



FAIRFAX COUNTY WATER AUTHORITY

**Management's Discussion and Analysis, Basic Financial Statements,
Required Supplementary Information and Supplementary Information
December 31, 2025
(With Independent Auditor's Report Thereon)**

FAIRFAX COUNTY WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board Members
Fairfax County Water Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activity and fiduciary activity of the Fairfax County Water Authority (Authority), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 respective financial position of the business-type activity and fiduciary activity of the Authority as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 the Authority'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 the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 59-67 respectively, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Statement of Changes in Assets and Liabilities – Custodial Funds and Schedule of Bonds Payable are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying Statement of Changes in Assets and Liabilities – Custodial Funds and Schedule of Bonds Payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
April 23, 2026

FAIRFAX COUNTY WATER AUTHORITY

Management's Discussion and Analysis

This section of the Fairfax County Water Authority (Fairfax Water) annual financial report presents management's analysis of Fairfax Water's financial performance during the fiscal year ended December 31, 2025. This analysis should be read in conjunction with the basic financial statements that follow this section.

Financial Highlights

- Fairfax Water maintained triple-A bond ratings from Moody's Investors Service, Standard & Poor's, and Fitch Ratings.
- Effective April 1, 2025, Fairfax Water increased the commodity charge by nineteen cents to \$4.03. Even with this 5.0% increase, Fairfax Water's rates are among the lowest in the area. Other fees and connection charges were also revised at that time.
- The revenue from wholesale and retail customers for fiscal year 2025 decreased by \$6.6 million, approximately 3.1% below fiscal year 2024.
- The increase in net position during the year of \$55.4 million included operating income of \$39.1 million, net nonoperating income of \$12.7 million and capital contributions of \$3.6 million.
- Operating expenses before depreciation and amortization during 2025 increased by approximately \$8.4 million, which is 8.2% over 2024.
- Capital assets (water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities, and other facilities), net of disposals and accumulated depreciation and amortization, increased by \$22.1 million, approximately 1.1% over 2024.

Overview of the Financial Statements

This annual financial report consists of three parts – management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements consist of:

- Statement of Net Position
- Statement of Revenues, Expenses and Change in Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to Basic Financial Statements

The Statement of Net Position provides a snapshot of Fairfax Water's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, providing information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources). This statement may be used to evaluate the capital structure, liquidity, and financial flexibility of Fairfax Water. The Statement of Revenues, Expenses and Change in Net Position reflects revenue and expense activity for the fiscal year. This statement allows the user to measure the success of

Fairfax Water's operations and can be used to determine whether Fairfax Water has successfully recovered its costs through user fees and other charges. The Statement of Cash Flows reports the cash provided and used in operating activities as well as other cash sources, such as investment income and cash payments for repayment of bonds and capital additions. Cash provided by operating activities is reconciled to operating income. Fairfax Water uses the direct method for presenting the cash flow statement.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position (custodial and trust funds) account for assets held by Fairfax Water on behalf of other governmental entities and for assets held in a trust capacity. The custodial funds account for amounts collected and owed to Fairfax County and the Cities of Falls Church and Fairfax for sales of sewer services. The trust funds account for the Fairfax County Water Authority Welfare Benefit Trust Fund, a self-insured health benefits plan, and the Fairfax County Water Authority Retirement Plan (the Plan), which accounts for activities of the pension and other postemployment benefits plans. These fiduciary activities are presented using the accrual basis of accounting and the economic resources measurement focus and are excluded from Fairfax Water's Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and Statement of Cash Flows.

The Notes to Basic Financial Statements and the Required Supplementary Information provide necessary disclosures that are essential to a full understanding of the data provided in the statements.

Fairfax Water operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. Fairfax Water's basic financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

Financial Analysis

During 2025, Fairfax Water maintained its sound financial position, as demonstrated by Fairfax Water's continued growth in net position and strong cash and investment portfolio, along with the strategic management of its debt borrowings, as outlined in the financial statements and schedules included in this report. Fairfax Water continues to ensure it is able to provide safe and reliable water to its customers while exercising prudent fiscal discipline.

Net Position

The following table reflects Fairfax Water's net position at December 31, 2025 and 2024:

Summary of Net Position
(in millions)

	2025	2024	Increase (Decrease)	% Change
Current and other assets	\$ 306.2	\$ 326.4	\$ (20.2)	(6.2)
Capital assets, net of accumulated depreciation and amortization	2,036.1	2,014.0	22.1	1.1
Total assets	2,342.3	2,340.4	1.9	0.1
Deferred outflows of resources	61.7	65.0	(3.3)	(5.1)
Other liabilities	30.6	34.7	(4.1)	(11.8)
Long-term liabilities	530.9	598.5	(67.6)	(11.3)
Total liabilities	561.5	633.2	(71.7)	(11.3)
Deferred inflows of resources	37.4	22.5	14.9	66.2
Net position:				
Net investment in capital assets	1,576.6	1,542.2	34.4	2.2
Restricted for debt service	46.4	46.8	(0.4)	(0.9)
Unrestricted	182.1	160.7	21.4	13.3
Total net position	\$ 1,805.1	\$ 1,749.7	\$ 55.4	3.2

During 2025, Fairfax Water's net position increased 3.2% to \$1,805.1 million. Capital assets, net of accumulated depreciation and amortization, increased 1.1% to \$2,036.1 million. This increase is attributable to various projects to expand and improve Fairfax Water infrastructure. In addition, during 2025, developers constructed \$2.3 million of capital assets and donated them to Fairfax Water. Additional information is presented in the Capital Assets section of this discussion and Notes 4 and 5 of the basic financial statements.

Current and other assets decreased 6.2%, driven primarily by a \$19.6 million reduction in cash and cash equivalents and investments. This decrease reflects ongoing construction activity and the use of bond proceeds. The remaining \$0.6 million decrease in current and other assets is mainly due to lower customer receivables that were partially offset by increases in unbilled revenue and inventory.

Deferred outflows of resources decreased 5.1% to \$61.7 million, primarily due to lower deferred outflows of resources related to the pension plan and deferred charges on refunding expenses. These reductions reflect net investment gains and changes in pension assumptions that were partially offset by changes in other postemployment benefits (OPEB) assumptions identified in the most recent actuarial valuation. A more detailed description of Fairfax Water's pension and OPEB plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

Total long-term liabilities decreased 11.3% to \$530.9 million, mainly driven by decreases in the net pension liability and OPEB liabilities, and scheduled debt payments. Other liabilities decreased 11.8% to \$30.6 million primarily due to a decrease in construction contract retainage. A more detailed description of Fairfax Water's long-term liabilities can be found in the Bonds Payable section of this discussion and in Notes 6, 7, 8, 9, 10, and 11 of the basic financial statements.

Deferred inflows of resources increased 66.2% to \$37.4 million, due to net investment gains in the pension plan and other changes to other postemployment benefit assumptions, which were partially offset by net demographic losses from the most recent actuarial valuation.

Changes in Net Position

The following table reflects Fairfax Water's changes in net position for the years ended December 31, 2025 and 2024:

Summary of Changes in Net Position
(in millions)

	2025	2024	Increase (Decrease)	% Change
Operating revenues	\$ 221.1	\$ 226.8	\$ (5.7)	(2.5)
Operating expenses	(110.4)	(102.0)	8.4	8.2
Depreciation and amortization expense	(71.6)	(68.1)	3.5	5.1
Nonoperating revenues, net	12.7	16.5	(3.8)	(23.0)
Increase in net position before contributions	51.8	73.2	(21.4)	(29.2)
Capital contributions	3.6	5.4	(1.8)	(33.3)
Increase in net position	\$ 55.4	\$ 78.6	\$ (23.2)	(29.5)

Fairfax Water's operating revenues decreased 2.5% to \$221.1 million. Revenue from wholesale customers decreased \$6.8 million, driven primarily by a \$7.9 million reduction in billings for construction of new wholesale transmission facilities for the Occoquan River Crossing project. This decrease was partially offset by an increase in the wholesale commodity rate and a 0.9% increase in wholesale water sales. Retail water sales revenue increased \$129,000 due to the nineteen-cent increase in the commodity charge, which was offset by a 2.6% decrease in retail water sales volume. Operating expenses increased 8.2% to \$110.4 million, largely reflecting inflationary pressures that increased distribution system expenses and higher administrative and general expenses related to pension and other postemployment benefits adjustments. These increases were partially offset by lower treatment facilities expenses resulting from chemical savings achieved through contract renewals and reduced power purchased costs, which contributed to lower expenses across supply facilities, treatment facilities, and the transmission system. Depreciation and amortization expense increased 5.1% to \$71.6 million. Net nonoperating revenues decreased 23.0% to \$12.7 million, primarily due to lower availability fees and other connection charges.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2025, Fairfax Water had \$2,036.1 million in a full range of capital assets used in the provision of water service including water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities, and other facilities. This amount represents a net increase of \$22.1 million, or 1.1% over December 31, 2024. The following table reflects a breakdown of capital assets by category at December 31, 2025 and 2024:

Capital Assets
(net of depreciation and amortization, in millions)

	2025	2024	Increase (Decrease)	% Change
Land and rights of way	\$ 51.3	\$ 51.3	\$ -	-
Easements	2.3	2.2	0.1	4.5
Construction in progress	41.2	113.2	(72.0)	(63.6)
Water supply	112.5	110.8	1.7	1.5
Water treatment	404.6	415.0	(10.4)	(2.5)
Transmission	344.8	320.4	24.4	7.6
Distribution	615.1	596.3	18.8	3.2
General plant	462.3	401.6	60.7	15.1
Intangible right-to-use subscription	2.0	3.2	(1.2)	(37.5)
Total capital assets	\$ 2,036.1	\$ 2,014.0	\$ 22.1	1.1

The increase in capital assets in fiscal year 2025 is attributable to investments related to various projects to expand and improve Fairfax Water infrastructure as well as developer donated assets.

Bonds Payable

At the end of 2025, net bonds outstanding totaled \$474.0 million. This 6.7% decrease from the previous year is attributable to the normal retirement of bonds. The primary source of revenue utilized for repayment of debt is water consumption charges. In addition, Fairfax Water obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water projects. These other sources include payments from applicants for new service and payments from other jurisdictions for projects that specifically benefit them. A more detailed description of Fairfax Water's bonds payable can be found in Note 7 to the basic financial statements. The following table reflects the composition of bonds payable at December 31, 2025 and 2024:

Bonds Payable
(in millions)

	2025	2024	Increase (Decrease)	% Change
Series 2005	\$ 5.4	\$ 12.0	\$ (6.6)	(55.0)
Series 2010	64.9	64.9	-	-
Series 2013	13.3	15.8	(2.5)	(15.8)
Series 2017	139.9	145.7	(5.8)	(4.0)
Series 2019	57.6	70.8	(13.2)	(18.6)
Series 2020	18.8	18.8	-	-
Series 2021	76.6	78.1	(1.5)	(1.9)
Series 2024	59.4	60.3	(0.9)	(1.5)
Subtotal	435.9	466.4	(30.5)	(6.5)
Plus:				
Unamortized bond premiums	38.1	41.4	(3.3)	(8.0)
Bonds payable, net	474.0	507.8	(33.8)	(6.7)
Current portion	34.8	33.8	1.0	2.7
Long-term portion	\$ 439.2	\$ 474.0	\$ (34.8)	(7.3)

Bond Ratings

During fiscal year 2025, Moody's Investors Service, Standard & Poor's, and Fitch Ratings maintained ratings of Aaa, AAA, and AAA, respectively, to Fairfax Water's outstanding revenue bonds.

Request for Information

This financial report is designed to provide an overview of Fairfax Water's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Fairfax Water
Attention: Director, Finance Division
8570 Executive Park Avenue
Fairfax, Virginia 22031-2218
www.FairfaxWater.org

FAIRFAX COUNTY WATER AUTHORITY

Statement of Net Position December 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 25,446,922
Restricted	16,510,435
Investments	
Unrestricted	32,401,133
Restricted	36,257,211
Accrued interest receivable	1,389,676
Customer receivables, net of allowance for doubtful accounts of \$304,000	3,617,338
Unbilled revenue	17,547,054
Notes receivable	94,867
Leases receivable	902,690
Inventory	12,103,838
Other current assets	1,749,440
Total current assets	148,020,604
Noncurrent assets:	
Investments	
Unrestricted	140,395,429
Restricted	9,496,300
Notes receivable	629,786
Leases receivable	7,666,562
Capital assets, net of accumulated depreciation and amortization	2,036,161,537
Total noncurrent assets	2,194,349,614
Total assets	2,342,370,218
Deferred outflows of resources:	
Deferred charge on refunding	7,258,868
Pension plan	34,453,957
Other postemployment benefits	19,952,618
Total deferred outflows of resources	61,665,443
Total assets and deferred outflows of resources	\$ 2,404,035,661

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Statement of Net Position (continued) December 31, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable and accrued expenses	\$ 18,753,633
Compensated absences	4,671,403
Bonds payable, current maturities	34,749,220
Accrued interest on bonds payable	4,571,664
Unearned revenue	6,093,297
Construction contract retainage	1,160,344
Subscription liability, current portion	932,231
Total current liabilities	70,931,792
Noncurrent liabilities:	
Compensated absences	3,237,222
Refundable construction advances	3,356,386
Bonds payable, net of current portion	439,243,042
Net pension liability	27,621,055
Other postemployment benefits liability	15,698,736
Arbitrage rebate liability	482,209
Subscription liability, noncurrent portion	945,161
Total noncurrent liabilities	490,583,811
Total liabilities	561,515,603
Deferred inflows of resources:	
Pension plan	18,284,047
Other postemployment benefits	11,537,770
Lease revenue	7,550,130
Total deferred inflows of resources	37,371,947
Total liabilities and deferred inflows of resources	598,887,550
Net position:	
Net investment in capital assets	1,576,692,220
Restricted for debt service	46,372,288
Unrestricted	182,083,603
Total net position	1,805,148,111
Total liabilities, deferred inflows of resources and net position	\$ 2,404,035,661

The accompanying notes are an integral part of these basic financial statements.

