to supply essential wastewater reclamation services to the four Member Jurisdictions in the service area.

MAJOR INITIATIVES

In 2005, UOSA completed a major expansion program to increase treatment capacity from 27 million gallons per day (mgd) to 54 mgd. This expansion incorporated process modifications and improved technologies that resulted in facilities that were more efficient and easier to operate and maintain.

UOSA's subsequent ten-year Capital Improvement Plans (CIPs) have identified additional projects, many of which are currently in various stages of design or construction. Primary project categories include the expansion of UOSA's delivery system to accommodate full build-out of the UOSA service area, a nutrient reduction project to be able to comply with regulations designed to protect and restore the Chesapeake Bay, innovative projects designed to improve treatment at low life cycle costs and miscellaneous plant improvements including renewal and replacement projects designed to properly preserve UOSA's assets and infrastructure as they age. UOSA's Capital Improvement Plans are funded by bond issuances, low interest loans, cash and public grants.

INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROLS

UOSA's management is responsible for establishing and maintaining an internal control structure designed to provide UOSA with reasonable, but not absolute, assurance that assets are safeguarded against loss, theft or misuse; and financial records for preparing financial statements and maintaining asset accountability are reliable. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

UOSA prepares annual budgets for Operating Expenditures, Reserve Maintenance and Debt Service. The proposed budgets are prepared by management and submitted to the Board of Directors for approval. Budgetary control is maintained at the sub-function level by a review of revenues and expenses by management. The Finance Division is responsible for monitoring expenses by function for UOSA as a whole. UOSA also utilizes an encumbrance system for budgetary control and to ensure the availability of funding before contracts or purchase orders are finalized. Appropriations lapse at year-end and may not be carried forward to the next year, except for funds appropriated for multi-year construction projects. After adoption, increases or decreases in budgets may be made only upon Board approval. The Reserve Maintenance and Debt Service budgets for fiscal year 2022 are as originally adopted and the Operating Expenditures budget was amended on July 15, 2021.

LONG-TERM FINANCIAL PLANNING

UOSA's Board of Directors endorsed a Capital Improvement Plan (CIP) Update in February 2022 that addresses UOSA's capital requirements through 2031. The CIP provides for treatment plant capacity that meets regulatory requirements, future growth, a completely updated and renewed collection and delivery system sized for build-out and the renewal and replacement of aging plant assets. The Plan of Finance projects financing through 2031 to ensure funding is available to meet capital improvement needs. Capital project projections and the associated Plan of Finance are updated on an annual basis.

A bond issue is anticipated for late 2022 to fund the next phase of the CIP, with additional bond issues projected for 2025 and 2028.

As part of a 2020 bond refunding in November 2020, Fitch Ratings, Inc. upgraded its rating on UOSA's regional sewerage system revenue bonds from AA+ to AAA, the highest rating that can be awarded. In addition, Standard & Poor's and Moody's both reaffirmed their respective ratings of AAA and Aa1 as part of the refunding.

	Standard & Poor's	Fitch	Moody's
Revenue Bonds	AAA	AAA	Aa1

Each of the four Member Jurisdictions is required by the Restated Service Agreement to pay its share of the debt service. The shares of the Member Jurisdictions are based on allocated capacity as a percentage of the total capacity allocated to the four participating Member Jurisdictions or as otherwise identified for specific projects within UOSA's Service Agreement.

Completion of the second phase of the Project 54 expansion program (Contract 54) provided an increase in capacity from 32 mgd to 54 mgd. Allocation of the 54 mgd capacity, which was effective February 1, 2005, is shown in Table 1 below.

TABLE 1

Member Jurisdiction	Total Capacity Allocation	Percentage Of Total Capacity
Fairfax County	27.5999 mgd	51.1109%
Prince William County	15.7971 mgd	29.2539
City of Manassas	7.6893 mgd	14.2395
City of Manassas Park	2.9137 mgd	5.3957
Total	54.0000 mgd	100.0000%

Under Section 5.4 of the Service Agreement, any Member Jurisdiction may reallocate any portion of its allocated plant capacity to any other Member Jurisdiction on such terms as may be mutually agreeable, subject to the approval of UOSA. Certain Member Jurisdictions have reallocated capacity pursuant to this provision. However, pursuant to Section 5.4 of the Service Agreement, a reallocation of capacity cannot alter the respective obligations of the Member Jurisdiction under the Service Agreement to pay UOSA's charges for debt service and for replacements and necessary improvements, as set forth in the Service Agreement.

INDEPENDENT AUDIT

The Restated Service Agreement requires an annual audit be performed. UOSA's financial statements for the years ended June 30, 2022 and 2021 were audited by PBMares, LLP, an independent accounting firm selected by the Audit Committee. The fiscal year 2022 Independent Auditor's Report is presented in the financial section of this ACFR.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to UOSA for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This is the thirty-third consecutive year UOSA has received the Certificate of Achievement for Excellence in Financial Reporting.

To be awarded a Certificate of Achievement, UOSA published an easily readable and efficiently organized ACFR, whose contents conform to program standards. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this fiscal year 2022 report continues to conform to the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for a certificate.

NACWA Platinum Peak Performance Award – The National Association of Clean Water Agencies (NACWA) awarded a Platinum Peak Performance Award to UOSA for 2021. NACWA's National Environmental Achievement Awards Program annually recognizes individual member agencies that have made outstanding contributions to environmental protection and wastewater management by consistently meeting all National Pollution Discharge Elimination System (NPDES) permit limits. This Platinum Peak Performance Award recognized UOSA's 100% NPDES permit compliance for seventeen consecutive years.

ACKNOWLEDGEMENTS

We would like to express our appreciation to all UOSA staff who assisted in the preparation of this ACFR, especially the members of the Finance Department of the Finance Division. We commend them for their professionalism, hard work and continued efforts to improve this report. This ACFR reflects our continued commitment to provide information in conformance with the highest standards of financial reporting.

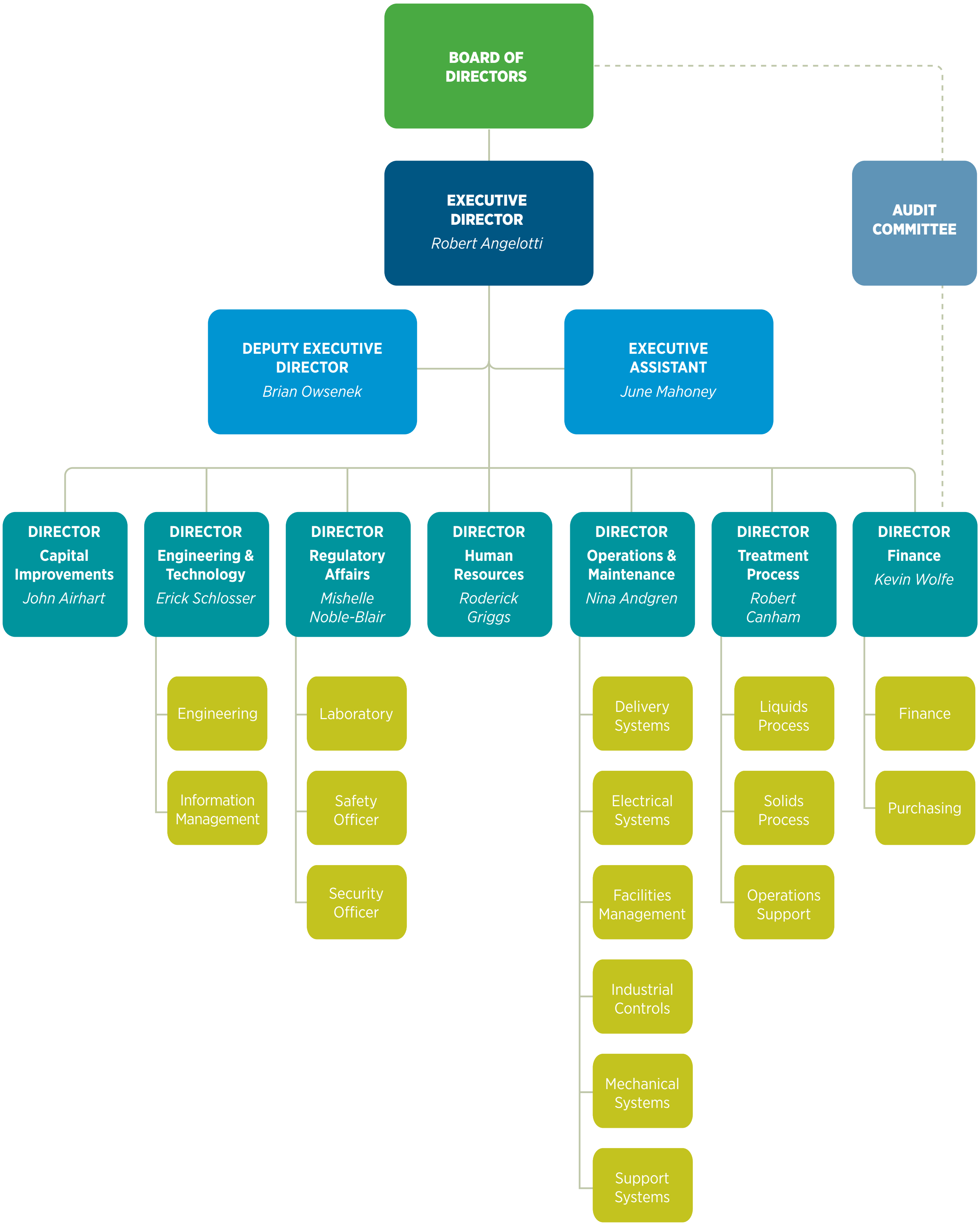
Respectfully Submitted,

Robert W. Angelotti
Executive Director

Kevin D. Wolfe
Director of Finance

Organizational Chart

June 30, 2022



Directory of Board Members and Officials

June 30, 2022

Board of Directors and Officers	Position	Member Jurisdiction/Affiliation
Shahram Mohsenin	Chairman	Fairfax County
Nancy Vehrs	Vice-Chairman	Prince William County
Jeanette M. Rishell	Secretary	City of Manassas Park
Gary Fields	Treasurer	City of Manassas Park
Michael McGrath	Member	Fairfax County
Calvin D. Farr, Jr.	Member	Prince William County
Tony H. Dawood	Member	City of Manassas
Glenn Simpson	Member	City of Manassas
Kevin D. Wolfe	Assistant Treasurer	UOSA Staff
June A. Mahoney	Assistant Secretary	UOSA Staff

Officials	Position
Robert W. Angelotti	Executive Director
Brian L. Owsenek	Deputy Executive Director
Kevin D. Wolfe	Director of Finance

Certificate of Achievement

June 30, 2022

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Upper Occoquan Service Authority
Virginia

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

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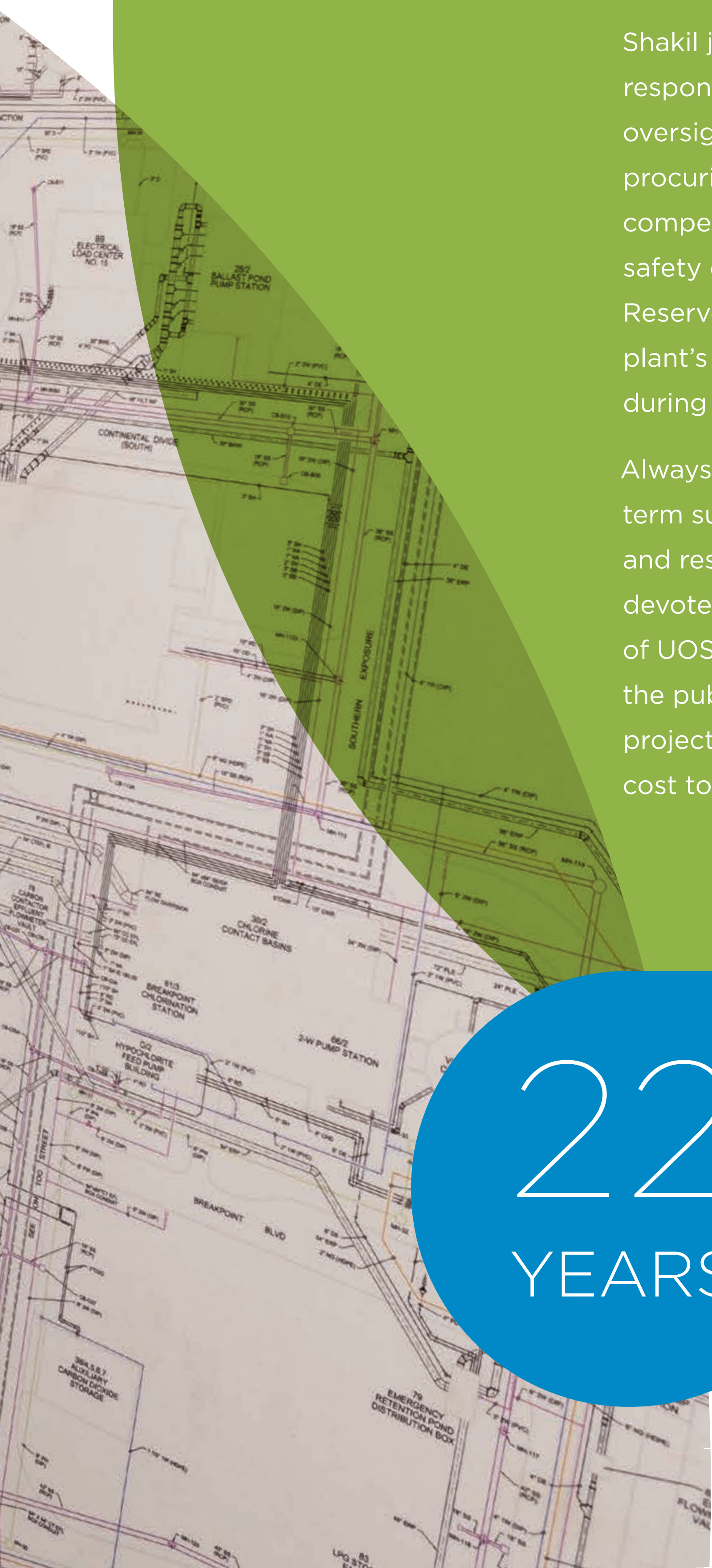
UPPER OCCOQUAN SERVICE AUTHORITY
UOSA
site pipe
Evaluation
10/6/22

"Together we can solve any challenge with the strength of the dedicated employees of UOSA."

Shakil Ahmed, Senior Project Engineer/Manager

Shakil joined UOSA in 2000. Today, his responsibilities are numerous, including the oversight of projects from design to construction, procuring jurisdiction permits, and soliciting competitive bids, while ensuring that the safety of the water discharge to the Occoquan Reservoir is never compromised and that the plant's vital operations remain uninterrupted during all construction activities.

Always mindful of UOSA's commitment to long-term sustainability, environmental impacts, and responsiveness to regional costs, Shakil is devoted to ensuring the long-term sustainability of UOSA's infrastructure and facilities, protecting the public from contamination, and monitoring projects' budgets and schedules to mitigate the cost to UOSA's end users.



