



2025

Annual Comprehensive Financial Report

For the fiscal years ended December 31, 2025 and December 31, 2024

Loudoun Water is officially known as Loudoun County Sanitation Authority, Ashburn, Virginia





SUSTAIN



PROTECT



ENDURE



STABILIZE



BUILDING A MORE RESILIENT WATER FUTURE

Our community depends on a reliable supply of clean water every day. To strengthen our water resources and prepare for future challenges, Loudoun Water is transforming a retired quarry into a raw water reservoir. Milestone Reservoir will store more than 1 billion gallons of water during normal conditions, ensuring that supply is available when it is needed most. Our investment in Milestone Reservoir strengthens the reliability, resilience, and flexibility of our water system, ensuring it is prepared for future demands and uncertainties. It's a strategic, long-term commitment to safeguarding our community's access to clean water every day.



20
25

LOUDOUN WATER

Annual Comprehensive Financial Report

FOR THE FISCAL YEARS ENDED

December 31, 2025 and

December 31, 2024

PREPARED BY THE DIVISION OF FINANCE

Sally Dehler, Director of Finance



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SUSTAIN

Milestone Reservoir helps sustain our community by securing a dependable supply of clean water so our customers can thrive every day.

INTRODUCTORY SECTION

May 14, 2026

To the Members of the Board of Directors and Customers of the Loudoun County Sanitation Authority:

The Annual Comprehensive Financial Report for the Loudoun County Sanitation Authority (the Authority) for the fiscal year ended December 31, 2025 is submitted herewith. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with government auditing standards generally accepted in the United States of America (GAGAS) by a firm of licensed certified public accountants. This report has also been prepared in accordance with the requirements of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting program.

This report consists of management's representations concerning the finances of the Authority. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, the accounting system is dependent upon a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable. Recognizing that the cost of control should not exceed the benefits derived, the internal accounting controls are designed to provide reasonable assurance, but not absolute assurance, that the financial statements will be free from material misstatement. We believe that the data in this report presents fairly the financial position and results of operations and that all disclosures necessary to enable the reader to gain an understanding of financial activity have been included.

Virginia law requires an annual audit of the financial records and transactions of the Authority by independent certified public accountants, as selected by the Board.

The financial statements for the year ended December 31, 2025 have been audited by Yount, Hyde & Barbour, P.C., a firm of licensed certified public accountants.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

Governmental standards require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The MD&A can be found immediately following the independent auditor's report.

Profile of the Authority

The Authority was created on May 27, 1959 by action of the Board of Supervisors of Loudoun County, Virginia, as a public body politic and corporate under the provisions of the Virginia Water and Waste Authorities Act. The Authority is chartered by the State Corporation Commission and is responsible for providing water and wastewater service to Loudoun County. The Authority is governed by a Board consisting of nine members appointed by the Board of Supervisors. The Board appoints the General Manager, who is responsible for the daily management of the Authority.

The annual operating and capital budgets serve as the foundation for financial planning and control.

Each division prepares budget requests that are reviewed and adjusted, if necessary, by the General Manager and Deputy General Managers. The proposed budgets are presented to the Board for approval. Each division has line-item control of the budget; however, any overruns must be approved by the General Manager. Only the Board has the authority to revise the budget in total. All annual appropriations lapse at year-end.

Factors Affecting Financial Condition

Local Economy. Loudoun County is located in Northern Virginia, 25 miles west of Washington, D.C. The County has consistently ranked among the fastest growing counties in the U.S. since the late 1990s. According to the U.S. Census Bureau, Loudoun County was the fifth fastest growing county in the nation between 2000 and 2010. Between 2010 and 2020, Loudoun County was the twentieth fastest growing county in the nation and fourth most populous in the Commonwealth of Virginia. According to the Metropolitan Washington Council of Governments' Round 10.0 Cooperative Forecasts, Loudoun is projected to continue experiencing one of the highest population growth rates, alongside strong employment expansion, within the Washington region through 2050.

Long-term Financial Planning. The Authority maintains a 5-Year Plan of Finance (the Plan) which is a planning tool developed through the use of a model to ensure funding is available to meet operating and capital needs and ensure compliance with revenue bond covenants. The Plan is monitored and updated when significant changes occur with the various inputs such as the budget and actual system connections. The Plan is not intended to project future rate increases; a user rate model is used for that evaluation.

The Authority also maintains and updates a capital spending plan and Capital Improvements Program (CIP) on an annual basis which details capital projects that are necessary for system expansion and rehabilitation over a ten year period.

Further, the Authority refers to a Strategic Plan that was created, with the input from the Board of Directors, management and staff, to enhance the Authority's sound financial planning performance and to safeguard the customers' investment. The Strategic Plan contains a set of goals, both financial and operational, that were developed and prioritized for future action.

During fiscal year 2025, the Authority's net position continued to exceed policy goals and was a key factor in reaffirming the existing AAA credit ratings from Moody's Investor Service, Standard & Poor's and Fitch rating agencies.

Major Initiatives. The Authority continued planning for the design and construction of the Milestone Reservoir and Raw Water Pumping Station project. This project, a part of the CIP, will convert a retired rock quarry to a water reservoir, enabling the Authority to serve its growing population of customers well into the future. This multi-year project is expected to be operational in 2028. Funding of all phases of the project is included in the 5-Year Plan of Finance.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Loudoun County Sanitation Authority a Certificate of Achievement for Excellence in Financial Reporting for the Annual Comprehensive Financial Report for the year ended December 31, 2024. This was the thirty-eighth consecutive year that the Authority has received this prestigious award. The GFOA awards a Certificate of Achievement to financial reports that clearly convey the financial position and results of operations of the governmental entity. The report must be easy to read, thorough, and efficiently organized, in addition to satisfying GAAP and applicable legal requirements.

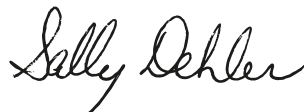
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements and standards.

This report has been accomplished with the dedicated services of the Division of Finance. We would like to express our appreciation to all employees that contributed to its preparation. We would also like to thank the Board that remains committed to fiscal integrity and financial leadership.

Respectfully submitted,



Brian Carnes
General Manager



Sally Dehler
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Loudoun Water
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morill

Executive Director/CEO

BOARD MEMBERS AND OFFICERS

Officers



Brian Carnes,
General Manager/Treasurer



Jewell R. Lilly,
Executive Assistant/
Board Secretary

Board Members



Terrence Allen,
Chairman



Brent Campbell,
Vice Chairman



Shaun Kelley



Keith Moody



Tony Buffington



Jack Vega



Martin Sultan

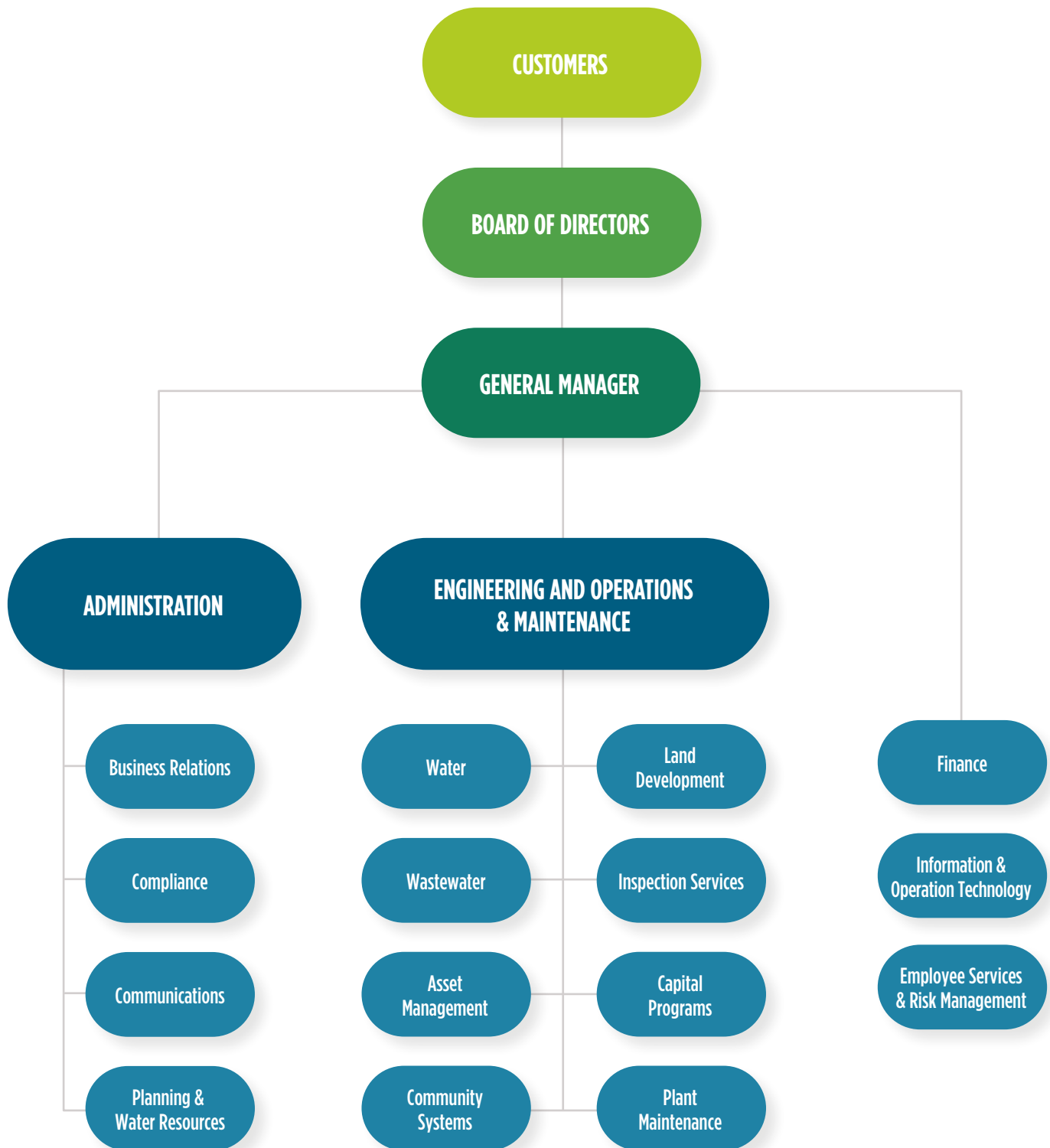


Jim Bonfils



Charles Yudd

ORGANIZATION CHART







PROTECT

By providing a safe alternative source during droughts or emergencies, Milestone Reservoir protects our water system from unexpected disruptions.

FINANCIAL SECTION





800.464.1976

YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun County Sanitation Authority
Ashburn, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activity and the fiduciary fund of Loudoun County Sanitation Authority (Loudoun Water), as of and for the years ended December 31, 2025 and 2024, and related notes to the financial statements, which collectively comprise Loudoun Water'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 the fiduciary fund of Loudoun Water, as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Loudoun Water 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 these 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 Loudoun Water's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Loudoun Water'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 Loudoun Water's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2026 on our consideration of Loudoun Water'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 Loudoun Water'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 Loudoun Water's internal control over financial reporting and compliance.

