

2023

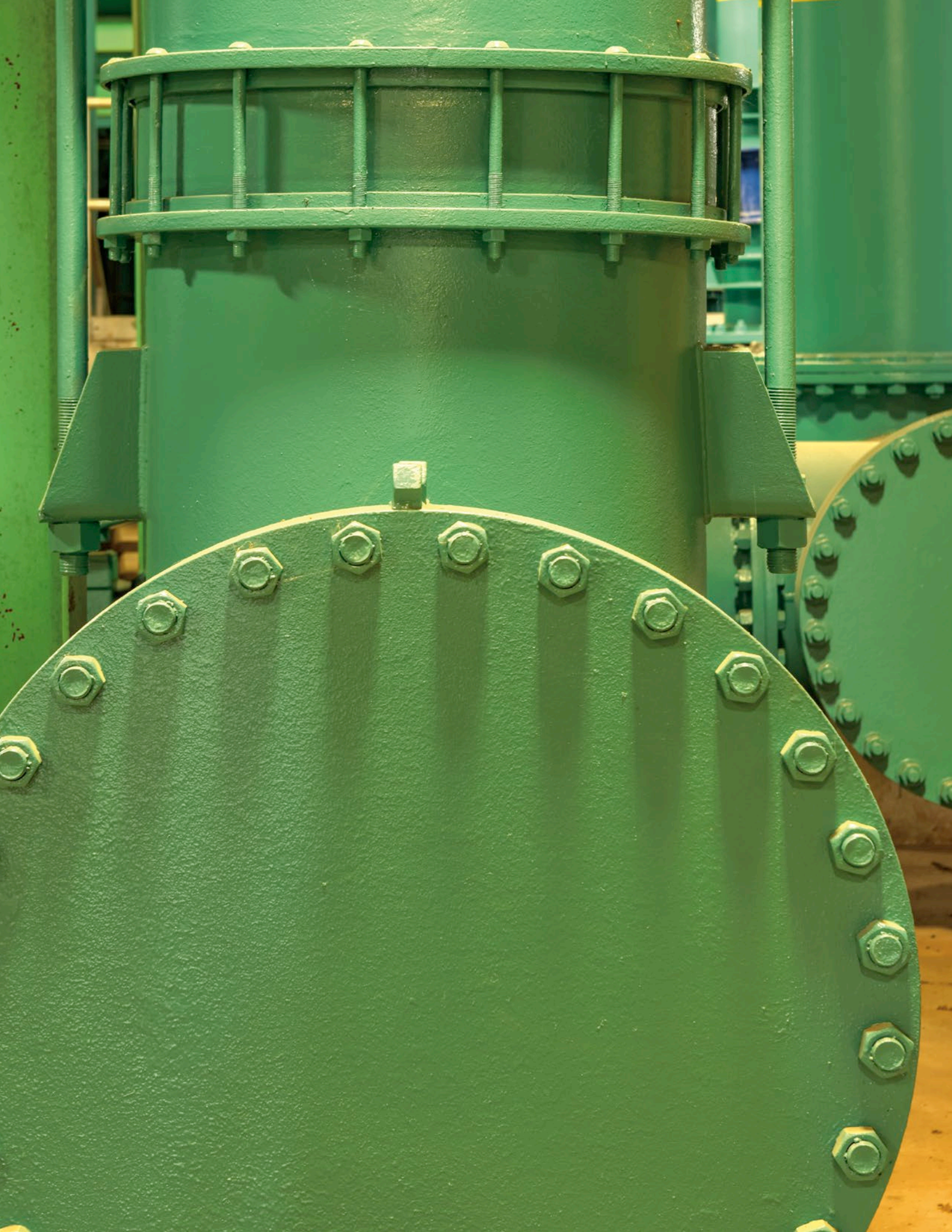
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal years ended June 30, 2023
and June 30, 2022



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


2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal years ended June 30, 2023
and June 30, 2022

**Prepared by the
Finance Department**

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



Like a Compass, our Core Values Continue to Guide Us in the Right Direction

We are extremely proud to be celebrating UOSA's 45th anniversary of producing reclaimed water for potable reuse and are humbled by this important milestone. All of us are inspired by the way we have evolved and embraced change to continue to produce value for our communities and to create and sustain a culture that employs passionate individuals who want to be a part of the UOSA journey.

UOSA was created under the provisions of the Virginia Water and Waste Authorities Act to construct, finance, and operate the regional water reclamation facility mandated by the Occoquan Policy. The first of nine construction contracts were awarded in early 1974, and UOSA began operation of the treatment facility on June 26, 1978. In tenacious pursuit of an enhanced environment, today UOSA's high-quality effluent continues to increase the safe yield of the Occoquan Reservoir and plays an important role in the water supply strategy for the Northern Virginia area.

Our longevity has allowed us to gain valuable learning experiences as we steadfastly support the advancement of innovative wastewater treatment processes and UOSA's Mission: UOSA protects public health and the environment for its service community by collecting and treating wastewater safely, reliably, sustainably, and efficiently, while recovering resources for beneficial reuse.

Without question, our years of success can be attributed to our ability to safeguard what we stand for and to adhere to timeless principles, to build a team and culture we're proud of, and to keep going full steam ahead, whether the tide is high or low.

Yet it is our core values that have been the compass guiding our organization, our employees, our customers, and the communities we serve as we navigate the passage of time. Our core values produce teams of employees who are fulfilled, motivated, engaged, and inspired to do their best work.

A recent survey of our entire team validated our top core values as Integrity, Communication, Safety, Teamwork, and Well-Being. All are department-agnostic and serve as the common thread that weaves everyone together to create one collective "us."

When faced with challenges and tough decisions, our core values serve as an objective, true north compass to a united best course of action for the community, the environment we steward, and for UOSA, now and for many more decades to come.

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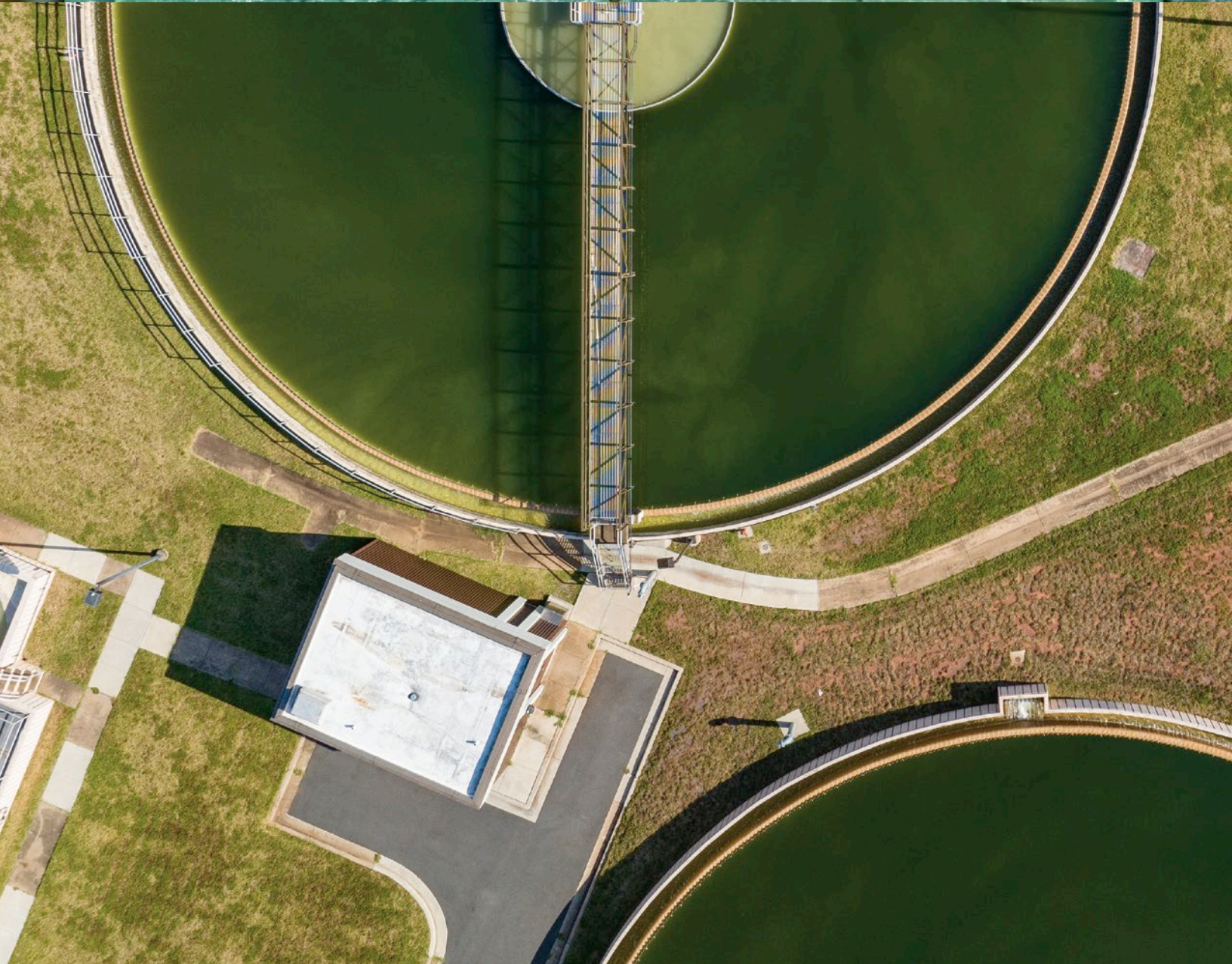
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INTRODUCTORY SECTION

Speaking with a Purpose-driven Voice

Integrity as a core value means behaving honorably by choosing to do the right thing in all circumstances, including decision-making, interacting with colleagues, and serving our customers and community. In upholding integrity in our workplace, we strive to promote and exercise open and honest communication by creating a culture in which effective communication can flourish. By practicing effective communication, UOSA upholds an environment that fosters trust and honesty.

Integrity and Communication

A photograph of a building's exterior steel framework, featuring a grid of vertical and diagonal beams. A small window is visible, showing interior wiring and equipment. The text 'Integrity and Communication' is overlaid vertically on the right side of the image.



Upper Occoquan Service Authority

Leader in Water Reclamation and Reuse

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

November 2, 2023

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, 2023, 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 conventional pollutants 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 nineteen Fortune 500 companies.

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 2023. 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 but more of that workforce is now leaving the area than moving to it due to the high cost of living and congestion. While the U.S. government is a significant employer and customer of services, Professional and Business Services sector earnings have slowed. Constraints in the labor market, office space vacancies and rising costs will lead to slow economic growth. According to the Washington Economy Watch Report, the region's economy is likely to grow more slowly than the national economy.

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

UOSA's current rated treatment capacity is fifty-four million gallons per day (mgd). In the 2022 Restated and Amended Service Agreement, the City of Manassas and Prince William County committed to a plant expansion totaling six mgd of additional capacity. UOSA has engaged a consultant to conduct a re-rating capacity study that evaluates the plant in detail to analyze options to increase plant capacity loads and flows through operational improvements and efficiencies of existing infrastructure as an alternative to physically constructing new and expanded infrastructure.

UOSA's most current ten-year Capital Improvement Plans (CIPs) include several projects, in varying stages of planning, design or construction, that will improve the treatment process, in addition to the re-rating effort. 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 budgets for fiscal year 2023 are as originally adopted and were not amended during the year.

LONG-TERM FINANCIAL PLANNING

UOSA's Board of Directors endorsed a Capital Improvement Plan (CIP) Update in February 2023 that addresses UOSA's capital requirements through 2032. 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 2032 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 2024 to fund the next phase of the CIP, with additional bond issues projected for 2027 and 2030.

As part of a 2022 bond issuance in December 2022, Fitch Ratings, Inc. and Standard & Poor’s both reaffirmed their ratings on UOSA’s regional sewerage system revenue bonds at AAA, the highest rating that can be awarded. In addition, Moody’s reaffirmed its rating of Aa1.

	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, 2023 and 2022 were audited by PBMares, LLP, an independent accounting firm selected by the Audit Committee. The fiscal year 2023 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, 2022. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This is the thirty-fourth 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 2023 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 2022. 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 eighteen consecutive years.