FAIRFAX COUNTY WATER AUTHORITY

Statement of Revenues, Expenses and Change in Net Position For the year ended December 31, 2025

Operating revenues:	
Sales to retail customers	\$ 152,714,104
Sales to wholesale customers	54,309,345
Sewer service billing charges	9,208,114
Other	4,909,404
Total operating revenues	221,140,967
Operating expenses:	
Supply facilities	14,475,000
Treatment facilities	37,485,179
Transmission system	7,774,281
Distribution system	29,660,926
Administrative and general	20,992,143
Total operating expenses before depreciation and amortization	110,387,529
Operating income before depreciation and amortization	110,753,438
Depreciation and amortization	(71,640,691)
Operating income	39,112,747
Nonoperating revenues (expenses):	
Availability fees and other connection charges	14,077,050
Investment gain, net	12,138,386
Bond subsidy	1,070,352
Lease revenue	1,481,499
Gain on sale of property	257,073
Revenue from federal government	250,000
Interest expense	(16,569,712)
Total nonoperating revenues, net	12,704,648
Income before capital contributions	51,817,395
Capital contributions	3,564,781
Increase in net position	55,382,176
Net position, beginning of year	1,749,765,935
Net position, end of year	\$ 1,805,148,111

The accompanying notes are an integral part of these basic financial statements.

FAIRFAX COUNTY WATER AUTHORITY

Statement of Cash Flows

For the year ended December 31, 2025

Cash flows from operating activities:	
Cash received from customers	\$ 223,208,399
Cash paid to employees	(90,513,195)
Cash paid to suppliers	(39,323,739)
Net cash provided by operating activities	93,371,465
Cash flows from capital and related financing activities:	
Principal paid on bonds	(30,495,000)
Arbitrage rebate payment	(1,116,900)
Interest paid on bonds	(18,839,956)
Construction of capital assets	(91,083,374)
Proceeds from disposition of capital assets	290,380
Availability fees and other connection charges	13,643,668
Lease revenue	1,283,681
Bond subsidy	1,070,352
Capital contributions received from developers	1,259,353
Principal paid on subscription	(1,315,955)
Interest paid on subscription	(95,509)
Net cash used in capital and related financing activities	(125,399,260)
Cash flows from investing activities:	
Gross purchases of investments	(147,600,828)
Gross sales and maturities of investments	153,118,049
Interest received	7,586,928
Collection of note receivable	89,639
Net cash provided by investing activities	13,193,788
Net decrease in cash and cash equivalents	(18,834,007)
Cash and cash equivalents, beginning of year	60,791,364
Cash and cash equivalents, end of year	\$ 41,957,357

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Statement of Cash Flows (continued) For the year ended December 31, 2025

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 39,112,747
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	71,640,691
Other postemployment benefits	(1,667,497)
Pension expense	(15,201,818)
Revenue from federal government	250,000
Change in operating assets and liabilities:	
Customer receivables, net	3,217,190
Unbilled revenue	(1,035,678)
Inventory	(1,358,126)
Other assets	(364,080)
Accounts payable and accrued expenses	(2,950,958)
Compensated absences	1,728,994
Total adjustments	54,258,718
Net cash provided by operating activities	\$ 93,371,465

Supplemental schedule of noncash investing, capital and financing activities:

Capital contributions -	
Estimated acquisition value of capital assets received from developers and others	\$ 2,305,427
Capital assets -	
Capital assets acquired through incurrence of year-end accounts payable	\$ 5,549,195
Investments -	
Change in the fair value of investments	\$ 4,782,807
Subscription-based IT arrangements (SBITA) -	
Right-to-use subscription assets	\$ 103,223
Subscription liabilities	103,223

The accompanying notes are an integral part of these basic financial statements.

FAIRFAX COUNTY WATER AUTHORITY

Statement of Fiduciary Net Position December 31, 2025

FIDUCIARY FUNDS	Trust Funds			
	Custodial Funds	Welfare Benefit Trust Fund	Pension and OPEB Trust Fund	Total Trust Funds
ASSETS				
Cash and cash equivalents	\$ 6,266,992	\$ 970,600	\$ 2,908,667	\$ 3,879,267
Other current assets	-	657,339	194,887	852,226
Investments held in trust at fair value:				
U.S. government obligations	-	13,935,686	-	13,935,686
Equity mutual funds	-	-	403,613,591	403,613,591
Fixed income pooled funds	-	-	127,011,973	127,011,973
Other investments	-	-	10,021,995	10,021,995
Total investments	-	13,935,686	540,647,559	554,583,245
Total assets	6,266,992	15,563,625	543,751,113	559,314,738
LIABILITIES				
Accounts payable	-	1,582,099	393,108	1,975,207
Total liabilities	-	1,582,099	393,108	1,975,207
NET POSITION				
Restricted for:				
Other localities	6,266,992	-	-	-
Pension and other postemployment benefits	-	13,981,526	543,358,005	557,339,531
Total net position	\$ 6,266,992	\$ 13,981,526	\$ 543,358,005	\$ 557,339,531

The accompanying notes are an integral part of these basic financial statements.

FAIRFAX COUNTY WATER AUTHORITY

Statement of Changes in Fiduciary Net Position For the year ended December 31, 2025

FIDUCIARY FUNDS	Trust Funds			
	Custodial Funds	Welfare Benefit Trust Fund	Pension and OPEB Trust Fund	Total Trust Funds
Additions:				
Employer contributions	\$ -	\$ 5,874,781	\$ 25,478,028	\$ 31,352,809
Plan member contributions	-	1,642,241	564,707	2,206,948
Sewer service and utility taxes	287,009,049	-	-	-
Other	-	861,527	-	861,527
Total contributions	287,009,049	8,378,549	26,042,735	34,421,284
Investment income:				
Net increase in fair value of investments	-	62,667	76,195,752	76,258,419
Interest	-	681,262	29,749	711,011
Total investment earnings	-	743,929	76,225,501	76,969,430
Less investment expense	-	-	1,236,296	1,236,296
Net investment income	-	743,929	74,989,205	75,733,134
Total additions	287,009,049	9,122,478	101,031,940	110,154,418
Deductions:				
Retirement benefits	-	-	24,795,665	24,795,665
Health insurance benefits	-	-	2,924,873	2,924,873
Health insurance claims	-	9,789,234	-	9,789,234
Refunds of contributions	-	-	122,484	122,484
Remittances to localities	285,925,995	-	-	-
Administrative expenses	-	563,849	123,897	687,746
Total deductions	285,925,995	10,353,083	27,966,919	38,320,002
Increase (decrease) in fiduciary net position	1,083,054	(1,230,605)	73,065,021	71,834,416
Net position, beginning of year	5,183,938	15,212,131	470,292,984	485,505,115
Net position, end of year	\$ 6,266,992	\$ 13,981,526	\$ 543,358,005	\$ 557,339,531

The accompanying notes are an integral part of these financial statements.

FAIRFAX COUNTY WATER AUTHORITY

Notes to Basic Financial Statements

December 31, 2025

1. Fairfax Water

The Fairfax County Water Authority (Fairfax Water) is a public body, corporate and politic, exercising public and essential governmental functions in the Commonwealth of Virginia. Fairfax Water was created by the Board of Supervisors of Fairfax County, Virginia, and chartered by the State Corporation Commission in 1957 for the purpose of establishing and operating a comprehensive county-wide water system. The management is vested in a Board of ten members appointed by the Fairfax County Board of Supervisors.

2. Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying basic financial statements include the primary business-type and fiduciary activities for Fairfax Water and conform to accounting principles generally accepted in the United States of America, as applicable to enterprise and fiduciary funds of governmental units.

Fairfax Water is not considered a component unit of Fairfax County, Virginia (the County) and all governmental entities operating within the County are excluded from Fairfax Water's financial statements. Although the Fairfax County Board of Supervisors appoints the Members of Fairfax Water's Board, the County is not financially accountable for Fairfax Water. In addition, there is no potential for Fairfax Water to provide specific financial benefit to, or impose specific financial burdens on the County, and Fairfax Water is not fiscally dependent on the County.

Fairfax Water reports fiduciary activities (custodial and trust funds) in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The custodial funds account for the collection and remittance of sewer and utility tax payments on behalf of Fairfax County and the Cities of Falls Church and Fairfax (the Cities). The Fairfax County Water Authority Welfare Benefit Trust Fund is a fiduciary component unit and accounts for Fairfax Water's self-insured health benefits plan. Health insurance includes medical, vision, dental, and prescription drug benefits for employees, pre-Medicare retirees, and their dependents. The pension and other postemployment benefits trust fund accounts for activities of the Fairfax County Water Authority Retirement Plan (the Plan). Fiduciary funds are excluded from Fairfax Water's business-type financial statements and cannot be used to support Fairfax Water's own programs. In addition, Fairfax Water is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

B. Basis of Accounting

Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized. The accompanying financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized when incurred.

Fairfax Water has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, Fairfax Water adopted GASB Statement No. 102, *Certain Risk Disclosures*.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities as of 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.

D. Revenue Recognition

Rates, fees, and other charges for services to wholesale and retail customers are established to provide sufficient funds to cover the cost of operations, debt service, and essential repairs and improvements to capital assets. Metered sales are recognized as revenue as customers use water. At year-end, the amount of revenue generated for which customers have not been billed is recorded as unbilled revenue. Retail customers pay availability, local facility, and service connection charges for each new service connection and meter installation. These charges are recognized as revenue as service connections are made and meters are installed. Wholesale customers pay a charge to reserve capacity of purification and transmission based on a multi-year contract. Such revenues are recognized at the time Fairfax Water has an enforceable claim to these charges. Sewer service billing charges represent an administrative fee charged to the County and the Cities of Falls Church and Fairfax (the Cities) to cover the cost of billing and collecting sewer service charges by Fairfax Water on behalf of the County and Cities. The administrative fees are recognized as revenue by Fairfax Water as earned.

Fairfax Water's receivables are recorded net of an allowance for doubtful accounts, where considered necessary. As of December 31, 2025, the only receivables that management determined required an allowance relates to retail customers accounts receivable. Fairfax Water calculates the allowance as a percentage of retail sales, based on past bad debt experience. No allowance is calculated for wholesale customer accounts receivable, as Fairfax Water has not historically experienced any collectability issues with its wholesale customers.

E. Operating and Nonoperating Revenues and Expenses

Fairfax Water's Statement of Revenues, Expenses and Change in Net Position distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Fairfax Water's principal ongoing operations. The principal operating revenues of Fairfax Water are from metered sales to customers and other customer related charges. Operating expenses include the cost of water supply, treatment, transmission, and distribution; depreciation and amortization of capital assets; and general and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Customer

availability fees and connection charges are reported as nonoperating revenues as such revenues are primarily used to fund capital improvements and expansion.

F. Nonoperating Lease Revenue

Fairfax Water has entered into water tower lease agreements with various cellular phone providers. The leases allow for the placement of cellular antennas on Fairfax Water's water towers. The contracts are generally for five years, with five-year renewal options.

On October 31, 2016 Fairfax Water entered into an agreement with Vulcan Lands, Inc. (Vulcan) to transfer ownership of a portion of Vulcan's Graham Quarry, located between Fairfax Water's Occoquan River supply and the Frederick P. Griffith, Jr. Water Treatment Plant. Vulcan will quarry the land pursuant to a lease agreement until 2035, at which time such land will become available for Fairfax Water's use as a water supply reservoir with storage capacity of 1.7 billion gallons of water. Subsequent to such land becoming available for Fairfax Water's use as a water supply reservoir, Vulcan will continue to quarry adjacent property. Ownership of such adjacent property will transfer to Fairfax Water at no additional cost no later than 2085. When completed, such quarry reservoirs are expected to store up to 17 billion gallons of water.

G. Subscription-Based Information Technology Agreements (SBITA)

Fairfax Water has entered into contracts with SBITA vendors that convey control of the intangible right to use a SBITA vendor's Information Technology software, alone or in combination with tangible capital assets such as servers or other computer related hardware as specified in the contracts, for a period of time in an exchange or exchange-like transaction. A more detailed description of Fairfax Water's SBITAs can be found in Note 13.

H. Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. At December 31, 2025, such investments were primarily comprised of money market funds. Restricted cash equivalents represent funds held by the Trustee for debt service in accordance with applicable bond covenants, and cash in escrow for purchased water.

I. Notes Receivable

Fairfax Water entered into an agreement with the Fairfax County Board of Supervisors in July, 2001 to extend Fairfax Water's transmission and distribution system to serve Lewis Park, Colchester Acres and Vannoy Park Subdivision. Under the agreement, Fairfax County agreed to pay Fairfax Water in semi-annual payments on October 1 and March 1 of each year commencing October 1, 2002 and ending March 1, 2032. The total project cost and amount financed was \$1,896,874. The note receivable at December 31, 2025, totaled \$724,653.

J. Investments

Investments are stated at fair value, with any related gain or loss reported in investment income on the accompanying Statement of Revenues, Expenses and Change in Net Position. Investment fair values are based on quoted market prices, except for bankers' acceptances, which are based on accreted value. Investments in mutual funds, which are Securities and Exchange Commission

2a-7 investment pools, are stated at share price which is substantially the same as fair value. Restricted investments represent investments held by the Trustee for debt service.

K. Inventory

Inventories of materials and supplies are accounted for using the consumption method and are carried at average costs. Under this method, inventories are expensed as they are consumed.

L. Capital Assets

Capital assets are carried at cost (except for intangible right-to-use subscription assets, the measurement of which is discussed in Note 13), which, for assets constructed by Fairfax Water, includes associated payroll, fringe benefits, and administrative costs. Fairfax Water capitalizes all assets that individually cost \$2,500 or more, with useful lives greater than one year. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Contributed assets consist principally of water mains constructed by developers and subsequently donated to Fairfax Water. Such assets are recorded at acquisition value on the date of the donation. The acquisition value is based on Fairfax Water's estimated cost to construct or purchase similar assets. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements are capitalized. There were no impaired capital assets as of December 31, 2025. In 2025, the capital assets were depreciated or amortized on the straight-line basis over the following estimated useful lives:

Capital Assets	Useful Lives
Pipes	75 – 100 years
Treatment Plants	40 – 60 years
Buildings	30 – 40 years
Equipment/Software	5 – 25 years
Vehicles	5 – 10 years
Software Subscriptions	2 – 10 years

M. Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets. Construction in progress also includes associated payroll, fringe benefits, and administrative costs when the asset is constructed by Fairfax Water.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Fairfax Water has several items that qualify for reporting in this category. One item is a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding

debt. The remaining items relate to the pension and other postemployment benefits plans. A more detailed description of Fairfax Water's pension and other postemployment benefits plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Fairfax Water has several items that qualify for reporting in this category. One item is deferred lease revenue, which is measured as the initial amount of the lease receivable and is recognized as revenue over the life of the lease term. The remaining items relate to the pension and other postemployment benefits plans. A more detailed description of Fairfax Water's pension and other postemployment benefits plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

O. Pensions and Other Postemployment Benefits

For purposes of measuring all financial statement elements related to Fairfax Water's pension and other postemployment benefits plans, information about the fiduciary net position of the Fairfax County Water Authority Retirement Plan (the Plan) as well as additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were reported by the Plan, which are prepared using the accrual basis of accounting. 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.