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
May 14, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Loudoun County Sanitation Authority's financial performance provides a narrative overview of the financial activities of the Authority for the year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows exceeded liabilities at the close of the year by \$2.2 billion. Of this amount, \$433.8 million is unrestricted and may be used to fund the capital improvements program or meet on-going obligations to customers and creditors.
- The net position increased by \$108.2 million mainly due to the addition of water and wastewater lines and mains deeded to the Authority by developers.
- Operating revenues decreased approximately 15.2% when compared to 2024 due to compensation related to an easement agreement received in the prior year. The customer base expanded by approximately 611 accounts (0.7%).
- Usage and base rates for water and wastewater were increased in January 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report is presented in three main sections. The Introductory Section includes the letter of transmittal, the GFOA Certificate of Achievement, a list of Authority Board members and officers and an organization chart. The Financial Section includes the Independent Auditor's Report, this Management Discussion and Analysis, financial statements with related notes and required supplementary information. The Statistical Section includes selected financial and demographic information about the Authority and the surrounding area.

There are three types of financial statements included in the financial section of this report – Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The Statements of Net Position include all of the Authority's assets and liabilities using the accrual basis of accounting. They provide the basis for evaluating the capital structure of the Authority and assessing the liquidity and flexibility of the Authority. All current and prior year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered its costs through user fees and other charges. The Statements of Cash Flows report the cash provided and used in operating activities as well as other cash sources, such as investment income, cash payments for capital additions and repayment of bonds. The Statements of Fiduciary Net Position report assets held by the Authority acting as a trustee for the employees' Other Postemployment Benefits (OPEB). The Statement of Changes in Fiduciary Net Position presents the activity of the OPEB Trust fund during the year. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements.

FINANCIAL ANALYSIS

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Authority's activities to determine if, overall, the financial position improved over the year. These two statements report the net position of the Authority and changes in them. Analyzing the Authority's net position is one way to measure financial health. Non-financial factors such as economic conditions, population growth and new or changed government legislation need to be considered as well. The Authority improved its financial position in 2025.

Net Position

The following table depicts the Authority's condensed summary of net position at December 31, 2025, 2024 and 2023.

	2025	2024	2023
Assets			
Current and Other Assets	\$ 523,759,355	\$ 484,982,100	\$ 414,240,308
Capital Assets	1,954,289,039	1,901,220,065	1,827,119,801
Total Assets	<u>2,478,048,394</u>	<u>2,386,202,165</u>	<u>2,241,360,109</u>
Deferred Outflows of Resources	6,085,272	4,466,253*	6,414,240
Liabilities			
Current and Other Liabilities	82,836,804	85,527,844	71,637,662
Long-term Liabilities	191,383,698	203,536,225	228,386,629
Total Liabilities	<u>274,220,502</u>	<u>289,064,069</u>	<u>300,024,291</u>
Deferred Inflows of Resources	12,875,740	12,740,731*	6,688,217
Net Position			
Net Investments in Capital Assets	1,737,015,634	1,677,811,279	1,583,168,244
Restricted	26,253,571	26,340,730	26,450,642
Unrestricted	433,768,219	384,711,609	331,442,955
Total Net Position	<u>\$ 2,197,037,424</u>	<u>\$ 2,088,863,618</u>	<u>\$ 1,941,061,841</u>

*2024 Deferred outflows & inflows of resources reduced by \$34,660 to show net difference (rather than gross) between projected and actual earnings of OPEB plan investments

Current Year. The Authority's net position increased by \$108.2 million, or 5.2%, between fiscal years 2025 and 2024. A significant portion of the Authority's net position (79.1%) at December 31, 2025 reflects the net investment in capital assets. These capital assets are used to provide services to customers and are not available for future spending. Restricted net position decreased slightly primarily due to a decrease in restricted bond funds to be used for payment of debt service. Unrestricted net position increased by approximately 12.8% and may be used to fund the Authority's capital improvement program and meet on-going obligations to customers and creditors.

Prior Year. The Authority's net position increased by \$147.8 million, or 7.6%, between fiscal years 2024 and 2023. A significant portion of the Authority's net position (80.3%) at December 31, 2024 reflects the net investment in capital assets. These capital assets are used to provide services to customers and are not available for future spending. Restricted net position decreased slightly primarily due to a decrease in restricted bond funds to be used for payment of debt service. Unrestricted net position increased by approximately 16.1% and may be used to fund the Authority's capital improvement program and meet on-going obligations to customers and creditors.

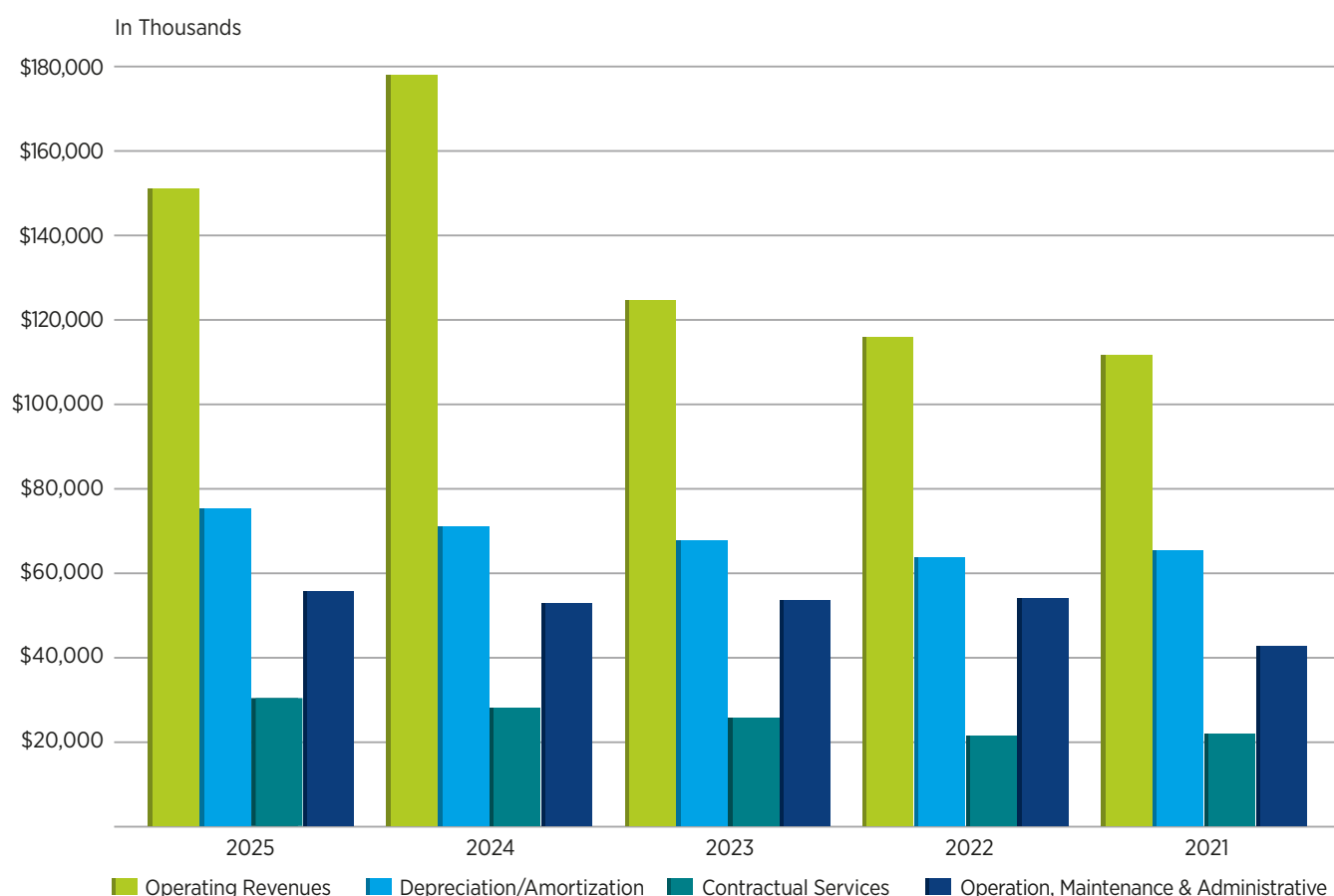
Changes in Net Position

The table below reflects the Authority's changes in net position for the years ended December 31, 2025, 2024 and 2023.

	2025	2024	2023
Operating Revenues			
Sale of Water	\$ 64,668,588	\$ 61,263,558	\$ 57,503,490
Sewage Disposal Fees	71,428,501	64,873,469	61,851,733
Other Operating Revenues	14,926,950	51,921,840	5,550,821
Total Operating Revenues	151,024,039	178,058,867	124,906,044
Operating Expenses			
Personnel	40,770,748	39,669,679	39,827,029
Contractual Services	30,006,240	27,926,626	25,467,445
Other Operating Expenses	15,246,336	12,537,865	13,352,419
Total Operating Expenses	86,023,324	80,134,170	78,646,893
Operating Income Before Depreciation and Amortization	65,000,715	97,924,697	46,259,151
Depreciation/Amortization	75,168,581	70,224,862	67,578,845
Operating Income (Loss)	(10,167,866)	27,699,835	(21,319,694)
Non-Operating Revenue (Expenses)			
Availability Fees	4,489,506	3,097,735	2,608,917
Investment Income	21,224,571	16,047,494	16,772,665
Interest Expense	(7,158,459)	(6,664,251)	(8,232,254)
Bond Issuance Costs	—	(435,758)	—
Gain on Disposal	136,480	41,541	261,272
Contribution From (To) VDOT/Government	(19,840,519)	920,000	(6,669,931)
Non-Operating Revenue (Expenses)	(1,148,421)	13,006,761	4,740,669
Net Gain (Loss) before Capital Contributions	(11,316,287)	40,706,596	(16,579,025)
Capital Contributions	119,490,093	107,095,181	62,898,319
Change in Net Position	108,173,806	147,801,777	46,319,294
Net Position, Beginning of Year	2,088,863,618	1,941,061,841	1,894,742,547
Net Position, End of Year	\$ 2,197,037,424	\$ 2,088,863,618	\$ 1,941,061,841

Operating Income

Current Year. Operating revenues totaled \$151.0 million in fiscal year 2025, a decrease of \$27.0 million from 2024. This decrease was due to non-recurring easement compensation recognized in 2024. The increases in water and sewer revenues can be attributed to the usage rate increase that became effective on January 1, 2025. Operating expenses were \$86.0 million in 2025, an increase of \$5.9 million from 2024 primarily due to increases in contractual services expenses. The chart below depicts operating revenues compared to operating expenses over the last five years.