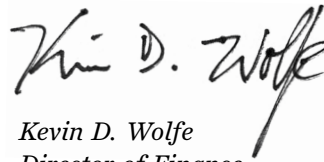
ACKNOWLEDGEMENTS

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,



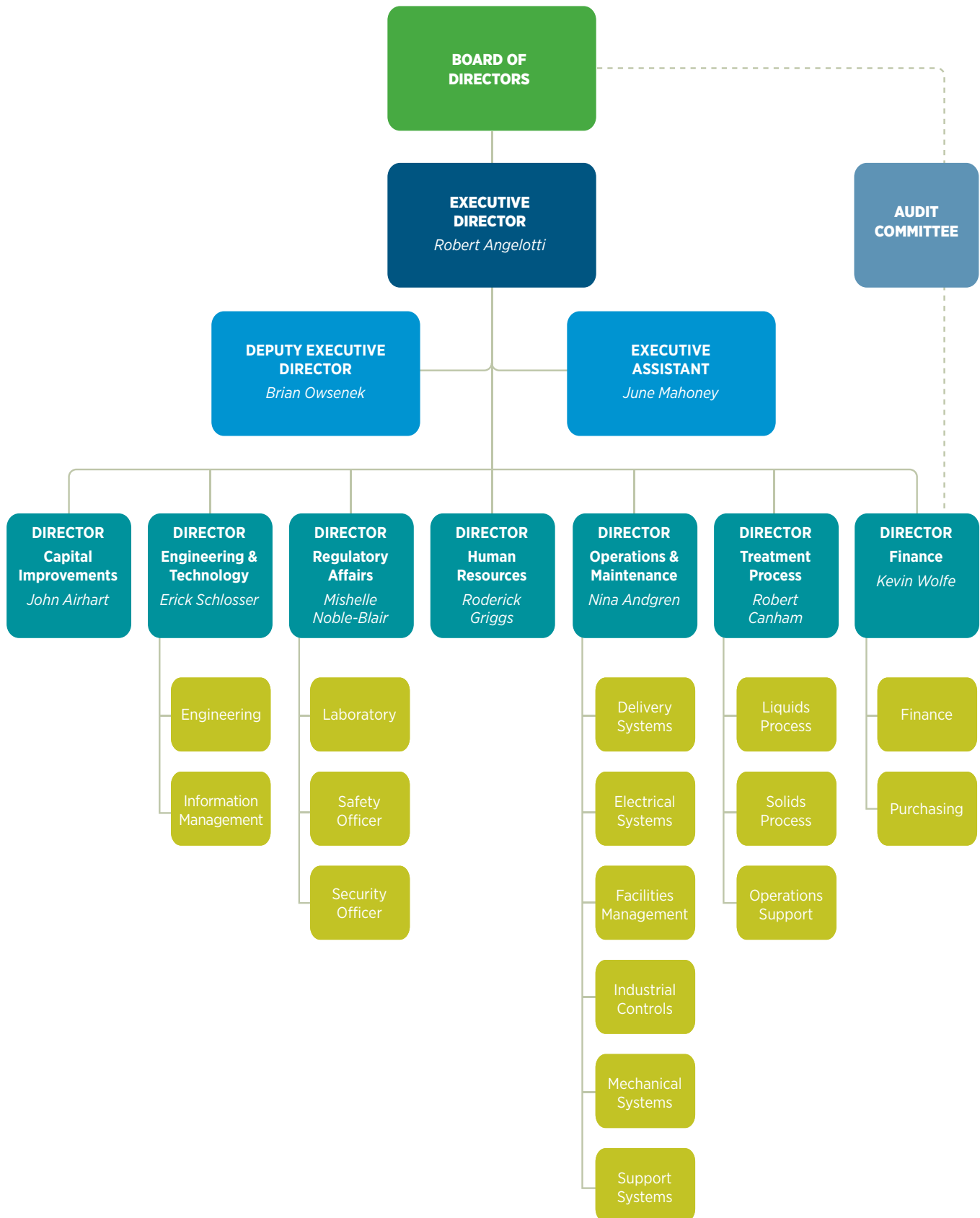
Robert W. Angelotti
Executive Director



Kevin D. Wolfe
Director of Finance

Organizational Chart

June 30, 2023



Directory of Board Members and Officials

June 30, 2023

Board of Directors and Officers

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
Richard Meyer	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, 2023



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, 2022

Christopher P. Morill

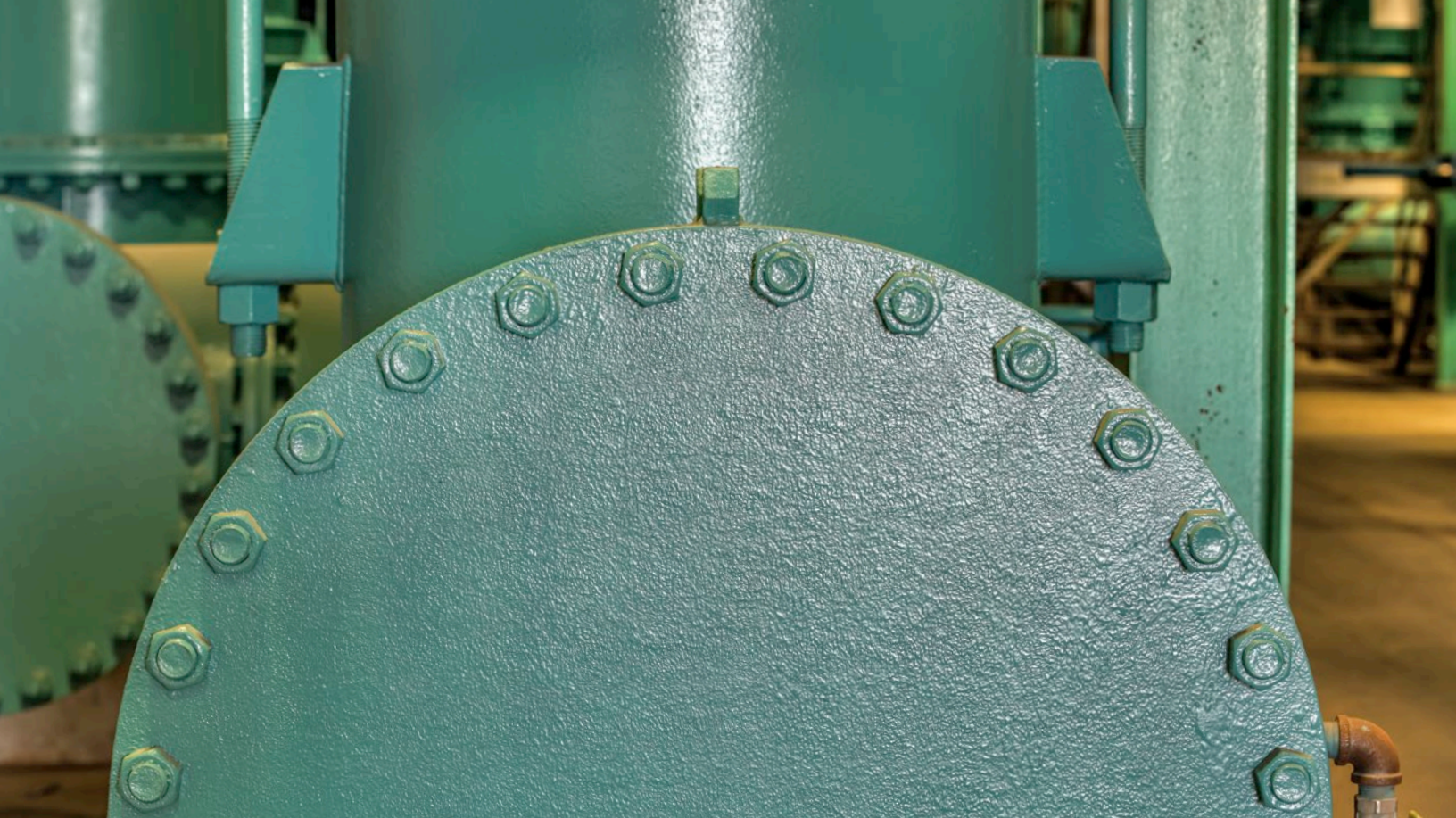
Executive Director/CEO



Safety

Working With Assurance

With a world-class safety program refined over our 45 years, safety is a core value built into every process, every program, and every decision at UOSA. Our employees live our values every day and consistently put the safety core value into action by going the extra mile to deliver on UOSA's safety promises. We believe one person's safety is safety for everyone and consistently aspire to be a benchmark for safety in our industry.





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, 2023, 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, 2023, 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 twelve 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 74-80 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 GAAS, 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 2, 2023 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 2, 2023

An aerial photograph of a wastewater treatment facility. A long, narrow metal walkway with a blue safety railing runs across a large, circular tank filled with greenish-brown water. At the end of the walkway is a circular clarifier, which contains a lighter, yellowish liquid. A person in a white shirt and blue pants is visible on the walkway near the clarifier. The surrounding area includes a concrete curb and some greenery.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. 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 \$19.1 million at June 30, 2023 compared to \$20.1 million at June 30, 2022.
- UOSA's total net position decreased by \$1.0 million, or 5.1%, for fiscal year 2023 compared to a decrease of \$7.2 million, or 26.3%, for fiscal year 2022.
- The decrease in net position for the current year is attributable to a \$4.1 million decrease in net investment in capital assets, a \$3 million increase in restricted net position and a \$0.1 million increase in unrestricted net position.
- Fiscal year 2023 operating revenues increased by 9.5% to \$34.9 million and operating expenses increased by 6.7% to \$63.7 million, which includes depreciation and amortization expense of \$30.2 million.
- Capital contributions from the Member Jurisdictions were \$26.4 million and \$24.9 million for fiscal years 2023 and 2022, 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 2023 and fiscal year 2022.

Condensed Statements of Net Position June 30,

	2023	2022	Change	
			Amount	%
Assets and Deferred Outflows of Resources				
Current & other assets	\$ 162,397,486	\$ 121,014,866	\$ 41,382,620	34.2%
Capital assets, net	377,147,427	395,726,004	(18,578,577)	-4.7
Total Assets	539,544,913	516,740,870	22,804,043	4.4
Deferred outflows of resources	19,477,411	26,351,328	(6,873,917)	-26.1
Total Assets and Deferred Outflows of Resources	559,022,324	543,092,198	15,930,126	2.9
Liabilities and Deferred Inflows of Resources				
Current liabilities	40,533,166	43,212,086	(2,678,920)	-6.2
Long-term liabilities	495,607,621	468,369,154	27,238,467	5.8
Total Liabilities	536,140,787	511,581,240	24,559,547	4.8
Deferred inflows of resources	3,789,886	11,399,652	(7,609,766)	-66.8
Total Liabilities and Deferred Inflows of Resources	539,930,673	522,980,892	16,949,781	3.2
Net Position				
Net (deficit) investment in capital assets	(49,972,238)	(45,898,264)	(4,073,974)	8.9
Restricted	78,524,585	75,578,687	2,945,898	3.9
Unrestricted (deficit)	(9,460,696)	(9,569,117)	108,421	-1.1
Total Net Position	19,091,651	20,111,306	(1,019,655)	-5.1
Total Liabilities, Deferred inflows of Resources and Net Position	\$ 559,022,324	\$ 543,092,198	\$ 15,930,126	2.9%

During fiscal year 2023, net position decreased by \$1,019,655. Significant factors attributable to the decrease were as follows:

- Net investment in capital assets decreased by \$4,073,974, primarily due to a decrease in net capital assets related to depreciation and amortization that was partially offset by an increase in restricted cash and investments resulting from additional borrowing for future capital projects.
- Restricted net position increased by \$2,945,898, primarily due to an increase in investments and receivables.
- Unrestricted net position increased by \$108,421, largely due to a decrease in accounts payable and net pension liability, partially offset by a decrease in cash and cash equivalents and increase in landfill closure liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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,

	2022	2021	Change	
			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	\$ (32,155,573)	-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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

REVENUES AND EXPENSES

The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2023 and fiscal year 2022.