The Plan document assigns all responsibilities of maintaining the Plan to the Fairfax Water Board Members. Additionally, Fairfax Water has established a Benefits Trust Committee to be responsible for the administration of the pension and other postemployment benefits plans. Information about the fiduciary net position and additions to/deductions from the Plans' net fiduciary position have been determined by Fairfax Water's actuary.

P. Unamortized Debt Discounts (Premiums)

Debt discounts (premiums) are amortized over the life of the related bond issuance using the effective interest rate method. The current year amortization is included in interest expense. The debt discount (premium) is netted against the related debt on the accompanying Statement of Net Position.

Q. Compensated Absences

Employees earn vacation and sick pay based on a prescribed formula that allows employees to accumulate a maximum of 40 days in vacation pay and an unlimited amount of sick pay. Fairfax Water's liability for vacation and vested sick pay earned but not used by its employees is computed using pay rates in effect at year-end. The liability for sick pay vests for employees after three years of service.

R. Net Position

Net position of Fairfax Water is classified in three components: (1) Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization, reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets and deferred charges on capital related refundings and retainage payable net of related unspent bond proceeds; (2) Restricted for debt service is amounts deposited with the Trustee as required by the 1992 General Trust Indenture discussed in Note 7; and (3) Unrestricted is remaining net resources that do not meet the definition of investment in capital assets nor restricted.

It is Fairfax Water's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

S. Refundable Construction Advances

Refundable construction advances represent assets and cash in aid of construction received by Fairfax Water from developers under Fairfax Water's offsite water main program. These advances are refundable over a ten-year period based on the number of applicable connections made to the offsite water mains. At the end of ten years, the portion not refunded is considered a capital contribution and is reflected in the table in Note 6 as "refundable construction advances".

T. New Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvement*, will improve the key components of the financial reporting model to enhance the relevance and comparability of the information that is essential for decision making and assessing a government's accountability. Statement 103 will be effective for Fairfax Water with its year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will improve the consistency and comparability of financial reporting by providing users with essential information about certain types of capital assets in order to make decisions and assess accountability. Statement 104 will be effective for Fairfax Water with its year ending December 31, 2026.

GASB Statement No. 105, *Subsequent Events*, will improve the financial reporting requirements for subsequent events to enhance the consistency of their application and better meet the informational needs of financial statement users. Statement 105 will be effective for Fairfax Water with its year ending December 31, 2027.

Fairfax Water has not yet determined the effect these GASB Statements will have on its financial statements.

U. Subsequent Events

Fairfax Water has evaluated and determined there were no subsequent events through April 23, 2026, which was the date the financial statements were available to be issued.

3. Cash and Investments

- A. Cash and Cash Equivalents** - Cash in bank accounts is insured by the Federal Deposit Insurance Corporation and/or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral to the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Business-Type Activities

As of December 31, 2025, the carrying value of Fairfax Water's business-type activities deposits with banks was \$15,741,284, with a bank balance of \$17,826,978. In addition, Fairfax Water held a deposit of \$1,385,739 with the U.S. Army Corps of Engineers, a deposit of \$320,260 for construction retainage, and \$24,510,074 of cash equivalents in the Virginia State Non-Arbitrage Program (SNAP), Allspring Fund, and First American Treasury Obligation Fund, which are money market funds as of December 31, 2025.

Fiduciary Activities

As of December 31, 2025, the carrying value and bank balance of Fairfax Water's fiduciary activities deposits with banks for custodial funds for sewer collections was \$6,266,992. Cash and cash equivalents held by Fairfax Water for custodial funds are not invested.

As of December 31, 2025, the carrying value and bank balance of Fairfax Water's fiduciary activities deposits with banks for the Welfare Benefit Trust Fund was \$817,584. In addition, \$153,016 of cash equivalents in the Allspring Fund, which is a money market fund are being held by Fairfax Water in a trust capacity, as of December 31, 2025.

As of December 31, 2025, the carrying value of Fairfax Water's fiduciary activities deposits with banks for the Pension and OPEB Trust Fund was \$2,908,667, with a bank balance of \$3,180,089. There were no other cash and cash equivalents held by Fairfax Water in a trust capacity, as of December 31, 2025.

- B. Investments** – Virginia state statutes authorize Fairfax Water's business-type activities, including its fiduciary component unit (the Welfare Benefit Trust Fund), to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; qualifying obligations of other states and their political subdivisions; repurchase agreements; commercial paper, rated A or better by at least two of the rating agencies; bankers' acceptances rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service; corporate notes with a maturity no greater than five years and a minimum long-term debt rating of Aa by Moody's Investors Service and AA by Standard & Poor's; negotiable certificates of deposit or bank notes; Virginia Local Government Investment pool; Virginia State Non-Arbitrage Program; Supranational Bonds; registered money market mutual funds; savings accounts; time deposits; and certificates of deposit.

Fairfax County Water Authority has invested proceeds of the 2024 Bonds in the SNAP Fund to ensure compliance with certain arbitrage requirements of the *Internal Revenue Code of 1986*, as amended. The SNAP Fund invests in the PFM Funds Prime Series-SNAP Fund Class. PFMAM is registered under the Investment Act of 1940, as amended, the SNAP Fund Class is a diversified, open-end fund with the primary objective to see as high a rate of current income is consistent with maintaining liquidity and stability of principle. It also provides Virginia issuers of tax-exempt borrowings with investment management, accounting, and arbitrage rebate calculation services. The Fund invests in qualifying obligations and securities as permitted by Virginia statutes. The reported value of the position in the SNAP external investment pool is measured at amortized cost and the same as the value of the pool's shares, \$1 per share. Redemption of shares are not subject to redemption fees or withdrawal penalties and can be made on any banking day without limitations.

The Plan policy for the fiduciary activities of the Pension and OPEB Trust Fund authorizes obligations of the United States or agencies thereof; corporate debt; mortgage and asset-backed securities; domestic and foreign common stock; convertible preferred and debt securities; and repurchase agreements. All fixed income, mortgage and asset-backed securities shall be rated "A" or better by a nationally recognized rating agency at the time of purchase.

Interest Rate Risk – Fairfax Water's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk for Fairfax Water's business-type activities and its fiduciary component unit (the Welfare Benefit Trust Fund), Fairfax Water structures the investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Further, Fairfax Water may not directly invest in securities maturing in more than five years from the date of purchase.

The Plan policy for the fiduciary activities of the Pension and OPEB Trust Fund addresses risk that can be managed, but not eliminated, by establishing constraints on the investment portfolio and by properly monitoring the investment markets, the Plan's asset allocation, and the investment managers hired by the Plan. Additionally, each type of asset class in the Plan is designed to be held for a minimum period, typically more than five years. These minimum holding periods are only suggested in order to reduce the volatility of short-term market fluctuations and to allow the Plan to capture historically favorable returns over time.

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water's business-type activities investments as of December 31, 2025. WAM expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, Fairfax Water assumes that all of its investments will be held to maturity.

Investment Type	Fair Value	Weighted Average Maturity (Years)
U. S. Government Treasury Notes and Bonds	\$ 182,793,413	1.886
U. S. Government Agency Notes	19,246,469	3.018
Corporate Notes	16,510,191	3.691
Total Portfolio	\$ 218,550,073	2.122

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water's fiduciary component unit (the Welfare Benefit Trust Fund) as of December 31, 2025.

Investment Type	Fair Value	Weighted Average Maturity (Years)
U. S. Government Treasury Notes and Bonds	\$ 13,670,306	1.395
U. S. Government Agency Notes	265,380	0.575
Total Portfolio	\$ 13,935,686	1.379

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water's fiduciary activities investments for the Pension and OPEB Trust Fund as of December 31, 2025. The Pension and OPEB Trust Fund investments in equity mutual funds and other investments have no stated maturity and have not been allocated to a time period on the following table.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Equity Mutual Funds	\$ 403,613,591	Not applicable
Fixed Income Pooled Funds	127,011,973	14.469
Other Investments	10,021,995	Not applicable
Total Portfolio	\$ 540,647,559	14.469

Credit Risk – Fairfax Water's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. For Fairfax Water's business-type activities and its fiduciary component unit (the Welfare Benefit Trust Fund), Fairfax Water and its investment advisor pre-qualify financial institutions and broker-dealers with which they do business. For the fiduciary activities of the Pension and OPEB Trust Fund, the Plan's trustees and the investment consultant pre-qualify investment managers with which they do business. In addition, Fairfax Water limits its investments to the safest types of securities and diversifies its investment portfolio so that potential losses on individual securities will be minimized.

The table below reflects the allocation of credit quality rating of Fairfax Water's business-type activities investments by Standard & Poor's Rating Services as of December 31, 2025.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
U.S. Government Treasury Notes and Bonds	-	83.6%	-	-	-
U.S. Government Agency Notes	-	8.8%	-	-	-
Corporate Notes	-	2.2%	1.3%	4.1%	-
Total Portfolio	-	94.6%	1.3%	4.1%	-

The table below reflects the allocation of credit quality rating of Fairfax Water's fiduciary component unit (the Welfare Benefit Trust Fund) investments by Standard & Poor's Rating Services as of December 31, 2025.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
U.S. Government Treasury Notes and Bonds	-	98.1%	-	-	-
U.S. Government Agency Notes	-	1.9%	-	-	-
Total Portfolio	-	100.0%	-	-	-

The table below reflects the allocation of credit quality rating of Fairfax Water's fiduciary activities for the Pension and OPEB Trust Fund investments by Standard & Poor's Rating Services as of December 31, 2025. The investments in equity mutual funds and other investments are not rated and have been excluded from the following table.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
Fixed Income Pooled Funds	-	-	100%	-	-
Total Portfolio	-	-	100%	-	-

Concentration of Credit Risk – To minimize credit risk, Fairfax Water’s investment policy for its business-type activities and fiduciary component unit (the Welfare Benefit Trust Fund) seeks to diversify its portfolio by limiting the percentage of the portfolio that may be invested in any one type of instrument as follows:

Instrument Type	Maximum
U.S. Government Obligations	100%
Repurchase Agreements	50%
Commercial Paper	35%
Bankers’ Acceptances	40%
Corporate Notes	35%
Municipal Obligations	20%
Negotiable Certificates of Deposit/Bank Notes	35%
Supranational Bonds	10%
Virginia Local Government Investment Pool	50%
Virginia State Non-Arbitrage Program	50%
Registered Money Market Mutual Funds	50%
Savings Accounts, Time Deposits, Certificates of Deposit	20%

In addition, not more than five percent of total funds available for investment (based on book value on the date of acquisition) can be invested in any single issuing corporation or bank for corporate notes, commercial paper, or bankers’ acceptances. As of December 31, 2025, there are no concentrations of credit risk beyond the stated policy.

To minimize credit risk for Fairfax Water’s fiduciary activities of the Pension and OPEB Trust Fund, the Plan limits its investments to the safest types of securities and diversifies its investments portfolio so the potential losses will be minimized. The Plan’s current target asset allocation is as follows:

Asset Class	Target Allocation
Domestic Equity	30% - 70%
International Equity	0% - 10%
Fixed Income	20% - 70%
Real Estate	0% - 10%
Cash	0% - 50%
Other	0% - 10%

Custodial Credit Risk – Custodial risk is the risk that in the event of the failure of the counterparty, Fairfax Water will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, Fairfax Water’s investment policy requires that all securities purchased by Fairfax Water be properly and clearly labeled as an asset of Fairfax Water and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the *Code of Virginia*. Therefore, Fairfax Water has no custodial risk.

For Fairfax Water’s business-type activities, accrued interest at December 31, 2025 of \$6,068,389 on the Resolution Funding Corporation stripped securities (REFCO Strips) is classified with the

REFCO Strips in unrestricted investments. Maturity dates of the investments determine the Statement of Net Position classification.

Fair Value Measurement – Fairfax Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities (REFCO Strips); and Level 3 inputs are significant unobservable inputs.

The table below details the fair value measurements of Fairfax Water’s business-type activities as of December 31, 2025:

Investment Type	Level 1 Inputs	Level 2 Inputs
U. S. Government Treasury Notes and Bonds	\$ 182,793,413	\$ -
U. S. Government Agency Notes	514,620	18,731,849
Corporate Notes	14,241,906	2,268,285
Total Portfolio	\$ 197,549,939	\$ 21,000,134

The table below details the fair value measurements of Fairfax Water’s fiduciary component unit (the Welfare Benefit Trust Fund) as of December 31, 2025:

Investment Type	Level 1 Inputs	Level 2 Inputs
U. S. Government Treasury Notes and Bonds	\$ 13,670,306	\$ -
U. S. Government Agency Notes	-	265,380
Total Portfolio	\$ 13,670,306	\$ 265,380

All of the investments for Fairfax Water’s fiduciary activities for the Pension and OPEB Trust Fund are considered Level 2.

4. Capital Assets

The changes in Fairfax Water's capital assets for the year ended December 31, 2025 follow (in thousands):

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets not being depreciated or amortized:				
Land and rights of way	\$ 51,299	\$ -	\$ -	\$ 51,299
Easements	2,156	-	153	2,309
Construction in progress	113,175	17,332	(89,315)	41,192
Total capital assets not being depreciated or amortized	166,630	17,332	(89,162)	94,800
Capital assets being depreciated or amortized:				
Water supply	186,486	4,289	1,952	192,727
Water treatment	752,269	4,708	569	757,546
Transmission	457,697	5,963	25,414	489,074
Distribution	796,848	25,073	3,891	825,812
General plant	733,300	36,379	51,909	821,588
Intangible right-to-use subscription asset	4,535	103	(626)	4,012
Total capital assets being depreciated or amortized	2,931,135	76,515	83,109	3,090,759
Less accumulated depreciation or amortization for:				
Water supply	75,700	4,503	-	80,203
Water treatment	337,300	15,622	-	352,922
Transmission	137,320	8,404	(1,466)	144,258
Distribution	200,409	12,873	(2,549)	210,733
General plant	331,673	29,018	(1,379)	359,312
Intangible right-to-use subscription asset	1,374	1,221	(626)	1,969
Total accumulated depreciation or amortization	1,083,776	71,641	(6,020)	1,149,397
Capital assets being depreciated or amortized, net	1,847,359	4,874	89,129	1,941,362
Total capital assets, net	\$ 2,013,989	\$ 22,206	\$ (33)	\$ 2,036,162

5. Capital Contributions

Capital contributions for the year ended December 31, 2025, are as follows:

Donated capital assets	\$ 2,305,427
Contributions from developers	1,041,748
Expired construction advances	217,606
Total	<u>\$ 3,564,781</u>

Contributed assets consist principally of water mains constructed by developers and subsequently donated to Fairfax Water as well as mains constructed by Fairfax Water and paid for by the developers.