Prior Year. Operating revenues totaled \$178.1 million in fiscal year 2024, an increase of \$53.2 million from 2023. 80% of this increase was due to compensation related to an easement agreement. The remaining increase can be attributed to the usage rate increase that became effective on January 1, 2024 as well as an increase in water usage. Operating expenses were \$80.1 million in 2024, an increase of \$1.5 million from 2023 primarily due to increases in contractual services expenses.

Income Before Capital Contributions

Current Year. Net loss before capital contributions was (\$11.3) million in 2025, due to the transfer of Reservoir Park assets to Nova Parks. The Authority credits a portion of availability fees to capital contributions and the remainder to non-operating revenues. Investment income is also recorded as non-operating revenue. Non-operating expenses include interest paid on debt.

Prior Year. Net gain before capital contributions increased \$57.3 million in 2024 mainly due to compensation related to an easement agreement. The Authority credits a portion of availability fees to capital contributions and the remainder to non-operating revenues. Investment income is also recorded as non-operating revenue. Non-operating expenses include interest paid on debt.

Capital Contributions

Current Year. Water and wastewater lines and mains that are deeded to the Authority by developers are reported as capital contributions. Approximately \$25.2 million of capital assets were deeded to the Authority in 2025 compared to \$22.9 million in 2024. The portion of availability charges credited to contributed capital totaled \$90.2 million in 2025 compared to \$80.8 million in 2024. In 2025, the Authority received approximately \$0.4 million from the County of Loudoun for certain projects.

Prior Year. Water and wastewater lines and mains that are deeded to the Authority by developers are reported as capital contributions. Approximately \$22.9 million of capital assets were deeded to the Authority in 2024 compared to \$24.3 million in 2023. The portion of availability charges credited to contributed capital totaled \$80.8 million in 2024 compared to \$37.0 million in 2023. In 2024, the Authority received approximately \$0.1 million from the County of Loudoun for certain projects. The Authority received \$0.9 million in 2024, in the form of land, from NOVA Parks.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following table depicts the Authority's condensed summary of capital assets at December 31, 2025, 2024, and 2023.

Capital Assets

	2025	2024	2023
Capacity Rights, net	\$ 275,134,843	\$ 276,359,863	\$ 277,315,727
Water Facilities	809,247,860	787,910,085	769,578,507
Wastewater Facilities	733,287,093	719,268,783	706,553,345
Reclaimed Water Facilities	6,194,346	6,186,380	4,473,145
Building and Improvements	403,092,393	400,496,107	306,481,322
Machinery and Equipment	236,722,317	227,502,389	204,829,447
Right-of-Use Assets	19,265,505	4,417,298	5,683,682
Land	68,154,172	68,154,172	67,234,172
Construction in Process	212,937,939	159,794,900	176,237,600
Total Capital Assets	2,764,036,468	2,650,089,977	2,518,386,947
Less: Accumulated Depreciation	809,747,429	748,869,912	691,267,146
Net Capital Assets	\$ 1,954,289,039	\$ 1,901,220,065	\$ 1,827,119,801

Current Year. At the end of 2025, the Authority had invested \$2.8 billion in a broad range of capital assets including capacity rights, water and sewer lines, land, buildings, vehicles and equipment. This amount represents an increase of \$113.9 million, or 4.3% over last year.

Major capital asset additions for 2025 included:

- Water distribution mains constructed and contributed by developers - \$15.4 million
 - \$2,861,251 Project Motion
 - \$1,189,106 Lenah Circle West
 - \$1,043,351 Vantage-VA21
 - \$1,017,756 Brambleton Active Adult Community
 - \$892,907 Mount Sterling Land Bay
 - \$874,299 Waterside Davis Drive Extension
 - \$687,532 Waterside
 - \$677,694 Centurion at Quantum Park
 - \$670,772 Regency at Belmont Chase Townhouse
 - \$656,757 Loudoun Center
 - \$601,904 Dulles Logistics Center
 - \$592,026 Hartland Drive Phase 2E & 3 Watermain
 - \$590,653 Dulles Highpoint
 - \$580,899 Sterling Meadow
 - \$508,734 Guilford Station
 - \$455,966 MS-14 STPL
 - \$427,060 Centergate Dr and Charitable St at Moore
 - \$339,616 Hartland South Road Improvements PH. 2C2
 - \$312,856 Arcola Center Arcola Mills Drive Route 6
 - \$193,588 Temple Baptist Church
 - \$130,153 Sheetz - Relocation Drive
 - \$124,726 Leesburg Pike Popeyes at Leesburg
- Sewer lines constructed and contributed by developers - \$9.7 million
 - \$1,705,404 Brambleton Active Adult Community
 - \$1,405,774 Project Motion
 - \$967,701 Lenah Circle West
 - \$765,725 Guilford Station
 - \$633,156 Centurion at Quantum Park
 - \$632,644 Mount Sterling
 - \$486,401 Regency at Belmont Chase Townhouse
 - \$477,328 Loudoun Center Lot 2 Rhino
 - \$464,921 Arcola Center
 - \$365,966 MS-14 STPL
 - \$256,284 Waterside Landbay
 - \$236,216 Jefferson Knolls
 - \$234,926 Dulles Highpoint
 - \$218,507 Sterling Meadow
 - \$195,789 Hartland South Road Improvements
 - \$159,644 Vantage-VA21
 - \$153,117 Waterside Davis Drive Extension
 - \$110,887 Temple Baptist Church
 - \$106,948 Ticonderoga Farms
 - \$105,094 Dulles Logistics Center
- DC Water Capital Improvements - \$10.0 million
 - Lansdowne SPS Reliability Upgrades - \$4.4 million
 - Broad Run Water Reclamation Facility - \$3.4 million
 - Route 50 600 Zone Connection- \$1.7 million
 - SAP S4 Hana Upgrade- \$1.2 million
 - Ashburn Campus Improvements - \$1.1 million

The Authority's fiscal 2026 Capital Budget projects spending \$221.5 million for capital projects including:

- Various water main initiatives
- Various wastewater initiatives
- Milestone Reservoir Construction
- Information Technology Projects
- Broad Run Water Reclamation Facility Treatment Expansion
- Community Systems Projects
- Joint Land Management Area with Town of Leesburg
- Capital payments to the District of Columbia Water and Sewer Authority for improvements at the Blue Plains Wastewater Treatment plant

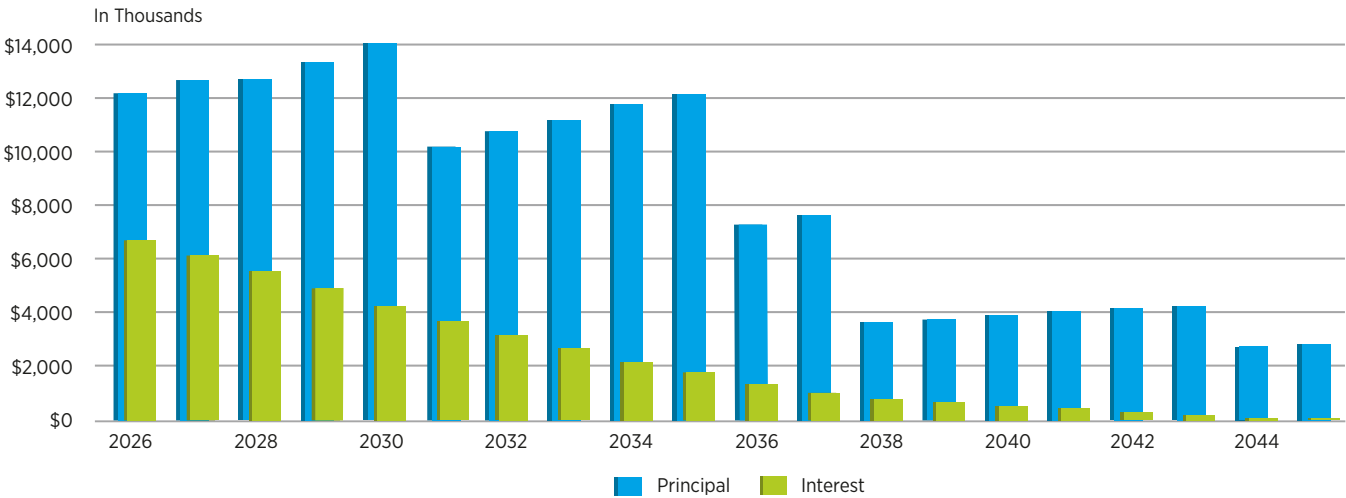
More detailed information regarding the Authority’s capital assets is presented in Note 4 to the financial statements.

Prior Year. At the end of 2024, the Authority had invested \$2.7 billion in a broad range of capital assets including capacity rights, water and sewer lines, land, buildings, vehicles and equipment. This amount represents an increase of \$131.7 million, or 5.2% over last year.

Long-term Debt

Current Year. The Authority’s outstanding debt as of December 31, 2025 includes \$159,095,000 in Water and Sewer System Revenue Bonds that bear interest from 3.0% to 5.0%. In addition, the Authority has outstanding debt of \$7,030,000 in variable rate bonds.

The graph below provides an indication of how much principal and interest are due each year until the revenue bonds mature in 2045.



Outstanding revenue bonds carry an Aaa rating from Moody’s Investors Service, an AAA rating from Fitch and AAA from Standard and Poor’s (S&P). This is the highest rating available from each of the rating agencies.

The Authority’s outstanding debt to the Fairfax County Water Authority (FCWA) relates to 20 MGD (million gallons per day) of storage capacity.

More detailed information regarding the Authority’s long-term debt is presented in Note 6 to the financial statements.

Prior Year. The Authority’s outstanding debt as of December 31, 2024 includes \$169,445,000 in Water and Sewer System Revenue Bonds that bear interest from 3.0% to 5.0%. In addition, the Authority has outstanding debt of \$8,295,000 in variable rate bonds.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The long term outlook for the region’s economic conditions and the prospect of these conditions is positive. The Authority continues to evaluate its resources as well as operational and capital requirements to ensure that water and wastewater service will be available to meet expected demand.

During 2025, the Authority continued to improve its financial position. The Authority was able to prepare a budget for 2026 that continues to preserve its financial integrity as well as provide high-quality water and wastewater service to all customers as economically as possible.

The Authority's rate structure is designed to collect sufficient revenues to pay debt service and recover operating and maintenance expenses. The Authority successfully accomplished this objective in 2025.

During 2024, the Authority's Board of Directors passed a resolution to adopt revised rates, fees and charges as a combined rate for both central service and developer initiated community system customers. These rates will be effective January 1, of 2025, 2026, and 2027. The average residential customer will realize an increase of approximately 7.0% with each rate increase. The existing rates for the County sponsored community systems remain in effect. The rates for the Goose Creek Industrial Park were revised in 2025.

The Board of Directors also adopted availability charges for all central system connections. These rates will be effective January 1, of 2025, 2026, and 2027. An increase of approximately 7.0% will be realized by customers with each rate increase.