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

	2023	2022	Change	
			Amount	%
Operating Revenues				
Member Jurisdictions	\$ 34,468,279	\$ 31,325,092	\$ 3,143,187	10.0%
Other	450,937	561,335	(110,398)	-19.7
Total Operating Revenues	34,919,216	31,886,427	3,032,789	9.5
Operating Expenses				
Operations	33,539,927	30,231,445	3,308,482	10.9
Depreciation and amortization	30,170,205	29,462,594	707,611	2.4
Total Operating Expenses	63,710,132	59,694,039	4,016,093	6.7
Operating Loss	(28,790,916)	(27,807,612)	(983,304)	-3.5
Non-operating revenues (expenses), net	1,355,596	(4,323,085)	5,678,681	131.4
Capital contributions	26,415,665	24,964,139	1,451,526	5.8
Change in Net Position	(1,019,655)	(7,166,558)	6,146,903	85.8
Total net position, beginning of the year	20,111,306	27,277,864	(7,166,558)	-26.3
Total Net Position, End of Year	\$ 19,091,651	\$ 20,111,306	\$ (1,019,655)	-5.1%

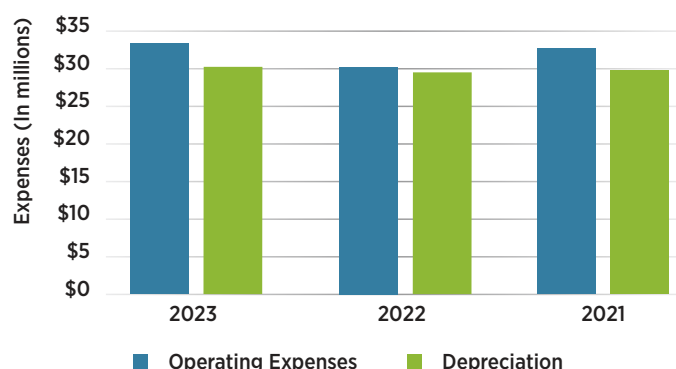
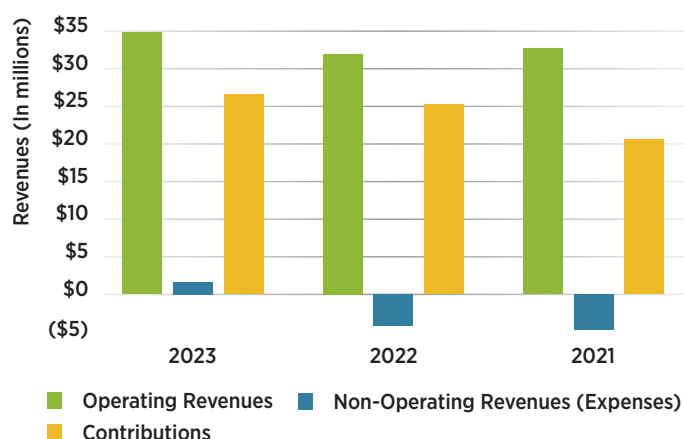
The table that follows summarizes the changes in revenues and expenses for UOSA between fiscal year 2022 and fiscal year 2021.

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

	2022	2021	Change	
			Amount	%
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%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)



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 2022, operating revenue increased by \$3,032,789, net of a \$481,039 credit to the Member Jurisdictions for the fiscal year 2023 Operations and Maintenance budget surplus. The variance was due primarily to increases in operating costs.

Prior 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.

OPERATING EXPENSES

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

Current Year. Operations expenses increased by \$3,308,482 compared to fiscal year 2022. The increase was primarily due to higher personnel expense, as well as higher pricing for chemicals and electrical power.

Prior 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.

NON-OPERATING REVENUES (EXPENSES)

Current Year. Non-operating revenues increased by \$5,678,681 in fiscal year 2023 due to an increase in revenue in excess of expenses from restricted accounts. The increase is primarily due to an increase in restricted investment income and a decrease in bond interest expense.

Prior 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

CAPITAL ASSETS

At the close of fiscal year 2023, UOSA had \$377,147,427 invested in capital assets. This amount represents a net decrease of \$18,578,577 or approximately 4.7% under fiscal year 2022.

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

	2023	2022	Change	
			Amount	%
Land	\$ 7,203,612	\$ 7,203,612	\$ -	0.0%
Treatment plant and reservoir	228,038,352	248,954,593	(20,916,241)	-8.4
Interceptor sewers	45,492,866	47,247,743	(1,754,877)	-3.7
Pumping stations	65,921,832	70,281,877	(4,360,045)	-6.2
Mobile equipment	1,534,986	920,715	614,271	66.7
Office furniture and equipment	334,130	181,408	152,722	84.2
Vehicles	645,842	711,426	(65,584)	-9.2
Intangible right-to-use assets, leases	42,824	-	42,824	100.0
Intangible right-to-use assets, SBITAs	413,355	-	413,355	100.0
Construction in progress	27,519,628	20,224,630	7,294,998	36.1
Total	\$ 377,147,427	\$ 395,726,004	\$ (18,578,577)	-4.7%

Major Additions in Fiscal Year 2023, at Cost, Included:

Construction in Progress:

Plant and delivery system expansion and improvements \$7,347,210

Mobile Equipment:

Track loader, yard truck and rebuild of existing mobile equipment 807,035

Intangible right-to-use Assets:

Subscription-based information technology arrangements (SBITAs) 569,802

Furniture and Business Equipment:

Voice Over IP phone system 186,886

Vehicles:

Fleet vehicles 87,199

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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	%
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.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)

DEBT ADMINISTRATION

Current Year. At June 30, 2023, the total principal balance due on UOSA’s outstanding debt was \$499,964,554 compared to \$479,906,271 at June 30, 2022. The increase in outstanding debt from fiscal year 2022 is equal to \$20,058,283, which reflects an increase in bonds payable of \$24,810,000 and a reduction in loans payable of \$4,751,717.

At June 30, 2023, the total outstanding bonds payable balance was \$489,235,000. The increase reflects the issuance of the 2022 Series Bonds; partially offset by the principal payments on the 2010B Series Bonds, 2013A Series Bonds, 2016A Series Bonds and 2020 Series Bonds.

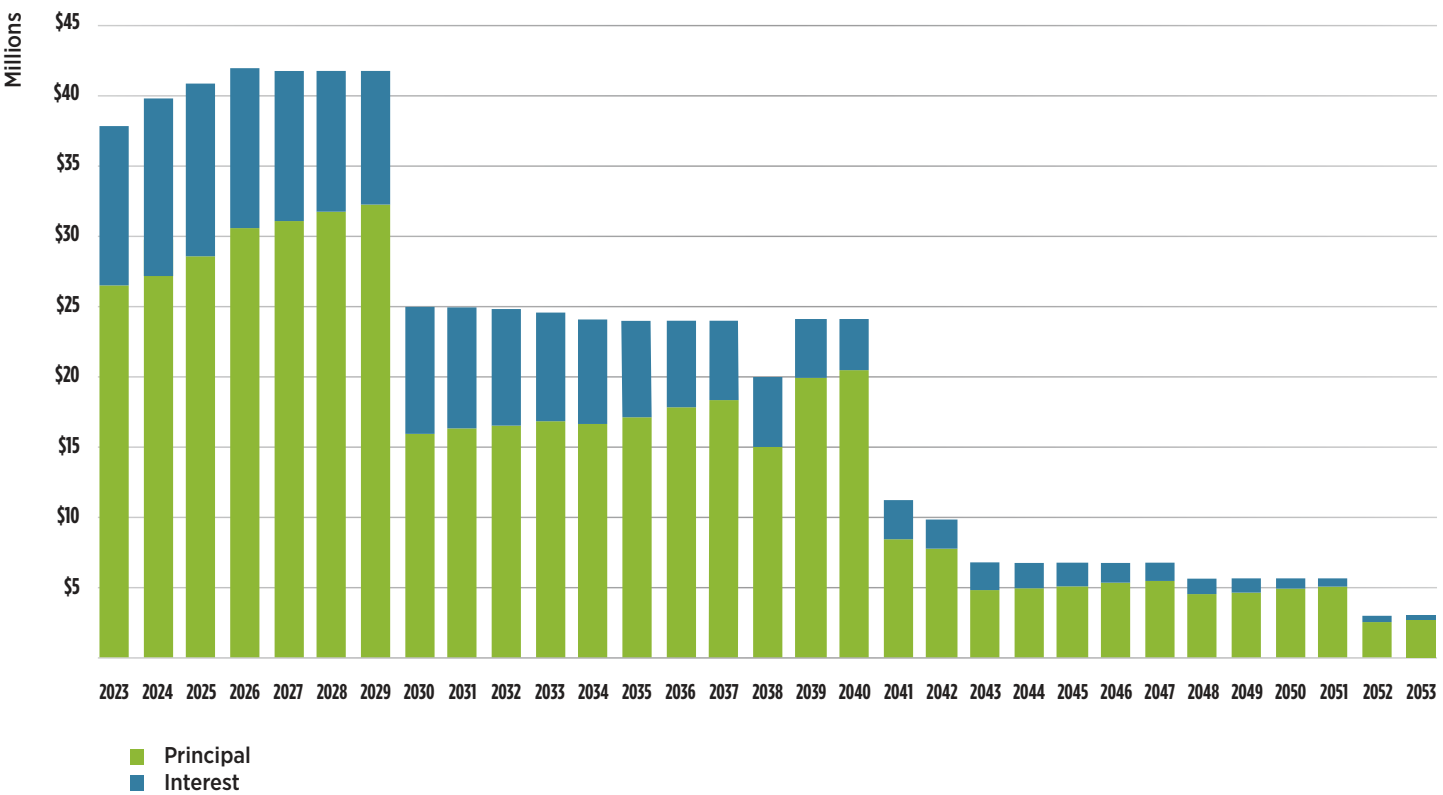
At June 30, 2023, the total outstanding loan balance was \$10,729,554. The decrease consisted of final principal payment for the 2013B Series loan as well as principal payments for the VRA (2011A & B) loans.

Prior 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.

Annual Debt Service from Existing Bonds



This information should be read in conjunction with the transmittal letter and note 8 to the audited financial statements in order to obtain more detailed information on UOSA’s long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