6. Other Long-Term Liabilities

Other long-term liabilities activity for the year ended December 31, 2025 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated absences	\$ 6,180	\$ 7,909	\$ (6,180)	\$ 7,909	\$ 4,671
Refundable construction advances	3,446	128	(218)	3,356	-
Subscription liabilities	3,090	103	(1,316)	1,877	932
Total other long-term liabilities	<u>\$ 12,716</u>	<u>\$ 8,140</u>	<u>\$ (7,714)</u>	<u>\$ 13,142</u>	<u>\$ 5,603</u>

7. Bonds Payable

Bonds payable activity for the year ended December 31, 2025 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds payable:					
Series 2005 Bonds	\$ 11,950	\$ -	\$ (6,500)	\$ 5,450	\$ 2,655
Series 2010 Bonds	64,860	-	-	64,860	-
Series 2013 Bonds	15,810	-	(2,445)	13,365	2,515
Series 2017 Bonds	145,700	-	(5,795)	139,905	10,265
Series 2019 Bonds	70,790	-	(13,215)	57,575	13,480
Series 2020 Bonds	18,765	-	-	18,765	-
Series 2021 Bonds	78,165	-	(1,605)	76,560	1,690
Series 2024 Bonds	60,345	-	(935)	59,410	980
	<u>466,385</u>	<u>-</u>	<u>(30,495)</u>	<u>435,890</u>	<u>31,585</u>
Plus unamortized premiums (net)	41,367	-	(3,265)	38,102	3,164
Total bonds payable, net	<u>\$ 507,752</u>	<u>\$ -</u>	<u>\$ (33,760)</u>	<u>\$ 473,992</u>	<u>\$ 34,749</u>

On March 30, 2005, Fairfax Water issued water refunding revenue bonds dated March 30, 2005 in the aggregate principal amount of \$113,440,000 (the Series 2005 Bonds). Interest on the Series 2005 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2005 Bonds bear interest rates at 5.25 percent per annum. No amount of the refunded bonds is outstanding at December 31, 2025.

On November 10, 2010, Fairfax Water issued water revenue and refunding revenue bonds dated November 10, 2010 in the aggregate principal amount of \$88,860,000 (the Series 2010 Bonds). Interest on the Series 2010 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2010 Bonds bear interest rates at 5.00 percent per annum. The Series 2010 Bonds with stated maturities after April 2020 are subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2025.

On February 25, 2013, Fairfax Water issued water refunding revenue bonds dated February 25, 2013 in the aggregate principal amount of \$93,870,000 (the Series 2013 Bonds). Interest on the Series 2013

Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2013 Bonds bear interest at rates ranging from 3.005 to 3.405 percent per annum. The Series 2013 Bonds with stated maturities on or before April 2023 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2025.

On March 1, 2017, Fairfax Water issued water revenue and refunding revenue bonds dated March 1, 2017 in the aggregate principal amount of \$201,590,000 (the Series 2017 Bonds). Interest on the Series 2017 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2017 Bonds bear interest at rates ranging from 3.00 to 5.00 percent per annum. The Series 2017 Bonds with stated maturities on or before April 2027 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2025.

On December 10, 2019, Fairfax Water issued water refunding revenue bonds dated December 10, 2019 in the aggregate principal amount of \$91,230,000 (the Series 2019 Bonds). Interest on the Series 2019 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2019 Bonds bear interest at rates ranging from 2.206 to 2.629 percent per annum. The Series 2019 Bonds with stated maturities on or after April 2023 are subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2025.

On January 7, 2020, Fairfax Water issued water refunding revenue bonds dated January 7, 2020 in the aggregate principal amount of \$18,765,000 (the Series 2020 Bonds). Interest on the Series 2020 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2020 Bonds bear interest at rates ranging from 3.50 to 5.00 percent per annum. The Series 2020 Bonds with stated maturities on or before April 2029 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2025.

On July 29, 2021, Fairfax Water issued water revenue bonds dated July 29, 2021 in the aggregate principal amount of \$82,525,000 (the Series 2021 Bonds). Interest on the Series 2021 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2021 Bonds bear interest at rates ranging from 1.00 to 5.00 percent per annum. The Series 2021 Bonds with stated maturities on or before April 2031 are not subject to early redemption prior to maturity.

On July 30, 2024, Fairfax Water issued water revenue bonds dated July 30, 2024 in the aggregate principal amount of \$60,345,000 (the Series 2024 Bonds). Interest on the Series 2024 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2024 Bonds bear interest at rates ranging from 4.00 to 5.00 percent per annum. The Series 2024 Bonds with stated maturities on or before April 2034 are not subject to early redemption prior to maturity.

At December 31, Fairfax Water is required to have an account balance with the Trustee sufficient to pay principal and interest due on the outstanding bonds issued under the 1992 General Trust Indenture on the following April 1. At December 31, 2025, this amount consisted of cash equivalents of \$3,892,424 and investments in U.S. Government securities of \$36,071,268 with a market value of approximately \$36,257,211 meeting the requirements of the 1992 General Trust Indenture. In addition, Fairfax Water is required to maintain with the Trustee an amount equal to the maximum amount of interest accruing on all outstanding bonds in the current or any future bond year. At December 31, 2025, this amount consisted of cash equivalents of \$930,459, investments in U.S. Government securities of \$9,326,468 with a market value of approximately \$9,496,300, and an AMBAC surety bond for \$15,649,348.

Under the terms of the 1992 General Trust Indenture, before the commencement of each fiscal year, Fairfax Water is required to fix, establish, or maintain or cause to be fixed, established, and maintained such rates, fees, and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each fiscal year, as necessary, as will produce net revenues, in the opinion of the Consulting Engineer, at least equal in such fiscal year to the total of 110 percent of the principal and interest requirements during that fiscal year. For 2025, Fairfax Water was in compliance with the terms of the 1992 General Trust Indenture.

Future debt payments under all debt agreements as of December 31, 2025 are as follows:

Year	Principal	Interest	Total
2026	\$ 31,585,000	\$ 18,286,656	\$ 49,871,656
2027	32,695,000	17,127,574	49,822,574
2028	33,570,000	15,979,485	49,549,485
2029	34,825,000	14,802,887	49,627,887
2030	14,760,000	13,460,139	28,220,139
2031 – 2035	65,130,000	58,886,925	124,016,925
2036 – 2040	78,705,000	43,900,137	122,605,137
2041 – 2045	71,800,000	25,826,300	97,626,300
2046 – 2050	55,050,000	9,352,900	64,402,900
2051 – 2054	17,770,000	1,524,000	19,294,000
Total	\$ 435,890,000	\$ 219,147,003	\$ 655,037,003

The 1986 Federal Tax Reform Act requires local jurisdictions to report any rebate arbitrage earnings on debt issues to the Federal Government every five years. As of December 31, 2025, Fairfax Water has obligations of \$482,209.

8. Pension Plan

A. Plan Description and Provisions

Fairfax Water sponsors the Fairfax County Water Authority Retirement Plan (the Plan), a single-employer public employee defined benefit pension plan. The Plan provides retirement benefits for all regular full-time employees as well as Board Members of Fairfax Water who elected to participate prior to July 1, 2002. The Plan document assigns all responsibilities of maintaining the Plan to the Fairfax Water Board Members, including the approval of Plan changes, setting benefit and contribution levels under the Plan, and ensuring the Plan is funded sufficiently to meet its benefit obligations. Fairfax Water has established a Benefits Trust Committee to be responsible for the administration of the Plan. On an ongoing basis, Fairfax Water reviews the established Retirement Plan and makes adjustments accordingly.

The Plan administers six different benefit structures for members, five of which are closed to new entrants (Plan A, Plan B, Plan C, Modified Plan D, and Plan E). Newly hired employees currently earn benefits under Plan D. All regular full-time employees of Fairfax Water are eligible to participate in the Plan immediately upon commencement of employment. The specific provisions and eligibility for each benefit structure are set out below:

Plan A

There are no employees participating in Plan A as of the year ending December 31, 2020.

Plan B

The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Eligible Members – Employees are in Plan B if they chose Plan B at time of employment between January 1, 1982 and June 30, 1988, or were Plan A members who chose the Plan B Opt-In Option between June 1, 1988 and June 30, 1988, or if their membership date is between July 1, 1988 and December 31, 1996.

Plan B Opt-In Option – Effective June 1, 1988 (for a 30-day period), Plan A members were given the option to join Plan B. Each Plan A member who elected to join Plan B was required to pay into the Plan. The payment requirement equaled the member's difference between the Plan A and Plan B contributions for the period January 1, 1982 through June 30, 1988, including interest at 10%. Such contributions and interest were credited to the member's contribution amount. The election was irrevocable.

Retirement Contributions – Employees contribute 5.0% of their annual creditable compensation to their member contribution account on a bi-weekly basis. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. Fairfax Water makes a separate actuarially determined contribution to the Plan for all covered employees. The Plan invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – The sum of a participant's membership service credit, accrued annual leave credit, accrued sick leave service credit, and any additional purchased service. A year of creditable service shall consist of 365 calendar days. Periods less than 365 days shall be prorated to the nearest tenth of a year. A member's total creditable service is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit.

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years of membership service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members are always 100% vested in the contributions they make.

Calculating the Benefit – The basic benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total creditable service at retirement. An early retirement reduction factor of 0.5% is applied to the basic benefit, and supplemental benefit if applicable, for each month that retirement precedes what would have been the normal retirement date.

Average Final Compensation – A member's average final compensation is the average of the three consecutive years of creditable service which will produce the highest average annual compensation.

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier is 2.1% of average final compensation.

Supplemental Benefit – In addition to the basic benefit, members who retire prior to the earliest date of eligibility for Social Security benefits shall receive a supplemental benefit of 1.0% of average final compensation up to the Social Security Breakpoint multiplied by years of creditable service. Payments cease upon first eligibility for Social Security benefits, whether or not application for Social Security benefits has been made or awarded.

Normal Retirement Age – First of the month following attainment of a combination of age and creditable service equal to 80 years, provided the member is not less than 50 years old and has completed at least five years of creditable service, or at age 65 with five years of creditable service, if earlier.

Earliest Unreduced Retirement Eligibility – At age 65 with five years of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility – First of the month following attainment of a combination of age and creditable service equal to 75 years, with at least ten years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – Retirement benefits are increased on May 1 of each year by the change in the Consumer Price Index (CPI) for Washington-Arlington-Alexandria, DC-VA-MD-WV for the preceding twelve months ended December 1. If the period of retirement is less than one year, the increase is 25% of the CPI for each completed quarter. If the increase in the CPI is greater than 4%, the Plan actuary analyzes whether the increase is supportable by the Plan and will provide recommendations.

Disability Coverage – Participants who become disabled while employed and enter Fairfax Water's long-term disability program, continue to accrue service under the Plan as if they were still working. Upon reaching the normal retirement date, disabled participants begin receiving benefits from the Plan. The basic benefit is calculated using average final compensation at the time of disability.

Plan C

Plan C is the same as Plan B except for the following:

Eligible Members – Employees are in Plan C if their membership date is between January 1, 1997 and December 31, 2006.

Average Final Compensation – A member's average final compensation is the average of the five consecutive years of creditable service which will produce the highest average annual compensation.

Service Retirement Multiplier – The retirement multiplier is 2.1% of average final compensation to a maximum of twenty-five years of creditable service, plus 1.0% of average final compensation for years of creditable service in excess of twenty-five up to a maximum of ten years.

Normal Retirement Age – First of the month following attainment of a combination of age and creditable service equal to 80 years, provided the member is not less than 55 years old and has completed at least five years of creditable service, or at age 65 with five years of creditable service, if earlier.

Earliest Unreduced Retirement Eligibility – At age 65 with five years of creditable service or at age 55 with at least 25 years of creditable service.

Plan D

Plan D is the same as Plan B except for the following:

Eligible Members – Employees are in Plan D if their membership date is on or after January 1, 2007.

Retirement Contributions – There is no employee contribution for Plan D.

Creditable Service – The sum of a participant's membership service credit, accrued sick leave service credit, and any additional purchased service.

Average Final Compensation – A member's average final compensation is the average of the five consecutive years of creditable service which will produce the highest average annual compensation.

Service Retirement Multiplier – The retirement multiplier is 1.7% of average final compensation to a maximum of twenty-five years of creditable service, plus 1.0% of average final compensation for years of creditable service in excess of twenty-five up to a maximum of ten years.

Supplemental Benefit – There is no supplemental benefit in Plan D.

Normal Retirement Age – First of the month following attainment of a combination of age and creditable service equal to 80 years, provided the member is not less than 60 years old and has completed at least five years of creditable service, or at age 65 with five years of creditable service, if earlier.

Earliest Unreduced Retirement Eligibility – At age 65 with five years of creditable service or at age 60 with at least 20 years of creditable service.

Modified Plan D

Modified Plan D is the same as Plan D except for the following:

Eligible Members – Modified Plan D only applies to vested employees that transferred to Fairfax Water as part of the Asset Purchase Agreement between Fairfax Water and the City of Fairfax dated January 3, 2014 (the transfer date). Effective as of the transfer date, all benefit liabilities for

the employees to whom the Asset Purchase Agreement applied and corresponding assets under the City of Fairfax Retirement Plan (the Fairfax City Plan) were transferred to the Plan. Modified Plan D is a closed plan.

Creditable Service – The sum of a participant’s membership service credit, accrued sick leave service credit, and any additional purchased service. For purposes of the Modified Plan D retirement benefit, creditable service shall include the member’s prior credited service with the Fairfax City Plan as of the transfer date.

Vesting – Members become vested when they have at least five years of creditable service. For purposes of the Modified Plan D, the member’s prior credited service with the Fairfax City Plan shall be counted for purposes of vesting as of the transfer date.