REQUESTS FOR INFORMATION

This report is intended to provide our customers, bondholders and creditors with a general overview of the Authority's financial position and to demonstrate accountability for revenues received. Questions concerning information provided in this report or requests for additional financial information should be directed to the Director of Finance of the Authority at 571.291.7700 or to our office located at 44865 Loudoun Water Way, PO Box 4000, Ashburn, VA 20147.

STATEMENTS OF NET POSITION

DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
Current Assets		
Cash and Temporary Investments:		
Unrestricted	\$ 105,540,535	\$ 126,664,172
Restricted	39,493,390	39,847,901
Investments:		
Unrestricted	108,252,738	113,119,403
Receivables:		
Water and Wastewater Service	33,543,771	28,284,701
Leases	463,767	379,510
Interest:		
Unrestricted	2,436,155	1,608,175
Restricted	81,517	93,375
Other	1,446,849	2,443,584
Inventory	6,801,393	6,236,878
Prepaid Expenses	71,456	13,958
Total Current Assets	<u>298,131,571</u>	<u>318,691,657</u>
Non-Current Assets		
Lease Receivable	3,776,008	3,822,627
Other Receivables	3,086,546	—
Investments:		
Unrestricted	218,765,230	162,467,816
Capital Assets:		
Capacity Rights, net of amortization	275,134,843	276,359,863
Water Facilities	809,247,860	787,910,085
Wastewater Facilities	733,287,093	719,268,783
Reclaimed Water Facilities	6,194,346	6,186,380
Buildings and Improvements	403,092,393	400,496,107
Machinery and Equipment	236,722,317	227,502,389
Right of Use Assets - Leases and SBITAs	19,265,505	4,417,298
Less: Accumulated Depreciation	(809,747,429)	(748,869,912)
Land	68,154,172	68,154,172
Construction in Process	212,937,939	159,794,900
Capital Assets, net	<u>1,954,289,039</u>	<u>1,901,220,065</u>
Total Non-Current Assets	<u>2,179,916,823</u>	<u>2,067,510,508</u>
Total Assets	<u>2,478,048,394</u>	<u>2,386,202,165</u>
Deferred Outflows of Resources		
Deferred Amounts on Refunding Debt	882,601	1,127,991
Deferred Amounts Related to OPEB	166,781	301,778*
Deferred Amounts Related to GLI OPEB	316,096	348,521
Deferred Amounts Related to Pensions	4,719,794	2,687,963
Total Deferred Outflows of Resources	<u>6,085,272</u>	<u>4,466,253</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 2,484,133,666</u></u>	<u><u>\$ 2,390,668,418</u></u>

*2024 Deferred Amounts Related to OPEB reduced by \$34,660 to show net difference (rather than gross) between projected and actual earnings of OPEB plan investments.

See accompanying notes to financial statements.

LIABILITIES AND NET POSITION

	2025	2024
Current Liabilities		
Accounts Payable	\$ 18,506,273	\$ 19,846,977
Retainages Payable	5,974,025	7,806,807
Oversizing Reimbursements	22,559,680	23,945,701
Unearned Revenue.....	2,321,214	2,538,360
Customer Advance Payment Fees	2,832,650	2,716,502
Developers' Advances	25,000	25,000
Performance Bonds.....	6,896,250	8,063,955
Maintenance Bonds	223,020	216,833
Bond Interest Payable	3,344,415	2,578,257
Compensated Absences	2,024,927	1,837,090
Fairfax Water Agreement	66,547	64,366
Leases and SBITAs Payable.....	2,734,844	1,661,636
Bonds Payable - VRLF	382,785	376,359
Bonds Payable - VRA	6,043	5,870
Revenue Bonds Payable	14,939,131	13,844,131
Total Current Liabilities.....	82,836,804	85,527,844
Long-term Liabilities		
Compensated Absences	4,724,829	4,286,543
Other Post Employment Benefits	2,337,233	2,735,967
GLI Other Post Employment Benefits	1,146,832	1,354,506
Net Pension Liability	3,019,787	3,412,359
Fairfax Water Agreement	226,728	293,274
Leases and SBITAs Payable.....	6,090,067	2,287,393
Bonds Payable - VRLF	3,299,501	3,682,287
Bonds Payable - VRA	24,838	30,881
Revenue Bonds Payable, net of unamortized amounts.....	170,513,883	185,453,015
Total Long-term Liabilities.....	191,383,698	203,536,225
Total Liabilities	274,220,502	289,064,069
Deferred Inflows of Resources		
Deferred Amounts on Refunding Debt.....	2,766,256	3,072,616
Deferred Amounts Related OPEB Health	2,976,867	3,101,909*
Deferred Amounts Related GLI OPEB	273,182	257,764
Deferred Amounts Related to Pensions	2,987,999	2,383,422
Deferred Amounts Related to Leases.....	3,871,436	3,925,020
Total Deferred Inflows of Resources	12,875,740	12,740,731
Net Position		
Net Investment in Capital Assets.....	1,737,015,634	1,677,811,279
Restricted Net Position for:		
Debt Service.....	26,253,571	26,340,730
Unrestricted Net Position	433,768,219	384,711,609
Total Net Position.....	2,197,037,424	2,088,863,618
Total Liabilities, Deferred Inflows of Resources and Net Position.....	\$ 2,484,133,666	\$ 2,390,668,418

*2024 Deferred Amounts Related to OPEB reduced by \$34,660 to show net difference (rather than gross) between projected and actual earnings of OPEB plan investments

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Operating Revenues		
Sale of Water	\$ 64,668,588	\$ 61,263,558
Sewage Disposal Fees	71,428,501	64,873,469
Other Water/Wastewater Charges.....	372,651	587,318
Other Operating Revenues	<u>14,554,299</u>	<u>51,334,522</u>
Total Operating Revenues.....	<u>151,024,039</u>	<u>178,058,867</u>
Operating Expenses		
Personnel	40,770,748	39,669,679
Contractual Services	30,006,240	27,926,626
Materials, Supplies, and Minor Equipment	8,112,638	8,121,308
Other Services	<u>7,133,698</u>	<u>4,416,557</u>
Total Operating Expenses	<u>86,023,324</u>	<u>80,134,170</u>
Operating Income Before Depreciation and Amortization	65,000,715	97,924,697
Depreciation	61,267,621	58,712,333
Amortization	<u>13,900,960</u>	<u>11,512,529</u>
Operating Income (Loss).....	<u>(10,167,866)</u>	<u>27,699,835</u>
Non-Operating Revenues (Expenses)		
Availability Charges.....	4,489,506	3,097,735
Investment Income	21,224,571	16,047,494
Interest Expense	(7,158,459)	(6,664,251)
Bond Issuance Costs	—	(435,758)
Gain on Disposal.....	136,480	41,541
Contribution From (To) VDOT/Government	<u>(19,840,519)</u>	<u>920,000</u>
Non-Operating Revenues (Expenses).....	<u>(1,148,421)</u>	<u>13,006,761</u>
Net Gain (Loss) before Capital Contributions	(11,316,287)	40,706,596
Capital Contributions	<u>119,490,093</u>	<u>107,095,181</u>
Change in Net Position	108,173,806	147,801,777
Total Net Position, Beginning of Year.....	<u>2,088,863,618</u>	<u>1,941,061,841</u>
Total Net Position, End of Year	<u>\$ 2,197,037,424</u>	<u>\$ 2,088,863,618</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 144,375,922	\$ 174,956,359
Cash Received from Operating Leases.....	389,502	354,317
Payments to Suppliers for Goods and Services	(36,083,934)	(43,110,435)
Payments to Employees for Services	(42,513,060)	(39,793,786)
Net Cash Provided by Operating Activities	66,168,430	92,406,455
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	128,822	140,684
Contributions from Developers	740,896	296,770
Contributions from Governments.....	3,137,900	2,934,724
Acquisition/Construction of Capital Assets	(121,834,611)	(106,667,826)
Capital Contributions - Availability Fees	94,078,184	81,520,672
Principal Payments on Fairfax Water Agreement.....	(64,365)	(62,256)
Principal Payments on Leases and Subscriptions Payable	(14,621,822)	(2,019,786)
Interest Payments on Leases and Subscriptions Payable	200,249	—
Interest Payments on Fairfax Water Agreement.....	(14,137)	(14,137)
Principal Payments - VRA	(382,230)	(375,743)
Interest Payments - VRA	(74,924)	(74,924)
Principal Payments on Revenue Bonds	(11,615,000)	(11,070,000)
Interest Payments on Revenue Bonds	(6,303,240)	(7,820,799)
Bond Issuance Costs.....	—	(435,758)
Net Cash (Used in) Capital and Related Financing Activities	(56,624,278)	(43,648,379)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments.....	129,550,000	136,590,000
Purchase of Investments	(173,083,136)	(154,605,007)
Interest Received on Investments	12,510,836	10,111,479
Net Cash (Used in) Investing Activities.....	(31,022,300)	(7,903,528)
Net Increase (Decrease) in Cash and Cash Equivalents	(21,478,148)	40,854,548
Cash and Cash Equivalents, Beginning of Year	166,512,073	125,657,525
Cash and Cash Equivalents, End of Year	\$ 145,033,925	\$ 166,512,073

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating (Loss) to		
Net Cash Provided by Operating Activities		
Operating Gain (Loss)	\$ (10,167,866)	\$ 27,699,835
Adjustments to Reconcile Operating (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	75,168,581	70,224,862
Changes in Assets and Liabilities:		
(Increase) in Water/Wastewater Receivables.....	(6,710,681)	(3,030,697)
Decrease in Lease Receivables.....	335,918	176,189
(Increase) in Inventory	(564,515)	(572,577)
Decrease (Increase) in Prepaid Expenses	(57,498)	1,451
Increase (Decrease) in Accounts Payable.....	9,790,655	(2,074,818)
(Decrease) in Other Liabilities	(1,742,313)	(124,107)
Increase in Liabilities Payable from Restricted Assets	116,148	106,317
Net Cash Provided by Operating Activities	<u>\$ 66,168,429</u>	<u>\$ 92,406,455</u>
Noncash Investing, Capital and Financing Activities		
Estimated Acquisition Value of Contributed Capital Assets	\$ 25,167,273	\$ 22,876,450
Increase in Fair Value of Investments	4,216,079	4,027,310
Capital Asset Additions Funded by Retainage or Accounts Payable.....	14,309,253	9,168,246
Reconciliation of Cash		
Cash and Temporary Investments:		
Unrestricted.....	\$ 105,540,535	\$ 126,664,172
Restricted	39,493,390	39,847,901
	<u>\$ 145,033,925</u>	<u>\$ 166,512,073</u>

See accompanying notes to financial statements.