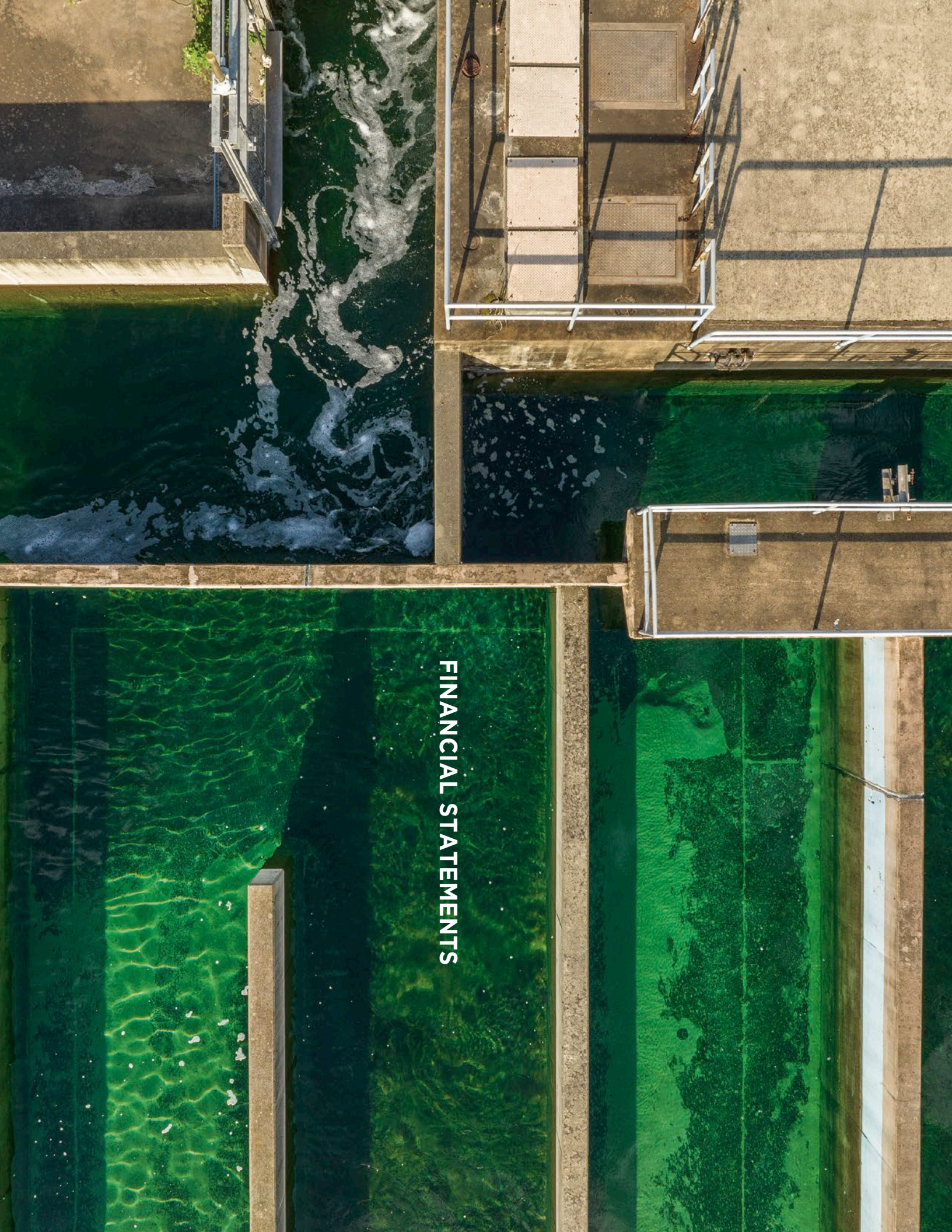
(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- UOSA's adopted Annual Budget for fiscal year 2024 is \$85.5 million and is primarily comprised of \$39.9 million (46.7%) in capital financing costs, \$40.3 million (47.1%) in operating expenses, \$5.0 million (5.8%) in reserve maintenance expenditures, and \$0.3 million (0.4%) in reserve funding. The total represents an increase of \$8,114,499 or 10.48% over fiscal year 2023. The increase in debt service is primarily due to phasing in the interest payments for the 2022 Series bonds. The Operations and Maintenance budget increased due to higher personnel expenses and higher pricing for chemicals and electrical power. The remaining Reserve Maintenance and Reserve accounts had inflationary increases.
- The average daily flow projection for fiscal year 2024 is 37.0 million gallons per day (mgd). This represents no change from fiscal year 2023.
- UOSA's Capital Improvements Program (CIP) includes \$822.9 million in forecasted capital projects for plant renewal and improvements; plant expansion; delivery system improvements and expansion; reserve maintenance; and nutrient removal through 2032. Budgeted spending for calendar year 2024 is \$40.9 million.
- The next bond issuance is contemplated for late 2024 with additional bond issues planned for 2027 and 2030, which will fund CIP through 2032.
- The fiscal year 2024 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.

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.



FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources	2023	2022
Current Assets		
Cash and cash equivalents (notes 1 and 2)	\$ 4,285,776	\$ 8,749,178
Investments	2,506,250	–
Accounts receivable (notes 1 and 3)	632,045	591,955
Accrued interest receivable	99,337	5,524
Inventory	4,201,979	3,751,082
Prepaid expenses	106,290	482,847
Restricted assets (notes 1 and 4)		
Cash and cash equivalents (notes 1 and 2)	83,305,826	58,688,139
Investments (notes 1 and 2)	11,199,172	22,875,202
Deposits	70	70
Accounts receivable (notes 1 and 3)	643,392	–
Reserve maintenance receivable	3,402,709	3,202,664
Accrued interest receivable	446,905	103,438
Total Current Assets	110,829,751	98,450,099
Non-Current Assets		
Restricted assets (notes 1 and 4)		
Investments (notes 1 and 2)	51,567,735	22,272,757
Capital assets (notes 1 and 5)		
Utility plant and equipment	910,065,680	909,158,960
Other	10,763,204	9,939,266
Accumulated depreciation and amortization	(578,404,697)	(550,800,464)
Land	7,203,612	7,203,612
Construction in progress	27,519,628	20,224,630
Capital assets, net	377,147,427	395,726,004
Net pension asset (note 9)	–	292,010
Total Non-Current Assets	428,715,162	418,290,771
Total Assets	539,544,913	516,740,870
Deferred Outflows of Resources (note 1)		
Deferred amount on refunding of debt	16,477,506	20,191,648
Deferred outflows related to OPEB (note 10)	1,203,486	1,391,228
Deferred outflows related to pensions (note 9)	1,796,419	4,768,452
Total Deferred Outflows of Resources	19,477,411	26,351,328
Total Assets and Deferred Outflows of Resources	\$ 559,022,324	\$ 543,092,198

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET POSITION (continued)

June 30, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position	2023	2022
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,561,553	\$ 4,906,496
Accrued salaries and benefits	799,138	678,442
Accrued bond interest payable (note 8)	6,276,124	6,541,823
Accrued loan interest payable (note 8)	38,172	72,950
Contract retainage payable (note 8)	413,838	-
Subscription-based information technology arrangement payable (notes 1, 6 and 8)	159,397	-
Leases payable (notes 1, 7 and 8)	7,125	-
Income received in advance	2,700	3,270
Revenue bonds payable, net (note 8)	25,776,319	24,209,460
Virginia Resources Authority (VRA) loans payable (note 8)	993,875	981,717
Loans payable, net (note 8)	-	3,770,000
Compensated absences payable (notes 1 and 8)	2,124,216	2,047,928
Net other postemployment benefit obligation (notes 1, 8 and 10)	380,709	-
Total Current Liabilities	40,533,166	43,212,086
Long-Term Liabilities		
Landfill closure and postclosure obligation (notes 8 and 14)	5,481,975	4,978,422
Contract retainage payable (note 8)	-	245,511
Subscription-based information technology arrangement payable (notes 1, 6 and 8)	250,008	-
Leases payable (notes 1, 7 and 8)	36,413	-
Revenue bonds payable, net (note 8)	470,145,369	445,090,001
VRA loans payable (note 8)	9,735,679	10,729,554
Compensated absences payable (notes 1 and 8)	381,115	377,318
Net other postemployment benefit obligation (notes 1, 8 and 10)	5,528,467	6,948,348
Net pension liability (notes 1, 8 and 9)	4,048,595	-
Total Long-Term Liabilities	495,607,621	468,369,154
Total Liabilities	536,140,787	511,581,240
Deferred Inflows of Resources (note 1)		
Deferred inflows related to OPEB (note 10)	1,105,785	551,848
Deferred inflows related to pensions (note 9)	2,684,101	10,847,804
Total Deferred Inflows of Resources	3,789,886	11,399,652
Net Position		
Net (deficit) investment in capital assets	(49,972,238)	(45,898,264)
Restricted		
Capital projects	255,865	10,935
Repairs and replacement	7,794,928	7,573,260
Debt service	70,473,792	67,994,492
Unrestricted (deficit)	(9,460,696)	(9,569,117)
Total Net Position	19,091,651	20,111,306
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 559,022,324	\$ 543,092,198

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, 2023 and 2022

	2023	2022
Operating Revenues (notes 1 and 11)		
Member jurisdictions	\$ 34,468,279	\$ 31,325,092
Other	450,937	561,335
Total Operating Revenues	34,919,216	31,886,427
Operating Expenses (notes 1 and 12)		
Operations	33,539,927	30,231,445
Depreciation and amortization	30,170,205	29,462,594
Total Operating Expenses	63,710,132	59,694,039
Operating Loss	(28,790,916)	(27,807,612)
Non-Operating Revenues (Expenses)		
Investment interest income	270,312	17,493
Federal Build America Bonds subsidy	1,282,113	1,310,668
GLI OPEB Nonemployer Contributions from the Commonwealth	20,193	-
Interest expense on right-to-use assets	(9,178)	-
Bond issuance costs	(611,343)	-
Loss on sale of assets	(734,619)	(814,456)
Revenues in excess of (less than) expenses from restricted accounts (note 13)	1,138,118	(4,836,790)
Total Non-Operating Revenues (Expenses), Net	1,355,596	(4,323,085)
Net Loss before Capital Contributions	(27,435,320)	(32,130,697)
Capital contributions (note 13)	26,415,665	24,964,139
Change in Net Position	(1,019,655)	(7,166,558)
Total net position, beginning of year	20,111,306	27,277,864
Total Net Position, End of Year	\$ 19,091,651	\$ 20,111,306

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash received from localities	\$ 38,783,425	\$ 36,523,141
Payments to employees for services	(13,399,719)	(19,835,890)
Payments to suppliers for goods and services	(21,401,781)	(12,080,092)
Net Cash Provided by Operating Activities	3,981,925	4,607,159
Cash Flows from Non-capital Financing Activities		
Federal Build America Bonds subsidy	638,721	1,310,668
GLI OPEB Nonemployer Contributions from the Commonwealth	20,193	-
Net Cash Provided By Non-capital Financing Activities	658,914	1,310,668
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt issuance	48,830,000	-
Bond issuance costs	(611,343)	-
Collections for debt service	37,019,012	36,585,299
Interest payments on right-to-use assets	(2,092)	-
Principal payments on right-to-use assets	(160,397)	-
Interest payments on long-term debt	(10,890,783)	(15,804,046)
Principal payments on long-term debt	(28,771,717)	(21,211,288)
Acquisition and construction of capital assets	(12,302,169)	(18,079,709)
Proceeds from sale of capital assets	28,095	112,697
Net Cash Provided by (Used in) Capital and Related Financing Activities	33,138,606	(18,397,047)
Cash Flows from Investing Activities		
Purchase of investments	(19,115,087)	(21,760,957)
Interest on investments	1,489,927	529,509
Net Cash Used in Investing Activities	(17,625,160)	(21,231,448)
Net Increase (Decrease) in Cash and Cash Equivalents	20,154,285	(33,710,668)
Cash and cash equivalents, beginning of year	67,437,317	101,147,985
Cash and Cash Equivalents, End of Year	\$ 87,591,602	\$ 67,437,317
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (28,790,916)	\$ (27,807,612)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	30,170,205	29,462,594
Collections for reserve maintenance	5,009,249	5,082,891
Payments for reserve maintenance costs	(521,255)	(1,050,529)
OPEB expense	(242,362)	144,093
Pension expense	(1,036,872)	(1,574,996)
Changes in assets and liabilities:		
Net change in accounts receivable, accounts payable, prepaid expenses and inventory	(736,799)	406,130
Net change in pension contributions	185,806	9,423
Net change in OPEB contributions	(55,131)	(64,835)
Net Cash Provided by Operating Activities	\$ 3,981,925	\$ 4,607,159
Noncash Investing, Capital, and Financing Activities		
Increase (decrease) in fair value of investments not classified as cash and cash equivalents	\$ 1,010,110	\$ (1,832,965)
Loss on disposals of capital assets	(734,619)	(814,456)
Increase in landfill closure and postclosure care liability	(503,553)	(358,576)
Issuance of right-to-use lease assets	43,538	-
Issuance of right-to-use SBITA assets	569,802	-

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 primarily 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

(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 capital assets including intangible right-to-use assets (leases and subscription-based information technology arrangements) 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 value is accounted for as a non-operating expense. There are no impaired assets as of June 30, 2023.

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
Intangible right-to-use assets, leases	1+ years, depending on contract terms
Intangible right-to-use assets, SBITAs	1+ years, depending on contract terms

(j) Subscription-Based Information Technology Arrangements (SBITAs)

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right-to-use an underlying asset. Under this Statement, UOSA is required to recognize a subscription liability and an intangible right-to-use subscription asset.

During fiscal year 2023, UOSA entered into multiple SBITAs and realized a SBITA liability and an intangible right-to-use SBITA asset. At the commencement of the SBITA, UOSA initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is measured at the initial amount of the SBITA liability, adjusted for payments and certain initial direct costs. Subsequently, the SBITA asset is amortized on the straight-line basis over its useful life. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term liabilities on the Statement of Net Position.