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YEARS

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REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Occoquan Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Upper Occoquan Service Authority (UOSA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UOSA as of June 30, 2022, and respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UOSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UOSA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19-27 and the required supplementary information on pages 72-78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022 on our consideration of UOSA'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 UOSA'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 UOSA's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following discussion and analysis of the Upper Occoquan Service Authority's financial performance provides a narrative overview of the financial activities of UOSA for the year ended June 30, 2022. This analysis should be read in conjunction with the basic financial statements, which are located in the next section of this ACFR.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $20.1 million at June 30, 2022 compared to $27.3 million at June 30, 2021.
- UOSA's total net position decreased by $7.2 million, or 26.3%, for fiscal year 2022 compared to a decrease of $13.8 million, or 33.6%, for fiscal year 2021.
- The decrease in net position for the current year is attributable to a $8.7 million decrease in net investment in capital assets, a $1.6 million increase in restricted net position and a $0.1 million decrease in unrestricted net position.
- Fiscal year 2022 operating revenues decreased by 1.8% to $31.9 million and operating expenses decreased by 4.5% to $59.7 million, which includes depreciation and amortization expense of $29.5 million.
- Capital contributions from the Member Jurisdictions were $24.9 million and $21.1 million for fiscal years 2022 and 2021, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

UOSA operates as a single enterprise fund, which is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

This ACFR is presented in three main sections: introductory, financial and statistical. The introductory section includes the letter of transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, a list of Board members and officers, and an organizational chart.

The financial section contains the Independent Auditor's Report, Management's Discussion and Analysis, and the basic financial statements as follows:

- Statements of Net Position – These statements include all of UOSA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The statements contain information about the nature and amounts of investments in resources and obligations to creditors as well as provide a basis for evaluating the capital structure of UOSA and assessing its liquidity and flexibility.
- Statements of Revenues, Expenses and Changes in Net Position – These statements reflect revenue and expense activity for UOSA and measure the success of its operations.
- Statements of Cash Flows – These statements present the cash provided and used in operating; investing; and capital and related financing activities.
- Notes to the Financial Statements – The notes to the financial statements provide necessary disclosures essential to a full understanding of the data provided in the financial statements.

The statistical section includes selected financial, operational and demographic information about UOSA and its Member Jurisdictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FINANCIAL ANALYSIS OF UOSA'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

The table presented below provides a summary of UOSA's financial position and operations for fiscal year 2022 and fiscal year 2021.

Condensed Statements of Net Position
June 30,

			Change	
	2022	2021	Amount	%
Assets and Deferred Outflows of Resources				
Current & other assets	$ 121,014,866	$ 134,987,180	$ (13,972,314)	-10.4%
Capital assets, net	395,726,004	410,152,137	(14,426,133)	-3.5
Total Assets	516,740,870	545,139,317	(28,398,447)	-5.2
Deferred outflows of resources	26,351,328	30,108,454	(3,757,126)	-12.5
Total Assets and Deferred Outflows of Resources	543,092,198	575,247,771	(32,155,573)	-5.6
Liabilities and Deferred Inflows of Resources				
Current liabilities	43,212,086	38,743,001	4,469,085	11.5
Long-term liabilities	468,369,154	508,012,429	(39,643,275)	-7.8
Total Liabilities	511,581,240	546,755,430	(35,174,190)	-6.4
Deferred inflows of resources	11,399,652	1,214,477	10,185,175	838.6
Total Liabilities and Deferred Inflows of Resources	522,980,892	547,969,907	(24,989,015)	-4.6
Net Position				
Net (deficit) investment in capital assets	(45,898,264)	(37,170,862)	(8,727,402)	23.5
Restricted	75,578,687	73,915,571	1,663,116	2.3
Unrestricted (deficit)	(9,569,117)	(9,466,845)	(102,272)	1.1
Total Net Position	20,111,306	27,277,864	(7,166,558)	-26.3
Total Liabilities, Deferred inflows of Resources and Net Position	$ 543,092,198	$ 575,247,771	$ (32,155,5 73)	-5.6%

During fiscal year 2022, net position decreased by $7,166,558. Significant factors attributable to the decrease were as follows:

- Net investment in capital assets decreased by $8,727,402, primarily due to a decrease in net capital assets related to depreciation and amortization that was partially offset by a decrease in outstanding debt.
- Restricted net position increased by $1,663,116, primarily due to a decrease in accounts payable that was partially offset by a decrease in receivables.
- Unrestricted net position decreased by $102,272, largely due to a decrease in cash and cash equivalents as well as accounts receivable coupled with increases in accounts payable and landfill closure liability, partially offset by a decrease in net pension liability.

The table presented below provides a summary of UOSA's financial position and operations for fiscal year 2021 and fiscal year 2020

Condensed Statements of Net Position
June 30,

	2021	2020	Change Amount	Change %
Assets and Deferred Outflows of Resources				
Current & other assets	$ 134,987,180	$ 153,973,071	$ (18,985,891)	-12.3%
Capital assets, net	410,152,137	425,881,706	(15,729,569)	-3.7
Total Assets	545,139,317	579,854,777	(34,715,460)	-6.0
Deferred outflows of resources	30,108,454	17,674,213	12,434,241	70.4
Total Assets and Deferred Outflows of Resources	575,247,771	597,528,990	(22,281,219)	-3.7
Liabilities and Deferred Inflows of Resources				
Current liabilities	38,743,001	45,638,741	(6,895,740)	-15.1
Long-term liabilities	508,012,429	508,547,709	(535,280)	-0.1
Total Liabilities	546,755,430	554,186,450	(7,431,020)	-1.3
Deferred inflows of resources	1,214,477	2,274,841	(1,060,364)	-46.6
Total Liabilities and Deferred Inflows of Resources	547,969,907	556,461,291	(8,491,384)	-1.5
Net Position				
Net (deficit) investment in capital assets	(37,170,862)	(22,762,183)	(14,408,679)	-63.3
Restricted	73,915,571	72,956,334	959,237	1.3
Unrestricted (deficit)	(9,466,845)	(9,126,452)	(340,393)	-3.7
Total Net Position	27,277,864	41,067,699	(13,789,835)	-33.6
Total Liabilities, Deferred inflows of Resources and Net Position	$ 575,247,771	$ 597,528,990	$ (22,281,219)	-3.7%

During fiscal year 2021, net position decreased by $13,789,835. Significant factors attributable to the decrease were as follows:

- Net investment in capital assets decreased by $14,408,679, primarily due to a decrease in net capital assets related to depreciation and amortization that was partially offset by a decrease in outstanding debt.
- Restricted net position increased by $959,237, primarily due to an increase in cash and decrease in accrued interest payable that was partially offset by a decrease in investments.
- Unrestricted net position decreased by $340,393, largely due to an increase in net pension liability, landfill closure liability and accounts payable, partially offset by increases in accounts receivable.

REVENUES AND EXPENSES

The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2022 and fiscal year 2021.

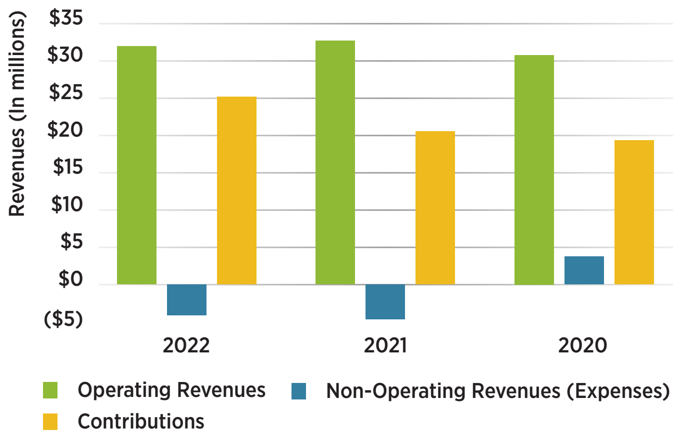
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30,

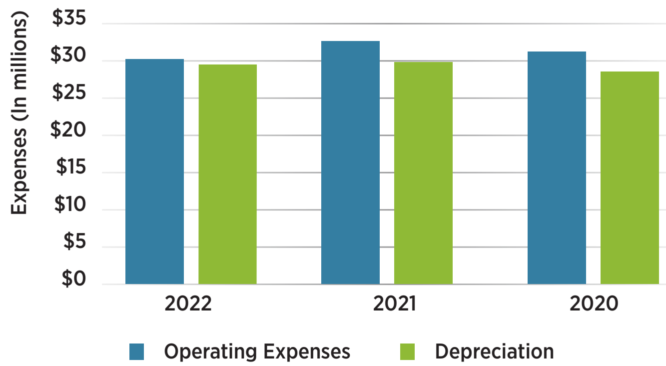
	2022	2021	Change Amount	Change %
Operating Revenues				
Member Jurisdictions	$ 31,325,092	$ 31,373,219	$ (48,127)	-0.2%
Other	561,335	1,113,678	(552,343)	-49.6
Total Operating Revenues	31,886,427	32,486,897	(600,470)	-1.8
Operating Expenses				
Operations	30,231,445	32,749,614	(2,518,169)	-7.7
Depreciation and amortization	29,462,594	29,781,996	(319,402)	-1.1
Total Operating Expenses	59,694,039	62,531,610	(2,837,571)	-4.5
Operating Loss	(27,807,612)	(30,044,713)	2,237,101	7.4
Non-operating revenues (expenses), net	(4,323,085)	(4,852,451)	529,366	10.9
Capital contributions	24,964,139	21,107,329	3,856,810	18.3
Change in Net Position	(7,166,558)	(13,789,835)	6,623,277	48.0
Total net position, beginning of the year	27,277,864	41,067,699	(13,789,835)	-33.6
Total Net Position, End of Year	$ 20,111,306	$ 27,277,864	$ (7,166,558)	-26.3%

The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2021 and fiscal year 2020.

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30,

	2021	2020	Change Amount	Change %
Operating Revenues				
Member Jurisdictions	$ 31,373,219	$ 30,221,705	$ 1,151,514	3.8%
Other	1,113,678	400,807	712,871	177.9
Total Operating Revenues	32,486,897	30,622,512	1,864,385	6.1
Operating Expenses				
Operations	32,749,614	30,962,210	1,787,404	5.8
Depreciation and amortization	29,781,996	28,531,473	1,250,523	4.4
Total Operating Expenses	62,531,610	59,493,683	3,037,927	5.1
Operating Loss	(30,044,713)	(28,871,171)	(1,173,542)	-4.1
Non-operating revenues (expenses), net	(4,852,451)	3,787,368	(8,639,819)	-228.1
Capital contributions	21,107,329	19,301,263	1,806,066	9.4
Change in Net Position	(13,789,835)	(5,782,540)	(8,007,295)	-138.5
Total net position, beginning of the year	41,067,699	46,850,239	(5,782,540)	-12.3
Total Net Position, End of Year	$ 27,277,864	$ 41,067,699	$ (13,789,835)	-33.6%





OPERATING REVENUES

Operating revenue is derived primarily from billings to the Member Jurisdictions for treatment of sewage. The billings to the four Member Jurisdictions are based on the approved budget and actual monthly flows.

Current Year. Compared to fiscal year 2021, operating revenue decreased by $600,470 net of a $1,526,147 credit to the Member Jurisdictions for the fiscal year 2022 Operations and Maintenance budget surplus. The variance was due primarily to decreases in Other Revenue.

Prior Year. Compared to fiscal year 2020, operating revenue increased by $1,864,385 net of a $1,505,736 credit to the Member Jurisdictions for the fiscal year 2021 Operations and Maintenance budget surplus. The variance was due primarily to increases in operating costs.

OPERATING EXPENSES

Operating expenses reflect the cost of services associated with the operation of the treatment plant and delivery systems.

Current Year. Operations expenses decreased by $2,518,169 compared to fiscal year 2021. The decrease was primarily due to a decrease in net pension liability, lower personnel expense and lower requirements for contract services. This was partially offset by higher chemical pricing.

Prior Year. Operations expenses increased by $1,787,404 compared to fiscal year 2020. The increase was primarily due to higher personnel expense and higher requirements for contract services.

NON-OPERATING REVENUES (EXPENSES)

Current Year. Non-operating revenues increased by $529,366 in fiscal year 2022 due to a decrease in bond issuance costs partially offset by increased asset disposal losses and decreased revenue in excess of expenses from restricted accounts.

Prior Year. Non-operating revenues decreased by $8,639,819 in fiscal year 2021 due to a decrease in revenue in excess of expenses from restricted accounts. This decrease is primarily due to decreases in restricted investment income and an increase in expense related to capital along with higher bond issuance costs.

CAPITAL ASSETS

At the close of fiscal year 2022, UOSA had $395,726,004 invested in capital assets. This amount represents a net decrease of $14,426,133 or approximately 3.5% under fiscal year 2021.

Capital Assets at June 30, (net of accumulated depreciation and amortization)

	2022	2021	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ –	0.0%
Treatment plant and reservoir	248,954,593	244,327,712	4,626,881	1.9
Interceptor sewers	47,247,743	48,165,996	(918,253)	-1.9
Pumping stations	70,281,877	74,477,814	(4,195,937)	-5.6
Mobile equipment	920,715	870,259	50,456	5.8
Office furniture and equipment	181,408	236,692	(55,284)	-23.4
Vehicles	711,426	602,281	109,145	18.1
Construction in progress	20,224,630	34,267,771	(14,043,141)	-41.0
Total	$ 395,726,004	$ 410,152,137	$ (14,426,133)	-3.5%

Major Additions in Fiscal Year 2022, at Cost, Included:

Treatment Plant and Reservoir:	
General plant improvements, Residuals Renovations and Improvements to D/2 and assets placed in service (removed from construction in progress)	$ 25,747,931
Construction in Progress:	
Plant and delivery system expansion and improvements	11,827,746
Vehicles:	
Fleet vehicles	252,924

This information should be read in conjunction with note 5 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets.

At the close of fiscal year 2021, UOSA had $410,152,137 invested in capital assets. This amount represents a net decrease of $15,729,569 or approximately 3.7% under fiscal year 2020.

Capital Assets at June 30, (net of accumulated depreciation and amortization)

	2021	2020	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ –	0.0%
Treatment plant and reservoir	244,327,712	243,342,501	985,211	0.4
Interceptor sewers	48,165,996	46,242,464	1,923,532	4.2
Pumping stations	74,477,814	78,796,015	(4,318,201)	-5.5
Mobile equipment	870,259	937,886	(67,627)	-7.2
Office furniture and equipment	236,692	310,955	(74,263)	-23.9
Vehicles	602,281	500,089	102,192	20.4
Construction in progress	34,267,771	48,548,184	(14,280,413)	-29.4
Total	$ 410,152,137	$ 425,881,706	$ (15,729,569)	-3.7%

Major Additions in Fiscal Year 2021, at Cost, Included:

Treatment Plant and Reservoir:	
General plant improvements and assets placed in service (removed from construction in progress)	$ 21,987,240
Construction in Progress:	
Plant and delivery system expansion and improvements	13,233,397
Interceptor:	
Manassas Northside Interceptor (removed from construction in progress)	3,299,217
Vehicles:	
Fleet vehicles	201,110

This information should be read in conjunction with note 5 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets.

DEBT ADMINISTRATION

Current Year. At June 30, 2022, the total principal balance due on UOSA's outstanding debt was $479,906,271 compared to $501,117,559 at June 30, 2021. The decrease in outstanding debt from fiscal year 2021 is equal to $21,211,288, which reflects a reduction in bonds payable of $15,435,000 and a reduction in loans payable of $5,776,288.