STATEMENTS OF FIDUCIARY NET POSITION - OPEB TRUST FUND

DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
Assets Held in Trust, Investments at Fair Value:		
Fixed Income.....	\$ 1,148,640	\$ 1,011,440
Stocks.....	2,814,167	2,478,027
Real Estate	861,480	758,580
Alternative Investments	918,912	809,152
Total Assets	<u>\$ 5,743,199</u>	<u>\$ 5,057,199</u>

NET POSITION

Net Position Restricted for OPEB.....	<u>5,743,199</u>	<u>5,057,199</u>
Total Net Position	<u>\$ 5,743,199</u>	<u>\$ 5,057,199</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - OPEB TRUST FUND

YEARS ENDED DECEMBER 31, 2025 AND 2024

ADDITIONS

	2025	2024
Contributions		
Employer	\$ 445,551	\$ 431,994
Total Contributions	<u>445,551</u>	<u>431,994</u>
Investments		
Net Increase in Fair Value of Investments.....	<u>617,192</u>	<u>424,501</u>
Total Investment Income.....	<u>617,192</u>	<u>424,501</u>
Total Additions	<u>\$ 1,062,743</u>	<u>\$ 856,495</u>

DEDUCTIONS

Benefit Payments	371,649	393,261
Administrative Expenses.....	<u>5,094</u>	<u>5,154</u>
Total Deductions	<u>376,743</u>	<u>398,415</u>
Change in Net Position	686,000	458,080
Net Position, Beginning of Year	<u>5,057,199</u>	<u>4,599,119</u>
Net Position, End of Year	<u>\$ 5,743,199</u>	<u>\$ 5,057,199</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

1. Summary of Significant Accounting Policies

The Loudoun County Sanitation Authority d/b/a Loudoun Water, hereinafter referred to as the “Authority,” was created on May 27, 1959 as a public body politic and corporate under the provisions of the Virginia Water and Waste Authorities Act (Chapter 28, Title 15.1, Section 1239 et. seq., *Code of Virginia*, 1950, as amended), for the purpose of acquiring, constructing, operating and maintaining for Loudoun County (County) (a) an integrated water supply and distribution system, and (b) an integrated sewerage and sewage disposal system; and for the purpose of exercising the powers conferred by said Water and Waste Authorities Act.

The accounting policies conform to accounting principles generally accepted in the United States of America as applicable to authorities. The following is a summary of the more significant policies:

A. Reporting Entity

To determine the appropriate reporting entity for the Authority, its relationship with the County was considered. Although the members of the Board are appointed by the County Board of Supervisors, the County is not financially accountable for the Authority and does not have the ability to impose its will on the Authority. In addition, there is no potential for the Authority to provide specific financial benefit to, or impose specific financial burdens on, the County and the Authority is not fiscally dependent on the County. Based on the application of these criteria, the Authority is not a component unit of the County.

B. Basis of Presentation

The accounting policies conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. Operations are accounted for in a manner similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The costs (including depreciation) of providing goods and services to customers on a continuing basis are recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability. Fiduciary OPEB Trust Fund is used to account for the assets held in trust for other postemployment benefits.

C. Basis of Accounting and Use of Estimates

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for within one fund: an enterprise fund. The Authority uses the accrual basis of accounting for its enterprise fund, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Fiduciary funds, which include the Other Post-Employment Benefits (OPEB) trust, are reported using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Fiduciary funds are used to account for resources held in a trustee or custodial capacity for others and therefore are not available to support the authority’s own programs. See note 8.

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

D. Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less.

Investments include United States government and agency obligations and obligations of the Commonwealth of Virginia and its subdivisions. Those investments with maturities of three months to a year are considered current and are stated at fair value. Investments with maturities greater than one year are considered long-term and are stated at fair value.

Investments held by the Trustee are stated at fair value and include all United States obligations with a maturity in excess of three months. Interest on investments is recorded in the year earned.

E. Accounts Receivable

All continuing service receivables are recognized when earned with no allowance for uncollectibles, as delinquent accounts attach as an enforceable lien on property if not collected within a certain period of time once notification has been given to the owner.

An estimated amount has been recorded for services rendered but not yet billed as of the close of the respective years presented. At December 31, 2025 and 2024, the Authority recorded \$17,378,701 and \$16,894,368 respectively, as unbilled water and wastewater service receivables.

F. Inventory

Inventory is valued at average cost. Inventories are recorded as an operating expense when consumed rather than when purchased.

G. Restricted Assets

Restricted assets represent resources designated for specific purposes and include developers' advances, advance payment fees, maintenance bonds, performance bonds and other project-related escrow funds. Restricted assets also include bond proceeds and funds set aside for repayment since their use is limited by applicable bond covenants.

H. Capital Assets

Capital assets include property, plant and equipment as well as intangible assets such as purchased capacity rights. Intangible assets are amortized over the maximum allowable period of 40 years and are shown on the financial statements net of accumulated amortization.

The Authority capitalizes all assets with a purchase price greater than \$20,000. This increased from \$10,000 to \$20,000 on January 1, 2025.

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation of all exhaustible capital assets is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Water and Wastewater Facilities	40-50 years
Buildings and Improvements	20-40 years
Machinery and Equipment	3-15 years

I. Leases

The Authority is a lessee of a postage meter and a printer, and records a lease liability and an intangible right-of-use asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before

the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Authority is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with current and long-term debt on the statement of net position.

Lessor: The Authority leases out space on top of its water towers to cellular service providers who place their cellular communications equipment on them. The Authority also leases a portion of land to a radio broadcast company where they have placed a radio tower and an equipment building. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements for these leases.

At the commencement of a lease, the Authority 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 initially 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 the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority 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.

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

Detailed balances and information for Leases: Lessee and Lessor are presented in Note 4A.

J. Subscription-Based Information Technology Arrangements (SBITAs)

The Authority is a party to noncancellable contracts with SBITA vendors that convey control of the right to use the vendor's IT software alone or in combination with tangible capital assets specified in the contract, for a period of time in an exchange or exchange-like transaction. The Authority recognizes an intangible right-to-use SBITA asset and a corresponding subscription liability. At the commencement of the agreement, the Authority measures the SBITA liability as the present value of SBITA payments expected to be made during the contract term. The SBITA liability is subsequently reduced by the principal portion of the payments made. The SBITA asset is initially measured as the beginning amount of the SBITA liability, plus payments made to the vendor prior to the commencement of a 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 contract.

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

- The Authority uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- 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 the Authority is reasonably certain to make. In determining the SBITA term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the SBITA term if the SBITA is reasonably certain to be extended.

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

Detailed balances and information for Subscription-Based Information Technology Agreements (SBITAs) are presented in Note 4B.

K. Construction in Process

Construction in process 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.

L. Deferred Outflow and Inflow of Resources

A deferred outflow of resources represents a consumption of net assets that applies to future periods and will not be recognized as an expense until then. Deferred outflows from the refundings of debt will be recognized as interest expense in the appropriate reporting period. Deferred outflows related to pensions and OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability and net OPEB liability, respectively, in the next fiscal year. A deferred inflow of resources represents an acquisition of net assets that applies to future periods. Deferred inflows related to pensions and OPEB will be recognized as expense in the appropriate reporting period.

M. Compensated Absences

The Authority employees are granted annual leave in varying amounts based on years of service and sick leave at a rate of 3 1/2 hours per pay period. In the event of termination, an employee is reimbursed for accumulated annual leave in full, and for sick leave in varying amounts based on years of service. The Authority's compensated absences liability, which included vacation, sick, bonus and safety leave, plus related payroll taxes is measured based on the current pay rates of employees at the end of the fiscal year. A liability for compensated absences is recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. Compensated absences and related payroll taxes that are expected to be liquidated within one year are reflected on the financial statements as a current liability.

N. Bond Premiums and Discounts

Bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method. Bond premiums, net of amortization, of \$19,328,014 and \$21,557,146 for 2025 and 2024, respectively, are presented as an increase to the face amount of bonds payable.

O. Capital Contributions

Capital contributions are recorded for the receipt of capital grants, contributions of funds, property, lines and improvements by developers, customers or other governments. Availability fees in excess of related costs are also recorded as capital contributions.

P. Comparative Data

Comparative data for the prior year is presented in the accompanying financial statements in order to provide an understanding of the changes in the Authority's financial position and operations.

Q. New Accounting Pronouncements Adopted

The Authority has adopted the following GASB Pronouncements in fiscal year 2025:

GASB Statement 102, *Certain Risk Disclosures*, (Statement 102), will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement 102 became effective for the Authority beginning with its year ending December 31, 2025.

R. New Accounting Pronouncements

GASB Statement 103, *Financial Reporting Model Improvements*, (Statement 103), improves the financial reporting model to assist with decision making and assessing a government's accountability. Statement 103 will be effective for the Authority with its fiscal year ending December 31, 2026.

GASB Statement 104, *Disclosure of Certain Capital Assets*, (Statement 104) requires state and local governments to provide more detailed information about capital assets in their financial statements to improve transparency and make capital asset disclosures more useful. Statement 104 will be effective for the Authority with its fiscal year ending December 31, 2026.

GASB Statement 105, *Subsequent Events*, (Statement 105), improves the financial reporting for state and local governments by clarifying the definition, timeframe, and disclosure requirements for events occurring after the financial statement date but before they are issued. Statement 105 will be effective for the Authority with its fiscal year ending December 31, 2027.

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

2. Deposits and Investments

A. Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

B. Investments

The *Code of Virginia* authorizes the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia and its subdivisions, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk:

The Authority's investment policy specifies that investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. In addition, the *Code of Virginia* requires that all security holdings with maturities over thirty days may not be held in safekeeping with the "counterparty" (the issuer or seller of the security and any repurchase agreement provider) to the investment transaction.

At December 31, 2025, all securities purchased by the Authority were held in safekeeping by a third-party custodial bank or institution in the Authority's name.

Investment Policy:

In November 2019, the Authority updated the formal investment policy that was adopted in March 2000. It is the policy that the investment and administration of its funds be made in accordance with the *Code of Virginia* Investment in Public Funds Act, the applicable provisions of any outstanding bond indebtedness and the investment policy. It is the intent to be in complete compliance with all federal, state and local laws, and other regulations and statutes governing the investment of public funds.

The investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

Treasuries and obligations collateralized with Treasuries	No portfolio limitation
Obligations of the Commonwealth or Virginia Local Governments	10% of total portfolio
Certificates of Deposit (fully collateralized only)	25% of total portfolio; 5% from any one institution
Liquidity Investments	No portfolio limitation
Federal Agency Securities	No portfolio limitation; 40% from any one agency
Commercial Paper	25% of total portfolio
Corporate Notes	25% of total portfolio

Credit Risk:

As required by state statute, the investment policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investor Service, Standard & Poor’s and Fitch Investor Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

As of December 31, 2025, the Authority held 61% in U.S. Government Agency Securities, 15% in corporate bonds, 14% in Local Government Investment Pool, 0% in Commercial Paper, 3% in obligations of the Commonwealth of Virginia and its subdivisions and 6% in money market funds.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of the total investments, there must be a disclosure for the amount and issuer.