Calculating the Benefit – Modified Plan D members are entitled to a basic benefit that is equal to the greater of:

- 1) 1.7% of the member’s average final compensation multiplied by years of creditable service to a maximum of 25 years, plus 1.0% of average final compensation multiplied by years of creditable service in excess of twenty-five years up to a maximum of ten years; or
- 2) The basic benefit to which the member was entitled under the Fairfax City Plan in effect as of the transfer date.

An early retirement reduction factor of 0.5% is applied to the basic benefit for each month that retirement precedes what would have been the normal retirement date.

Average Final Compensation – A member’s average final compensation is the average of the five consecutive years of creditable service which will produce the highest average annual compensation. For purposes of the Modified Plan D retirement benefit, average final compensation shall include the member’s prior annual compensation with the Fairfax City Plan as of the transfer date.

Plan E

Eligible Members – Plan E only applies to employees that transferred to Fairfax Water as part of the Asset Purchase Agreement between Fairfax Water and the City of Falls Church dated January 3, 2014 (the transfer date). Effective as of the transfer date, all benefit liabilities for the employees to whom the Asset Purchase Agreement applied and corresponding assets under the City of Falls Church Basic Pension Plan (the Falls Church City Plan) were transferred to the Plan. Plan E is a closed plan.

Retirement Contributions – Employees contribute 5.0% of their annual creditable compensation to their member contribution account on a bi-weekly basis.

Creditable Service – The sum of a participant’s membership service credit and accrued sick leave service credit. For purposes of the Plan E retirement benefit, creditable service shall include the member’s prior credited service with the Falls Church City Plan as of the transfer date.

Vesting – Members become vested when they have at least five years of creditable service. For purposes of Plan E, the member's prior credited service with the Falls Church City Plan shall be counted for purposes of vesting as of the transfer date.

Calculating the Benefit – The basic benefit for Plan E members is based on their membership date. If hired before January 1, 2012, 2.0% of the member's average creditable compensation multiplied by years of creditable service. An early retirement reduction factor of 0.33% is applied to the basic retirement benefit for each month that retirement precedes what would have been the normal retirement date. If hired on or after January 1, 2012, 1.8% of the member's average creditable compensation multiplied by years of creditable service. An early retirement reduction factor of 0.63% is applied to the basic retirement benefit for each month that retirement precedes what would have been the normal retirement date.

Average Final Compensation – If hired before January 1, 2012, the member's average final compensation is the average of the 36 consecutive months of creditable service which will produce the highest average annual compensation. If hired on or after January 1, 2012, the member's average final compensation is the average of the 60 consecutive months of creditable service which will produce the highest average annual compensation.

Service Retirement Multiplier – If hired before January 1, 2012, the retirement multiplier is 2.0%. If hired on or after January 1, 2012, the retirement multiplier is 1.8%.

Supplemental Benefit – In addition to the basic retirement allowance, members who retire prior to their normal retirement date shall receive a supplemental benefit of \$200 per month. Payments cease at age 62.

Normal Retirement Age – If hired before January 1, 2012, the normal retirement age is 62. If hired on or after January 1, 2012, the normal retirement age is the member's Social Security Normal Retirement Age.

Earliest Unreduced Retirement Eligibility – If hired before January 1, 2012, at age 62 with five years of creditable service. If hired on or after January 1, 2012, at the member's Social Security Normal Retirement Age with five years of creditable service.

Earliest Reduced Retirement Eligibility – If hired before January 1, 2012, the earlier of age 50 and a combined age and creditable service of 80 years or age 52 with ten years of creditable service. If hired on or after January 1, 2012, the earlier of age 50 and a combined age and creditable service of 90 years or age 52 with ten years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – Retirement benefits are increased on January 1 of each year by 50% of the change in the Consumer Price Index (CPI), U.S. City Average, for the preceding twelve months ended October 1, limited to a maximum of 4.0%. If the period of retirement is less than one year, the increase is 50% of the change in the CPI for the month of retirement to the value of the CPI for the following September, limited to a maximum of 4.0%.

Plan Membership

As of the January 1, 2025 actuarial valuation, pension plan membership consisted of the following:

	Number
Retired members or beneficiaries currently receiving benefits	431
Vested terminated members entitled to but not yet receiving benefits	56
Active employees	460
Total plan membership	947

Contributions

Fairfax Water's actuarially determined contribution rate for the year ended December 31, 2025 was 36.67% of covered employee compensation, based on the actuarial valuation dated January 1, 2024. Fairfax Water's current practice is to contribute the greater of the actuarially determined rate or 48% of covered employee compensation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Fairfax Water for 2025 and 2024 exceeded the actuarially determined requirements and amounted to \$21,554,412 and \$19,007,909, respectively. Employee contributions to the Plan for 2025 and 2024 amounted to \$564,707 and \$595,624, respectively.

B. Net Pension Liability

Fairfax Water's net pension liability of \$27,621,055 was measured as of December 31, 2024. The total pension liability was determined by an actuarial valuation performed as of January 1, 2025.

Actuarial Methods and Assumptions

The total pension liability as of January 1, 2025 was based on the following assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation	2.50%
Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Aggregate payroll increases	3.00%
Cost of living adjustments	2.50% for Plans A, B, C, D, and Modified D; and 1.25% for Plan E

Healthy mortality rates were based on 106% of Pub-2010 General Above-Median Salary Amount-Weighted Tables for Employees and Retirees with generational projection using Scale MP-2019.

There were no assumptions or plan changes since the last valuation on January 1, 2024.

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses. The pension plan's target asset allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30% - 70%	6.00%
International equity	0% - 10%	6.10%
Fixed income (core and high yield)	20% - 70%	1.80% (core) and 3.40% (high yield)
Real estate	0% - 10%	3.40%
Cash	0% - 50%	1.00%
Other	0% - 10%	N/A

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both December 31, 2024 and December 31, 2023 measurement dates. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Fairfax Water contributions will be made at rates equal to 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 for current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 407,021,244	\$ 344,078,504	\$ 62,942,740
Changes for the year:			
Service cost	6,670,036	-	6,670,036
Interest	28,109,812	-	28,109,812
Differences between expected and actual experience	3,935,403	-	3,935,403
Contributions - employer	-	19,007,909	(19,007,909)
Contributions - employee	-	595,624	(595,624)
Net investment income	-	54,538,486	(54,538,486)
Benefit payments, including refunds of employee contributions	(24,245,066)	(24,245,066)	-
Administrative expense	-	(105,083)	105,083
Net changes	14,470,185	49,791,870	(35,321,685)
Balance at December 31, 2024	\$ 421,491,429	\$ 393,870,374	\$ 27,621,055

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of Fairfax Water as of December 31, 2024, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset)	\$ 78,928,347	\$ 27,621,055	\$ (15,015,891)

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

For the year ended December 31, 2025, Fairfax Water recognized pension expense of \$6,352,594. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ 11,972,137	\$ (2,681,911)
Changes of assumptions	927,408	-
Net difference between projected and actual earnings on plan investments	-	(15,602,136)
Employer contributions subsequent to the measurement date	21,554,412	-
Total	\$ 34,453,957	\$ (18,284,047)

Deferred outflows of resources of \$21,554,412 relates to employer contributions subsequent to the measurement date of the pension plan and will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2026	\$ (46,641)
2027	6,726,531
2028	(9,009,514)
2029	(3,931,331)
2030	818,292
Thereafter	58,161
Total	\$ (5,384,502)

The Plan issues a publicly available financial report that includes the applicable financial statements and supplementary information. That report may be obtained by contacting the Treasurer of the Benefits Trust Committee at 8570 Executive Park Avenue, Fairfax, Virginia 22031.

9. Other Postemployment Benefits – Health Benefits

A. Plan Description and Provisions

Fairfax Water administers a single-employer other postemployment benefit (OPEB) plan under the Plan for retiree health insurance benefits. Health insurance includes medical, vision, dental, and

prescription drug benefits for retirees and their dependents. The Plan document assigns all responsibilities of maintaining the OPEB plan to the Fairfax Water Board Members, including the approval of OPEB plan changes, setting benefit and contribution levels, and ensuring the OPEB plan is funded sufficiently to meet its benefit obligations. Fairfax Water has established a Benefits Trust Committee to be responsible for the administration of the OPEB plan.

Each member is part of one of six subplans (Plan A, Plan B, Plan C, Plan D, Modified Plan D, and Plan E) for the entirety of their employment with Fairfax Water based on when the employee was hired. Newly hired employees currently earn benefits under Plan D. To be eligible for retiree health insurance benefits, an employee must retire directly from active employment with an early or normal retirement pension benefit under the Plan and must have been enrolled in Fairfax Water's health insurance program at the time of retirement. Plan D and Modified Plan D Members are not eligible for this benefit until the age of fifty-five. Plan E Members hired on or after April 1, 2008 must have at least 10 years of service at retirement to be eligible for benefits.

The monthly benefit payable is a percentage of the designated premium and varies by subplan.

- Plan A, B, and C – 3.0% multiplied by years of creditable service, limited to a maximum of 25 years of creditable service.
- Plan D – 3.0% multiplied by years of creditable service, limited to a maximum of 25 years of creditable service, reduced by 0.25% for each month that retirement precedes age 60.
- Plan E (hired before April 1, 2008) – 50% of the designated premium.
- Plan E (hired on or after April 1, 2008) – 2.0% multiplied by years of creditable service, limited to a maximum of 25 years of creditable service.

The monthly benefit paid to any participant may not exceed the adjusted cap. The adjusted cap varies by coverage tier and is 116% of the designated premium for that coverage tier as of January 1, 1992, increased by 4% per year from that date.

Plan Membership

As of the January 1, 2025 actuarial valuation, OPEB plan membership consisted of the following:

	Number
Retired members or beneficiaries currently receiving benefits	331
Active employees	460
Total plan membership	791

Contributions

Plan members do not contribute to the OPEB plan while in active employment. In retirement, plan members must pay the remainder of the designated health benefits premium that is not subsidized by the plan in order to maintain coverage.

Fairfax Water's actuarially determined contribution rate for the year ended December 31, 2025 was 36.67% of covered employee compensation, based on the actuarial valuation dated January 1, 2024. Fairfax Water's current practice is to contribute the greater of the actuarially determined rate or 48% of covered employee compensation. This rate was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from Fairfax Water for 2025 and 2024 exceeded the actuarially determined requirements and amounted to \$3,923,616 and \$4,583,886, respectively.

B. Net OPEB Liability

Fairfax Water's net OPEB liability of \$5,351,010 was measured as of December 31, 2024. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2025.

Actuarial Methods and Assumptions

The total OPEB liability as of January 1, 2025 was based on the following assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation	2.50%
Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Aggregate payroll increases	3.00%
Cost-of-living adjustments	2.50% for Plans A, B, C, D, and Modified D; and 1.25% for Plan E
Healthcare cost trend rates:	
Medical and vision (under 65)	6.50% graded to 4.50% over 8 years
Medical and vision (over 65)	4.50%
Prescription drug	10.50% graded to 4.50% over 24 years
Dental	3.50%
Administrative expenses	3.00%

Healthy mortality rates were based on 106% of Pub-2010 General Above-Median Salary Headcount-Weighted Tables for Employees and Retirees with generational projection using Scale MP-2019.

The following assumptions were changed since the last valuation dated January 1, 2024:

- The assumed per-capita medical, prescription drug, dental, and vision costs were updated to reflect more recent experience and 2025 premium rates. This included a change in methodology such that adjustments for individual costs by age and gender were no longer applied to the per-capita Medicare prescription drug cost. In addition, the non-Medicare administration expense costs were updated to reflect the 2025 contracted fees per participant.

There were no plan changes since the last valuation on January 1, 2024.

Long-Term Expected Rate of Return

The long-term expected rate of return on the OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30% - 70%	6.00%
International equity	0% - 10%	6.10%
Fixed income (core and high yield)	20% - 70%	1.80% (core) and 3.40% (high yield)
Real estate	0% - 10%	3.40%
Cash	0% - 50%	1.00%
Other	0% - 10%	N/A

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of December 31, 2024 and December 31, 2023. The projection of cash flows used to determine the discount rate assumed that Fairfax Water contributions would be made at rates equal to the actuarially determined contribution rates. Based on the assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rates of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2023	\$ 79,610,205	\$ 67,301,821	\$ 12,308,384
Changes for the year:			
Service cost	2,265,406	-	2,265,406
Interest	5,639,746	-	5,639,746
Differences between expected and actual experience	(1,996,979)	-	(1,996,979)
Changes of assumptions	(1,129,142)	-	(1,129,142)
Contributions - employer	-	4,583,886	(4,583,886)
Net investment income	-	7,188,203	(7,188,203)
Benefit payments, including refunds of employee contributions	(2,615,616)	(2,615,616)	-
Administrative expense	-	(35,684)	35,684
Net changes	2,163,415	9,120,789	(6,957,374)
Balance at December 31, 2024	\$ 81,773,620	\$ 76,422,610	\$ 5,351,010

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

The following presents the net OPEB liability of Fairfax Water as of December 31, 2024, calculated using the discount rate of 7.0%, as well as what the net OPEB liability would be if calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	\$ 17,093,842	\$ 5,351,010	\$ (4,212,915)

Sensitivity of the Net OPEB Liability to Changes in the Trend Rates

The following presents the net OPEB liability of Fairfax Water as of December 31, 2024, calculated using current healthcare cost trend rates, as well as what the net OPEB liability would be if calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ (4,917,390)	\$ 5,351,010	\$ 13,509,182

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024, Fairfax Water recognized OPEB expense of \$2,335,688. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ -	\$ (3,939,824)
Changes of assumptions	8,383,998	(4,067,521)
Net difference between projected and actual earnings on plan investments	-	(1,943,794)
Employer contributions subsequent to the measurement date	3,923,616	-
Total	\$ 12,307,614	\$ (9,951,139)

Deferred outflows of resources of \$3,923,616 relates to employer contributions subsequent to the measurement date of the OPEB plan and will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2026	\$ (126,600)
2027	802,068
2028	(2,942,254)
2029	(22,001)
2030	1,051,182
Thereafter	(329,536)
Total	\$ (1,567,141)

10. Other Postemployment Benefits – Implicit Subsidy

A. Plan Description and Provisions

The implicit subsidy liability of Fairfax Water is a result of the current premium structure for pre-Medicare retirees receiving benefits through the Fairfax County Water Authority Retirement Plan, a single-employer OPEB plan that is used to provide postemployment benefits for all regular full-time employees. No assets are accumulated in a trust.