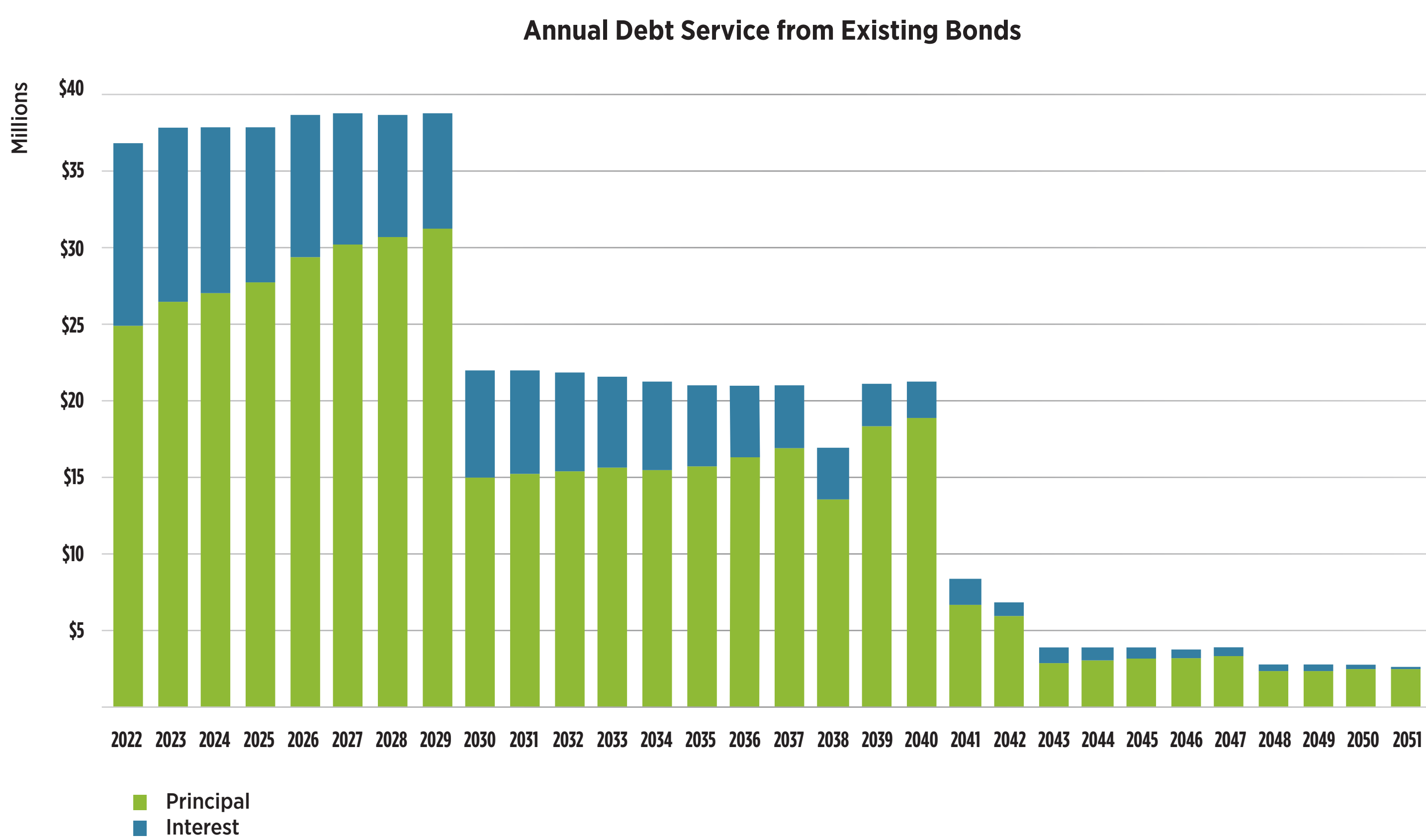
At June 30, 2022, the total outstanding bonds payable balance was $464,425,000. The decrease reflects the principal payments on the 2010B Series Bonds, 2013A Series Bond, 2016A Series Bonds and the 2020 Series Bonds.

At June 30, 2022, the total outstanding loan balance was $15,481,271. The decrease consisted of principal payments for the 2013B Series loan and the VRA (2011A & B) loans.

Prior Year. At June 30, 2021, the total principal balance due on UOSA's outstanding debt was $501,117,559 compared to $484,813,205 at June 30, 2020. The increase in outstanding debt from fiscal year 2020 is equal to $16,304,354, which reflects an increase in bonds payable of $21,945,000 and a reduction in loans payable of $5,640,646.

At June 30, 2021, the total outstanding bonds payable balance was $479,860,000. The increase reflects the issuance of the 2020 Series Bonds; partially offset by the defeasance of the 2014 Series Bonds as well as principal payments on the 1995A Series Bonds, 2010B Series Bonds, 2013A Series Bonds and 2016A Series Bonds.

At June 30, 2021, the total outstanding loan balance was $21,257,559. The decrease consisted of principal payments for the 2013B Series loan and the VRA (2011A & B) loans.



This information should be read in conjunction with the transmittal letter and note 6 to the audited financial statements in order to obtain more detailed information on UOSA's long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- UOSA's adopted Annual Budget for fiscal year 2023 is $77.4 million and is primarily comprised of $37.8 million (48.8%) in capital financing costs, $34.7 million (44.8%) in operating expenses, $4.6 million (6.0%) in reserve maintenance expenditures, and $0.3 million (0.4%) in reserve funding. The total represents an increase of $3,128,691 or 4.21% over fiscal year 2022. The increase is primarily due to a modest increase for Debt Service and Operations & Maintenance.
- The average daily flow projection for fiscal year 2023 is 37.0 million gallons per day (mgd). This represents an increase of 0.6 mgd or 1.65% over fiscal year 2022.
- UOSA's Capital Improvements Program (CIP) includes $698.9 million in forecasted capital projects for plant renewal and improvements; plant expansion; delivery system improvements and expansion; reserve maintenance; and nutrient removal through 2031. Budgeted spending for calendar year 2023 is $41.7 million.
- The next bond issuance is contemplated for late 2022 with additional bond issues planned for 2025 and 2028, which will fund CIP through 2031.
- The fiscal year 2023 budget reflects efforts to reduce costs by securing fixed pricing for natural gas and treatment plant electrical power, and through the continued use of a cogeneration facility that will produce power from digester gas.
- UOSA's favorable loss experience and risk management efforts resulted in a continuation of the 5.0% premium reduction from VML Insurance for liability, automobile and public officials liability insurance.

CONTACTING UOSA'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of UOSA's finances to all interested parties. Questions about this report or requests for additional financial information should be addressed to UOSA's Director of Finance at the Upper Occoquan Service Authority, 14631 Compton Road, Centreville, VA 20121-2506, or by telephone at (703) 830-2200, or visit UOSA's website at www.uosa.org.

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FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021
Current Assets		
Cash and cash equivalents (notes 1 and 2)	$ 8,749,178	$ 9,451,864
Accounts receivable (notes 1 and 3)	591,955	1,049,101
Accrued interest receivable	5,524	1,065
Inventory	3,751,082	3,420,519
Prepaid expenses	482,847	323,717
Restricted assets (notes 1 and 4)		
Cash and cash equivalents (notes 1 and 2)	58,688,139	91,696,121
Investments (notes 1 and 2)	22,875,202	–
Deposits	70	70
Reserve maintenance receivable	3,202,664	1,956,684
Accrued interest receivable	103,438	68,071
Total Current Assets	98,450,099	107,967,212
Non-Current Assets		
Restricted assets (notes 1 and 4)		
Investments (notes 1 and 2)	22,272,757	25,219,968
Arbitrage rebate receivable (note 13)	–	1,800,000
Restricted assets	22,272,757	27,019,968
Capital assets (notes 1 and 5)		
Utility plant and equipment	909,158,960	882,333,792
Other	9,939,266	9,794,817
Accumulated depreciation and amortization	(550,800,464)	(523,447,855)
Land	7,203,612	7,203,612
Construction in progress	20,224,630	34,267,771
Capital assets, net	395,726,004	410,152,137
Net pension asset (note 7)	292,010	–
Total Non-Current Assets	418,290,771	437,172,105
Total Assets	516,740,870	545,139,317
Deferred Outflows of Resources (note 1)		
Deferred amount on refunding of debt	20,191,648	24,079,890
Deferred outflows related to OPEB (notes 1 and 8)	1,391,228	1,117,232
Deferred outflows related to pensions (notes 1 and 7)	4,768,452	4,911,332
Total Deferred Outflows of Resources	26,351,328	30,108,454
Total Assets and Deferred Outflows of Resources	**$ 543,092,198**	**$ 575,247,771**

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET POSITION (continued)

June 30, 2022 and 2021

Liabilities, Deferred Inflows of Resources and Net Position	2022	2021
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,906,496	$ 6,733,000
Accrued salaries and benefits	678,442	595,560
Accrued bond interest payable (note 6)	6,541,823	7,129,246
Accrued loan interest payable (note 6)	72,950	158,893
Contract retainage payable (note 6)	–	798,275
Income received in advance	3,270	3,150
Revenue bonds payable, net (note 6)	24,209,460	15,621,436
Virginia Resources Authority (VRA) loans payable (note 6)	981,717	897,886
Loans payable, net (note 6)	3,770,000	4,845,000
Compensated absences payable (notes 1 and 6)	2,047,928	1,960,555
Total Current Liabilities	43,212,086	38,743,001
Long-Term Liabilities		
Landfill closure and postclosure obligation (notes 6 and 12)	4,978,422	4,619,846
Contract retainage payable (note 6)	245,511	20,317
Revenue bonds payable, net (note 6)	445,090,001	469,299,461
VRA loans payable (note 6)	10,729,554	11,744,673
Loans payable, net (note 6)	–	3,770,000
Compensated absences payable (notes 1 and 6)	377,318	361,419
Net other postemployment benefit obligation (notes 1, 6 and 8)	6,948,348	6,803,711
Net pension liability (notes 1, 6 and 7)	–	11,393,002
Total Long-Term Liabilities	468,369,154	508,012,429
Total Liabilities	511,581,240	546,755,430
Deferred Inflows of Resources (note 1)		
Deferred inflows related to OPEB (notes 1 and 8)	551,848	343,231
Deferred inflows related to pensions (notes 1 and 7)	10,847,804	871,246
Total Deferred Inflows of Resources	11,399,652	1,214,477
Net Position		
Net (deficit) investment in capital assets	(45,898,264)	(37,170,862)
Restricted		
Capital projects	10,935	1,800,265
Repairs and replacement	7,573,260	6,161,190
Debt service	67,994,492	65,954,116
Unrestricted (deficit)	(9,569,117)	(9,466,845)
Total Net Position	20,111,306	27,277,864
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 543,092,198	$ 575,247,771

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues (notes 1 and 9)		
Member jurisdictions	$ 31,325,092	$ 31,373,219
Other	561,335	1,113,678
Total Operating Revenues	31,886,427	32,486,897
Operating Expenses (notes 1 and 10)		
Operations	30,231,445	32,749,614
Depreciation and amortization	29,462,594	29,781,996
Total Operating Expenses	59,694,039	62,531,610
Operating Loss	(27,807,612)	(30,044,713)
Non-Operating Revenues (Expenses)		
Interest income	17,493	27,723
Federal Build America Bonds subsidy	1,310,668	1,343,681
Bond issuance costs	–	(1,641,470)
Loss on sale of assets	(814,456)	(92,198)
Revenues in excess of (less than) expenses from restricted accounts (note 11)	(4,836,790)	(4,490,187)
Total Non-Operating Revenues (Expenses), Net	(4,323,085)	(4,852,451)
Net Loss before Capital Contributions	(32,130,697)	(34,897,164)
Capital contributions (note 11)	24,964,139	21,107,329
Change in Net Position	(7,166,558)	(13,789,835)
Total net position, beginning of year	27,277,864	41,067,699
Total Net Position, End of Year	**$ 20,111,306**	**$ 27,277,864**

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from localities	$ 36,523,141	$ 34,883,942
Payments to employees for services	(19,835,890)	(20,593,930)
Payments to suppliers for goods and services	(12,080,092)	(11,055,791)
Net Cash Provided by Operating Activities	4,607,159	3,234,221
Cash Flows from Non-capital Financing Activities		
Federal Build America Bonds subsidy	1,310,668	1,343,681
Net Cash Provided By Non-capital Financing Activities	1,310,668	1,343,681
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt issuance	–	199,755,000
Payment to escrow agent	–	(198,823,215)
Bond issuance costs	–	(1,641,470)
Collections for debt service	36,585,299	35,301,552
Interest payments on long-term debt	(15,804,046)	(17,258,779)
Principal payments on long-term debt	(21,211,288)	(19,565,646)
Acquisition and construction of capital assets	(18,079,709)	(21,521,303)
Proceeds from sale of capital assets	112,697	125
Net Cash Used in Capital and Related Financing Activities	(18,397,047)	(23,753,736)
Cash Flows from Investing Activities		
Sale (purchase) of investments	(21,760,957)	11,951,608
Interest on investments	529,509	1,117,447
Net Cash (Used in) Provided by Investing Activities	(21,231,448)	13,069,055
Net Decrease in Cash and Cash Equivalents	(33,710,668)	(6,106,779)
Cash and cash equivalents, beginning of year	101,147,985	107,254,764
Cash and Cash Equivalents, End of Year	$ 67,437,317	$ 101,147,985
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (27,807,612)	$ (30,044,713)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	29,462,594	29,781,996
Collections for reserve maintenance	5,082,891	4,479,824
Payments for reserve maintenance costs	(1,050,529)	(991,596)
OPEB expense	144,093	80,565
Pension expense	(1,574,996)	860,357
Changes in assets and liabilities:		
Net change in accounts receivable, accounts payable, prepaid expenses and inventory	406,130	(769,630)
Net change in pension contributions	9,423	(146,815)
Net change in OPEB contributions	(64,835)	(15,767)
Net Cash Provided by Operating Activities	$ 4,607,159	$ 3,234,221
Noncash Investing, Capital, and Financing Activities		
Decrease in fair value of investments not classified as cash and cash equivalents	$ (1,832,965)	$ (1,490,964)
Loss on disposals of capital assets	(814,456)	(92,198)
Increase in landfill closure and postclosure care liability	(358,576)	(200,149)

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Reporting Entity

The Upper Occoquan Service Authority (UOSA) is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act (now the Virginia Water and Waste Authorities Act) whose principal purpose is the reclamation of wastewater to protect Northern Virginia's Occoquan Reservoir as a potable water supply source. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax County, Prince William County, the City (formerly Town) of Manassas and the City (formerly Town) of Manassas Park (collectively the "Member Jurisdictions"). The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction.

The obligations of UOSA and its Member Jurisdictions are set forth in a Restated Service Agreement. Under the Restated Service Agreement, UOSA is obligated to process all wastewater delivered to it by the Member Jurisdictions up to their allotted capacities. The Member Jurisdictions are obligated to pay charges for the wastewater processing. These charges include Operations and Maintenance, Reserve Maintenance (the cost of replacements and necessary improvements which do not increase the system capacity), and Debt Service on the loans and bonds issued to finance construction of the UOSA facilities.

As required by accounting principles generally accepted in the United States of America for governmental entities, the financial statements of the reporting entity include all the funds and accounts of UOSA (the primary government). There are no component units to be included in the reporting entity.

(b) Basis of Presentation and Accounting

The accounting policies of UOSA conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements when they become effective. GASB is the independent organization that establishes the accounting and financial reporting standards for state and local governments that follow generally accepted accounting principles.

UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of UOSA. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities or result from non-exchange transactions and ancillary services.

(c) Budget and Budgetary Accounting

The Board of Directors adopts an annual budget for operations and maintenance as required by the Restated Agreement of Trust administered by the Trustee, U.S. Bank National Association. The budget is based on projected wastewater flow and may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases or decreases in the budget may be made only upon Board approval. The charges to the four Member Jurisdictions, based on the budget and monthly flow, are adjusted upon completion of the annual audit for any deficit or available surplus in the operating account. The deficit or available surplus in the operating account is recorded as a receivable or liability respectively, at year-end. The budget is prepared on the accrual basis of accounting. Budgetary control is maintained at the sub-function level. A review of revenues and expenses compared to the budget is conducted with the Board of Directors on a monthly and quarterly basis. Unexpended budgeted amounts for the operating account lapse at year-end and may not be carried forward to the next year. Design and construction budgets and related funds are multi-year and do not lapse annually.