At December 31, 2025, the portion of the portfolio, excluding U.S. Government guaranteed obligations, and money market funds that exceed 5% of the total portfolio are as follows:

<u>Investment Type</u>	<u>Credit Quality (Rating)</u>	<u>Credit Exposure as a Percentage of Total Investments</u>
Federal Farm Credit Bank	AA+/Aaa	13%
Federal Home Loan Bank	AA+/Aaa	9%

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Although the Authority has no formal policy relating to specific investment-related risk, the Authority contains interest-rate risk by avoiding asset-backed securities and by restricting the use of callable U.S. Agency securities. The risk of loss of fair value from rising interest rates is greater for those types of securities because the average maturity of such securities increases as interest rates rise, compounding the impact on fair value. By comparison, the average maturity of U.S. Treasury notes, non-callable Agency securities and the LGIP are not affected by changes in interest rates.

The investment maturities, in years, at December 31, 2025:

	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	2-4 years
U.S. Treasuries	\$ 168,859,640	\$ 81,365,140	\$ 82,350,750	\$ 5,143,750
U.S. Agencies	83,138,420	20,007,250	42,967,770	20,163,400
Municipal Bonds	12,867,525	1,885,798	5,445,367	5,536,360
Commercial Paper	—	—	—	—
Corporate Obligations	62,152,383	4,994,550	36,837,333	20,320,500
	<u>\$ 327,017,968</u>	<u>\$ 108,252,738</u>	<u>\$ 167,601,220</u>	<u>\$ 51,164,010</u>

The investment maturities, in years, at December 31, 2024:

	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	2-4 years
U.S. Treasuries	\$ 119,028,130	\$ 24,794,600	\$ 94,233,530	\$ —
U.S. Agencies	89,323,400	37,190,940	52,132,460	—
Municipal Bonds	7,685,839	1,246,513	5,089,266	1,350,060
Commercial Paper	—	—	—	—
Corporate Obligations	59,549,850	49,887,350	9,662,500	—
	<u>\$ 275,587,219</u>	<u>\$ 113,119,403</u>	<u>\$ 161,117,756</u>	<u>\$ 1,350,060</u>

Fair Value Measurements:

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Level 1 valuation inputs are quoted prices in active exchange markets. Level 2 inputs are less active markets, but still significant other observable inputs. Level 3 inputs include other valuation methodologies and are not based on market, exchange or traded transactions. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Securities classified as Level 3 have limited trade information, these securities are priced using the last trade price or estimated using recent trade prices. For the years ended December 31, 2025 and 2024, all investments were valued using Level 1 and 2 inputs and the application of valuation techniques applied has been consistent.

The following table depicts the fair value investments at December 31, 2025:

	Fair Value Investments			% of Total Investments		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Treasuries	\$ 149,882,140	\$ 18,977,500	\$ 168,859,640	45.9%	5.8%	51.7%
FHLB	–	33,115,770	33,115,770	0.0%	10.1%	10.1%
FFCB	5,019,500	40,236,450	45,255,950	1.5%	12.3%	13.8%
FNMA	4,766,700	–	4,766,700	1.5%	0.0%	1.5%
Municipal Bonds	–	12,867,525	12,867,525	0.0%	3.9%	3.9%
Commercial Paper	–	–	–	0.0%	0.0%	0.0%
Corporate Obligations	10,057,500	52,094,883	62,152,383	3.1%	15.9%	19.0%
Total investments	<u>\$ 169,725,840</u>	<u>\$ 157,292,128</u>	<u>\$ 327,017,968</u>	<u>52.0%</u>	<u>48.0%</u>	<u>100.0%</u>

The following table depicts the fair value investments at December 31, 2024:

	Fair Value Investments			% of Total Investments		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Treasuries	\$ 119,028,130	\$ –	\$ 119,028,130	43.2%	0.0%	43.2%
FHLB	–	37,281,260	37,281,260	0.0%	13.5%	13.5%
FFCB	–	34,775,700	34,775,700	0.0%	12.6%	12.6%
FNMA	–	17,266,440	17,266,440	0.0%	6.3%	6.3%
Municipal Bonds	–	7,685,839	7,685,839	0.0%	2.8%	2.8%
Commercial Paper	–	–	–	0.0%	0.0%	0.0%
Corporate Obligations	19,977,650	39,572,200	59,549,850	7.2%	14.4%	21.6%
Total investments	<u>\$ 139,005,780</u>	<u>\$ 136,581,439</u>	<u>\$ 275,587,219</u>	<u>50.4%</u>	<u>49.6%</u>	<u>100.0%</u>

The carrying amounts of the Authority's financial instruments not described above arise in the ordinary course of business and approximate fair value.

3. Restricted Assets Held by Trustee

Restricted assets held by the Trustee represent the portion of resources held by the Trustee on behalf of the Authority in accordance with the applicable bond covenants. These assets include: cash, investments (at fair value) and accrued interest receivable of \$81,517 and \$93,375 at December 31, 2025 and 2024, respectively. The restricted assets held by the Trustee at December 31, 2025 and 2024 in each account established under the indenture of trust are shown below.

	2025	2024
Bond Account (unspent bond proceeds offset by related liability)	\$ 15,693,741	\$ 15,174,148
Debt Service Reserve Account	13,734,358	13,638,239
Escrow Account	169,887	106,599
Total Restricted Assets held by Trustee	<u>\$ 29,597,986</u>	<u>\$ 28,918,986</u>

4. Capital Assets

Changes in capital assets as of December 31, 2025 are as follows:

	Balance January 1, 2025	Additions	Retirements/ Deletions	Transfers	Balance December 31, 2025
Capital Assets not being depreciated:					
Land	\$ 68,154,172	\$ –	\$ –	\$ –	\$ 68,154,172
Construction in Process	159,794,900	106,587,544	(22,027,920)	(31,416,585)	212,937,939
Total Capital Assets not being depreciated	227,949,072	106,587,544	(22,027,920)	(31,416,585)	281,092,111
Capital Assets being amortized:					
Capacity Rights, net of amortization	276,359,863	(11,530,612)	–	10,305,592	275,134,843
Other Capital Assets:					
Water Facilities	787,910,085	16,260,034	–	5,077,741	809,247,860
Wastewater Facilities	719,268,783	9,907,809	–	4,110,501	733,287,093
Reclaimed Water Facilities	6,186,380	7,966	–	–	6,194,346
Building and Improvements	400,496,107	623,805	(687,799)	2,660,280	403,092,393
Machinery and Equipment	227,502,389	348,853	(391,396)	9,262,471	236,722,317
Right-of-use assets - Leases	388,972	–	(157,045)	–	231,927
Right-of-use assets - SBITAs	8,225,818	19,515,486	(100,000)	–	27,641,304
Total Other Capital Assets	2,149,978,534	46,663,953	(1,336,240)	21,110,993	2,216,417,240
Total Capital Assets	2,654,287,469	141,720,885	(23,364,160)	–	2,772,644,194
Less Accumulated Depreciation/ Amortization for:					
Water Facilities	(217,967,287)	(16,876,030)	–	–	(234,843,317)
Wastewater Facilities	(280,825,665)	(17,609,939)	–	–	(298,435,604)
Reclaimed Water Facilities	(703,080)	(163,751)	–	–	(866,831)
Building and Improvements	(87,917,114)	(9,954,256)	11,463	–	(97,859,907)
Machinery and Equipment	(161,456,766)	(16,663,645)	378,641	–	(177,741,770)
Right-of-use assets - Leases	(271,552)	(104,113)	150,216	–	(225,449)
Right-of-use assets - SBITAs	(3,925,940)	(4,556,337)	100,000	–	(8,382,277)
Total Accumulated Depreciation	(753,067,404)	(65,928,071)	640,320	–	(818,355,155)
Total Capital Assets, net	\$ 1,901,220,065	\$ 75,792,814	\$ (22,723,840)	\$ –	\$ 1,954,289,039

Changes in capital assets as of December 31, 2024 are as follows:

	Balance January 1, 2024	Additions	Retirements/ Deletions	Transfers	Balance December 31, 2024
Capital Assets not being depreciated:					
Land	\$ 67,234,172	\$ 920,000	\$ –	\$ –	\$ 68,154,172
Construction in Process	176,237,600	20,590,712	–	(37,033,412)	159,794,900
Total Capital Assets not being depreciated	243,471,772	21,510,712	–	(37,033,412)	227,949,072
Capital Assets being amortized:					
Capacity Rights, net of amortization	277,315,727	(11,190,954)	–	10,235,090	276,359,863
Other Capital Assets:					
Water Facilities	769,578,507	12,080,854	–	6,250,724	787,910,085
Wastewater Facilities	706,553,345	11,757,618	–	957,820	719,268,783
Reclaimed Water Facilities	4,473,145	–	–	1,713,235	6,186,380
Building and Improvements	306,481,322	90,693,330	–	3,321,455	400,496,107
Machinery and Equipment	204,829,447	9,325,887	(1,208,033)	14,555,088	227,502,389
Right-of-use assets - Leases	215,156	173,816	–	–	388,972
Right-of-use assets - SBITAs	7,570,183	655,635	–	–	8,225,818
Total Other Capital Assets	1,999,701,105	124,687,140	(1,208,033)	26,798,322	2,149,978,534
Total Capital Assets	2,520,488,604	135,006,898	(1,208,033)	–	2,654,287,469
Less Accumulated Depreciation/ Amortization for:					
Water Facilities	(201,123,298)	(16,843,989)	–	–	(217,967,287)
Wastewater Facilities	(263,303,094)	(17,522,571)	–	–	(280,825,665)
Reclaimed Water Facilities	(577,666)	(125,414)	–	–	(703,080)
Building and Improvements	(78,113,984)	(9,803,130)	–	–	(87,917,114)
Machinery and Equipment	(148,149,104)	(14,417,229)	1,109,567	–	(161,456,766)
Right-of-use assets - Leases	(147,135)	(124,417)	–	–	(271,552)
Right-of-use assets - SBITAs	(1,954,522)	(1,971,418)	–	–	(3,925,940)
Total Accumulated Depreciation	(693,368,803)	(60,808,168)	1,109,567	–	(753,067,404)
Total Capital Assets, net	\$ 1,827,119,801	\$ 74,198,730	\$ (98,466)	\$ –	\$ 1,901,220,065

4A. Leases

Lease Payable

The Authority has entered into several lease agreements for equipment. Leases have initial terms of: 5 years (printer), 3 years (postage meter); and contain one or more renewals at our option. We have generally included these renewal periods, if available in the lease term when it is reasonably certain that we will exercise the renewal option. The Authority's lease arrangements do not contain any material residual value guarantees. As the interest rates implicit in the Authority's leases are not readily determinable, the incremental borrowing rate is utilized to discount the lease payments. In 2025, one storage lease was terminated and one land lease ended, resulting in a gain of \$20,414. In 2024, one lease for a postage meter was terminated resulting in a loss of \$678.