The Plan sets forth an explicit healthcare benefit stated as a percentage of the designated premium. However, for pre-Medicare retirees, the true cost of providing healthcare benefits exceeds the current designated premium, because the designated premium is set based on the blended claims experience of both active employees and pre-Medicare retirees. The difference between the premiums that would be set for pre-Medicare retirees if their claims experiences were analyzed separately from active employees and the current designated premiums is the implicit subsidy.

Plan Membership

As of the January 1, 2025 actuarial valuation, OPEB plan membership consisted of the following:

	Number
Retired members or beneficiaries currently receiving benefits	331
Active employees	460
Total plan membership	791

Contributions

Plan members do not contribute toward the implicit subsidy. Fairfax Water funds the implicit subsidy entirely on a pay-as-you-go basis. Fairfax Water will continue to evaluate the impact of this liability when making OPEB plan changes and during the Plan’s actuarial valuation.

B. Total OPEB Liability

Fairfax Water’s total OPEB liability of \$7,916,201 was measured as of December 31, 2024. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2025.

Actuarial Methods and Assumptions

The total OPEB liability as of January 1, 2024 was based on the following assumptions:

Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Discount rate	4.08%
Healthcare cost trend rates:	
Medical and vision (under 65)	6.50% graded to 4.50% over 8 years
Medical and vision (over 65)	4.50%
Prescription drug	10.50% graded to 4.50% over 24 years
Dental	3.50%
Administrative expenses	3.00%

Healthy mortality rates were based on 106% of Pub-2010 General Above-Median Salary Headcount-Weighted Tables for Employees and Retirees with generational projection using Scale MP-2019.

The following assumptions were changed since the last valuation dated January 1, 2024:

- The discount rate was increased from 3.26% to 4.08%.
- The assumed per-capita medical, prescription drug, dental, and vision costs were updated to reflect more recent experience and 2025 premium rates. This included a change in methodology such that adjustments for individual costs by age and gender were no longer applied to the per-capita Medicare prescription drug cost. In addition, the non-Medicare administration expense costs were updated to reflect the 2025 contracted fees per participant.

Discount Rate

The discount rate for OPEB benefits funded entirely on a pay-as-you-go basis is the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the index used is the Bond Buyer 20-Bond General Obligation Municipal Bond index. The index value of the current December 31, 2024 measurement date is 4.08%.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ -
Changes for the year:	
Changes of assumptions	7,916,201
Net changes	7,916,201
Balance at December 31, 2024	\$ 7,916,201

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

The following presents the total OPEB liability of Fairfax Water, calculated using a discount rate of 4.08%, as well as what the total OPEB liability would be if calculated using a discount rate that is one percentage point lower (3.08%) or one percentage point higher (5.08%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB liability	\$ 8,491,553	\$ 7,916,201	\$ 7,385,364

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

The following presents the total OPEB liability of Fairfax Water, calculated using current healthcare trend rates, as well as what the total OPEB liability would be if calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB liability	\$ 7,185,209	\$ 7,916,201	\$ 8,773,614

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, Fairfax Water recognized OPEB expense of (\$242,285). Fairfax Water also reported deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ -	\$ (3,014)
Changes of assumptions	6,818,254	(249,022)
Total	\$ 6,818,254	\$ (252,036)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2026	\$ 845,911
2027	1,097,947
2028	1,097,947
2029	1,097,947
2030	1,097,947
Thereafter	1,328,519
Total	\$ 6,566,218

11. Other Postemployment Benefits – Life Insurance

A. Plan Description and Provisions

The life insurance benefits provided to retired employees of Fairfax Water are considered a single employer OPEB plan. Benefits are provided to all regular full-time employees. No assets are accumulated in a trust.

A life insurance policy with a death benefit of \$25,000 is provided to each eligible retiree upon retirement. To be eligible for life insurance benefits, the Member must retire directly from active employment with an early or normal retirement pension benefit under the Plan.

Plan Membership

As of the January 1, 2025 actuarial valuation, OPEB Plan membership consisted of the following:

	Number
Retired members or beneficiaries currently receiving benefits	104
Active employees	460
Total plan membership	564

Contributions

Plan members do not contribute toward the life insurance benefit. Fairfax Water funds the full cost of the life insurance policy on a pay-as-you-go basis as employees retire.

B. Total OPEB Liability

Fairfax Water's total OPEB liability of \$2,431,525 was measured as of December 31, 2024. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2025.

Actuarial Methods and Assumptions

The total OPEB liability as of January 1, 2025 was based on the following assumptions:

Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Discount rate	4.08%
Administrative expense load	10.00%

Healthy mortality rates were based on 106% of Pub-2010 General Above-Median Salary Headcount-Weighted Tables for Employees and Retirees with generational projection using Scale MP-2019.

The following assumption was changed since the last valuation dated January 1, 2024:

- The discount rate was increased from 3.26% to 4.08%.

Discount Rate

The discount rate for OPEB benefits funded entirely on a pay-as-you-go basis is the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the index used is the Bond Buyer 20-Bond General Obligation Municipal Bond index. The index value of the current December 31, 2024 measurement date is 4.08%.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 2,674,126
Changes for the year:	
Service cost	133,857
Interest	91,089
Differences between expected and actual experience	31,002
Changes of assumptions	(470,839)
Benefit payments, including refunds of employee contributions	(27,710)
Net changes	(242,601)
Balance at December 31, 2024	\$ 2,431,525

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

The following presents the total OPEB liability of Fairfax Water, calculated using the discount rate of 4.08%, as well as what the total OPEB liability would be if calculated using a discount rate that is one percentage point lower (3.08%) or one percentage point higher (5.08%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB liability	\$ 3,021,219	\$ 2,431,525	\$ 1,984,412

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

The following presents the total OPEB liability of Fairfax Water, calculated using current healthcare cost trend rates, as well as what the total OPEB liability would be if calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB liability	\$ 2,431,525	\$ 2,431,525	\$ 2,431,525

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, Fairfax Water recognized OPEB expense of \$190,426. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ 192,690	\$ (60,553)
Changes of assumptions	634,060	(1,274,042)
Total	\$ 826,750	\$ (1,334,595)

Amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2026	\$ (34,520)
2027	(34,520)
2028	(40,702)
2029	(26,243)
2030	(35,820)
Thereafter	(336,040)
Total	\$ (507,845)

12. Leases

Fairfax Water is the lessor for leases that are subject to GASB Statement No. 87. At the commencement of a lease, Fairfax Water initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Fairfax Water determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- Fairfax Water uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

Fairfax Water monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Minimum Lease payment receivables on nonoperating leases are as follows:

Year	Principal	Interest	Total
2026	\$ 902,690	\$ 334,864	\$ 1,237,554
2027	908,315	297,048	1,205,363
2028	906,389	259,968	1,166,357
2029	774,134	225,106	999,240
2030	655,929	195,609	851,538
2031 – 2035	3,971,646	531,278	4,502,924
2036 – 2040	292,338	64,715	357,053
2041 – 2045	157,811	7,165	164,976
Total	\$ 8,569,252	\$ 1,915,753	\$ 10,485,005

The total amount of the deferred inflows of resources relating to nonoperating leases recognized in the current fiscal year was \$1,098,136.

13. Subscription-Based Information Technology Arrangements (SBITA)

Fairfax Water is a party to noncancellable contracts with SBITA vendors that are subject to GASB Statement No. 96. At the commencement of a SBITA, Fairfax Water initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The intangible right-to-use subscription asset is measured at the initial amount of the subscription liability, plus payments made to the vendor prior to the commencement of the subscription and any capitalizable costs incurred to implement the SBITA. Subsequently, the SBITA asset is amortized on a straight-line basis over the life of the subscription term.

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

- Fairfax Water uses its estimated incremental borrowing rate as the discount rate for each SBITA.
- The SBITA term includes the noncancellable period of the contract. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments that Fairfax Water is reasonably certain to make.

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

The future principal and interest SBITA payments as of December 31, 2025 are as follows:

Year	Principal	Interest	Total
2026	\$ 932,231	\$ 50,248	\$ 982,479
2027	371,836	30,797	402,633
2028	395,943	15,059	411,002
2029	177,382	3,051	180,433
Total	\$ 1,877,392	\$ 99,155	\$ 1,976,547

The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$4,011,265 and had accumulated amortization of \$1,968,302.

14. Commitments and Contingencies

In connection with its ongoing capital improvement program, Fairfax Water has entered into various construction contracts. As of December 31, 2025, the uncompleted cost of these and other contracts is approximately \$23.1 million.

Fairfax Water has also agreed, in principle, to pay certain portions of the capital and annual operation and maintenance costs relating to various water supply augmentation facilities constructed and proposed to be constructed by other parties for the use and benefit of Fairfax Water and other water supply agencies in the Washington, D.C., metropolitan area. Fairfax Water's share of the capital costs is presently estimated at \$5.6 million which is to be paid with interest over the next 15 years. Fairfax Water's share of annual operation and maintenance costs associated with these facilities for 2026 is estimated to be \$511,000.

On January 3, 2014 Fairfax Water entered into an agreement with the U.S. Army Corps of Engineers (the Army) to purchase water for customers. Fairfax Water also shares the costs of capital improvements to the Washington Aqueduct in accordance with the Approved Capital Improvement Plan. During 2025 Fairfax Water's costs for water and capital improvements was \$5.4 million and \$5.0 million, respectively. An escrow account has been established for the payments made from which the Army makes draws. The account is interest bearing and all earnings accrue to Fairfax Water. In addition to payments made to the Army, Fairfax Water maintains a balance of approximately three

months of the cost of water purchased. The agreement will remain in effect until terminated by either the Army or Fairfax Water, and requires a five year notice. Fairfax Water's cost for water and capital improvements for 2026 is estimated to be \$9.3 million.

In addition, Fairfax Water is contingently liable for claims that arose in the ordinary course of operations and in connection with its capital improvement program. It is the opinion of Fairfax Water and its legal counsel that any losses that may ultimately be incurred as a result of any claims will not be material to the financial statements.

15. Deferred Compensation Plan

Fairfax Water offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (the Code) Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries to future years. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries and the assets and liabilities are not reported on the accompanying Statement of Net Position. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

16. Risk Management

Fairfax Water is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With the exception of medical coverage for employees, these risks are covered by commercial insurance purchased from independent third parties. Section 6.11 of the 1992 General Trust Indenture states that Fairfax Water "will carry or cause to be carried such insurance with a reputable insurance carrier or carriers, such as is maintained or carried by similar utilities as the Water System." There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded insurance coverage in any of the past three years.

Fairfax Water is self-insured for health benefits coverage for employees up to \$250,000 per individual per year and is protected from catastrophic losses through a stop-loss insurance policy for losses in excess of such levels.

The changes in the Fairfax County Water Authority Welfare Benefit Trust Fund's health benefits claims liability in 2025 and 2024 are as follows:

	2025	2024
Balance, January 1	\$ 1,116,195	\$ 806,552
Claims incurred	9,789,234	10,103,583
Claims paid	<u>(9,323,330)</u>	<u>(9,793,940)</u>
Balance, December 31	<u>\$ 1,582,099</u>	<u>\$ 1,116,195</u>

This liability, which includes an estimate of incurred but not reported claims, is included in accounts payable in the accompanying Statement of Fiduciary Net Position.

17. Related Organizations

Based on an amended and restated agreement dated March 24, 2020 (original agreement dated July 1, 1978) between the County and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the County's sewer system. During 2025, Fairfax Water collected approximately \$269.8 million on behalf of the County. As of December 31, 2025, approximately \$5.0 million was owed to the County. The County has paid a fee of \$8.6 million for this service in 2025.

Based on a restated agreement dated July 20, 2023 (original agreement dated January 3, 2014) between the City of Fairfax and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the City's sewer system. During 2025, Fairfax Water collected approximately \$12.2 million on behalf of the City. As of December 31, 2025, approximately \$1.0 million was owed to the City. The billing service also includes a utility tax for customers inside the City limits. The City has paid a fee of \$344,000 for this service in 2025.

Based on an agreement dated January 3, 2014 between the City of Falls Church and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the City's sewer system. During 2025, Fairfax Water collected approximately \$5.0 million on behalf of the City. As of December 31, 2025, approximately \$246,000 was owed to the City. The billing service also includes a utility tax for customers inside the City limits. The City has paid a fee of \$136,000 for this service in 2025.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Net Pension Liability and Related Ratios

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 6,670,036	\$ 6,363,008	\$ 6,246,386	\$ 6,505,362	\$ 5,958,954
Interest	28,109,812	26,805,122	25,753,015	25,527,937	25,624,841
Differences between expected and actual experience	3,935,403	8,776,409	5,292,146	(7,407,743)	796,966
Changes of assumptions	-	-	-	-	10,201,473
Benefit payments, including refunds of employee contributions	(24,245,066)	(22,981,197)	(21,774,943)	(20,527,418)	(19,689,323)
Net change in total pension liability	14,470,185	18,963,342	15,516,604	4,098,138	22,892,911
Total pension liability – beginning	407,021,244	388,057,902	372,541,298	368,443,160	345,550,249
Total pension liability – ending (a)	<u>\$ 421,491,429</u>	<u>\$ 407,021,244</u>	<u>\$ 388,057,902</u>	<u>\$ 372,541,298</u>	<u>\$ 368,443,160</u>
Plan fiduciary net position					
Contributions – employer	\$ 19,007,909	\$ 17,720,846	\$ 16,428,061	\$ 15,693,346	\$ 16,005,478
Contributions – employee	595,624	647,613	684,262	748,007	840,998
Net investment income (loss)	54,538,486	48,413,250	(57,756,116)	60,200,960	43,086,740
Benefit payments, including refunds of employee contributions	(24,245,066)	(22,981,197)	(21,774,943)	(20,527,418)	(19,689,323)
Administrative expense	(105,083)	(110,338)	(89,114)	(117,968)	(121,859)
Net change in plan fiduciary net position	49,791,870	43,690,174	(62,507,850)	55,996,927	40,122,034
Plan fiduciary net position – beginning	344,078,504	300,388,330	362,896,180	306,899,253	266,777,219
Plan fiduciary net position – ending (b)	<u>\$ 393,870,374</u>	<u>\$ 344,078,504</u>	<u>\$ 300,388,330</u>	<u>\$ 362,896,180</u>	<u>\$ 306,899,253</u>
Net pension liability – ending (a) – (b)	<u>\$ 27,621,055</u>	<u>\$ 62,942,740</u>	<u>\$ 87,669,572</u>	<u>\$ 9,645,118</u>	<u>\$ 61,543,907</u>
Plan fiduciary net position as a percentage of the total pension liability	93.45%	84.54%	77.41%	97.41%	83.30%
Covered payroll	\$ 49,149,573	\$ 46,061,671	\$ 42,595,056	\$ 40,634,442	\$ 41,514,873
Net pension liability as a percentage of covered payroll	56.20%	136.65%	205.82%	23.74%	148.25%