Key estimates and judgments related to SBITAs include how UOSA determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

UOSA uses the contracted interest rate as the discount rate. When the contracted interest rate is not provided, UOSA generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the SBITA liability are comprised of fixed payments and any purchase option price that UOSA is reasonably certain to exercise. In determining the SBITA term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the SBITA term if the SBITA is reasonably certain to be extended.

UOSA monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

For additional information, refer to note 6.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

(k) Leases

UOSA follows GASB Statement No. 87, *Leases*, which established a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lessee: During fiscal year 2023, UOSA became a lessee for a noncancellable lease of office equipment and realized a lease liability and an intangible right-to-use lease asset. At the commencement of the lease, UOSA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured at the initial amount of the lease liability, adjusted for payments and certain initial direct costs. Subsequently, the lease asset is amortized on the straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

Key estimates and judgments related to leases include how UOSA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

UOSA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, UOSA generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price that UOSA is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

UOSA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

For additional information, refer to note 7.

(l) 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 assets 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 9) and deferred outflows related to OPEB (see note 10) 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 assets 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 9) and deferred inflows related to OPEB (see note 10) as deferred inflows of resources.

(m) Pensions

The Virginia Retirement System (VRS) Political Subdivision 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.

(n) 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, and rolled forward to the measurement date of June 30, 2022. 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

(o) 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, 2023 and 2022 were \$220,395 and \$210,482, respectively.

(p) 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, 2023 and 2022, was \$1,652,503 and \$1,571,728 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, 2023 and 2022, the liability for accrued sick leave was \$852,828 and \$853,518 respectively.

(q) 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, 2023 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.

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

(t) New Accounting Pronouncements Adopted

UOSA implemented the following GASB pronouncements for the fiscal year ended 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.

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

(u) New Accounting Pronouncements

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

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 101 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.

(v) Subsequent Events

UOSA has evaluated subsequent events through November 2, 2023, the date on which the financial statements were available to be issued.

On August 31, 2023, UOSA entered into a point source grant and operation and maintenance agreement with the Virginia Department of Environmental Quality to receive a grant from Virginia Water Quality Improvement Fund to finance forty-five percent of the cost of the Methanol Feed Facility project, which consists of the design and installation of Nutrient Removal Technology. The Grant amount is estimated to total \$3,969,295.

2. CASH AND INVESTMENTS

(a) Cash and Cash Equivalents

At June 30, 2023 and 2022, 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	2023	2022
Cash	\$ 4,285,776	\$ 6,249,178
Investments classified as cash equivalents	-	2,500,000
Total Unrestricted Cash and Cash Equivalents	\$ 4,285,776	\$ 8,749,178

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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	2023	2022
Cash	\$ 4,648,029	\$ 4,503,051
Money market funds held by trustee	78,657,797	54,185,088
Total Restricted Cash and Cash Equivalents	\$ 83,305,826	\$ 58,688,139

(b) Investments

As of June 30, 2023 and 2022, the fair value of UOSA's investments, with their respective credit ratings, was as follows:

Investment Type	Credit Rating	Fair Value	
		2023	2022
Unrestricted Investments			
Certificate of deposit	N/A	\$ 2,506,250	\$ -
Restricted Investments			
U.S. securities	AAA	62,766,907	45,147,959
Total Investments		\$ 65,273,157	\$ 45,147,959

(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, 2023 and 2022 that exceed 2% of the total investments. UOSA had no investments over 5% that required disclosure.

Investment Type (Restricted & Unrestricted)	2023		2022	
	Fair Value	% of Total Investments	Fair Value	% of Total Investments
U.S. Treasury notes and bills	\$ 62,766,907	96%	\$ 45,147,959	100%
Certificate of deposit	2,506,250	4	-	0
Total Investments	\$ 65,273,157	100%	\$ 45,147,959	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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

As of June 30, 2023 and 2022, UOSA had the following investments and maturities:

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2023	Original Maturity (in years)		
		1 Year or Less	1 - 2 Years	More than 2 Years
U.S. securities	\$ 62,766,907	\$ 11,199,172	\$ 20,925,205	\$ 30,642,530
Certificate of deposit	2,506,250	2,506,250	-	-
Total Investments	\$ 65,273,157	\$ 13,705,422	\$ 20,925,205	\$ 30,642,530

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2022	Original Maturity (in years)		
		1 Year or Less	1 - 2 Years	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

(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, 2023 and 2022, 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 general 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, 2023 and 2022, UOSA's investments are valued using Level 1 inputs.

UOSA has the following recurring fair value measurements:

- U.S. Treasury securities of \$62.8 million and \$45.1 million as of June 30, 2023 and 2022 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, 2023 and 2022:

	2023	2022
Fairfax County	\$ 341,477	\$ 331,355
Prince William County	15,184	19,984
City of Manassas	80,058	62,397
Federal Build America Bonds Subsidy	643,392	-
Other	195,326	178,219
Total	\$ 1,275,437	\$ 591,955

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023:

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, 2023 and 2022 the Restricted Asset Accounts are summarized below:

2023					
	CIP	Reserve Maintenance	Debt Service	Total	
Cash and cash equivalents	\$ 42,552,098	\$ 4,648,029	\$ 36,105,699	\$ 83,305,826	
Investments	22,919,020	-	39,847,887	62,766,907	
Accounts Receivable	-	-	643,392	643,392	
Deposits	70	-	-	70	
Reserve maintenance receivable	-	3,402,709	-	3,402,709	
Accrued interest receivable	255,795	-	191,110	446,905	
Total	\$ 65,726,983	\$ 8,050,738	\$ 76,788,088	\$ 150,565,809	

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	

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

5. CAPITAL ASSETS

Changes in Capital Assets, Accumulated Depreciation and Amortization for the Year Ending June 30, 2023

	2023				
	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets					
not depreciated/amortized:					
Land	\$ 7,203,612	\$ -	\$ -	\$ -	\$ 7,203,612
Construction in progress	20,224,630	7,867,458	-	(572,460)	27,519,628
Total capital assets					
not depreciated/amortized	27,428,242	7,867,458	-	(572,460)	34,723,240
Depreciated/amortized capital assets:					
Utility Plant and Equipment:					
Treatment plant and reservoir	701,581,202	2,639,858	(2,911,522)	474,064	701,783,602
Interceptor sewers	73,990,918	58,592	(310,431)	-	73,739,079
Pumping stations	129,555,566	191,914	-	-	129,747,480
Mobile equipment	4,031,274	807,035	(42,790)	-	4,795,519
Other:					
Office furniture and equipment	7,852,653	196,103	(300)	15,900	8,064,356
Vehicles	2,086,613	87,199	(88,304)	-	2,085,508
Intangible right-to-use asset, office equipment	-	43,538	-	-	43,538
Intangible right-to-use asset, SBITAs	-	569,802	-	-	569,802
Total depreciated/amortized					
capital assets	919,098,226	4,594,041	(3,353,347)	489,964	920,828,884
Total capital assets before accumulated					
depreciation and amortization	946,526,468	12,461,499	(3,353,347)	(82,496)	955,552,124
Depreciation/amortization for:					
Utility Plant and Equipment:					
Treatment plant and reservoir	(452,626,609)	(23,466,336)	2,347,695	-	(473,745,250)
Interceptor sewers	(26,743,175)	(1,596,687)	93,649	-	(28,246,213)
Pumping stations	(59,273,689)	(4,551,959)	-	-	(63,825,648)
Mobile equipment	(3,110,559)	(185,998)	36,024	-	(3,260,533)
Other:					
Office furniture and equipment	(7,671,245)	(59,281)	300	-	(7,730,226)
Vehicles	(1,375,187)	(152,783)	88,304	-	(1,439,666)
Intangible right-to-use asset, office equipment	-	(714)	-	-	(714)
Intangible right-to-use asset, SBITA	-	(156,447)	-	-	(156,447)
Total accumulated depreciation					
and amortization	(550,800,464)	(30,170,205)	2,565,972	-	(578,404,697)
Total capital assets, net of					
accumulated depreciation					
and amortization	\$ 395,726,004	\$ (17,708,706)	\$ (787,375)	\$ (82,496)	\$ 377,147,427

Transfer of \$82,496 for the fiscal year 2023 consists of operating expenses included in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

Changes in Capital Assets, Accumulated Depreciation and Amortization for the Year Ending June 30, 2022

	2022				
	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets					
not depreciated/amortized:					
Land	\$ 7,203,612	\$ -	\$ -	\$ -	\$ 7,203,612
Construction in progress	34,267,771	12,322,029	-	(26,365,170)	20,224,630
Total capital assets					
not depreciated/amortized	41,471,383	12,322,029	-	(26,365,170)	27,428,242
Depreciated/amortized 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 depreciated/amortized capital assets	892,128,609	3,659,711	(3,037,137)	26,347,043	919,098,226
Total capital assets before accumulated depreciation and amortization	933,599,992	15,981,740	(3,037,137)	(18,127)	946,526,468
Depreciation/amortization for:					
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)
Total capital assets, net of accumulated depreciation and amortization	\$ 410,152,137	\$ (13,480,854)	\$ (927,152)	\$ (18,127)	\$ 395,726,004

Transfer of \$18,127 for the fiscal year 2022 consists of expenses related to capital from restricted asset accounts included in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

6. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

UOSA entered into multiple subscription-based information technology arrangements (SBITAs) during fiscal year 2023. UOSA is required to make monthly fixed payments on all SBITAs. UOSA has generally included renewal periods in the SBITAs term when it is reasonably certain that UOSA will exercise the renewal option. UOSA's SBITAs include termination options, which are reasonably certain to not be exercised. There were no commitments prior to the SBITAs term and no impairment losses at June 30, 2023. As the interest rates implicit in the UOSA SBITAs were not readily determinable, the incremental borrowing rate was utilized to discount the SBITA payments.

- On July 1, 2022, UOSA entered into four separate, 36-month subscriptions for the use of report, office, asset management, and email security software. UOSA also entered into a 48-month subscription for the use of cyber security software.
- On October 1, 2022, UOSA entered into a 36-month subscription for the use of vendor risk software.

The statement of net position shows the following amounts relating to SBITAs:

	As of June 30, 2023
Intangible right-to-use asset, SBITAs	Asset Value
Software Subscriptions	\$ 569,802
Accumulated Amortization	(156,447)
Total SBITAs, net	\$ 413,355
SBITAs payable	Principal
Current	\$ 159,397
Non-current	250,008
Total SBITAs Payable	\$ 409,405

The future principal and interest SBITAs payments as of June 30, 2023, were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 159,397	\$ 7,513	\$ 166,910
2025	161,576	5,333	166,909
2026	88,432	1,868	90,300
Total	\$ 409,405	\$ 14,714	\$ 424,119

7. LEASES

In June 2023, UOSA entered a five-year lease term as Lessee for the use of office equipment. UOSA is required to make monthly fixed payments. UOSA's lease includes termination options, which are reasonably certain to not be exercised. The lease does not contain any material residual value guarantees. There were no commitments prior to the lease term and no impairment losses at June 30, 2023. As the interest rate implicit in the UOSA lease was not readily determinable, the incremental borrowing rate was utilized to discount the lease payments. An initial lease liability was recorded in the amount of \$43,538. The leased office equipment estimated useful life was 60 months as of the contract commencement.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

The statement of net position shows the following amounts relating to leases:

	As of June 30, 2023	
Intangible right-to-use asset, Leases	Lease Asset Value	
Office equipment	\$	43,538
Accumulated amortization		(714)
Total leases, net	\$	42,824
Leases payable	Principal	
Current	\$	7,125
Non-current		36,413
Total leases payable	\$	43,538

The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 7,125	\$ 931	\$ 8,056
2025	8,801	723	9,524
2026	9,000	524	9,524
2027	9,202	321	9,523
2028	9,410	114	9,524
Total	\$ 43,538	\$ 2,613	\$ 46,151

8. 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, 2023, 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.