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

	<u>2025</u>	<u>2024</u>
Right-of-Use Assets	\$ 382,143	\$ 388,972*
Right-of-Use Assets, Net	<u>\$ 6,478</u>	<u>\$ 117,420</u>

*2024 Right-of-use Assets restated due to a formula error - net effect is increase of \$117,970

<u>Lease Payable</u>	<u>2025</u>	<u>2024</u>
Current	9,455	105,755
Non-current	<u>7,455</u>	<u>23,643</u>
Total	<u>\$ 16,910</u>	<u>\$ 129,398</u>

The future principal and interest lease payments as of December 31, 2025 were as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	9,455	393
2027	4,933	169
2028	<u>2,522</u>	<u>28</u>
Total	<u>\$ 16,910</u>	<u>\$ 590</u>

Lease Receivable

As a lessor, the Authority leases out certain space atop its water towers to cellular service providers who place their cellular communications equipment on them. The Authority also leases a portion of land to a cellular service provider where a cellular tower has been placed. These leases generally have initial terms of up to 5 years, and contain one or more renewals at the tenant's option, generally for 5-year periods. These renewal periods have been generally included in the lease term when it is reasonably certain that the renewal option will be exercised. The Authority's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the Authority's leases is not readily determinable, the incremental borrowing rate is used to discount the lease payments. Lease revenue was \$471,519 and \$449,502 in 2025 and 2024 respectively.

Minimum lease payments receivable on leases of properties are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 463,767	\$ 120,898
2027	449,185	106,725
2028	385,367	94,570
2029	320,925	83,486
2030	247,400	75,020
2031-2035	1,125,354	268,680
2036-2040	1,215,833	100,631
2041	<u>31,944</u>	<u>200</u>
Total	<u>\$ 4,239,775</u>	<u>\$ 850,210</u>

The total amount of deferred inflows of resources relating to leases are as follows:

	<u>2025</u>	<u>2024</u>
Principal	\$ 3,871,436	\$ 3,925,020

4B. Subscription-Based Information Technology Agreements (SBITAs)

The Authority entered into various SBITAs for software subscriptions. Most SBITA contracts have initial terms of 1 year and contain one or more renewals at our option. The Authority has generally included these renewal periods in the SBITA term when it is reasonably certain that renewal option will be exercised. For renewal options without specified amounts, the Authority calculates an annual increase based on the U.S. Consumer's Price Index: Information Technology, Hardware and Services. The SBITAs generally include termination options which are reasonably certain not to be exercised. As the interest rates implicit in the Authority's SBITAs are not readily determinable, the incremental borrowing rate is utilized to discount the fixed SBITA subscription payments. The Authority has a SBITA with variable payments based on usage of the underlying IT asset. Total payments for this SBITA were \$501,070 and \$565,242 for 2025 and 2024 respectively. Variable SBITAs are excluded from the liability measurement.

<u>Right-of-use assets:</u>	<u>2025</u>	<u>2024</u>
SBITAs	\$ 27,641,304	\$ 8,225,818
SBITAs, net of Amortization	\$ 19,259,027	\$ 4,299,878

<u>SBITAs Payable</u>	<u>2025</u>	<u>2024</u>
Current	\$ 2,725,389	\$ 1,555,881
Non-current	6,082,612	2,263,750
Total	\$ 8,808,001	\$ 3,819,631

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

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,725,389	\$ 264,093
2027	2,219,188	181,184
2028	1,239,117	114,908
2029	1,311,355	76,896
2030	1,312,952	37,283
Total	\$ 8,808,001	\$ 674,365

5. Oversizing Reimbursements

Oversizing reimbursements represent the current payable to developers who constructed oversized facilities and entered into an agreement to be reimbursed as availability charges to that particular portion of the system are received. The Authority provides reimbursements annually for oversized facilities. Amounts payable for oversizing reimbursements are recorded only when availability and/or local facility fees are received. The amount of unrecorded but potential reimbursements if all requirements are met is \$66,311,582 and \$73,608,351 for 2025 and 2024, respectively.

6. Long-term Obligations

A. Revenue Bonds Payable

The Authority issues revenue bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of higher-interest revenue bonds. The payment of principal and interest on all revenue bonds is collateralized by a security interest in and pledge of the "Net Revenues" derived from the ownership and operation of the system. "Net Revenues" of the system are defined as all revenues, receipts and other income derived from the ownership or operation of the system, including availability charges and any investment earnings, after deducting operating expenses (exclusive of depreciation and amortization).

Per the bond agreements, upon the occurrence of any event of default, the Trustee may, and if requested by the Owner of not less than twenty-five percent in aggregate principal amount of the bonds then outstanding will, by notice to the Authority, invoke the acceleration clause declaring the entire unpaid principal of and interest on the bonds due and payable. Upon the occurrence of an event of default the Trustee may pursue any available remedy, at law or in equity, to enforce the payment of the principal and interest of the bonds.

The bond covenants contain certain provisions that require the maintenance of revenues of at least 1.2 times annual senior debt service requirements. During 2025 and 2024, the Authority continued to be in compliance with all covenants associated with the bond indentures.

At December 31, 2025, \$17,050,000, \$21,605,000, \$31,875,000, \$4,670,000, \$22,770,000, \$17,872,000, \$65,045,000, \$60,290,000, \$30,075,000, \$27,765,000, \$64,700,000, and \$78,760,000 respectively, of series 1996, 1996A, 1998, 1999, 2000, 2009, 2004, 2007, 2010, 2012, 2013 and 2015 bonds outstanding are considered defeased.

The Authority is required to adhere to the rebate and reporting requirements of the federal tax code pertaining to arbitrage. The Authority has contracted with an outside consultant to perform annual arbitrage rebate calculations on all outstanding revenue bond issues. At December 31, 2025, the Authority had \$420,404 arbitrage rebate payable to the federal government and \$164,781 accrued for future liability. At December 31, 2024, the Authority had \$0 arbitrage rebate payable to the federal government.

Outstanding long-term debt at December 31, 2025 and 2024 includes the following bond issues:

	<u>2025</u>	<u>2024</u>
\$25,000,000 Water and Sewer System Revenue Bonds, Variable Rate Series 2005 (Parity Indebtedness); due in annual installments of \$785,000 to \$1,505,000 through January 2030, plus interest payable semi-annually of 0.03% at December 31, 2015; interest rates will vary weekly based on comparable bonds and the short term interest rate.....	\$ 7,030,000	\$ 8,295,000
\$117,235,000 Water and Sewer System Revenue and Refunding Bonds, Series 2015; due in annual installments of \$750,000 to \$6,590,000 beginning January 2016 through 2045; plus interest payable semi-annually ranging from 2.0% to 5.0%	8,695,000	12,775,000
\$23,095,000 Water and Sewer System Revenue Refunding Bonds, Series 2019; due in annual installment of \$2,120,000 to \$6,015,000 beginning January 2022 through 2029; plus interest payable semi-annually of 5%	14,035,000	16,455,000
\$76,055,000 Water and Sewer System Revenue and Refunding Bonds, Series 2021; due in annual installments of \$965,000 to \$6,545,000 beginning January 2022 through 2043; plus interest payable semi-annually ranging from .06% to 2.10%	65,430,000	69,280,000
\$70,935,000 Water and Sewer Revenue and Refunding Bonds, Series 2024; due in annual installments of \$4,010,000 to \$6,225,000 beginning January 2028 through 2045; plus interest payable semi-annually ranging from 3% to 5%	70,935,000	70,935,000
Total Outstanding Long-term Debt.....	166,125,000	177,740,000
Unamortized Premiums, net.....	19,328,014	21,557,146
Total Bonded Debt.....	<u>\$ 185,453,014</u>	<u>\$ 199,297,146</u>

The combined revenue bond debt service requirements to maturity for all issues are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2026	\$ 12,190,000	\$ 6,746,557	\$ 18,936,557
2027	12,710,000	6,217,669	18,927,669
2028	12,720,000	5,632,920	18,352,920
2029	13,350,000	4,988,319	18,338,319
2030	14,005,000	4,311,844	18,316,844
2031-2035	56,190,000	13,701,613	69,891,613
2036-2040	26,615,000	4,822,122	31,437,122
2041-2045	18,345,000	1,331,801	19,676,801
Total	\$ 166,125,000	\$ 47,752,845	\$ 213,877,845

B. Fairfax Water Agreement

In June 1989, the Authority entered into Water Service Agreement #2 with Fairfax Water to pay for the reservation of 10 MGD of water capacity which became available in February 1993, when construction of the project was completed. In February 1993, the Authority began amortizing the Purchased Capacity Rights over its useful life of 40 years.

In addition, the Water Service Agreement requires the Authority to make 480 equal monthly payments of \$2,760 with respect to additional storage capacity.

In December 1993, the Authority entered into a Second Amendment Agreement to Water Service Agreement #2 for the purchase of an additional 5 MGD of water capacity with the option to acquire further capacity of 5 MGD as well as storage capacity at the Randolph Reservoir. The Agreement obligates the Authority to make 420 equal monthly payments of \$95,565 and \$1,695 for the additional 5 MGD of capacity and storage capacity, respectively. The Authority continues to make equal monthly payments of \$1,695 for the storage capacity at the Randolph Reservoir.

In July 1996, the Authority exercised its option to purchase additional storage capacity at the Randolph Reservoir for which it now makes equal monthly payments of \$1,911.

In June 2004, the Authority entered into Water Service Agreement No. 5 regarding the allocated cost for the expansion of the Corbalis Water Treatment Plant, which will allow for an additional 30 MGD of water treatment capacity. The Authority has made payments to Fairfax Water for estimated projected costs of approximately \$116.5 million as of December 31, 2019. Expansion of the Corbalis Plant is now substantially complete.

In February 2015, the Authority entered into Water Service Agreement No. 6 for the purchase of an additional 10 MGD transmission capacity from the Fox Mill Pumping Station to the Route 50/Route 28 interchange and 10 MGD of transmission capacity from the Route 50/Route 28 interchange to the Loudoun County line. The Authority made payments of \$3,816,870 and \$7,439,084, respectively, for the purchase of these capacities.

These Agreements shall continue as long as Fairfax Water's system remains in existence and operation. In the event of default, the Authority is obligated to continue making all payments and Fairfax Water is obligated to continue service otherwise due under the agreement.

The remaining payment obligations for the agreements with Fairfax Water are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2026	\$ 66,547	\$ 9,840	\$ 76,387
2027	68,804	7,583	76,387
2028	71,159	5,250	76,409
2029	41,745	2,841	44,586
2030	31,656	1,464	33,120
2031	13,364	435	13,799
Total	\$ 293,275	\$ 27,413	\$ 320,688

C. Bonds Payable/Virginia Resources Authority (VRA)

Green Reserve Initiative

In April 2011, the Virginia State Water Control Board authorized funding from the Virginia Clean Water Revolving Loan Fund to Loudoun Water to finance energy improvements (Green Reserve project), including the installation and modification of heat reclamation equipment, installation of solar panel and wind turbines, and construction of a permanent reclaimed water dispensing station together with related expenses. The funding consists of 50 percent principal forgiveness loan of \$102,000 and principal repayment loan of \$102,000 for a total funding package of \$204,000. The principal repayment loan has an interest rate of 2.93% which includes a fee of 0.20% for administrative and management services attributable to the loan. Payments began approximately six months after project completion for a term of 20 years. The loan may be prepaid in whole or in part any time, after final payment to the contractor, without penalty. In the event of default, outstanding amounts become immediately due and payable without further notice or demand.