Notes:

Covered payroll figures have been determined by dividing actual employer contributions by the actuarially determined rate or 48%, whichever is greater, given Fairfax Water's funding practice.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Net Pension Liability and Related Ratios (continued)

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 6,090,585	\$ 6,153,215	\$ 6,176,821	\$ 6,290,917	\$ 6,138,436
Interest	25,005,210	24,213,281	23,501,922	23,037,301	22,410,595
Differences between expected and actual experience	(3,659,028)	(1,971,866)	(3,448,611)	(7,094,162)	(5,057,514)
Changes of assumptions	-	-	-	-	54,126
Benefit payments, including refunds of employee contributions	(18,397,472)	(17,148,409)	(16,295,082)	(15,554,940)	(15,129,156)
Net change in total pension liability	9,039,295	11,246,221	9,935,050	6,679,116	8,416,487
Total pension liability – beginning	336,510,954	325,264,733	315,329,683	308,650,567	300,234,080
Total pension liability – ending (a)	<u>\$ 345,550,249</u>	<u>\$ 336,510,954</u>	<u>\$ 325,264,733</u>	<u>\$ 315,329,683</u>	<u>\$ 308,650,567</u>
Plan fiduciary net position					
Contributions – employer	\$ 14,853,657	\$ 14,661,995	\$ 14,500,637	\$ 14,140,723	\$ 14,362,903
Contributions – employee	892,871	978,931	1,023,739	1,076,246	1,128,898
Net investment income (loss)	56,009,300	(11,293,013)	32,630,497	10,955,546	(1,694,011)
Benefit payments, including refunds of employee contributions	(18,397,472)	(17,148,409)	(16,295,082)	(15,554,940)	(15,129,156)
Administrative expense	(86,916)	(107,085)	(109,368)	(125,641)	(152,439)
Net change in plan fiduciary net position	53,271,440	(12,907,581)	31,750,423	10,491,934	(1,483,805)
Plan fiduciary net position – beginning	213,505,779	226,413,360	194,662,937	184,171,003	185,654,808
Plan fiduciary net position – ending (b)	<u>\$ 266,777,219</u>	<u>\$ 213,505,779</u>	<u>\$ 226,413,360</u>	<u>\$ 194,662,937</u>	<u>\$ 184,171,003</u>
Net pension liability – ending (a) – (b)	<u>\$ 78,773,030</u>	<u>\$ 123,005,175</u>	<u>\$ 98,851,373</u>	<u>\$ 120,666,746</u>	<u>\$ 124,479,564</u>
Plan fiduciary net position as a percentage of the total pension liability	77.20%	63.45%	69.61%	61.73%	59.67%
Covered payroll	\$ 38,827,000	\$ 38,533,900	\$ 37,236,115	\$ 36,387,442	\$ 36,374,344
Net pension liability as a percentage of covered payroll	202.88%	319.21%	265.47%	331.62%	342.22%

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Employer Contributions – Pension Plan (in thousands)

Year Ended December 31	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 13,065	\$ 14,141	\$ (1,075)	\$ 36,387	38.86%
2017	13,295	14,501	(1,205)	37,236	38.94%
2018	13,196	14,662	(1,466)	38,534	38.05%
2019	12,582	14,854	(2,271)	38,827	38.26%
2020	13,598	16,005	(2,407)	41,515	38.55%
2021	12,359	15,693	(3,335)	40,634	38.62%
2022	12,663	16,428	(3,765)	42,595	38.57%
2023	11,829	17,721	(5,892)	46,062	38.47%
2024	12,913	19,008	(6,094)	49,150	38.67%
2025	16,467	21,554	(5,088)	53,079	40.61%

Notes:

Covered payroll figures have been determined by dividing actual employer contributions by the actuarially determined rate or 48%, whichever is greater, given Fairfax Water's funding practice.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Net OPEB Liability and Related Ratios – Health Benefits

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 2,265,406	\$ 1,777,947	\$ 1,715,894	\$ 1,803,996
Interest	5,639,746	4,592,781	4,595,790	4,699,920
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,996,979)	(952,598)	(1,750,219)	(641,032)
Changes of assumptions	(1,129,142)	11,652,612	(1,985,135)	(4,264,340)
Benefit payments, including refunds of employee contributions	(2,615,616)	(2,587,503)	(2,775,259)	(3,220,738)
Net change in total OPEB liability	2,163,415	14,483,239	(198,929)	(1,622,194)
Total OPEB liability – beginning	79,610,205	65,126,966	65,325,895	66,948,089
Total OPEB liability – ending (a)	\$ 81,773,620	\$ 79,610,205	\$ 65,126,966	\$ 65,325,895
Plan fiduciary net position				
Contributions – employer	\$ 4,583,886	\$ 4,388,756	\$ 4,017,566	\$ 3,811,186
Net investment income (loss)	7,188,203	15,121,726	(14,447,212)	7,301,240
Benefit payments, including refunds of employee contributions	(2,615,616)	(2,587,503)	(2,775,259)	(3,220,738)
Administrative expense	(35,684)	(30,831)	(24,479)	(32,713)
Net change in plan fiduciary net position	9,120,789	16,892,148	(13,229,384)	7,858,975
Plan fiduciary net position – beginning	67,301,821	50,409,673	63,639,057	55,780,082
Plan fiduciary net position – ending (b)	\$ 76,422,610	\$ 67,301,821	\$ 50,409,673	\$ 63,639,057
Net OPEB liability – ending (a) – (b)	\$ 5,351,010	\$ 12,308,384	\$ 14,717,293	\$ 1,686,838
Plan fiduciary net position as a percentage of the total OPEB liability	93.46%	84.54%	77.40%	97.42%
Covered payroll	\$ 49,149,573	\$ 46,061,671	\$ 42,595,056	\$ 40,634,442
Net OPEB liability as a percentage of covered payroll	10.89%	26.72%	34.55%	4.15%

Notes:

This schedule is presented to show information for ten years. However, until a full ten-year trend is compiled, Fairfax Water will present information for those years which information is available.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Net OPEB Liability and Related Ratios – Health Benefits (continued)

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 1,594,950	\$ 1,642,714	\$ 1,678,160	\$ 1,856,476
Interest	4,873,938	4,853,237	4,902,701	4,794,979
Change of benefit terms	-	(202,453)	-	(270,209)
Differences between expected and actual experience	(1,173,340)	(581,386)	(716,904)	22,661
Changes of assumptions	(87,482)	(2,108,218)	(3,313,079)	(3,647,763)
Benefit payments, including refunds of employee contributions	(3,301,733)	(3,258,507)	(3,091,378)	(2,904,683)
Net change in total OPEB liability	1,906,333	345,387	(540,500)	(148,539)
Total OPEB liability – beginning	65,041,756	64,696,369	65,236,869	65,385,408
Total OPEB liability – ending (a)	\$ 66,948,089	\$ 65,041,756	\$ 64,696,369	\$ 65,236,869
Plan fiduciary net position				
Contributions – employer	\$ 3,921,661	\$ 3,783,303	\$ 3,834,277	\$ 3,372,698
Net investment income (loss)	4,981,840	8,647,825	(5,075,979)	4,622,120
Benefit payments, including refunds of employee contributions	(3,301,733)	(3,258,507)	(3,091,378)	(2,904,683)
Administrative expense	(32,608)	(23,440)	(29,207)	(30,578)
Net change in plan fiduciary net position	5,569,160	9,149,181	(4,362,287)	5,059,557
Plan fiduciary net position – beginning	50,210,922	41,061,741	45,424,028	40,364,471
Plan fiduciary net position – ending (b)	\$ 55,780,082	\$ 50,210,922	\$ 41,061,741	\$ 45,424,028
Net OPEB liability – ending (a) – (b)	\$ 11,168,007	\$ 14,830,834	\$ 23,634,628	\$ 19,812,841
Plan fiduciary net position as a percentage of the total OPEB liability	83.32%	77.20%	63.47%	69.63%
Covered payroll	\$ 41,514,873	\$ 38,827,000	\$ 38,533,900	\$ 37,236,115
Net OPEB liability as a percentage of covered payroll	26.90%	38.20%	61.33%	53.21%

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Employer Contributions – OPEB Health Benefits (in thousands)

Year Ended December 31	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 3,092	\$ 3,373	\$ (280)	\$ 37,236	9.06%
2018	3,451	3,834	(383)	38,534	9.95%
2019	3,205	3,783	(579)	38,827	9.74%
2020	3,332	3,922	(590)	41,515	9.45%
2021	3,001	3,811	(810)	40,634	9.38%
2022	3,097	4,018	(921)	42,595	9.43%
2023	2,929	4,389	(1,459)	46,062	9.53%
2024	3,114	4,584	(1,470)	49,150	9.33%
2025	2,997	3,924	(926)	53,079	7.39%

Notes:

This schedule is presented to show information for ten years. However, until a full ten-year trend is compiled, Fairfax Water will present information for those years which information is available.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Total OPEB Liability and Related Ratios – Implicit Subsidy

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,761	\$ 686,040	\$ -
Interest	-	-	-	-	-	287,997	449,817	-
Change of benefit terms	-	-	-	-	-	-	-	(102,199)
Differences between expected and actual experience	-	-	-	-	-	(85,142)	(173,693)	-
Changes of assumptions	7,916,201	-	-	-	-	(7,040,542)	(6,166,821)	12,809,423
Benefit payments, including refunds of employee contributions	-	-	-	-	-	(373,252)	(634,389)	-
Net change in total OPEB liability	7,916,201	-	-	-	-	(6,868,178)	(5,839,046)	12,707,224
Total OPEB liability – beginning	-	-	-	-	-	6,868,178	12,707,224	-
Total OPEB liability – ending	\$ 7,916,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,868,178	\$ 12,707,224
Covered payroll	\$ 49,149,573	\$ 46,061,671	\$ 42,595,056	\$ 40,634,442	\$ 41,514,873	\$ 38,827,000	\$ 38,533,900	\$ 37,236,115
Total OPEB liability as a percentage of covered payroll	16.11%	-	-	-	-	-	17.82%	34.13%

Notes:

This schedule is presented to show information for ten years. However, until a full ten-year trend is compiled, Fairfax Water will present information for those years which information is available.

The OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Changes in the Total OPEB Liability and Related Ratios – Life Insurance

Information presented is based on the actuarial information for the plan year ended:

Reporting as of December 31,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 133,857	\$ 117,035	\$ 201,391	\$ 206,425	\$ 170,284	\$ 118,018	\$ 147,171	\$ 136,829
Interest	91,089	86,442	65,212	60,188	58,573	63,540	67,016	74,468
Differences between expected and actual experience	31,002	12,106	49,239	31,642	191,319	(109,817)	(3,915)	(54,160)
Changes of assumptions	(470,839)	260,288	(1,058,393)	44,345	251,772	542,248	(247,389)	136,275
Benefit payments, including refunds of employee contributions	(27,710)	(16,865)	(13,122)	(8,853)	(4,639)	(151,983)	(512,248)	(412,730)
Net change in total OPEB liability	(242,601)	459,006	(755,673)	333,747	667,309	462,006	(549,365)	(119,318)
Total OPEB liability – beginning	2,674,126	2,215,120	2,970,793	2,637,046	1,969,737	1,507,731	2,057,096	2,176,414
Total OPEB liability – ending	\$ 2,431,525	\$ 2,674,126	\$ 2,215,120	\$ 2,970,793	\$ 2,637,046	\$ 1,969,737	\$ 1,507,731	\$ 2,057,096
Covered payroll	\$ 49,149,573	\$ 46,061,671	\$ 42,595,056	\$ 40,634,442	\$ 41,514,873	\$ 38,827,000	\$ 38,533,900	\$ 37,236,115
Total OPEB liability as a percentage of covered payroll	4.95%	5.81%	5.20%	7.31%	6.35%	5.07%	3.91%	5.52%

Notes:

This schedule is presented to show information for ten years. However, until a full ten-year trend is compiled, Fairfax Water will present information for those years which information is available.

The OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Employer Contributions – OPEB Life Insurance (in thousands)

Year Ended December 31	Employer Contributions	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 413	\$ 37,236	1.11%
2018	512	38,534	1.33%
2019	152	38,827	0.39%
2020	-	41,515	0.00%
2021	-	40,634	0.00%
2022	-	42,595	0.00%
2023	-	46,062	0.00%
2024	-	49,150	0.00%
2025	-	53,079	0.00%

Notes:

This schedule is presented to show information for ten years. However, until a full ten-year trend is compiled, Fairfax Water will present information for those years which information is available.