(d) Cash and Cash Equivalents

UOSA considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

(e) Investments

UOSA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, which prescribes that certain investments be reported at their fair value, with the change in fair value being reported as revenue.

(f) Accounts Receivable

Management expects all receivables to be fully collectible; therefore, no allowance for bad debts is maintained. Receivables relate to reserve maintenance, septage facility usage and selected meter stations and pump stations, the latter two of which are operated on behalf of others.

(g) Prepaid Expenses

Payments to vendors, which are applicable to future accounting periods are recorded as prepaid expenses in the accompanying Statement of Net Position. Prepaid expenses are expensed in the period they are used.

(h) Inventories

Inventories are reported at cost and consist of chemicals, fuels, operating supplies and certain system replacement parts.

(i) Capital Assets

Capital assets consist of the water reclamation system, vehicles, furniture and equipment valued at historical cost. In addition to property and equipment, other direct acquisition costs and certain administrative costs during the construction period have been capitalized. When appropriate, costs are reduced by interest earned on construction funds. The capitalization threshold for capital assets is $5,000. The assets are depreciated or amortized using the straight-line method. Major repairs are capitalized and depreciated over a shorter estimated useful life. When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There are no impaired assets as of June 30, 2022.

Capital Assets	Estimated Useful Lives
Treatment Plant and Reservoir	15 – 50 years
Interceptor Sewers	20 – 50 years
Pumping Stations	10 – 50 years
Mobile Equipment	5 – 15 years
Office Furniture and Equipment	5 – 15 years
Vehicles	8 – 15 years

(j) Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. UOSA currently reports deferred amounts on bond refundings, deferred outflows related to pensions (see note 7) and deferred outflows related to OPEB (see note 8) as deferred outflows of resources.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. UOSA currently reports deferred inflows related to pensions (see note 7) and deferred inflows related to OPEB (see note 8) as deferred inflows of resources.

(k) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (UOSA's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of UOSA's Retirement Plan and the additions to/deductions from UOSA's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Other Postemployment Benefits (OPEB)

Health Care Benefit Plan

UOSA administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2021, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

VRS Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Plan and the additions to/deductions from the VRS Group Life Insurance Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VACORP Hybrid Disability Program

The VACORP Hybrid Disability Program is an insured defined benefit OPEB plan. OPEB expense is recognized as premium payments required for the reporting period in accordance with the agreement with the insurance company are due and payable.

(m) Deferred Compensation Plan

UOSA offers its employees a deferred compensation plan in accordance with Internal Revenue Code, Section 457. The funds are held in a trust and managed by a third party. Therefore, UOSA is no longer reporting such assets and associated liabilities on its statement of net position as stated under GASB Statement No. 32 *(Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans)*. UOSA's contributions to the deferred compensation plan for the fiscal years ended June 30, 2022 and 2021 were $210,482 and $222,178, respectively.

(n) Compensated Absences

UOSA's employee benefits program provides for the earning and accumulation of vacation and sick leave. The accumulation of vacation leave is based on years of service. Employees with less than 10 years of service are limited to 240 hours, employees with 10 to 20 years of service are limited to 320 hours and directors or employees with 20 or more years are limited to 400 hours. Accumulated vacation hours in excess of the limit are transferred to sick leave. Accrued vacation leave balances are paid to employees who terminate employment. The liability for accrued vacation leave as of June 30, 2022 and 2021, was $1,571,728 and $1,504,240 respectively.

Sick leave may be accumulated up to 480 hours for employees in the VRS Hybrid plan and up to 1040 hours for all other full-time employees. Sick leave accumulation was not limited prior to July 1, 2015 and hours accumulated prior to that date are not subject to the current policy limits. A portion is paid upon termination based on years of service and does not exceed 25% of the total accumulated balance. As of June 30, 2022 and 2021, the liability for accrued sick leave was $853,518 and $817,734 respectively.

(o) Risk Management

UOSA is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. UOSA purchases insurance coverage for risks including workers' compensation, automobiles, boiler/machinery use, land use, public officials' liability, crime, general liability, and earthquake. UOSA has not incurred any environmental losses through June 30, 2022 and in the past three years there were no insurance settlements that exceeded insurance coverage. Costs resulting from non-insured losses will be charged to operations when incurred.

(p) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Restricted Assets

Restricted assets present constraints on resources that are either externally imposed by creditors, contributors, laws and regulation of other governments or imposed by law through state statute.

(r) New Accounting Pronouncements Adopted

UOSA has reviewed all GASB pronouncements that became effective for the fiscal year ended June 30, 2022 and determined none to be applicable to UOSA for fiscal year ended June 30, 2022.

(s) New Accounting Pronouncements

Management has elected to disclose upcoming GASB pronouncements that may have an impact on UOSA.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. Statement 94 will become effective for UOSA beginning with its year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Statement 96 will become effective for UOSA beginning with its year ending June 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections, An Amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 will become effective for UOSA beginning with its year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, will better meet the information needs of financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 100 will become effective for UOSA beginning with its year ending June 30, 2025.

Management has not yet determined the effect that these Statements will have on its financial statements.

(t) Subsequent Events

UOSA has evaluated subsequent events through November 3, 2022, the date on which the financial statements were available to be issued.

2. CASH AND INVESTMENTS

(a) Cash and Cash Equivalents

At June 30, 2022 and 2021, all cash of UOSA is maintained in accounts covered by federal deposit insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

Under the Act, banks holding public deposits in excess of the amounts insured by federal deposit insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similar to federal deposit insurance. Savings institutions are required to collateralize 100% of deposits in excess of federal deposit insurance limits.

Unrestricted cash and cash equivalents consist of bank deposits and petty cash funds.

Unrestricted Cash and Cash Equivalents	2022	2021
Cash	$ 6,249,178	$ 9,451,864
Investments classified as cash equivalents	2,500,000	–
Total Unrestricted Cash and Cash Equivalents	**$ 8,749,178**	**$ 9,451,864**

Restricted cash and cash equivalents consist of bank deposits and money market fund investments in debt service and project fund accounts held by a Trustee.

Restricted Cash and Cash Equivalents	2022	2021
Cash	$ 4,503,051	$ 4,503,802
Money market funds held by trustee	54,185,088	87,192,319
Total Restricted Cash and Cash Equivalents	$ 58,688,139	$ 91,696,121

(b) Investments

As of June 30, 2022 and 2021, the fair value of UOSA's investments, with their respective credit ratings, was as follows:

		Fair Value	
Investment Type	Credit Rating	2022	2021
Restricted Investments			
U.S. securities	AAA	$ 45,147,959	$ 25,219,968
Total Investments		$ 45,147,959	$ 25,219,968

(1) Credit Risk

UOSA's Investment Policy (Policy) authorizes UOSA to invest in (1) obligations of the United States, the Commonwealth of Virginia, the Federal National Mortgage Association, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Financing Corporation (FICO), and Student Loan Marketing Association, (2) commercial paper with a maturity of 270 days or less rated prime 1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Corporation, and (3) repurchase agreements.

(2) Concentration of Credit Risk

The Policy places no limit on the amount UOSA may invest in any one issuer. UOSA had investment types at June 30, 2022 and 2021 that exceed 2% of the total investments. UOSA had no investments over 5% that required disclosure.

	2022		2021	
Investment Type (Restricted & Unrestricted)	Fair Value	% of Total Investments	Fair Value	% of Total Investments
U.S. Treasury notes and bills	$ 45,147,959	100%	$ 25,219,968	100%
Total Investments	$ 45,147,959	100%	$ 25,219,968	100%

(3) Interest Rate Risk

The Policy limits the investment of funds in the operating and restricted asset accounts in obligations of the following maturities:

- Operating Account - Not to exceed date needed for payment of operating expenses
- Restricted Asset Accounts:
  Construction Fund - Not to exceed date needed for payment of construction costs
  Reserve Maintenance - Not to exceed seven years
  Revenue Bond - Not to exceed date needed for payment of principal and interest

As of June 30, 2022 and 2021, UOSA had the following investments and maturities:

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2022	Original Maturity (in years) 1 Year or Less	More than 2 Years
U.S. securities	$ 45,147,959	$ 22,875,202	$ 22,272,757
Total Investments	$ 45,147,959	$ 22,875,202	$ 22,272,757

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2021	Original Maturity (in years) 1 Year or Less	More than 2 Years
U.S. securities	$ 25,219,968	$ –	$ 25,219,968
Total Investments	$ 25,219,968	$ –	$ 25,219,968

(4) Custodial Credit Risk

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in UOSA's name. As of June 30, 2022 and 2021 all of UOSA's investments and money market funds classified as cash equivalents are held in a bank's trust department in UOSA's name, and therefore UOSA is not exposed to custodial credit risk.

(5) Fair Value Measurement

UOSA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs. As of June 30, 2022 and 2021, UOSA's investments are valued using Level 1 inputs.

UOSA has the following recurring fair value measurements:

- U.S. Treasury securities of $45.1 million and $25.2 million as of June 30, 2022 and 2021 respectively, are valued using quoted prices in an active market for identical assets (Level 1 inputs).

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2022 and 2021:

	2022	2021
Fairfax County	$ 331,355	$ 585,548
Prince William County	19,984	11,252
City of Manassas	62,397	365,482
Other	178,219	86,819
Total	$ 591,955	$ 1,049,101

4. RESTRICTED ASSET ACCOUNTS

UOSA's restricted assets are accounted for within the Enterprise Fund accounts rather than through separate fund entities. Therefore, in accordance with the Restated Agreement of Trust and Supplements administered by the Trustee, UOSA had the following restricted asset accounts in operation at June 30, 2022:

Reserve Maintenance - This account receives all revenue derived by UOSA to pay the cost of replacements and necessary improvements that do not increase the system capacity or scope. In accordance with Section 606 of the Restated Agreement of Trust, UOSA charges and collects from the Member Jurisdictions amounts sufficient to make the current balance in the Reserve Maintenance account equal to the greater of (1) $2,000,000, (2) the estimated cost of replacements and necessary improvements which do not increase the system capacity or scope as set forth in the current fiscal year budget, or (3) the amount certified by UOSA's consulting engineer, provided, however, that if such amount certified by the consulting engineer is greater, UOSA may charge and collect the amount over a period not to exceed five fiscal years, so long as the amount on deposit at all times during the year is at least equal to the amount required to pay the cost of replacements and improvements which do not increase the system capacity or scope.

Revenue Bonds - These accounts receive all revenue derived by UOSA to pay the principal and interest on the bonds. At all times, there is on deposit in the Revenue Bond Interest Accounts the amount of interest on the bonds accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Principal Accounts the amount of principal due on the outstanding bonds during the next succeeding twelve months accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Sinking Fund Accounts the amount of any sinking fund installment due within the next succeeding twelve months accrued to the last day of the current month with respect to any Bonds that are subject to redemption, in accordance with Section 607 of the Restated Agreement of Trust and the First Supplemental Restated Agreement of Trust.

Bond Debt Reserve - This account contains at all times an amount deposited from the proceeds of UOSA's bonds sufficient to cover the maximum amount payable on account of principal and interest in any fiscal year (the Required Reserve) in accordance with the Restated Agreement of Trust, Section 608. According to Section 608, in lieu of the Required Reserve or any portion of it, the account may contain on deposit a surety bond or an insurance policy payable to the Trustee for the benefit of the bondholders, in an aggregate amount equal to the difference between the Required Reserve and the amount on deposit in the Debt Reserve Account.

Construction - This account receives proceeds from the issuance of bonds and is used to pay for construction in accordance with the Restated Agreement of Trust, as supplemented, Section 501.

As of June 30, 2022 and 2021 the Restricted Asset Accounts are summarized below:

	2022			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 17,807,214	$ 4,503,051	$ 36,377,874	$ 58,688,139
Investments	7,009,141	–	38,138,818	45,147,959
Deposits	70	–	–	70
Reserve maintenance receivable	–	3,202,664	–	3,202,664
Accrued interest receivable	10,865	–	92,573	103,438
Total	$ 24,827,290	$ 7,705,715	$ 74,609,265	$ 107,142,270

	2021			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 39,237,908	$ 4,503,802	$ 47,954,411	$ 91,696,121
Investments	–	–	25,219,968	25,219,968
Deposits	70	–	–	70
Arbitrage rebate receivable	1,800,000	–	–	1,800,000
Reserve maintenance receivable	–	1,956,684	–	1,956,684
Accrued interest receivable	195	–	67,876	68,071
Total	$ 41,038,173	$ 6,460,486	$ 73,242,255	$ 120,740,914

5. CAPITAL ASSETS

(a) Changes in Capital Assets for the Years Ended June 30, 2022 and 2021

2022	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Non-Depreciable Capital Assets					
Land	$ 7,203,612	$ –	$ –	$ –	$ 7,203,612
Construction in progress	34,267,771	12,322,029	–	(26,365,170)	20,224,630
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	675,693,477	2,223,189	(2,540,607)	26,205,143	701,581,202
Interceptor sewers	73,541,463	703,839	(254,384)	–	73,990,918
Pumping stations	129,238,200	410,285	(106,475)	13,556	129,555,566
Mobile equipment	3,860,652	90,164	(20,286)	100,744	4,031,274
Other:					
Office furniture and equipment	7,852,343	6,910	(6,600)	–	7,852,653
Vehicles	1,942,474	225,324	(108,785)	27,600	2,086,613
Total Capital Assets	$ 933,599,992	$ 15,981,740	$ (3,037,137)	$ (18,127)	$ 946,526,468

2021	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Non-Depreciable Capital Assets					
Land	$ 7,203,612	$ –	$ –	$ –	$ 7,203,612
Construction in progress	48,548,184	13,842,125	–	(28,122,538)	34,267,771
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	651,430,522	2,211,727	(132,670)	22,183,898	675,693,477
Interceptor sewers	70,049,938	192,308	–	3,299,217	73,541,463
Pumping stations	128,992,347	242,882	–	2,971	129,238,200
Mobile equipment	3,817,038	69,947	(26,333)	–	3,860,652
Other:					
Office furniture and equipment	7,958,304	–	(105,961)	–	7,852,343
Vehicles	1,857,438	218,304	(137,178)	3,910	1,942,474
Total Capital Assets	$ 919,857,383	$ 16,777,293	$ (402,142)	$ (2,632,542)	$ 933,599,992

Transfers of $18,127 and $2,632,542 during fiscal years 2022 and 2021, respectively, consist of expenses related to capital from restricted asset accounts (see Note 11).