\$48,830,000 Regional Sewerage System Revenue Bonds, Series 2022; dated December 15, 2022, principal maturing annually starting July 1, 2025 with interest from 4.00% to 5.00% payable semiannually through July 1, 2054.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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
2024	\$ 25,485,000	\$ 11,197,592	\$ 36,682,592
2025	26,085,000	12,703,190	38,788,190
2026	27,535,000	12,042,154	39,577,154
2027	39,580,000	11,296,826	50,876,826
2028	30,045,000	10,492,589	40,537,589
2029-2033	107,410,000	44,867,830	152,277,830
2034-2038	85,520,000	33,804,605	119,324,605
2039-2043	86,885,000	18,211,062	105,096,062
2044-2048	29,955,000	8,289,286	38,244,286
2049-2053	25,300,000	3,713,850	29,013,850
2054-2055	5,435,000	328,200	5,763,200
Total	\$ 489,235,000	\$ 166,947,184	\$ 656,182,184

(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, 2023 was \$3,053,588.

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, 2023 was \$7,675,966.

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

Fiscal Year(s)	2011A Loan		2011B Loan		Total
	Principal	Interest	Principal	Interest	
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	320,300	20,762	723,732	58,615	1,123,409
2029-2033	1,489,731	45,049	3,757,083	154,653	5,446,516
2034	-	-	388,744	2,430	391,174
Total	\$ 3,053,588	\$ 186,503	\$ 7,675,966	\$ 538,679	\$ 11,454,736

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

(c) Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the years ended June 30, 2023 and 2022:

	2023				
	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Bonds Payable:					
2010 Series	\$ 69,975,000	\$ -	\$ 2,165,000	\$ 67,810,000	\$ 2,230,000
2013A Series	82,815,000	-	17,550,000	65,265,000	17,945,000
2016A Series	19,815,000	-	405,000	19,410,000	425,000
2016B Series	41,030,000	-	-	41,030,000	-
2019 Series	52,440,000	-	-	52,440,000	975,000
2020 Series	198,350,000	-	3,900,000	194,450,000	3,910,000
2022 Series	-	48,830,000	-	48,830,000	-
	464,425,000	48,830,000	24,020,000	489,235,000	25,485,000
Premium (discount) on bonds payable (net)	4,874,461	2,103,635	291,408	6,686,688	291,319
Net Bonds Payable	469,299,461	50,933,635	24,311,408	495,921,688	25,776,319
Loans Payable:					
Loan payable (2013B Series)	3,770,000	-	3,770,000	-	-
VRA loans payable (2011A & 2011B Series)	11,711,271	-	981,717	10,729,554	993,875
Landfill closure and postclosure obligation	4,978,422	503,553	-	5,481,975	-
Contract retainage payable	245,511	168,327	-	413,838	413,838
SBITAs payable	-	569,802	160,397	409,405	159,397
Leases payable	-	43,538	-	43,538	7,125
Compensated absences payable	2,425,246	2,073,578	1,993,493	2,505,331	2,124,216
Net OPEB obligation	6,948,348	700,604	1,739,776	5,909,176	380,709
Net pension liability	-	5,836,724	1,788,129	4,048,595	-
Total	\$ 499,378,259	\$ 60,829,761	\$ 34,744,920	\$ 525,463,100	\$ 29,855,479

	2022				
	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds Payable:					
2010 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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

9. PENSIONS

(a) Plan Description

All full-time, salaried permanent employees of UOSA are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) 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 in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1</p> <p>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.</p>	<p>About VRS Plan 2</p> <p>Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none">• 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members</p> <p>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.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members</p> <p>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.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> 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. <p>*Non-Eligible Members.</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>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.</p>
<p>Retirement Contributions</p> <p>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.</p>	<p>Retirement Contributions</p> <p>Same as Plan 1.</p>	<p>Retirement Contributions</p> <p>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.</p>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Credit</p> <p>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.</p>	<p>Service Credit</p> <p>Same as Plan 1.</p>	<p>Service Credit</p> <p>Defined Benefit Component:</p> <p>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.</p> <p>Defined Contributions Component:</p> <p>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p>Defined Benefit Component:</p> <p>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.</p> <p>Defined Contributions Component:</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distributions not required, except as governed by law.</p>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit</p> <p>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 option chosen is then applied.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p>Defined Benefit Component:</p> <p>See definition under Plan 1.</p> <p>Defined Contribution Component:</p> <p>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.</p>
<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>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%</p> <p>Sheriffs and regional jail superintendents:</p> <p>The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees:</p> <p>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.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan1 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.</p> <p>Sheriffs and regional jail superintendents:</p> <p>Same as Plan 1.</p> <p>Political subdivision hazardous duty employees:</p> <p>Same as Plan 1.</p>	<p>Service Retirement Multiplier</p> <p>Defined Benefit Component:</p> <p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents:</p> <p>Not applicable.</p> <p>Political subdivision hazardous duty employees:</p> <p>Not applicable.</p> <p>Defined Contribution Component:</p> <p>Not applicable.</p>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

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RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p>Eligibility:</p> <p>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.</p> <p>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.</p> <p>Exceptions to COLA Effective Dates:</p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p>Eligibility:</p> <p>Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>Defined Benefit Component:</p> <p>Same as Plan 2.</p> <p>Defined Contribution Component:</p> <p>Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1 and Plan 2.</p>

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June 30, 2023 and 2022

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: <ul style="list-style-type: none"> 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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	123
Inactive Members:	
Vested inactive members	26
Non-vested inactive members	35
Inactive members active elsewhere in VRS	30
Total Inactive Members	91
Active members	175
Total Covered Employees	389

(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 employer contribution rate for the year ended June 30, 2023 was 7.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$1,026,000 and \$1,108,756 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, 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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
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:

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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%	5.71%	1.94%
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS - Multi -Asset Public Strategies	6.00	3.73	0.22
PIP - Private Investment Partnership	3.00	6.55	0.20
Total	100.00%		5.33
Inflation			2.50
Expected Arithmetic Nominal Return**			7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected 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, 2023, 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, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Total at June 30, 2021	\$ 73,292,703	\$ 73,584,713	\$ (292,010)
Changes for the year:			
Service cost	1,042,359	-	1,042,359
Interest	4,899,969	-	4,899,969
Differences between expected and actual experience	78,080	-	78,080
Contributions - employer	-	1,108,756	(1,108,756)
Contributions - employee	-	677,686	(677,686)
Net investment income	-	(62,244)	62,244
Benefit payments, including refunds of employee contributions	(3,485,862)	(3,485,862)	-
Administrative expenses	-	(46,082)	46,082
Other changes	-	1,687	(1,687)
Net Changes	2,534,546	(1,806,059)	4,340,605
Total at June 30, 2022	\$ 75,827,249	\$ 71,778,654	\$ 4,048,595

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	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)

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, 2022	\$ 14,245,641	\$ 4,048,595	\$ (4,211,458)
UOSA's Net Pension Liability (Asset) at June 30, 2021	\$ 9,403,924	\$ (292,010)	\$ (8,279,882)

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

For the years ended June 30, 2023 and 2022, UOSA recognized pension expense of \$174,935 and \$(353,766), respectively.

At June 30, 2023, 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	\$ 105,100	\$ (538,324)
Change in assumptions	665,319	-
Net difference between projected and actual earnings on pension plan investments	-	(2,145,777)
Employer contributions subsequent to the measurement date	1,026,000	-
Total at June 30, 2023	\$ 1,796,419	\$ (2,684,101)

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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 in 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)

The \$1,026,000 and \$1,221,807, 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, 2024 and ended 2023, 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
2024	\$ (654,084)
2025	(826,152)
2026	(1,427,516)
2027	994,070

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. 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

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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, 2022, the following employees were covered by the benefit terms:

Active employees	173
Inactive employees currently receiving benefits	76
Total Covered Employees	249

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, 2023, 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 2023, \$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 \$2,750,000 toward future OPEB funding.

(2) Total OPEB Liability

UOSA’s total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation 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, excluding inflation	VRS salary scale, net of 2.5% inflation
Discount rate	1.92% as of June 30, 2021 3.69% as of June 30, 2022
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 MP2021 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.

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(3) Changes in OPEB Liability

	Total OPEB Liability
Total at June 30, 2021	\$ 6,130,447
Changes for the Year:	
Service cost	113,004
Interest	114,257
Differences between expected and actual experience	(26,352)
Changes in assumptions	(888,163)
Benefit payments	(332,815)
Net Changes	(1,020,069)
Total at June 30, 2022	\$ 5,110,378

	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

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 3.69% for the fiscal year ended June 30, 2022 and 1.92% for the fiscal year ended June 30, 2021. 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, 2022		
	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
UOSA's Total OPEB Liability	\$ 5,583,071	\$ 5,110,378	\$ 4,701,694

	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

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.

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	1% Decrease (2.94%)	Current Discount Rate (3.94%)	1% Increase (4.94%)
UOSA's Total OPEB Liability at June 30, 2022	\$ 4,618,318	\$ 5,110,378	\$ 5,688,894
UOSA's Total OPEB Liability at June 30, 2021	\$ 5,511,890	\$ 6,130,447	\$ 6,869,051

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

For the years ended June 30, 2023 and 2022, UOSA recognized OPEB expense of \$183,750 and \$469,182, respectively.

At June 30, 2023, 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	\$ 363,838	\$ (57,883)
Changes in assumptions	270,985	(804,134)
Employer contributions subsequent to the measurement date	380,709	-
Total at June 30, 2023	\$ 1,015,532	\$ (862,017)

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)

The \$380,709 and \$332,815, 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, 2024 and ended 2023, 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
2024	\$ (43,511)
2025	(43,514)
2026	(96)
2027	(140,073)

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(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 OPEB 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 \$8,984 as of June 30, 2023.

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(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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$85,159 and \$77,922 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth of Virginia made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act. UOSA's share of the contribution was \$20,193.

(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, 2023 and June 30, 2022, UOSA reported a liability of \$798,798 and \$817,901 respectively for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, UOSA's proportion was 0.06634% as compared to 0.07025% at June 30, 2021.

For the years ended June 30, 2023 and 2022, UOSA recognized GLI OPEB expense of \$4,819 and \$20,814, 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, 2023, 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	\$ 63,255	\$ (32,046)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(49,913)
Changes in assumptions	29,794	(77,806)
Changes in proportion	9,746	(84,003)
Employer contributions subsequent to the measurement date	85,159	-
Total at June 30, 2023	\$ 187,954	\$ (243,768)

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June 30, 2023 and 2022

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)

The \$85,159 and \$77,922, 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, 2024 and ended 2023, 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
2024	\$ (34,693)
2025	(31,546)
2026	(56,554)
2027	(3,155)
2028	(15,025)

(4) Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age 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, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' Net GLI OPEB Liability	\$ 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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%	5.71%	1.94%
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS - Multi -Asset Public Strategies	6.00	3.73	0.22
PIP - Private Investment Partnership	3.00	6.55	0.20
Total	100.00%		5.33%
Inflation			2.50
Expected Arithmetic Nominal Return**			7.83%

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**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, 2022, 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, 2022 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 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 Proportionate Share of the Group Life Insurance Program Net OPEB Liability at June 30, 2023	\$ 1,162,344	\$ 798,798	\$ 505,002
UOSA's Proportionate Share of the Group Life Insurance Program Net OPEB Liability at June 30, 2022	\$ 1,194,983	\$ 817,901	\$ 513,390

(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 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 \$24,653 and \$23,126 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

11. OPERATING REVENUES

Operating revenues consist of billings to the Member Jurisdictions for treatment of sewage. Revenues earned for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Fairfax County	\$ 12,878,099	\$ 11,693,893
Prince William County	13,803,013	12,506,714
City of Manassas	6,334,056	5,925,468
City of Manassas Park	1,453,111	1,199,017
Other	450,937	561,335
Total	\$ 34,919,216	\$ 31,886,427

12. OPERATING EXPENSES

Operating expenses include reimbursable septage receiving facility and pump station/meter station charges. Operating expenses for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Personnel	\$ 20,454,004	\$ 18,535,730
Electrical power	2,858,619	2,442,379
Chemicals	3,235,461	2,379,769
Facilities operations	1,023,450	912,565
Facilities maintenance	2,918,980	2,974,320
Contract services	2,101,513	2,073,070
Administration	448,053	428,106
Insurance	476,562	433,989
Miscellaneous	23,285	51,517
Depreciation and amortization	30,170,205	29,462,594
Total	\$ 63,710,132	\$ 59,694,039

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

13. 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, 2023 and 2022:

	2023	2022
Revenues		
Bond interest billings	\$ 10,603,347	\$ 11,621,160
Bond principal billings	26,415,665	24,964,139
Investment income	2,667,005	(1,281,124)
Reserve maintenance billings	5,009,249	5,082,891
	44,695,266	40,387,066
Expenses		
Bond interest	16,116,675	18,832,485
Reserve maintenance	521,255	1,050,529
Capital improvement projects	-	18,127
Landfill closure and postclosure	503,553	358,576
	17,141,483	20,259,717
Revenues in Excess of Expenses From Restricted Asset Accounts	\$ 27,553,783	\$ 20,127,349
Financial Statement Presentation		
Revenues from restricted accounts	\$ 1,138,118	\$ (4,836,790)
Capital contributions	26,415,665	24,964,139

14. 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 \$5,481,975 and \$4,978,422 reported as landfill closure and post closure care liability at June 30, 2023 and June 30, 2022, respectively, represents the cumulative amount reported to date based on the use of 64.4% and 62.6%, 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 \$3,031,815 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 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

15. COMMITMENTS AND CONTINGENCIES

(a) Construction

UOSA has a major Capital improvement and expansion program funded by fixed rate revenue bonds. At June 30, 2023, UOSA has outstanding commitments for contracts in progress of approximately \$10,276,550.