SUPPLEMENTARY INFORMATION

FAIRFAX COUNTY WATER AUTHORITY

Statement of Changes in Assets and Liabilities – Custodial Funds For the year ended December 31, 2025

FAIRFAX COUNTY SEWER

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025
Assets				
Cash	\$ 3,963,708	\$ 269,795,621	\$ 268,783,360	\$ 4,975,969
Liabilities				
Accounts payable	\$ 3,963,708	\$ 269,795,621	\$ 268,786,360	\$ 4,975,969

CITY OF FAIRFAX SEWER AND UTILITY TAX

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025
Assets				
Cash	\$ 974,605	\$ 12,176,591	\$ 12,106,063	\$ 1,045,133
Liabilities				
Accounts payable	\$ 974,605	\$ 12,176,591	\$ 12,106,063	\$ 1,045,133

CITY OF FALLS CHURCH SEWER AND UTILITY TAX

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025
Assets				
Cash	\$ 245,625	\$ 5,036,837	\$ 5,036,572	\$ 245,890
Liabilities				
Accounts payable	\$ 245,625	\$ 5,036,837	\$ 5,036,572	\$ 245,890

TOTAL – ALL CUSTODIAL FUNDS

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025
Assets				
Cash	\$ 5,183,938	\$ 287,009,049	\$ 285,925,995	\$ 6,266,992
Liabilities				
Accounts payable	\$ 5,183,938	\$ 287,009,049	\$ 285,925,995	\$ 6,266,992

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Refunding Revenue Bonds, Series 2005	3/30/2005	4/1/2025	5.250	4/1 – 10/1	\$ 6,500,000	\$ 6,500,000	\$ -	\$ 6,500,000	\$ -
	3/30/2005	4/1/2026	5.250	4/1 – 10/1	2,655,000	2,655,000	-	-	2,655,000
	3/30/2005	4/1/2027	5.250	4/1 – 10/1	2,795,000	2,795,000	-	-	2,795,000
						11,950,000	-	6,500,000	5,450,000
Water Revenue and Refunding Revenue Bonds, Series 2010	11/10/2010	4/1/2033	5.000	4/1 – 10/1	2,230,000	2,230,000	-	-	2,230,000
	11/10/2010	4/1/2034	5.000	4/1 – 10/1	2,305,000	2,305,000	-	-	2,305,000
	11/10/2010	4/1/2035	5.000	4/1 – 10/1	7,815,000	7,815,000	-	-	7,815,000
	11/10/2010	4/1/2036	5.000	4/1 – 10/1	8,065,000	8,065,000	-	-	8,065,000
	11/10/2010	4/1/2037	5.000	4/1 – 10/1	8,330,000	8,330,000	-	-	8,330,000
	11/10/2010	4/1/2038	5.000	4/1 – 10/1	11,655,000	11,655,000	-	-	11,655,000
	11/10/2010	4/1/2039	5.000	4/1 – 10/1	12,035,000	12,035,000	-	-	12,035,000
	11/10/2010	4/1/2040	5.000	4/1 – 10/1	12,425,000	12,425,000	-	-	12,425,000
						64,860,000	-	-	64,860,000
Water Refunding Revenue Bonds, Series 2013B	2/25/2013	4/1/2025	2.875	4/1 – 10/1	2,445,000	2,445,000	-	2,445,000	-
	2/25/2013	4/1/2026	3.005	4/1 – 10/1	2,515,000	2,515,000	-	-	2,515,000
	2/25/2013	4/1/2027	3.085	4/1 – 10/1	2,585,000	2,585,000	-	-	2,585,000
	2/25/2013	4/1/2028	3.185	4/1 – 10/1	2,670,000	2,670,000	-	-	2,670,000
	2/25/2013	4/1/2029	3.305	4/1 – 10/1	2,750,000	2,750,000	-	-	2,750,000
	2/25/2013	4/1/2030	3.405	4/1 – 10/1	2,845,000	2,845,000	-	-	2,845,000
						15,810,000	-	2,445,000	13,365,000

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable (continued) December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Revenue	3/1/2017	4/1/2025	5.000	4/1 – 10/1	5,795,000	5,795,000	-	5,795,000	-
and Refunding Revenue	3/1/2017	4/1/2026	5.000	4/1 – 10/1	10,265,000	10,265,000	-	-	10,265,000
Bonds, Series 2017	3/1/2017	4/1/2027	5.000	4/1 – 10/1	10,780,000	10,780,000	-	-	10,780,000
	3/1/2017	4/1/2028	4.000	4/1 – 10/1	13,250,000	13,250,000	-	-	13,250,000
	3/1/2017	4/1/2029	5.000	4/1 – 10/1	9,030,000	9,030,000	-	-	9,030,000
	3/1/2017	4/1/2030	5.000	4/1 – 10/1	5,900,000	5,900,000	-	-	5,900,000
	3/1/2017	4/1/2031	3.000	4/1 – 10/1	6,185,000	6,185,000	-	-	6,185,000
	3/1/2017	4/1/2032	3.000	4/1 – 10/1	1,575,000	1,575,000	-	-	1,575,000
	3/1/2017	4/1/2033	3.125	4/1 – 10/1	6,710,000	6,710,000	-	-	6,710,000
	3/1/2017	4/1/2034	3.250	4/1 – 10/1	6,925,000	6,925,000	-	-	6,925,000
	3/1/2017	4/1/2035	3.250	4/1 – 10/1	1,600,000	1,600,000	-	-	1,600,000
	3/1/2017	4/1/2036	3.250	4/1 – 10/1	1,655,000	1,655,000	-	-	1,655,000
	3/1/2017	4/1/2037	3.250	4/1 – 10/1	1,710,000	1,710,000	-	-	1,710,000
	3/1/2017	4/1/2041	5.000	4/1 – 10/1	7,900,000	7,900,000	-	-	7,900,000
	3/1/2017	4/1/2042	5.000	4/1 – 10/1	8,295,000	8,295,000	-	-	8,295,000
	3/1/2017	4/1/2043	5.000	4/1 – 10/1	8,710,000	8,710,000	-	-	8,710,000
	3/1/2017	4/1/2044	5.000	4/1 – 10/1	9,145,000	9,145,000	-	-	9,145,000
	3/1/2017	4/1/2045	5.000	4/1 – 10/1	9,605,000	9,605,000	-	-	9,605,000
	3/1/2017	4/1/2046	5.000	4/1 – 10/1	10,080,000	10,080,000	-	-	10,080,000
	3/1/2017	4/1/2047	5.000	4/1 – 10/1	10,585,000	10,585,000	-	-	10,585,000
						145,700,000	-	5,795,000	139,905,000

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable (continued) December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Refunding Revenue Bonds, Series 2019	12/10/2019	4/1/2025	2.106	4/1 – 10/1	13,215,000	13,215,000	-	13,215,000	-
	12/10/2019	4/1/2026	2.206	4/1 – 10/1	13,480,000	13,480,000	-	-	13,480,000
	12/10/2019	4/1/2027	2.279	4/1 – 10/1	13,765,000	13,765,000	-	-	13,765,000
	12/10/2019	4/1/2028	2.379	4/1 – 10/1	12,245,000	12,245,000	-	-	12,245,000
	12/10/2019	4/1/2029	2.429	4/1 – 10/1	12,520,000	12,520,000	-	-	12,520,000
	12/10/2019	4/1/2030	2.629	4/1 – 10/1	65,000	65,000	-	-	65,000
	12/10/2019	4/1/2031	2.629	4/1 – 10/1	70,000	70,000	-	-	70,000
	12/10/2019	4/1/2032	2.629	4/1 – 10/1	5,430,000	5,430,000	-	-	5,430,000
						70,790,000	-	13,215,000	57,575,000
Water Refunding Revenue Bonds, Series 2020	1/7/2020	4/1/2028	5.000	4/1 – 10/1	2,530,000	2,530,000	-	-	2,530,000
	1/7/2020	4/1/2029	3.500	4/1 – 10/1	2,000,000	2,000,000	-	-	2,000,000
	1/7/2020	4/1/2029	5.000	4/1 – 10/1	5,500,000	5,500,000	-	-	5,500,000
	1/7/2020	4/1/2030	5.000	4/1 – 10/1	2,770,000	2,770,000	-	-	2,770,000
	1/7/2020	4/1/2031	5.000	4/1 – 10/1	2,905,000	2,905,000	-	-	2,905,000
	1/7/2020	4/1/2032	5.000	4/1 – 10/1	3,060,000	3,060,000	-	-	3,060,000
						18,765,000	-	-	18,765,000
Water Revenue Bonds, Series 2021	7/29/2021	4/1/2025	5.000	4/1 – 10/1	1,605,000	1,605,000	-	1,605,000	-
	7/29/2021	4/1/2026	5.000	4/1 – 10/1	1,690,000	1,690,000	-	-	1,690,000
	7/29/2021	4/1/2027	1.000	4/1 – 10/1	1,740,000	1,740,000	-	-	1,740,000
	7/29/2021	4/1/2028	5.000	4/1 – 10/1	1,790,000	1,790,000	-	-	1,790,000
	7/29/2021	4/1/2029	5.000	4/1 – 10/1	1,885,000	1,885,000	-	-	1,885,000

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable (continued) December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Revenue Bonds, Series 2021 (continued)	7/29/2021	4/1/2030	5.000	4/1 – 10/1	1,980,000	1,980,000	-	-	1,980,000
	7/29/2021	4/1/2031	5.000	4/1 – 10/1	2,080,000	2,080,000	-	-	2,080,000
	7/29/2021	4/1/2032	4.000	4/1 – 10/1	2,175,000	2,175,000	-	-	2,175,000
	7/29/2021	4/1/2033	4.000	4/1 – 10/1	2,265,000	2,265,000	-	-	2,265,000
	7/29/2021	4/1/2034	4.000	4/1 – 10/1	2,360,000	2,360,000	-	-	2,360,000
	7/29/2021	4/1/2035	4.000	4/1 – 10/1	2,455,000	2,455,000	-	-	2,455,000
	7/29/2021	4/1/2036	4.000	4/1 – 10/1	2,555,000	2,555,000	-	-	2,555,000
	7/29/2021	4/1/2037	4.000	4/1 – 10/1	2,660,000	2,660,000	-	-	2,660,000
	7/29/2021	4/1/2038	4.000	4/1 – 10/1	2,770,000	2,770,000	-	-	2,770,000
	7/29/2021	4/1/2039	4.000	4/1 – 10/1	2,880,000	2,880,000	-	-	2,880,000
	7/29/2021	4/1/2040	4.000	4/1 – 10/1	3,000,000	3,000,000	-	-	3,000,000
	7/29/2021	4/1/2041	4.000	4/1 – 10/1	3,120,000	3,120,000	-	-	3,120,000
	7/29/2021	4/1/2042	4.000	4/1 – 10/1	3,250,000	3,250,000	-	-	3,250,000
	7/29/2021	4/1/2043	4.000	4/1 – 10/1	3,380,000	3,380,000	-	-	3,380,000
	7/29/2021	4/1/2044	4.000	4/1 – 10/1	3,520,000	3,520,000	-	-	3,520,000
	7/29/2021	4/1/2045	4.000	4/1 – 10/1	3,665,000	3,665,000	-	-	3,665,000
	7/29/2021	4/1/2046	4.000	4/1 – 10/1	3,810,000	3,810,000	-	-	3,810,000
	7/29/2021	4/1/2047	4.000	4/1 – 10/1	3,970,000	3,970,000	-	-	3,970,000
	7/29/2021	4/1/2048	4.000	4/1 – 10/1	4,130,000	4,130,000	-	-	4,130,000
	7/29/2021	4/1/2049	4.000	4/1 – 10/1	4,300,000	4,300,000	-	-	4,300,000
	7/29/2021	4/1/2050	4.000	4/1 – 10/1	4,475,000	4,475,000	-	-	4,475,000
	7/29/2021	4/1/2051	4.000	4/1 – 10/1	4,655,000	4,655,000	-	-	4,655,000
						78,165,000	-	1,605,000	76,560,000

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable (continued) December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Revenue Bonds, Series 2024	7/30/2024	4/1/2025	5.000	4/1 - 10/1	935,000	935,000	-	935,000	-
	7/30/2024	4/1/2026	5.000	4/1 - 10/1	980,000	980,000	-	-	980,000
	7/30/2024	4/1/2027	5.000	4/1 - 10/1	1,030,000	1,030,000	-	-	1,030,000
	7/30/2024	4/1/2028	5.000	4/1 - 10/1	1,085,000	1,085,000	-	-	1,085,000
	7/30/2024	4/1/2029	5.000	4/1 - 10/1	1,140,000	1,140,000	-	-	1,140,000
	7/30/2024	4/1/2030	5.000	4/1 - 10/1	1,200,000	1,200,000	-	-	1,200,000
	7/30/2024	4/1/2031	5.000	4/1 - 10/1	1,260,000	1,260,000	-	-	1,260,000
	7/30/2024	4/1/2032	5.000	4/1 - 10/1	1,325,000	1,325,000	-	-	1,325,000
	7/30/2024	4/1/2033	5.000	4/1 - 10/1	1,395,000	1,395,000	-	-	1,395,000
	7/30/2024	4/1/2034	5.000	4/1 - 10/1	1,465,000	1,465,000	-	-	1,465,000
	7/30/2024	4/1/2035	5.000	4/1 - 10/1	1,540,000	1,540,000	-	-	1,540,000
	7/30/2024	4/1/2036	5.000	4/1 - 10/1	1,620,000	1,620,000	-	-	1,620,000
	7/30/2024	4/1/2037	5.000	4/1 - 10/1	1,700,000	1,700,000	-	-	1,700,000
	7/30/2024	4/1/2038	5.000	4/1 - 10/1	1,790,000	1,790,000	-	-	1,790,000
	7/30/2024	4/1/2039	5.000	4/1 - 10/1	1,880,000	1,880,000	-	-	1,880,000
	7/30/2024	4/1/2040	5.000	4/1 - 10/1	1,975,000	1,975,000	-	-	1,975,000
	7/30/2024	4/1/2041	4.000	4/1 - 10/1	2,065,000	2,065,000	-	-	2,065,000
	7/30/2024	4/1/2042	4.000	4/1 - 10/1	2,150,000	2,150,000	-	-	2,150,000
	7/30/2024	4/1/2043	4.000	4/1 - 10/1	2,240,000	2,240,000	-	-	2,240,000
	7/30/2024	4/1/2044	4.000	4/1 - 10/1	2,330,000	2,330,000	-	-	2,330,000
	7/30/2024	4/1/2045	4.000	4/1 - 10/1	2,425,000	2,425,000	-	-	2,425,000
	7/30/2024	4/1/2046	4.000	4/1 - 10/1	2,525,000	2,525,000	-	-	2,525,000
	7/30/2024	4/1/2047	4.000	4/1 - 10/1	2,630,000	2,630,000	-	-	2,630,000

FAIRFAX COUNTY WATER AUTHORITY

Schedule of Bonds Payable (continued) December 31, 2025

Description	Date of Issue	Maturity Dates	Interest		Principal Amount	Outstanding January 1, 2025	Issued During 2025	Retired During 2025	Outstanding December 31, 2025
			Rate	Dates					
Water Revenue	7/30/2024	4/1/2048	4.000	4/1 - 10/1	2,735,000	2,735,000	-	-	2,735,000
Bonds, Series 2024	7/30/2024	4/1/2049	4.000	4/1 - 10/1	2,845,000	2,845,000	-	-	2,845,000
(continued)	7/30/2024	4/1/2050	4.000	4/1 - 10/1	2,965,000	2,965,000	-	-	2,965,000
	7/30/2024	4/1/2051	4.000	4/1 - 10/1	3,085,000	3,085,000	-	-	3,085,000
	7/30/2024	4/1/2052	4.000	4/1 - 10/1	3,210,000	3,210,000	-	-	3,210,000
	7/30/2024	4/1/2053	4.000	4/1 - 10/1	3,340,000	3,340,000	-	-	3,340,000
	7/30/2024	4/1/2054	4.000	4/1 - 10/1	3,480,000	3,480,000	-	-	3,480,000
						60,345,000	-	935,000	59,410,000
Total Bonds – All Series						\$ 466,385,000	\$ -	\$ 30,495,000	\$ 435,890,000