(b) Changes in Accumulated Depreciation and Amortization for the Years Ended June 30, 2022 and 2021

	2022				
	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	$ 431,365,765	$ 22,965,570	$ (1,704,726)	$ –	$ 452,626,609
Interceptor sewers	25,375,467	1,606,026	(238,318)	–	26,743,175
Pumping stations	54,760,386	4,544,572	(31,269)	–	59,273,689
Mobile equipment	2,990,393	140,453	(20,287)	–	3,110,559
Other:					
Office furniture and equipment	7,615,651	62,194	(6,600)	–	7,671,245
Vehicles	1,340,193	143,779	(108,785)	–	1,375,187
Total Accumulated Depreciation and Amortization	$ 523,447,855	$ 29,462,594	$ (2,109,985)	$ –	$ 550,800,464

	2021				
	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Depreciable Capital Assets					
Utility Plant and Equipment:					
Treatment plant and reservoir	$ 408,088,021	$ 23,328,131	$ (50,387)	$ –	$ 431,365,765
Interceptor sewers	23,807,474	1,567,993	–	–	25,375,467
Pumping stations	50,196,332	4,564,054	–	–	54,760,386
Mobile equipment	2,879,152	127,534	(16,293)	–	2,990,393
Other:					
Office furniture and equipment	7,647,349	74,262	(105,960)	–	7,615,651
Vehicles	1,357,349	120,022	(137,178)	–	1,340,193
Total Accumulated Depreciation and Amortization	$ 493,975,677	$ 29,781,996	$ (309,818)	$ –	$ 523,447,855

6. LONG-TERM DEBT

(a) Bonds Payable

UOSA issues revenue bonds to provide funds for acquisition and construction of major capital facilities and for refunding higher-interest revenue bonds. The bonds are secured by pledges of revenues from UOSA's sewer system, certain pledged reserves and income from investments pursuant to the Trust Agreement between UOSA and U.S. Bank National Association. Bonds payable as of June 30, 2022, consist of the following:

$85,180,000 Regional Sewerage System Revenue Bonds, Series 2010; dated December 23, 2010, principal maturing annually with interest from 3.50% to 6.00% payable semiannually through July 1, 2043.

$101,615,000 Regional Sewerage System Revenue Refunding Bonds, Series 2013A; dated May 30, 2013, principal maturing annually with interest from 0.35% to 2.90% payable semiannually through July 1, 2026.

$20,915,000 Regional Sewerage System Revenue Bonds, Series 2016A; dated June 16, 2016, principal maturing annually starting July 1, 2019 with interest from 3.00% to 5.00% payable semiannually through July 1, 2048.

$41,030,000 Regional Sewerage System Revenue Refunding Bonds, Series 2016B; dated June 16, 2016, principal maturing annually starting July 1, 2035 with interest from 3.00% to 4.00% payable semiannually through July 1, 2038.

$52,440,000 Regional Sewerage System Revenue Bonds, Series 2019; dated December 20, 2019, principal maturing annually starting July 1, 2023 with interest from 3.00% to 5.00% payable semiannually through July 1, 2052.

$199,755,000 Regional Sewerage System Revenue Refunding Bonds, Series 2020; dated November 12, 2020, maturing annually starting July 1, 2021 with interest from 0.297% to 2.55% payable semiannually through July 1, 2041.

For each outstanding bond series, principal payments are made annually on July 1 and interest is payable semi-annually on January 1 and July 1. Future debt service requirements are as follows:

Fiscal Year(s)	Principal	Interest	Total
2023	$ 24,020,000	$ 11,445,673	$ 35,465,673
2024	25,485,000	10,897,616	36,382,616
2025	26,085,000	10,267,122	36,352,122
2026	26,755,000	9,583,440	36,338,440
2027	38,765,000	8,848,533	47,613,533
2028-2032	117,095,000	36,498,174	153,593,174
2033-2037	76,730,000	26,853,240	103,583,240
2038-2042	88,605,000	13,190,033	101,795,033
2043-2047	24,140,000	4,029,704	28,169,704
2048-2052	14,130,000	1,377,000	15,507,000
2052-2053	2,615,000	39,225	2,654,225
Total	$ 464,425,000	$ 133,029,760	$ 597,454,760

(b) Virginia Resources Authority Loans Payable

In July 2011, UOSA entered into a financing agreement with Virginia Resources Authority (VRA) for the purpose of funding the costs related to the Energy Service (ESCO) Project, including the replacement of an existing blower system and the installation of a generator and cogeneration unit which uses biogas to produce heat and electricity. The loan was authorized under the Virginia Water Facilities Revolving Fund (VWFRF) for $6.1 million, at 2.93% per annum for a term of twenty years. In October 2021, UOSA amended the finance agreement with VRA that reduced the interest rates to 1.20% for the remainder of the loan. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each June 1 and December 1. The outstanding loan balance at June 30, 2022 was $3,355,289.

In December 2011, UOSA entered into a second financing agreement with VRA for the purpose of funding Phase 1 of the Nutrient Compliance Improvement Project (P1NR), together with related project expenses. The loan was authorized under the VWFRF for $13.9 million, at 2.35% per annum for a term of twenty years. In October 2021, UOSA amended the finance agreement with VRA that reduced the interest rates to 1.25% for the remainder of the loan. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each March 1 and September 1. The outstanding loan balance at June 30, 2022 was $8,355,982.

Future debt service requirements for principal and interest are as follows:

	2011A Loan		2011B Loan		
Fiscal Year(s)	Principal	Interest	Principal	Interest	Total
2023	$ 301,701	$ 39,361	$ 680,016	$ 102,331	$ 1,123,409
2024	305,332	35,730	688,543	93,804	1,123,409
2025	309,007	32,055	697,176	85,171	1,123,409
2026	312,727	28,335	705,918	76,429	1,123,409
2027	316,491	24,572	714,770	67,577	1,123,410
2028-2032	1,640,517	64,794	3,710,556	201,180	5,617,047
2033-2034	169,514	1,017	1,159,003	14,518	1,344,052
Total	$ 3,355,289	$ 225,864	$ 8,355,982	$ 641,010	$ 12,578,145

(c) Loan Payable

In November 2013, UOSA issued the 2013B Series Regional Sewerage System Revenue Refunding Bonds for the purpose of refunding the 2003 Series Regional Sewerage System Revenue Refunding Bonds. The 2013B Series issuance is a direct bank loan for $37.7 million at 1.85% per annum for a term of eight years. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest is payable on a semi-annual basis each January 1 and July 1 and principal is payable on an annual basis each July 1. The outstanding loan balance at June 30, 2022 was $3,770,000.

Future debt service requirements for principal and interest are as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 3,770,000	$ 34,778	$ 3,804,778
Total	$ 3,770,000	$ 34,778	$ 3,804,778

(d) Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the years ended June 30, 2022 and 2021:

	2022				
	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds Payable					
2010B Series	$ 72,080,000	$ –	$ 2,105,000	$ 69,975,000	$ 2,165,000
2013A Series	94,355,000	–	11,540,000	82,815,000	17,550,000
2016A Series	20,200,000	–	385,000	19,815,000	405,000
2016B Series	41,030,000	–	–	41,030,000	–
2019 Series	52,440,000	–	–	52,440,000	–
2020 Series	199,755,000	–	1,405,000	198,350,000	3,900,000
	479,860,000	–	15,435,000	464,425,000	24,020,000
Premium (discount) on bonds payable (net)	5,060,897	–	186,436	4,874,461	189,460
Net Bonds Payable	484,920,897	–	15,621,436	469,299,461	24,209,460
Loans Payable					
Loan payable (2013B Series)	8,615,000	–	4,845,000	3,770,000	3,770,000
VRA loans payable (2011A & 2011B Series)	12,642,559	–	931,288	11,711,271	981,717
Landfill closure and postclosure obligation	4,619,846	358,576	–	4,978,422	–
Contract retainage payable	818,592	548,164	1,121,245	245,511	–
Compensated absences payable	2,321,974	1,846,980	1,743,708	2,425,246	2,047,928
Net OPEB obligation	6,803,711	482,572	337,935	6,948,348	–
Net pension liability	11,393,002	7,647,857	19,040,859	–	–
Total	$ 532,135,581	$ 10,884,149	$ 43,641,471	$ 499,378,259	$ 31,009,105

	2021				
	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Bonds Payable					
1995A Series	$ 10,415,000	$ –	$ 10,415,000	$ –	$ –
2010B Series	74,125,000	–	2,045,000	72,080,000	2,105,000
2013A Series	95,455,000	–	1,100,000	94,355,000	11,540,000
2014 Series	163,885,000	–	163,885,000	–	–
2016A Series	20,565,000	–	365,000	20,200,000	385,000
2016B Series	41,030,000	–	–	41,030,000	–
2019 Series	52,440,000	–	–	52,440,000	–
2020 Series	–	199,755,000	–	199,755,000	1,405,000
	457,915,000	199,755,000	177,810,000	479,860,000	15,435,000
Premium (discount) on bonds payable (net)	25,345,880	(19,510,374)	774,609	5,060,897	186,436
Net Bonds Payable	483,260,880	180,244,626	178,584,609	484,920,897	15,621,436
Loans Payable					
Loan payable (2013B Series)	13,380,000	–	4,765,000	8,615,000	4,845,000
VRA loans payable (2011A & 2011B Series)	13,518,205	–	875,646	12,642,559	897,886
Landfill closure and postclosure obligation	4,419,697	200,149	–	4,619,846	–
Contract retainage payable	1,352,193	833,071	1,366,672	818,592	798,275
Compensated absences payable	2,592,541	1,692,500	1,963,067	2,321,974	1,960,555
Net OPEB obligation	6,467,821	368,609	32,719	6,803,711	–
Net pension liability	8,235,922	5,959,040	2,801,960	11,393,002	–
Total	$ 533,227,259	$ 189,297,995	$ 190,389,673	$ 532,135,581	$ 24,123,152

7. PENSIONS

(a) Plan Description

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About VRS Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About VRS Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Calculating the Benefit
The Basic Benefit is determined using the average final compensation service credit and plan multiplier.
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the plan chosen is then applied.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
Defined Benefit Component:
See definition under Plan 1.
Defined Contribution Component:
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td></tr>
<tr><td>Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
Defined Benefit Component:
Same as Plan 2
Defined Contribution Component:
Not applicable.</td></tr>
<tr><td>Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%
Sheriffs and regional jail superintendents:
The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.
Political subdivision hazardous duty employees:
The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</td><td>Service Retirement Multiplier
VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.
Sheriffs and regional jail superintendents:
Same as Plan 1.
Political subdivision hazardous duty employees:
Same as Plan 1.</td><td>Service Retirement Multiplier
Defined Benefit Component:
VRS: The retirement multiplier for the defined benefit component is 1.00%.
For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents:
Not applicable.
Political subdivision hazardous duty employees:
Not applicable.
Defined Contribution Component:
Not applicable.</td></tr>
</table>

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivision hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **Political subdivision hazardous duty employees:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **Political subdivision hazardous duty employees:** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in an employer-paid program for its members. Hybrid members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits under the employer-paid program.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

(b) Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	115
Inactive Members	
Vested inactive members	24
Non-vested inactive members	35
Inactive members active elsewhere in VRS	31
Total Inactive Members	90
Active members	173
Total Covered Employees	378

(c) Contributions

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

UOSA's contractually required contribution rate for the year ended June 30, 2022 was 8.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from UOSA were $1,211,807 and $1,221,230 for the years ended June 30, 2022 and June 30, 2021, respectively.

(d) Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. UOSA's net pension liability (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality Rates (15% of deaths are assumed to be service related):

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Discount rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS - Multi -Asset Public Strategies	6.00	3.29	0.20
PIP - Private Investment Partnership	3.00	6.84	0.21
Total	100.00%		4.89
Inflation			2.50
Expected Arithmetic Nominal Return*			7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of excepted long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly, UOSA was provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuation, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Total at June 30, 2020	$ 70,182,791	$ 58,789,789	$ 11,393,002
Changes for the year:			
Service cost	1,180,289	–	1,180,289
Interest	4,634,498	–	4,634,498
Changes of assumptions	1,792,977	–	1,792,977
Differences between expected and actual experience	(1,450,738)	–	(1,450,738)
Contributions - employer	–	1,135,025	(1,135,025)
Contributions - employee	–	689,802	(689,802)
Net investment income	–	16,055,794	(16,055,794)
Benefit payments, including refunds of employee contributions	(3,047,114)	(3,047,114)	–
Administrative expenses	–	(40,093)	40,093
Other changes	–	1,510	(1,510)
Net Changes	3,109,912	14,794,924	(11,685,012)
Total at June 30, 2021	$ 73,292,703	$ 73,584,713	$ (292,010)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Total at June 30, 2019	$ 66,977,428	$ 58,741,506	$ 8,235,922
Changes for the year:			
Service cost	1,214,200	–	1,214,200
Interest	4,429,378	–	4,429,378
Differences between expected and actual experience	275,808	–	275,808
Contributions – employer	–	999,574	(999,574)
Contributions – employee	–	682,776	(682,776)
Net investment income	–	1,119,610	(1,119,610)
Benefit payments, including refunds of employee contributions	(2,714,023)	(2,714,023)	–
Administrative expenses	–	(38,328)	38,328
Other changes	–	(1,326)	1,326
Net Changes	3,205,363	48,283	3,157,080
Total at June 30, 2020	$ 70,182,791	$ 58,789,789	$ 11,393,002

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
UOSA's Net Pension Liability (Asset) at June 30, 2021	$ 9,403,924	$ (292,010)	$ (8,279,882)
UOSA's Net Pension Liability at June 30, 2020	$ 20,060,320	$ 11,393,002	$ 4,155,379

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

For the years ended June 30, 2022 and 2021, UOSA recognized pension expense of $(353,766) and $1,934,773, respectively.

At June 30, 2022, UOSA 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	$ 132,294	$ (1,097,922)
Change of assumptions	1,674,288	–
Net difference between projected and actual earnings on pension plan investments	1,750,063	(9,749,882)
Employer contributions subsequent to the measurement date	1,211,807	–
Total at June 30, 2022	$ 4,768,452	$ (10,847,804)

At June 30, 2021, UOSA 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	$ 406,197	$ (586,770)
Change of assumptions	939,739	(51,965)
Net difference between projected and actual earnings on pension plan investments	2,344,166	(232,511)
Employer contributions subsequent to the measurement date	1,221,230	–
Total at June 30, 2021	$ 4,911,332	$ (871,246)

The $1,211,807 and $1,221,230, reported as deferred outflows of resources related to pensions resulting from UOSA's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability (asset) in the years ending June 30, 2023 and ended 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2023	$ (1,347,664)
2024	(1,672,709)
2025	(1,844,777)
2026	(2,426,009)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payable to the Pension Plan

For the years ended June 30, 2022 and 2021, UOSA reported a current payable for the outstanding amount of contributions to the pension plan required for the year of $0 and $152,983, respectively.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(a) Health Care Benefit Plan

(1) Plan Description

UOSA administers a single-employer defined post-employment health care benefit plan ("the Plan"). The Plan provides post-employment health care benefits to eligible employees who have retired from UOSA on or after July 1, 1999. In order to participate, retirees must meet the requirements of the Virginia Retirement System (VRS) and have attained age 55 with at least ten years of service. The benefit levels, employee contributions and employer contributions are governed, and can be amended, by UOSA's Board of Directors. Separate financial statements were not issued for the Plan.

Pre-65 Health Insurance

Retirees under the age of 65 and their dependents (spouse and children) are eligible to obtain health insurance from the same medical plans available to active employees provided the retiree was previously enrolled in UOSA's, or another, group medical plan for a minimum of one year immediately prior to retirement. UOSA contributes 2% toward the total cost of the selected coverage for every year of accrued service up to 40 years. Partial years of service are counted in increments of one month. Participation in UOSA's health insurance plan ends once the retiree becomes eligible for Medicare at age 65. At that time, the retiree's dependents will be offered health care coverage under COBRA and the Medicare eligible retiree's post-65 benefit begins.

Post-65 Health Subsidy

Retirees age 65 and older are provided a monthly health care subsidy based on years of service to help offset any expenses not covered by Medicare. UOSA pays each participating Post-65 retiree $5 per month per year of service with a subsidy minimum of $50 and maximum of $150. Employees who retired prior to age 65 do not need to participate in the health insurance plan to receive the monthly health care subsidy at age 65. The health care benefits end at the death of the retiree.