(b) Litigation

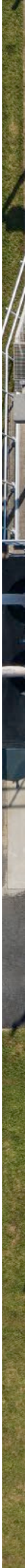
UOSA is contingently liable with respect to lawsuits and other claims that arise in the normal course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of UOSA's management, the resolution of these matters will not have a material, adverse effect on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

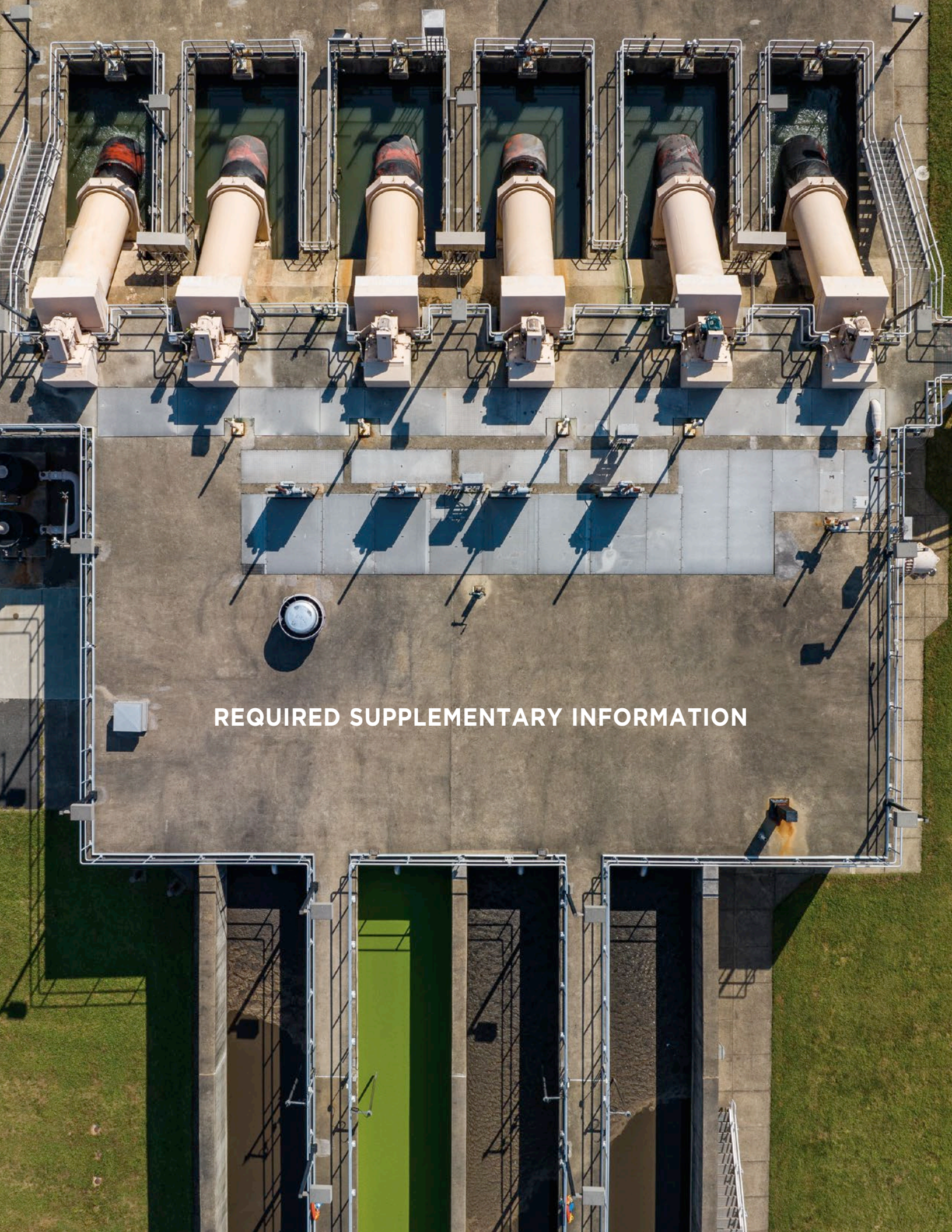
(c) Letter of Credit

As of June 30, 2023, UOSA had a letter of credit outstanding in the amount of \$5,959,653 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 \$48.00/MWhr or below plus FTRs of not more than \$6.64/MWhr delivered between July 1, 2023 and June 30, 2024.





REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

For the Years Ended June 30, 2023 and 2022

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

Last 10 Fiscal Years*

Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability					
Service cost	\$ 1,042,359	\$ 1,180,289	\$ 1,214,200	\$ 1,226,020	\$ 1,183,395
Interest	4,899,969	4,634,498	4,429,378	4,293,189	4,040,244
Differences between expected and actual experience	78,080	(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	(3,485,862)	(3,047,114)	(2,714,023)	(2,707,932)	(2,117,578)
Net Change in Total Pension Liability	2,534,546	3,109,912	3,205,363	4,292,192	3,908,669
Total pension liability - beginning	73,292,703	70,182,791	66,977,428	62,685,236	58,776,567
Total Pension Liability - Ending (a)	\$ 75,827,249	\$ 73,292,703	\$ 70,182,791	\$ 66,977,428	\$ 62,685,236
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,108,756	\$ 1,135,025	\$ 999,574	\$ 1,020,089	\$ 1,104,020
Contributions - employee	677,686	689,802	682,776	691,183	682,430
Net investment income	(62,244)	16,055,794	1,119,610	3,726,109	3,893,207
Benefit payments, including refunds of employee contributions	(3,485,862)	(3,047,114)	(2,714,023)	(2,707,932)	(2,117,578)
Administrative expenses	(46,082)	(40,093)	(38,328)	(37,020)	(33,264)
Other	1,687	1,510	(1,326)	(2,345)	(3,479)
Net Change in Plan Fiduciary Net Position	(1,806,059)	14,794,924	48,283	2,690,084	3,525,336
Plan fiduciary net position - beginning	73,584,713	58,789,789	58,741,506	56,051,422	52,526,086
Plan Fiduciary Net Position - Ending (b)	\$ 71,778,654	\$ 73,584,713	\$ 58,789,789	\$ 58,741,506	\$ 56,051,422
Net Pension (Asset) Liability - Ending (a)-(b)	\$ 4,048,595	\$ (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	94.66%	100.40%	83.77%	87.70%	89.42%
Covered Payroll	\$ 14,429,905	\$ 14,503,927	\$ 14,254,554	\$ 14,318,372	\$ 13,954,694
Net Pension (Asset) Liability as a Percentage of Covered Payroll	28.06%	(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)

For the Years Ended June 30, 2023 and 2022

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)

For the Years Ended June 30, 2023 and 2022

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
2023	\$ 1,026,000	\$ 1,026,000	\$ -	\$ 15,770,310	6.51%
2022	1,108,756	1,108,756	-	14,429,905	7.68
2021	1,135,025	1,135,025	-	14,503,927	7.83
2020	999,574	999,574	-	14,254,554	7.01
2019	1,020,089	1,020,089	-	14,318,372	7.12
2018	1,104,020	1,104,020	-	13,954,694	7.91
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

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

For the Years Ended June 30, 2023 and 2022

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

Last 10 Fiscal Years*

Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability						
Service cost	\$ 113,004	\$ 195,298	\$ 164,264	\$ 141,671	\$ 137,586	\$ 153,526
Interest	114,257	134,493	160,503	167,626	164,933	139,482
Differences between expected and actual expense	(26,352)	344,750	(46,714)	366,308	(26,956)	–
Changes of assumptions	(888,163)	75,612	346,569	64,346	(18,088)	(347,275)
Benefit payments	(332,815)	(267,581)	(256,013)	(220,453)	(236,523)	(202,074)
Net Change in Total OPEB Liability	(1,020,069)	482,572	368,609	519,498	20,952	(256,341)
Total OPEB liability - beginning	6,130,447	5,647,875	5,279,266	4,759,768	4,738,816	4,995,157
Total OPEB Liability - Ending	\$ 5,110,378	\$ 6,130,447	\$ 5,647,875	\$ 5,279,266	\$ 4,759,768	\$ 4,738,816
Covered-Employee Payroll	\$14,429,905	\$ 14,503,927	\$ 14,254,554	\$ 14,318,372	\$ 13,954,694	\$ 13,850,680
Total OPEB Liability as a Percentage of Covered-Employee Payroll	35.42%	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)

For the Years Ended June 30, 2023 and 2022

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

Last 10 Fiscal Years*

Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
UOSA's Proportion of the Net GLI OPEB Liability	0.06634%	0.07025%	0.06926%	0.07304%	0.07337%	0.07512%
UOSA's Proportionate Share of the Net GLI OPEB Liability	\$ 798,798	\$ 817,901	\$ 1,155,836	\$ 1,188,555	\$ 1,114,000	\$ 1,130,000
Covered Payroll	\$ 14,429,905	\$ 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	5.54%	5.64%	8.11%	8.30%	7.98%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	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
2023	\$ 85,159	\$ 85,159	\$ –	\$ 15,770,310	0.54%
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

See accompanying notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2023 and 2022

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, 2021 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
2022	3.69%
2021	1.92
2020	2.45
2019	3.13
2018	3.62
2017	3.58
2016	2.85