Current UOSA Pre-65 retirees who qualify for health insurance benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Active employees	175
Inactive employees currently receiving benefits	65
Total Covered Employees	**240**

Contributions

The contribution requirements of plan members are established and may be amended by UOSA's Board of Directors. UOSA is not required to fund the Plan for an amount greater than the pay-as-you-go balance necessary to provide current benefits to retirees. As of June 30, 2022, UOSA has not established a trust fund to irrevocably segregate assets to fund the OPEB liability; however, UOSA's Board of Directors designated $175,000 in fiscal year 2022, $175,000 in fiscal year 2021, $175,000 in fiscal year 2020, $175,000 in fiscal year 2019, $110,000 in fiscal year 2018, $175,000 in fiscal year 2017, $145,000 in fiscal year 2016, $145,000 in fiscal year 2015, $300,000 in fiscal year 2014 and $250,000 in each of the four preceding fiscal years for a total of $2,575,000 toward future OPEB funding.

(2) Total OPEB Liability

UOSA's Total OPEB Liability was measured as of June 30, 2021, and was determined by census data as of July 1, 2021 and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The Total OPEB Liability in the June 30, 2021 census data was determined using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022, unless otherwise specified:

Inflation	2.5%
Salary increases, including inflation	3.50% - 5.35%
Discount rate	2.45% as of June 30, 2020 1.92% as of June 30, 2021
Healthcare cost trend rates: Pre-65	6.00% for fiscal 2022, 5.80% for fiscal 2023, to an ultimate rate of 3.94% for 2075 and beyond

Discount rates used to measure Total OPEB Liability were based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the respective measurement dates.

The mortality assumption has been updated to the Private Sector tables released by the Society of Actuaries with the MP-2021 mortality improvement scale.

Claims data or the community rating algorithm were not disclosed. Accordingly, gross claims for employees and retirees are based on age adjusted premiums.

(3) Changes in OPEB Liability

	Total OPEB Liability
Total at June 30, 2020	$ 5,647,875
Changes for the Year:	
Service cost	195,298
Interest	134,493
Differences between expected and actual experience	344,750
Changes in assumptions	75,612
Benefit payments	(267,581)
Net Changes	482,572
Total at June 30, 2021	$ 6,130,447

	Total OPEB Liability
Total at June 30, 2019	$ 5,279,266
Changes for the Year:	
Service cost	164,264
Interest	160,503
Differences between expected and actual experience	(46,714)
Changes in assumptions	346,569
Benefit payments	(256,013)
Net Changes	368,609
Total at June 30, 2020	$ 5,647,875

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents UOSA's Total OPEB Liability calculated using the discount rate of 1.92% for the fiscal year ended June 30, 2021 and 2.45% for the fiscal year ended June 30, 2020. It also presents what UOSA's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current rate.

	June 30, 2021		
	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
UOSA's Total OPEB Liability	$ 6,776,989	$ 6,130,447	$ 5,576,984

	June 30, 2020		
	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
UOSA's Total OPEB Liability	$ 6,217,491	$ 5,647,875	$ 5,148,560

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents UOSA's Total OPEB Liability calculated using the current healthcare trend rates. It also presents what UOSA's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	June 30, 2021		
	1% Decrease (2.94%)	Current Discount Rate (3.94%)	1% Increase (4.94%)
UOSA's Total OPEB Liability	$ 5,511,890	$ 6,130,447	$ 6,869,051

	June 30, 2020		
	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
UOSA's Total OPEB Liability	$ 4,960,711	$ 5,647,875	$ 6,486,617

(4) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2022 and 2021, UOSA recognized OPEB expense of $469,182 and $380,086, respectively.

At June 30, 2022, UOSA 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	$ 485,118	$ (46,844)
Changes in assumptions	344,809	(139,274)
Employer contributions subsequent to the measurement date	332,815	–
Total at June 30, 2022	$ 1,162,742	$ (186,118)

At June 30, 2021, UOSA 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	$ 261,648	$ (56,887)
Changes in assumptions	343,021	(184,944)
Employer contributions subsequent to the measurement date	267,580	–
Total at June 30, 2021	$ 872,249	$ (241,831)

The $332,815 and $267,580, reported as deferred outflows of resources related to OPEB resulting from UOSA's contributions subsequent to the measurement date, will be recognized as a reduction of the Total OPEB Liability in the years ending June 30, 2023 and ended 2022, respectively. 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 ending June 30	Deferred Outflows (Inflows) of Resources
2023	$ 139,391
2024	139,391
2025	139,388
2026	182,806
2027	42,833

(b) VRS Group Life Insurance Program

(1) Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

Group Life Insurance Program Plan Provisions

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation and is currently $8,722 as of June 30, 2022.

(2) Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. UOSA's employer contributions to the Group Life Insurance Program were $77,922 and $78,322 for the years ended June 30, 2022 and June 30, 2021, respectively.

(3) GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2022 and June 30, 2021, UOSA reported a liability of $817,901 and $1,155,836 respectively for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the Total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. UOSA's proportion of the Net GLI OPEB Liability was based on UOSA's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, UOSA's proportion was 0.07025% as compared to 0.06926% at June 30, 2020.

For the years ended June 30, 2022 and 2021, UOSA recognized GLI OPEB expense of $20,814 and $30,615, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, UOSA reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 93,284	$ (6,232)
Net difference between projected and actual earnings on GLI OPEB program investments	–	(195,215)
Changes in assumptions	45,091	(111,906)
Changes in proportion	12,189	(52,377)
Employer contributions subsequent to the measurement date	77,922	–
Total at June 30, 2022	$ 228,486	$ (365,730)

At June 30, 2021, UOSA reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 74,136	$ (10,380)
Net difference between projected and actual earnings on GLI OPEB program investments	34,720	–
Changes in assumptions	57,805	(24,135)
Changes in proportion	–	(66,885)
Employer contributions subsequent to the measurement date	78,322	–
Total at June 30, 2021	$ 244,983	$ (101,400)

The $77,922 and $78,322, reported as deferred outflows of resources related to the GLI OPEB resulting from UOSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the years ending June 30, 2023 and ended 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense as follows:

Year ending June 30	Deferred Outflows (Inflows) of Resources
2023	$ (52,773)
2024	(43,696)
2025	(40,527)
2026	(67,142)
2027	(11,028)

(4) Actuarial Assumptions

The Total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates:

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Discount rate	No change

(5) Net GLI OPEB Liability

The Net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's Total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' Net GLI OPEB Liability	$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

The Total GLI OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The Net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

(6) Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS - Multi-Asset Public Strategies	6.00	3.29	0.20
PIP - Private Investment Partnership	3.00	6.84	0.21
Total	100.00%		4.89%
Inflation			2.50
Expected Arithmetic Nominal Return*			7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of excepted long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(7) Discount Rate

The discount rate used to measure the Total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by UOSA for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the Total GLI OPEB Liability.

(8) Sensitivity of UOSA's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents UOSA's proportionate share of the Net GLI OPEB Liability using the discount rate of 6.75%. It also presents what UOSA's proportionate share of the Net GLI OPEB Liability would be if it were calculated using discount rate one percentage point lower (5.75%) and one percentage point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
UOSA's Proportionate Share of the Group Life Insurance Program Net OPEB Liability at June 30, 2022	$ 1,194,983	$ 817,901	$ 513,390
UOSA's Proportionate Share of the Group Life Insurance Program Net OPEB Liability at June 30, 2021	$ 1,519,435	$ 1,155,836	$ 860,559

(9) Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(10) Payable to the Group Life Insurance Program

For the years ended June 30, 2022 and 2021, UOSA reported a current payable for the outstanding amount of contributions to the VRS Group Life Insurance Program required for the year of $0 and $16,370, respectively.

(c) VACORP Hybrid Disability Program

(1) Plan Description

All UOSA's full-time, salaried general employees who are in the VRS Hybrid Retirement Plan benefit structure are covered by the Virginia Association of Counties Risk Pool (VACORP) Hybrid Disability Program. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program. UOSA made an irrevocable election to opt out of the state's Virginia Local Disability Program and entered into the VACORP Hybrid Disability Program. The VACORP Hybrid Disability Program is administered by Anthem Life. Anthem Life handles the policy administration and VACORP handles the billing for the program. UOSA pays the employees on short-term disability while Anthem Life processes the claims and advises payment. The long-term disability benefit is fully insured by Anthem Life. The obligation for the payment of long-term disability benefits has been effectively transferred from UOSA to Anthem Life.

VACORP Hybrid Disability Program Plan Provisions

Eligible Employees

The VACORP Hybrid Disability Program provides short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.

Eligible employees are covered automatically upon employment. They include:

- Full-time general employees of public political subdivisions covered under the VRS Hybrid Retirement Plan described in §51.1-169 of the *Code of Virginia*.

- Actively At Work at least the minimum hours per week required by the Employer for coverage under the Program, but in no event less than 10 hours each week (for purposes of the Member definition, Actively At Work will include regularly scheduled days of, holidays or vacation days, so long as the person is capable of Active Work on those days).
- A citizen or resident of the United States or Canada.

Member does not include a temporary or seasonal employee, a full-time member of the armed forces of any country, a leased employee, or an independent contractor.

Benefit Amounts

The VACORP Hybrid Disability Program provides the following benefits for eligible employees:

Short-Term Disability -

- The program provides a short-term disability benefit beginning after a seven calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VRS Hybrid Retirement Plan with UOSA.
- During the first five years of continuous participation in VRS Hybrid Retirement Plan with UOSA, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Short-term benefit payments are made to the employees directly from UOSA.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

Long-Term Disability -

- The program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the benefit will be offset by the workers' compensation benefit. Members will not receive a long-term disability benefit if their workers' compensation benefit is greater than the long-term disability benefit.
- Long-term benefit payments are fully insured and paid to the employees from Anthem Life. In the event of Anthem Life's insolvency, the long-term disability benefits will be paid by the Virginia Life, Accident and Sickness Insurance Guaranty Association.

(2) VACORP Hybrid Disability Program OPEB Expense

UOSA recognized VACORP Hybrid Disability Program OPEB expense of $23,126 and $20,085 for the years ended June 30, 2022 and June 30, 2021, respectively.

9. OPERATING REVENUES

Operating revenues consist of billings to the Member Jurisdictions for treatment of sewage. Revenues earned for the fiscal years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Fairfax County	$ 11,693,893	$ 11,584,801
Prince William County	12,506,714	12,366,532
City of Manassas	5,925,468	6,059,280
City of Manassas Park	1,199,017	1,362,606
Other	561,335	1,113,678
Total	$ 31,886,427	$ 32,486,897

10. OPERATING EXPENSES

Operating expenses include reimbursable septage receiving facility and pump station/meter station charges. Operating expenses for the fiscal years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Personnel	$ 18,535,730	$ 21,248,367
Electrical power	2,442,379	2,642,809
Chemicals	2,379,769	2,136,855
Facilities operations	912,565	871,431
Facilities maintenance	2,974,320	2,842,375
Contract services	2,073,070	2,395,154
Administration	428,106	297,645
Insurance	433,989	418,487
Miscellaneous	51,517	(103,509)
Depreciation	29,462,594	29,781,996
Total	$ 59,694,039	$ 62,531,610

11. REVENUES AND EXPENSES FROM RESTRICTED ASSET ACCOUNTS

The following is a schedule of revenues and expenses from restricted asset accounts for the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Revenues		
Bond interest billings	$ 11,621,160	$ 14,194,223
Bond principal billings	24,964,139	21,107,329
Investment income	(1,281,124)	(444,116)
Reserve maintenance billings	5,082,891	4,479,824
	40,387,066	39,337,260
Expenses		
Bond interest	18,832,485	18,895,831
Reserve maintenance	1,050,529	991,596
Capital improvement projects	18,127	2,632,542
Landfill closure and postclosure	358,576	200,149
	20,259,717	22,720,118
Revenues in Excess of Expenses From Restricted Asset Accounts	$ 20,127,349	$ 16,617,142
Financial Statement Presentation		
Revenues from restricted accounts	$ (4,836,790)	$ (4,490,187)
Capital contributions	24,964,139	21,107,329

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and 2021

12. LANDFILL CLOSURE AND POSTCLOSURE COST

State and Federal laws and regulations require UOSA to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, UOSA reports a portion of these closure and post closure care costs as an expense chargeable to restricted asset accounts in each period based on landfill capacity used as of each balance sheet date. A review of the estimated landfill closure and post closure care costs was most recently performed by SCS Engineers in 2019. An aerial survey was last performed in 2022. The aerial survey calculated the volume consumed and volume remaining. The $4,978,422 and $4,619,846 reported as landfill closure and post closure care liability at June 30, 2022 and June 30, 2021, respectively, represents the cumulative amount reported to date based on the use of 62.6% and 60.1%, respectively, of the estimated capacity of Phase I of the landfill. UOSA will recognize the remaining estimated cost of closure and post closure care of $2,970,962 for Phase I as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2022. Based on engineer's estimates, the landfill is expected to reach capacity in 2039. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The subsequent phases of the landfill will be constructed as required in the future.

13. ARBITRAGE REBATE ASSET

The U.S. Treasury has issued regulations on calculating the rebate due the Federal Government on arbitrage earnings and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage earnings arise when UOSA temporarily invests the proceeds of tax exempt debt in securities with yields higher than the arbitrage rate. An estimated rebate receivable increases interest income from restricted assets and is recorded as an asset on the Statement of Net Position. All estimated rebates are recorded net.

Pursuant to Section 148 of the Internal Revenue Code of 1986, UOSA was required to make an interim rebate payment, if a liability existed, within 60 days of the end of its fifth bond year. Accordingly, UOSA issued a rebate payment in the amount of $1,800,000 in August 2000 in order to satisfy minimum requirements to reduce its rebate liability. Effective March 2001, bond proceeds were invested in securities with yields lower than the arbitrage rate. During fiscal year 2022, the rebate receivable was determined to be unrecoverable from the IRS. As of June 30, 2022 and 2021, the rebate receivable was $0 and $1,800,000, respectively.

14. COMMITMENTS AND CONTINGENCIES

(a) Construction

UOSA has a major Capital improvement and expansion program funded by fixed rate revenue bonds. At June 30, 2022, UOSA has outstanding commitments for contracts in progress of approximately $9,408,843.

(b) Litigation

UOSA is contingently liable with respect to lawsuits and other claims that arise in the normal course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of UOSA's management, the resolution of these matters will not have a material, adverse effect on the financial conditions of UOSA.

(c) Letter of Credit

As of June 30, 2022, UOSA had a letter of credit outstanding in the amount of $5,564,569 for landfill closure and $894,903 for 2011B Bond Series Debt Service Reserve.

(d) Operating Costs

UOSA has commitments for a block of energy at $29.50/MWhr or below plus FTRs of not more than $3.00/MWhr delivered between July 1, 2021 and June 30, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in UOSA's Net Pension (Asset) Liability and Related Ratios

Last 10 Fiscal Years*

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability				
Service cost	$ 1,180,289	$ 1,214,200	$ 1,226,020	$ 1,183,395
Interest	4,634,498	4,429,378	4,293,189	4,040,244
Differences between expected and actual experience	(1,450,738)	275,808	(448,022)	802,608
Changes of assumptions	1,792,977	–	1,928,937	–
Benefit payments, including refunds of employee contributions	(3,047,114)	(2,714,023)	(2,707,932)	(2,117,578)
Net Change in Total Pension Liability	3,109,912	3,205,363	4,292,192	3,908,669
Total pension liability - beginning	70,182,791	66,977,428	62,685,236	58,776,567
Total Pension Liability - Ending (a)	$ 73,292,703	$ 70,182,791	$ 66,977,428	$ 62,685,236
Plan Fiduciary Net Position				
Contributions - employer	$ 1,135,025	$ 999,574	$ 1,020,089	$ 1,104,020
Contributions - employee	689,802	682,776	691,183	682,430
Net investment income	16,055,794	1,119,610	3,726,109	3,893,207
Benefit payments, including refunds of employee contributions	(3,047,114)	(2,714,023)	(2,707,932)	(2,117,578)
Administrative expenses	(40,093)	(38,328)	(37,020)	(33,264)
Other	1,510	(1,326)	(2,345)	(3,479)
Net Change in Plan Fiduciary Net Position	14,794,924	48,283	2,690,084	3,525,336
Plan fiduciary net position - beginning	58,789,789	58,741,506	56,051,422	52,526,086
Plan Fiduciary Net Position - Ending (b)	$ 73,584,713	$ 58,789,789	$ 58,741,506	$ 56,051,422
Net Pension (Asset) Liability - Ending (a) - (b)	$ (292,010)	$ 11,393,002	$ 8,235,922	$ 6,633,814
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - End of Year	100.40%	83.77%	87.70%	89.42%
Covered Payroll	$ 14,503,927	$ 14,254,554	$ 14,318,372	$ 13,954,694
Net Pension (Asset) Liability as a Percentage of Covered Payroll	(2.01%)	79.93%	57.52%	47.54%

** Pension schedules are intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in UOSA's Net Pension (Asset) Liability and Related Ratios

Last 10 Fiscal Years*

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability				
Service cost	$ 1,274,456	$ 1,297,203	$ 1,281,686	$ 1,223,948
Interest	3,923,950	3,718,171	3,406,233	3,208,021
Differences between expected and actual experience	(330,771)	(298,056)	1,380,819	-
Changes of assumptions	(1,206,725)	-	-	-
Benefit payments, including refunds of employee contributions	(1,881,539)	(1,673,711)	(1,551,242)	(1,649,501)
Net Change in Total Pension Liability	1,779,371	3,043,607	4,517,496	2,782,468
Total pension liability - beginning	56,997,196	53,953,589	49,436,093	46,653,625
Total Pension Liability - Ending (a)	$ 58,776,567	$ 56,997,196	$ 53,953,589	$ 49,436,093
Plan Fiduciary Net Position				
Contributions - employer	$ 1,131,806	$ 1,233,195	$ 1,225,219	$ 1,164,966
Contributions - employee	720,658	696,937	666,439	650,780
Net investment income	5,751,870	818,981	2,016,563	5,946,776
Benefit payments, including refunds of employee contributions	(1,881,539)	(1,673,711)	(1,551,242)	(1,649,501)
Administrative expenses	(32,643)	(28,118)	(26,861)	(31,578)
Other	(5,133)	(343)	(429)	314
Net Change in Plan Fiduciary Net Position	5,685,019	1,046,941	2,329,689	6,081,757
Plan fiduciary net position - beginning	46,841,067	45,794,126	43,464,437	37,382,680
Plan Fiduciary Net Position - Ending (b)	$ 52,526,086	$ 46,841,067	$ 45,794,126	$ 43,464,437
Net Pension (Asset) Liability - Ending (a) - (b)	$ 6,250,481	$ 10,156,129	$ 8,159,463	$ 5,971,656
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - End of Year	89.37%	82.18%	84.88%	87.92%
Covered Payroll	$ 13,850,680	$ 13,501,791	$ 13,390,415	$ 13,021,097
Net Pension (Asset) Liability as a Percentage of Covered Payroll	45.13%	75.22%	60.94%	45.86%

** Pension schedules are intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of UOSA's Pension Contributions

Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	UOSA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ 1,211,807	$ 1,211,807	$ –	$ 14,429,905	8.40%
2021	1,221,230	1,221,230	–	14,503,927	8.42
2020	1,074,415	1,074,415	–	14,254,554	7.54
2019	1,077,718	1,077,718	–	14,318,372	7.53
2018	1,144,857	1,144,857	–	13,954,694	8.20
2017	1,131,806	1,131,806	–	13,850,680	8.17
2016	1,233,195	1,233,195	–	13,501,791	9.13
2015	1,225,219	1,225,219	–	13,390,415	9.15
2014	1,164,966	1,164,966	–	13,021,097	8.95

* *Pension schedules are intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in UOSA's Total OPEB Liability and Related Ratios – Health Care Benefit Plan

Last 10 Fiscal Years*

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	$ 195,298	$ 164,264	$ 141,671	$ 137,586	$ 153,526
Interest	134,493	160,503	167,626	164,933	139,482
Differences between expected and actual expense	344,750	(46,714)	366,308	(26,956)	-
Changes of assumptions	75,612	346,569	64,346	(18,088)	(347,275)
Benefit payments	(267,581)	(256,013)	(220,453)	(236,523)	(202,074)
Net Change in Total OPEB Liability	482,572	368,609	519,498	20,952	(256,341)
Total OPEB liability - beginning	5,647,875	5,279,266	4,759,768	4,738,816	4,995,157
Total OPEB Liability - Ending	$ 6,130,447	$ 5,647,875	$ 5,279,266	$ 4,759,768	$ 4,738,816
Covered Payroll	$ 14,503,927	$ 14,254,554	$ 14,318,372	$ 13,954,694	$ 13,850,680
Total OPEB Liability as a Percentage of Covered Payroll	42.27%	39.62%	36.87%	34.11%	34.21%

** The OPEB schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of UOSA's Proportionate Share of the Net OPEB Liability – VRS Group Life Insurance Program

Last 10 Fiscal Years*

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
UOSA's Proportion of the Net GLI OPEB Liability	0.07025%	0.06926%	0.07304%	0.07337%	0.07512%
UOSA's Proportionate Share of the Net GLI OPEB Liability	$ 817,901	$ 1,155,836	$ 1,188,555	$ 1,114,000	$ 1,130,000
Covered Payroll	$ 14,503,927	$ 14,254,554	$ 14,318,372	$ 13,954,694	$ 13,850,680
UOSA's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	5.64%	8.11%	8.30%	7.98%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

** The OPEB schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

Schedule of UOSA's OPEB Contributions – VRS Group Life Insurance Program

Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	UOSA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ 77,922	$ 77,922	$ –	$ 14,429,905	0.54%
2021	78,322	78,322	–	14,503,927	0.54
2020	74,122	74,122	–	14,254,554	0.52
2019	74,455	74,455	–	14,318,372	0.52
2018	73,010	73,010	–	13,954,694	0.52
2017	72,050	72,050	–	13,850,680	0.52
2016	64,892	64,892	–	13,501,791	0.48
2015	64,274	64,274	–	13,390,415	0.48
2014	62,501	62,501	–	13,021,097	0.48

** The OPEB schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2022 and 2021

A. PENSION TREND DATA – VRS

Note 1 – Changes of Benefit Terms

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Discount rate	No change

B. OPEB TREND DATA – HEALTH CARE BENEFIT PLAN

Note 1 – Changes of Assumptions

Changes in assumptions reflect the effects of a change in the discount rate and multiple assumptions. As of the June 30, 2021 actuarial valuation, the long-term healthcare cost trend was updated to the latest model released by the Society of Actuaries on October 30, 2021. The retirement, withdrawal, disability, and salary scale assumptions were updated to be consistent with the VRS experience study dated September 10, 2021. The mortality assumption was updated to the Private Sector tables released by the Society of Actuaries with the MP-2021 Mortality Improvement Scale. The following are the discount rates used in each fiscal year.

Year Ended June 30	Discount Rate
2021	1.92%
2020	2.45
2019	3.13
2018	3.62
2017	3.58
2016	2.85

C. OPEB TREND DATA – VRS GROUP LIFE INSURANCE PROGRAM

Note 1 – Changes of Benefit Terms

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted termination rates to better fit experience at each year age and service
Disability rates	No change
Salary scale	No change
Discount rate	No change

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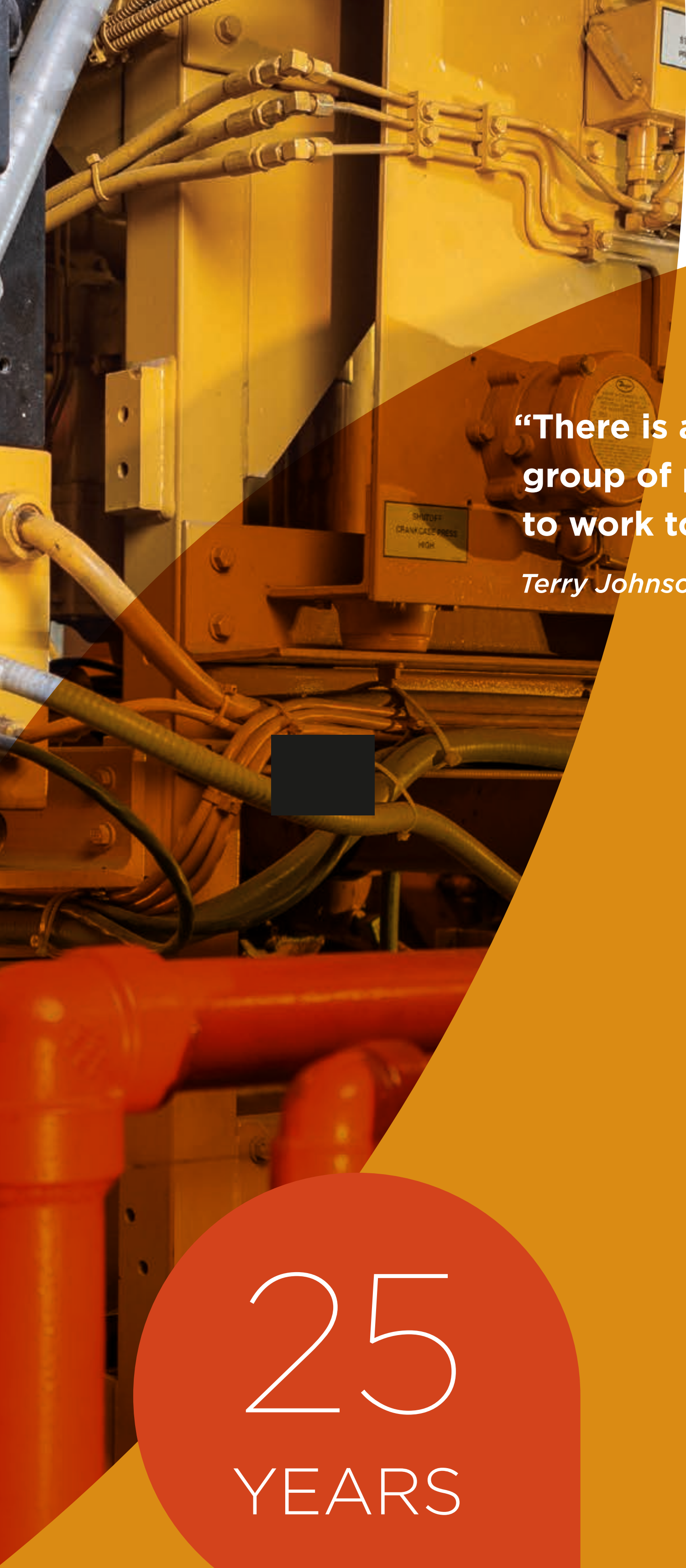
Terry
Upper Occoquan
Service Authority



25

YEARS

"There is a powerful energy that's created when a group of people with similar values get together to work toward the same goals."

Terry Johnson, Electrical Systems Technician II

Terry began working with UOSA 25 years ago—during which he has been recognized with three promotions. Today, he has a variety of critical responsibilities involving installation, maintenance, operation, inspection, and repair of plant power distribution and control to ensure uninterrupted service.

He has always made UOSA's mission to safely, reliably, sustainably, and efficiently protect public health and the environment a priority. Terry not only feels a moral obligation to ensure that operational activities are conducted in the safest and most reliable manner, he also understands how essential safety compliance is in sustaining UOSA's success.

This section of UOSA's ACFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about UOSA's overall financial health. This information has not been audited by the independent auditor.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how UOSA's financial performance and well-being changed over time.

SCHEDULE 1

Net Position by Component

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2022	2021	2020	2019	2018
Net (deficit) investment in capital assets	$ (45,898,264)	$ (37,170,862)	$ (22,762,183)	$ (12,317,474)	$ (5,169,318)
Restricted	75,578,687	73,915,571	72,956,334	69,427,481	65,545,482
Unrestricted	(9,569,117)	(9,466,845)	(9,126,452)	(10,259,768)	(9,523,778)
Total Net Position	$ 20,111,306	$ 27,277,864	$ 41,067,699	$ 46,850,239	$ 50,852,386

	For the Fiscal Years Ended June 30				
	2017	2016	2015	2014	2013
Net investment in capital assets	$ 4,881,817	$ 17,499,650	$ 12,973,662	$ 30,369,861	$ 40,722,834
Restricted	65,770,178	65,741,986	63,184,498	53,939,075	48,554,724
Unrestricted	(6,818,044)	(6,092,408)	(7,238,154)	911,546	932,395
Total Net Position	$ 63,833,951	$ 77,149,228	$ 68,920,006	$ 85,220,482	$ 90,209,953

SCHEDULE 2

Changes in Net Position

Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Loss	Total Non-Operating (Expenses) Revenues, net	Loss before Capital Contributions	Capital Contributions	Change in Net Position
2022	$ 31,886,427	$ 59,694,039	$ (27,807,612)	$ (4,323,085)	$ (32,130,697)	$ 24,964,139	$ (7,166,558)
2021	32,486,897	62,531,610	(30,044,713)	(4,852,451)	(34,897,164)	21,107,329	(13,789,835)
2020	30,622,512	59,493,683	(28,871,171)	3,787,368	(25,083,803)	19,301,263	(5,782,540)
2019	30,236,345	57,835,443	(27,599,098)	4,900,451	(22,698,647)	18,696,500	(4,002,147)
2018	28,768,098	58,667,527	(29,899,429)	3,229,382	(26,670,047)	17,830,318	(8,839,729)
2017	28,328,572	59,709,789	(31,381,217)	836,283	(30,544,934)	17,229,657	(13,315,277)
2016	28,916,953	56,011,026	(27,094,073)	4,136,204	(22,957,869)	31,187,091	8,229,222
2015	28,504,352	55,155,801	(26,651,449)	2,353,974	(24,297,475)	16,102,978	(8,194,497)
2014	28,140,951	52,692,746	(24,551,795)	4,722,304	(19,829,491)	14,840,020	(4,989,471)
2013	26,918,771	49,846,103	(22,927,332)	4,011,892	(18,915,440)	12,369,757	(6,545,683)

SCHEDULE 3

Operating Expenses

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2022	2021	2020	2019	2018
Personnel services	$ 18,535,730	$ 21,248,367	$ 20,093,594	$ 18,815,840	$ 18,591,810
Electrical power	2,442,379	2,642,809	2,527,695	2,763,864	2,412,866
Chemicals	2,379,769	2,136,855	2,072,047	1,962,993	1,655,535
Facilities operations	912,565	871,431	898,221	942,391	925,022
Facilities maintenance	2,974,320	2,842,375	2,844,900	2,620,559	2,226,367
Contract services	2,073,070	2,395,154	1,868,160	1,871,559	1,686,747
Administration	428,106	297,645	361,196	401,953	390,325
Insurance	433,989	418,487	409,237	405,380	415,034
Miscellaneous	51,517	(103,509)	(112,840)	(258,952)	(145,680)
Subtotal	30,231,445	32,749,614	30,962,210	29,525,587	28,158,026
Depreciation	29,462,594	29,781,996	28,531,473	28,309,856	30,509,501
Total Operating Expenses	$ 59,694,039	$ 62,531,610	$ 59,493,683	$ 57,835,443	$ 58,667,527