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2023 and 2022

C. OPEB TREND DATA – VRS GROUP LIFE INSURANCE PROGRAM

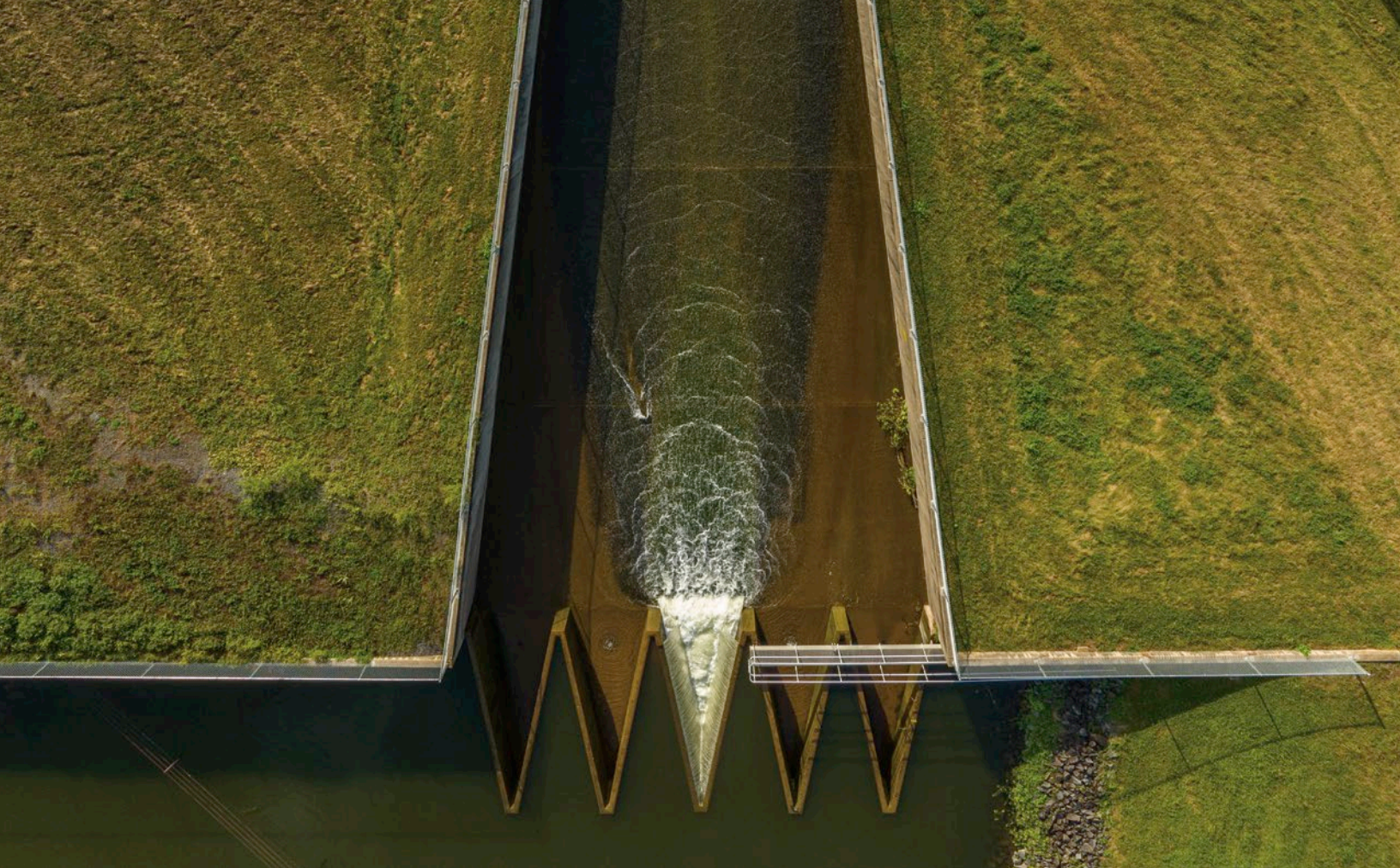
Note 1 – Changes of Benefit Terms

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, 2021 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 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



Building Through Partnership

The greatest advantage of embracing teamwork as a core value is that it achieves what individuals can't, simply through the practice of cooperation. When our teams are encouraged to work together, they're able to accomplish tasks and solve problems more effectively, resulting in increased innovation and higher employee morale. We understand that successful teamwork means coordinating and balancing employees' skills and strengths with the needs of the organization to create happy, healthy teams.

Teamwork



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				
	2023	2022	2021	2020	2019
Net (deficit) investment in capital assets	\$ (49,972,238)	\$ (45,898,264)	\$ (37,170,862)	\$ (22,762,183)	\$ (12,317,474)
Restricted	78,524,585	75,578,687	73,915,571	72,956,334	69,427,481
Unrestricted	(9,460,696)	(9,569,117)	(9,466,845)	(9,126,452)	(10,259,768)
Total Net Position	\$ 19,091,651	\$ 20,111,306	\$ 27,277,864	\$ 41,067,699	\$ 46,850,239

	For the Fiscal Years Ended June 30				
	2018	2017	2016	2015	2014
Net (deficit) investment in capital assets	\$ (5,169,318)	\$ 4,881,817	\$ 17,499,650	\$ 12,973,662	\$ 30,369,861
Restricted	65,545,482	65,770,178	65,741,986	63,184,498	53,939,075
Unrestricted	(9,523,778)	(6,818,044)	(6,092,408)	(7,238,154)	911,546
Total Net Position	\$ 50,852,386	\$ 63,833,951	\$ 77,149,228	\$ 68,920,006	\$ 85,220,482

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
2023	\$ 34,919,216	\$ 63,710,132	\$ (28,790,916)	\$ 1,355,596	\$ (27,435,320)	\$ 26,415,665	\$ (1,019,655)
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)

SCHEDULE 3

Operating Expenses

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2023	2022	2021	2020	2019
Personnel services	\$ 20,454,004	\$ 18,535,730	\$ 21,248,367	\$ 20,093,594	\$ 18,815,840
Electrical power	2,858,619	2,442,379	2,642,809	2,527,695	2,763,864
Chemicals	3,235,461	2,379,769	2,136,855	2,072,047	1,962,993
Facilities operations	1,023,450	912,565	871,431	898,221	942,391
Facilities maintenance	2,918,980	2,974,320	2,842,375	2,844,900	2,620,559
Contract services	2,101,513	2,073,070	2,395,154	1,868,160	1,871,559
Administration	448,053	428,106	297,645	361,196	401,953
Insurance	476,562	433,989	418,487	409,237	405,380
Miscellaneous	23,285	51,517	(103,509)	(112,840)	(258,952)
Subtotal	33,539,927	30,231,445	32,749,614	30,962,210	29,525,587
Depreciation and amortization	30,170,205	29,462,594	29,781,996	28,531,473	28,309,856
Total Operating Expenses	\$ 63,710,132	\$ 59,694,039	\$ 62,531,610	\$ 59,493,683	\$ 57,835,443

	For the Fiscal Years Ended June 30				
	2018	2017	2016	2015	2014
Personnel services	\$ 18,591,810	\$ 19,297,175	\$ 18,376,806	\$ 17,722,098	\$ 17,890,568
Electrical power	2,412,866	2,314,363	2,453,673	2,580,043	2,643,539
Chemicals	1,655,535	1,601,337	1,916,553	1,953,427	2,073,878
Facilities operations	925,022	790,495	1,074,751	1,173,670	930,846
Facilities maintenance	2,226,367	2,289,798	2,326,757	2,240,440	1,982,630
Contract services	1,686,747	1,686,691	1,527,664	1,466,536	1,722,742
Administration	390,325	385,789	395,051	382,920	411,197
Insurance	415,034	418,499	378,467	405,243	424,739
Miscellaneous	(145,680)	(180,180)	117,320	55,913	99,697
Subtotal	28,158,026	28,603,967	28,567,042	27,980,290	28,179,836
Depreciation and amortization	30,509,501	31,105,822	27,443,984	27,175,511	24,512,910
Total Operating Expenses	\$ 58,667,527	\$ 59,709,789	\$ 56,011,026	\$ 55,155,801	\$ 52,692,746

SCHEDULE 4

Non-Operating Revenues and Expenses

Last 10 Fiscal Years (unaudited)

Fiscal Year	Investment Interest Income	Federal Build America Bonds Subsidy	GLI OPEB Nonemployer Contributions from the Commonwealth	Interest Expense	Bond Issuance Costs	Loss on Sale of Assets	Revenue in Excess of Expenses from Restricted Accounts	Other	Total
2023	\$ 270,312	\$ 1,282,113	\$ 20,193	\$ (9,178)	\$ (611,343)	\$ (734,619)	\$ 1,138,118	\$ -	\$ 1,355,596
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

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
2023	\$ 33,539,927	\$ 521,255	\$ -	\$ 44,888,392	\$ 78,949,574
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

(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
2023	\$ 12,878,099	\$ 13,803,013	\$ 6,334,056	\$ 1,453,111	\$ 450,937	\$ 34,919,216
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

(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)
2023	12.000	12.833	6.057	1.323	32.213	\$ 33,539,927
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

(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
2023	\$ 15,299,640	\$ 7,841,875	\$ 2,023,608	\$ 1,250,542	\$ -	\$ 26,415,665
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

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)
2023	\$ 489,235,000	\$ 6,686,688	\$ 10,729,554	\$ -	\$ 506,651,242	369,668	\$ 1,371
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

(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
2023	\$ 81,187,100	\$ 33,539,927	\$ 47,647,173	\$ 37,806,001	1.26
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

(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)

Employer	Fiscal Year 2022 (1)			Fiscal Year 2013 (1)		
	Number of Employees (2)	Rank	Percentage of Total County Employment (3)	Number of Employees (2)	Rank	Percentage of Total County Employment (3)
Federal Government	25,964	1	4.15%	24,421	1	4.14%
Fairfax County Public Schools	25,570	2	4.09	24,232	2	4.11
Fairfax County Government	11,984	3	1.92	12,302	3	2.08
Inova Health System	10,000-12,000	4	1.76	7,000-10,000	5	1.44
George Mason University	5,000-9,999	5	1.20			
Booz-Allen Hamilton	5,000-9,999	6	1.20	7,000-10,000	4	1.44
Amazon	5,000-9,999	7	1.20			
Capital One	5,000-9,999	8	1.20			
Science Applications International Corporation (4)	5,000-9,999	9	1.20	4,000-6,999	9	0.93
Federal Home Loan Mortgage	5,000-9,999	10	1.20	4,000-6,999	6	0.93
Lockheed Martin Corporation				4,000-6,999	7	0.93
Northrup Grumman				4,000-6,999	8	0.93
Adminstaff				1,000-3,999	10	0.42
Computer Science Corporation				1,000-3,999		0.42
Gannett				1,000-3,999		0.42
Navy Federal Credit Union				1,000-3,999		0.42
Totals			19.12%			18.61%

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 2022, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 4th quarter of calendar year 2021 Virginia Employment Commission (VEC) and Fairfax County's Economic Development Authority (Jan 22). Employment information for fiscal year 2013 is as was presented in the Fiscal Year 2013 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 2022 is estimated at 625,452 based on Virginia Employment Commission. Average total County employment for fiscal year 2013 was estimated at 590,282.
- (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(%)
2021	1,170,033	\$ 88,971	3.5%
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

Prince William County(B)

Year	Population	Per Capita Income	Average Unemployment(%)
2022	484,472	\$ 59,812	2.8%
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

City of Manassas(C)

Year	Population	Per Capita Income	Average Unemployment(%)
2022	*	*	2.7%
2021	42,708	\$ 62,810	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

City of Manassas Park(C)

Year	Population	Per Capita Income	Average Unemployment(%)
2022	17,002	\$ 35,618	2.4%
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

(A) A current population of approximately 369,668 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Treatment Process	69	68	68	68	69	70	70	70	70	69
Finance	17	17	17	19	19	19	17	17	17	17
Operations & Maintenance	57	56	56	56	55	54	54	54	54	54
Executive	3	4	4	7	7	7	8	8	8	9
Technical Services	-	-	-	31	31	31	32	32	32	32
Human Resources	3	3	3	-	-	-	-	-	-	-
Capital Improvements	5	5	5	-	-	-	-	-	-	-
Engineering & Technology	12	12	12	-	-	-	-	-	-	-
Regulatory Affairs	17	16	16	-	-	-	-	-	-	-
Totals	183	181	181	181	181	181	181	181	181	181

Source: UOSA Operating Budget

SCHEDULE 14

Operating and Capital Indicators

Last 10 Fiscal Years (unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Wastewater Treatment										
Miles of sewers	27.3	24.9	24.9	24.9	24.9	24.9	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	15,330	15,372	15,330	15,330	15,330	15,372	15,330	15,330
Amount treated annually (millions of gallons)	11,758	12,270	12,927	12,037	13,821	11,903	11,334	11,983	11,892	12,535
Unused capacity (millions of gallons)	3,572	3,060	2,403	3,335	1,509	3,427	3,996	3,389	3,438	2,795
Percentage of capacity utilized	76.70%	80.04%	84.32%	78.30%	90.16%	77.65%	73.93%	77.95%	77.57%	81.77%

Source: UOSA Internal Documents



COMPLIANCE SECTION

Creating Opportunity and Prosperity

We embody employee well-being as a core value that reinforces employee engagement, and infuse it into our organizational procedures, policies, and leadership traits. Those who take action to improve employee well-being are recognized and rewarded. Our culture of well-being extends from emotional and physical to financial and serves to create opportunities that enrich the lives of our employees – allowing us to maintain a top-talent workforce that is able to flourish and succeed today and for the next 45 years to come.





**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, 2023, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements, and have issued our report thereon dated November 2, 2023.

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 2, 2023



UPPER OCCOQUAN SERVICE AUTHORITY

Regional Water Reclamation System, Centreville, VA