	For the Fiscal Years Ended June 30				
	2017	2016	2015	2014	2013
Personnel services	$ 19,297,175	$ 18,376,806	$ 17,722,098	$ 17,890,568	$ 16,872,777
Electrical power	2,314,363	2,453,673	2,580,043	2,643,539	2,799,685
Chemicals	1,601,337	1,916,553	1,953,427	2,073,878	1,860,699
Facilities operations	790,495	1,074,751	1,173,670	930,846	974,686
Facilities maintenance	2,289,798	2,326,757	2,240,440	1,982,630	1,588,756
Contract services	1,686,691	1,527,664	1,466,536	1,722,742	1,795,315
Administration	385,789	395,051	382,920	411,197	334,241
Insurance	418,499	378,467	405,243	424,739	426,111
Miscellaneous	(180,180)	117,320	55,913	99,697	91,913
Subtotal	28,603,967	28,567,042	27,980,290	28,179,836	26,744,183
Depreciation	31,105,822	27,443,984	27,175,511	24,512,910	23,101,920
Total Operating Expenses	$ 59,709,789	$ 56,011,026	$ 55,155,801	$ 52,692,746	$ 49,846,103

SCHEDULE 4

Non-Operating Revenues and Expenses

Last 10 Fiscal Years (unaudited)

Fiscal Year	Interest Income	Federal Build America Bonds Subsidy	Bond Issuance Costs	Loss on Sale of Assets	Revenue in Excess of (less than) Expenses from Restricted Accounts	Other	Total
2022	$ 17,493	$ 1,310,668	$ –	$ (814,456)	$ (4,836,790)	$ -	$ (4,323,085)
2021	27,723	1,343,681	(1,641,470)	(92,198)	(4,490,187)	–	(4,852,451)
2020	131,784	1,369,585	(629,277)	(156,560)	3,071,286	550	3,787,368
2019	148,342	1,388,875	–	(283,851)	3,646,415	670	4,900,451
2018	89,362	1,406,857	–	(111,790)	1,843,961	992	3,229,382
2017	54,239	1,424,065	–	(84,328)	(558,494)	801	836,283
2016	37,019	2,134,567	(780,444)	(40,328)	2,784,490	900	4,136,204
2015	33,252	708,973	(1,236,011)	(205,303)	3,052,192	871	2,353,974
2014	37,389	1,419,476	(146,377)	(968,829)	4,381,535	(890)	4,722,304
2013	42,067	1,463,069	(1,168,995)	(1,470,689)	5,155,455	(9,015)	4,011,892

SCHEDULE 5

Expenses by Function (A) (B)

Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Expenses (C)	Reserve Maintenance	Expansion Related	Debt Service (D)	Total
2022	$ 30,231,445	$ 1,050,529	$ 18,127	$ 40,043,774	$ 71,343,875
2021	32,749,614	991,596	2,632,542	38,461,477	74,835,229
2020	30,962,210	724,135	145,257	37,380,139	69,211,741
2019	29,525,587	663,605	318,057	36,330,006	66,837,255
2018	28,158,026	864,348	6,611	36,510,230	65,539,215
2017	28,603,967	772,750	1,008,923	36,004,088	66,389,728
2016	28,567,042	728,561	–	35,964,261	65,259,864
2015	27,980,290	814,814	–	35,671,346	64,466,450
2014	28,179,836	301,695	171,000	32,227,730	60,880,261
2013	26,744,183	758,762	–	30,488,848	57,991,793

(A) Includes general operations and restricted assets activity.

(B) Excludes landfill closure expense.

(C) Excludes depreciation expense.

(D) Includes bond principal expense and bond interest less capitalized interest portion.

REVENUE CAPACITY INFORMATION

These schedules contain information to help the reader assess UOSA's significant local operating revenues.

SCHEDULE 6

Operating Revenues by Source[A]

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2022	$ 11,693,893	$ 12,506,714	$ 5,925,468	$ 1,199,017	$ 561,335	$ 31,886,427
2021	11,584,801	12,366,532	6,059,280	1,362,606	1,113,678	32,486,897
2020	11,558,494	11,676,684	5,733,907	1,252,620	400,807	30,622,512
2019	11,473,594	11,514,448	5,482,680	1,355,151	410,472	30,236,345
2018	10,983,055	11,082,985	5,254,753	1,194,654	252,651	28,768,098
2017	11,042,450	10,504,709	5,324,343	1,182,080	274,990	28,328,572
2016	11,089,622	10,568,321	5,776,403	1,209,924	272,683	28,916,953
2015	10,955,487	10,502,823	5,636,767	1,157,162	252,113	28,504,352
2014	10,967,333	10,096,919	5,582,150	1,188,402	306,147	28,140,951
2013	10,686,168	9,376,374	5,410,249	1,084,151	361,829	26,918,771

(A) Includes operating revenues and unrestricted interest income.

SCHEDULE 7

Sources of Wastewater Flow (MGD)[B]

Average Daily Flow (ADF)[A]

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Total ADF[A] (MGD)[B]	Total Operating Expenses[C]
2022	12.454	13.397	6.371	1.343	33.565	$ 30,231,445
2021	13.210	13.882	6.785	1.495	35.372	32,749,614
2020	12.621	12.710	6.170	1.389	32.890	30,962,210
2019	14.581	14.534	7.034	1.677	37.826	29,525,587
2018	12.594	12.706	6.038	1.348	32.686	28,158,026
2017	12.010	11.703	5.977	1.313	31.003	28,603,967
2016	12.749	12.205	6.465	1.408	32.827	28,567,042
2015	12.885	12.080	6.536	1.349	32.850	27,980,290
2014	13.533	12.545	6.807	1.457	34.342	28,179,836
2013	12.411	10.944	6.326	1.298	30.979	26,744,183

(A) (ADF) = Average Daily Flow

(B) (MGD) = Million gallons per day

(C) = Excludes depreciation expense

Source: UOSA Internal Documents

SCHEDULE 8

Annual Capital Contributions by Source

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2022	$ 14,632,166	$ 7,337,989	$ 1,819,099	$ 1,174,885	$ –	$ 24,964,139
2021	12,409,356	6,182,855	1,519,245	995,873	–	21,107,329
2020	11,400,833	5,623,840	1,365,467	911,123	–	19,301,263
2019	11,037,600	5,451,251	1,324,969	882,680	–	18,696,500
2018	10,721,048	5,086,210	1,196,378	826,682	–	17,830,318
2017	10,417,531	4,939,753	1,084,837	787,536	–	17,229,657
2016	24,608,768	4,768,062	1,049,894	760,367	–	31,187,091
2015	9,619,148	4,587,535	1,021,787	730,997	143,511	16,102,978
2014	8,536,226	4,009,476	858,124	639,330	796,864	14,840,020
2013	6,853,730	2,850,123	502,219	480,291	1,683,394	12,369,757

DEBT CAPACITY INFORMATION

These schedules present information to help the reader assess the affordability of UOSA's current levels of outstanding debt, and UOSA's ability to issue additional debt in the future.

SCHEDULE 9

Ratios of Outstanding Debt

Last 10 Fiscal Years (unaudited)

Fiscal Year	Revenue Bonds	Premium (Discount) on Revenue Bonds	Virginia Resources Authority Loans	Direct Bank Loan	Total Outstanding Debt	UOSA Service Area Population	Per Capita (A)
2022	$ 464,425,000	$ 4,874,461	$ 11,711,271	$ 3,770,000	$ 484,780,732	370,516	$ 1,308
2021	479,860,000	5,060,897	12,642,559	8,615,000	506,178,456	356,800	1,419
2020	457,915,000	25,345,880	13,518,205	13,380,000	510,159,085	353,712	1,442
2019	418,805,000	23,911,940	14,372,165	18,060,000	475,149,105	351,906	1,350
2018	431,245,000	25,718,377	15,204,983	22,655,000	494,823,360	347,015	1,426
2017	443,170,000	27,503,558	16,017,189	27,165,000	513,855,747	338,606	1,518
2016	454,560,000	29,268,525	16,809,298	31,595,000	532,232,823	300,881	1,769
2015	445,545,000	25,299,583	17,630,983	35,940,000	524,415,566	299,759	1,749
2014	459,530,000	(758,160)	17,631,996	37,735,000	514,138,836	296,601	1,733
2013	505,950,000	245,527	15,801,854	–	521,997,381	294,696	1,771

(A) Represents the total outstanding debt as a share of the population served by UOSA.

SCHEDULE 10

Revenue Bond Coverage

Last 10 Fiscal Years (unaudited)

Fiscal Year	Gross Revenue (A)	Operating Expenses (B)	Net Revenue Available for Debt Service	Total Debt Service Requirements	Debt Coverage
2022	$ 73,601,654	$ 30,231,445	$ 43,370,209	$ 42,093,229	1.03
2021	73,195,561	32,749,614	40,445,947	33,989,013	1.19
2020	74,089,428	30,962,210	43,127,218	35,503,079	1.21
2019	73,962,842	29,525,587	44,437,255	34,844,247	1.28
2018	69,675,341	28,158,026	41,517,315	34,858,257	1.19
2017	67,774,699	28,603,967	39,170,732	33,794,974	1.16
2016	85,270,955	28,567,042	56,703,913	34,493,702	1.64
2015	69,041,770	27,980,290	41,061,480	29,780,058	1.38
2014	68,917,618	28,179,836	40,737,782	35,082,430	1.16
2013	66,328,560	26,744,183	39,584,377	34,540,736	1.15

(A) Gross revenue includes operating, non-operating, and restricted revenue, except CIP revenue.

(B) Operating expenses include Operations and Maintenance expenses, except depreciation.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which UOSA's financial activities take place.

SCHEDULE 11

Principal Employers

Current Year and Nine Years Ago (unaudited)

	Fiscal Year 2021 (1)			Fiscal Year 2012 (1)		
Employer	Number of Employees (2)	Rank	Percentage of Total County Employment (3)	Number of Employees (2)	Rank	Percentage 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			
Northrup Grumman	–	–	–	4,000-6,999	9	0.95
Mitre	–	–	–	1,000-3,999	10	0.43
Totals			19.49%			17.30%

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 for 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 was presented in the 2012 Fairfax County 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 reported prior to the September 2013 split into two independent companies (SAIC and Leidos).

SCHEDULE 12

Demographic Statistics

UOSA Service Area Population[(A)]

Last 10 Years (unaudited)

Fairfax County(B)

Year	Population	Per Capita Income	Average Unemployment(%)
2020	1,171,848	$ 86,141	5.6%
2019	1,166,965	82,441	2.3
2018	1,152,873	78,376	2.4
2017	1,142,888	75,978	3.0
2016	1,138,652	74,923	3.2
2015	1,142,234	75,007	3.1
2014	1,137,538	71,752	3.5
2013	1,130,924	71,607	3.7
2012	1,118,602	68,847	4.3
2011	1,100,692	64,637	4.2

Prince William County(B)

Year	Population	Per Capita Income	Average Unemployment(%)
2021	488,629	$ 58,765	4.5%
2020	467,935	57,989	9.6
2019	463,867	55,393	2.5
2018	459,966	54,733	2.9
2017	456,126	53,104	3.5
2016	449,864	51,548	3.7
2015	441,627	50,485	4.4
2014	433,621	49,423	4.8
2013	425,681	48,200	5.2
2012	418,107	48,873	5.3

City of Manassas(C)

Year	Population	Per Capita Income	Average Unemployment(%)
2021	*	*	4.4%
2020	42,772	$ 59,812	8.8
2019	41,085	56,366	2.6
2018	41,641	54,668	2.8
2017	41,501	52,929	3.4
2016	41,483	51,313	3.4
2015	41,764	50,315	4.1
2014	42,081	48,545	5.0
2013	41,725	47,296	5.4
2012	40,742	48,234	5.6

City of Manassas Park(C)

Year	Population	Per Capita Income	Average Unemployment(%)
2021	17,219	$ 34,326	4.3%
2020	17,478	31,420	9.9
2019	17,307	29,641	2.1
2018	16,528	29,641	2.7
2017	16,591	28,851	3.4
2016	15,827	28,851	3.9
2015	15,625	28,164	4.4
2014	14,992	28,054	4.5
2013	15,125	26,944	5.0
2012	14,409	27,306	4.7

(A) A current population of approximately 370,516 is being served by UOSA's existing water reclamation system.

(B) Represents the entire population of the Counties. UOSA serves only a portion of the population.

(C) Represents the entire population of the Cities. UOSA serves the entire population.

** Not available*

Source: Member Jurisdictions

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in UOSA's financial report relates to the services UOSA provides and the activities it performs.

SCHEDULE 13

Authorized Full-Time Equivalents by Function

Last 10 Fiscal Years (unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Treatment Process	68	68	68	69	70	70	70	70	69	69
Finance	17	17	19	19	19	17	17	17	17	17
Operations & Maintenance	56	56	56	55	54	54	54	54	54	54
Executive	4	4	7	7	7	8	8	8	9	9
Technical Services	–	–	31	31	31	32	32	32	32	32
Human Resources	3	3	–	–	–	–	–	–	–	–
Capital Improvements	5	5	–	–	–	–	–	–	–	–
Engineering & Technology	12	12	–	–	–	–	–	–	–	–
Regulatory Affairs	16	16	–	–	–	–	–	–	–	–
Totals	181	181	181	181	181	181	181	181	181	181

Source: UOSA Operating Budget

SCHEDULE 14

Operating and Capital Indicators

Last 10 Fiscal Years (unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Wastewater Treatment										
Miles of sewers	24.9	24.9	24.9	24.9	24.9	24.5	24.5	24.5	24.5	24.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	9	9	9	9	9	9	9	9	9
Treatment capacity (MGD)	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Engineering plant capacity (MGD)	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
Annual engineering maximum plant capacity (millions of gallons)	15,330	15,330	15,372	15,330	15,330	15,330	15,372	15,330	15,330	15,330
Amount treated annually (millions of gallons)	12,270	12,927	12,037	13,821	11,903	11,334	11,983	11,892	12,535	11,308
Unused capacity (millions of gallons)	3,060	2,403	3,335	1,509	3,427	3,996	3,389	3,438	2,795	4,022
Percentage of capacity utilized	80.04%	84.32%	78.30%	90.16%	77.65%	73.93%	77.95%	77.57%	81.77%	73.76%

Source: UOSA Internal Documents

"Every day at UOSA is an interesting challenge to work toward improving our processes and helping employees have access to what they need to advance in their positions."

John Connelly, TP Training Manager

John, (pictured on right) started working at UOSA in 1982. As Lead Trainer, John ensures the development of technical skills and organizational knowledge in UOSA's new and current staff. Originally thinking he would be at UOSA only six months before returning to a previous job, the better pay, superior benefits, amazing people, and the rewarding experience of providing an important community service kept him at UOSA for 40 more years.

"I am dedicated to keeping our water and our land safe, so that we can leave the world a better place than when we came into it."

Henry Fominyam, TP Training Lead Operator

Henry joined UOSA 18 years ago. He makes certain that new hires are properly trained, current employees have the opportunity to improve their skills, and that all employees are committed to UOSA's highest level of standards in protecting the health, safety, and security of its employees, its customers, and the environment.

At UOSA, training not only propels safety, it also propels innovation, so staying current and compliant through consistent training is instrumental in the plant's sustainability.

BACKWASH WASTE
Wrangler
40
YEARS

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PBMares

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

To the Board of Directors
Upper Occoquan Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Upper Occoquan Service Authority (UOSA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements, and have issued our report thereon dated November 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UOSA's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UOSA's internal control. Accordingly, we do not express an opinion on the effectiveness of UOSA's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 3, 2022

UPPER OCCOQUAN SERVICE AUTHORITY

Regional Water Reclamation System, Centreville, VA