The loan will be secured by a pledge of revenues and will be issued on a parity basis with all outstanding bonds secured by Loudoun Water's system revenues. The loan is being administered through the Virginia Resources Authority (VRA).

The remaining payment obligations for the agreement with VRA are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2026	\$ 6,043	\$ 861	\$ 6,904
2027	6,221	683	6,904
2028	6,405	499	6,904
2029	6,594	310	6,904
2030	5,618	115	5,733
Total	\$ 30,881	\$ 2,468	\$ 33,349

D. Bonds Payable/Virginia Resources Authority (VRA), Administrator of Virginia Water Facilities Revolving Loan Fund

In April 2013, the State Water Control Board authorized funding into the amount of \$7,339,000 from the Virginia Water Facilities Revolving Loan Fund to Loudoun Water to finance the construction of a reclaimed water pump station and two storage tanks together with related expenses. The principal repayment loan has an interest rate of 1.70% which includes a fee of 0.20% for administrative and management services attributed to the loan. Payments began approximately six months after project completion for a term of 20 years. The loan may be repaid in whole or in part any time, after final payment to the contractor, without penalty. In the event of default, outstanding amounts become immediately due and payable without further notice or demand.

The loan will be secured by a pledge of revenues and will be issued on a parity basis with all outstanding bonds secured by Loudoun Water's system revenues. The loan is being administered by the Virginia Resources Authority (VRA).

Fiscal Year Ending December 31,	Principal	Interest	Total
2026	\$ 382,785	\$ 60,979	\$ 443,764
2027	389,320	54,444	443,764
2028	395,966	47,797	443,763
2029	402,726	41,037	443,763
2030	409,602	34,162	443,764
2031-2034	1,701,887	65,515	1,767,402
Total	\$ 3,682,286	\$ 303,934	\$ 3,986,220

E. Summary of Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Amounts Due within One Year
Bonds Payable:					
Revenue Bonds	\$ 177,740,000	\$ —	\$ (11,615,000)	\$ 166,125,000	\$ 12,190,000
VRA Loan Fund	4,095,397	—	(382,230)	3,713,167	388,828
Deferred Amounts:					
Issuance Premiums	21,557,146	—	(2,229,132)	19,328,014	2,229,131
Total Bonds Payable	203,392,543	—	(14,226,362)	189,166,181	14,807,959
Other Liabilities:					
FCWA Agreement	357,640	—	(64,365)	293,275	66,547
Compensated Absences	6,123,633	1,745,606	(1,119,483)	6,749,756	2,024,927
Other Post Employment Benefits	2,735,967	664,009	(1,062,743)	2,337,233	—
GLI Other Post Employment Benefits	1,354,506	—	(207,674)	1,146,832	—
Net Pension Liability	3,412,359	11,812,002	(12,204,574)	3,019,787	—
Total Long-term Liabilities	\$ 217,376,648	\$ 14,221,617	\$ (28,885,201)	\$ 202,713,064	\$ 16,899,433

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Amounts Due within One Year
Bonds Payable:					
Revenue Bonds	\$ 196,635,000	\$ –	\$ (18,895,000)	\$ 177,740,000	\$ 11,615,000
VRA Loan Fund	4,471,140	–	(375,743)	4,095,397	382,229
Deferred Amounts:					
Issuance Premiums	21,207,200	2,282,774	(1,932,828)	21,557,146	2,229,131
Total Bonds Payable	222,313,340	2,282,774	(21,203,571)	203,392,543	14,226,360
Other Liabilities:					
FCWA Agreement	419,896	–	(62,256)	357,640	64,366
Compensated Absences	5,554,146	1,665,482	(1,095,995)	6,123,633	1,837,090
Other Post Employment Benefits	5,951,389	872,692	(4,088,114)	2,735,967	–
GLI Other Post Employment Benefits	1,498,062	–	(143,556)	1,354,506	–
Net Pension Liability	4,382,260	9,453,154	(10,423,055)	3,412,359	–
Total Long-term Liabilities	<u>\$ 240,119,093</u>	<u>\$ 14,274,102</u>	<u>\$ (37,016,547)</u>	<u>\$ 217,376,648</u>	<u>\$ 16,127,816</u>

7. Defined Benefit Pension Plan

Plan Description

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About VRS Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About VRS Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Creditable Service <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <i>Defined Contributions Component:</i> Defined contribution vesting is the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 73.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1 <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. <i>Defined Contribution Component:</i> Not applicable.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions. Distribution is not required by law until age 73.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service credit equal 90.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as VRS Plan 1 with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>117</u>
Inactive members:	
Vested	43
Non-vested	98
Active elsewhere in VRS	<u>41</u>
Total inactive members	182
Active members	<u>351</u>
Total covered employees	<u>650</u>

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of annual base compensation toward their retirement.

The Authority's contractually required contribution rate for fiscal year 2025 was 6.72% of covered employee compensation, based on an actuarial valuation as of June 30, 2023.

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. The total of employer and employee contributions to VRS were \$3,149,725 and \$2,925,659 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$205,129 for the year ended December 31, 2025. Members may also elect to contribute up to an additional 4 percent of their covered payroll, which requires the employer to make a corresponding mandatory contribution of up to 2.5 percent. This additional employer mandatory contribution totaled \$351,005 for the year ended December 31, 2025. The total Hybrid plan participant covered payroll totaled \$21.6 million for the year ended December 31, 2025.

Net Pension Liability

The Authority's net pension liability (NPL) was measured as of June 30, 2025. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The Authority's total pension liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

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

Mortality Rates - 15% of deaths are assumed to be service related.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change- 6.75%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP - Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
Expected arithmetic nominal return*			7.07%

*The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.1%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was

projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Position Liability (a) - (b)</u>
Balance at June 30, 2024	\$ 87,625,335	\$ 84,212,976	\$ 3,412,359
Changes for the Year:			
Service cost	2,157,833	–	2,157,833
Interest	5,928,714	–	5,928,714
Changes in assumptions	2,010,621	–	2,010,621
Difference between expected and actual experience	1,666,600	–	1,666,600
Contributions – employer	–	1,575,419	(1,575,419)
Contributions – employee	–	1,694,868	(1,694,868)
Net investment income	–	8,934,287	(8,934,287)
Benefit payments, including refunds of employee contributions	(3,900,738)	(3,900,738)	–
Administrative expense	–	(50,552)	50,552
Other charges	–	2,318	(2,318)
Net changes	<u>7,863,030</u>	<u>8,255,602</u>	<u>(392,572)</u>
Balance at June 30, 2025	<u>\$ 95,488,365</u>	<u>\$ 92,468,578</u>	<u>\$ 3,019,787</u>

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

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension (asset) liability	\$ 16,923,455	\$ 3,019,787	\$ (8,239,163)

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

For the year ended June 30, 2025, the Authority recognized pension expense/(income) of (\$177,392). The Authority also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual expense	\$ 2,371,024	\$ 52,263
Net change in assumptions	1,517,822	–
Net difference between projected and actual earnings on plan investments	–	2,935,736
Employer contributions subsequent to the measurement date*	<u>830,948</u>	<u>–</u>
Total	<u>\$ 4,719,794</u>	<u>\$ 2,987,999</u>

*\$830,948 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending December 31, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2027	\$ 1,398,121
2028	261,887
2029	(176,701)
2030	(582,460)
2031	—
Thereafter	—
Total	<u>\$ 900,847</u>

Pension Plan Data

The System issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2025-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

8. Other Post-Employment Benefits (OPEB)

A. OPEB Health Benefits

Plan Description

The Loudoun Water OPEB Trust Fund is a single-employer defined benefit healthcare plan (the Plan) administered by the Authority. The Plan provides health, dental, and vision insurance for eligible retirees, their spouses and dependents through the same plan that covers active employees. The Plan is available until the retiree reaches 65 years of age. Retired employees who participate in the Plan receive a health insurance premium contribution that will pay between 25% and 75% of the premium based on years of service. In order to participate, retirees must meet retirement eligibility requirements of the Virginia Retirement System and have a minimum of fifteen years of service with the Authority.

Loudoun Water began providing post-65 retiree health benefits in 2022. Health coverage is for retirees, spouses, and other covered dependents. Coverages include medical, prescription drug, dental and vision. Retirees, spouses, and other eligible dependents who are eligible for Medicare Parts A and B must enroll for Medicare coverage at age 65 and provide proof of enrollment 45 days prior to the Medicare coverage effective date in order to retain supplemental coverage. This change increased the plan's Total and Net OPEB Liability by about \$5.4 million as of December 31, 2022. This increase was immediately recognized in fiscal 2022 OPEB expense.

Employees Covered by Benefit Terms

As of the January 1, 2024 actuarial valuation, the following employees were covered by the benefit terms:

	<u>Number</u>
Active Participants	349
Retirees and Beneficiaries	19
Spouses	5
Beneficiaries	<u>1</u>
Total Participants	<u>374</u>

Contributions

The contribution requirements of plan members are established and may be amended by the Authority's Board of Directors. The Authority participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), which was established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for the purposes of GAAP are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to provide benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for payment of benefits in accordance

with the terms of the plan. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, VACo/VML at 8 E Canal Street, Richmond, VA 23219.

Net OPEB Liability

The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the update procedures to roll forward to the measurement date of December 31, 2025. The components of the net OPEB liability are as follows:

Total OPEB Liability	\$	8,080,432
Fiduciary Net Position		<u>5,743,199</u>
Net OPEB Liability	\$	2,337,233
Fiduciary Net Position as a percentage of the Total OPEB Liability		71.08%

Actuarial Assumptions

The Authority's total OPEB liability was based on an actuarial valuation as of January 1, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of December 31, 2025:

Inflation	2.50%
Investment Return	6.50%, net of investment expense
Healthcare Cost Trend Rates	Based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model. 6.5% in 2024, 5.9% in 2025, then grading to an ultimate rate of 3.9% in 2073

Mortality Rates

Pre-Retirement	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. Base rates are shown below. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. 25% of deaths are assumed to be service-related.
Post-Retirement	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females. Base rates are shown below. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years. Base rates are shown below. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2024, and the final investment return assumption, is summarized in the following table:

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Rate of Return
US Core Fixed Income	20.00%	2.33%	2.19%
US Large Cap Equity	21.00	5.47	3.85
US Small Cap Equity	10.00	6.52	3.93
Foreign Developed Equity	13.00	6.35	4.50
Emerging Market Equities	5.00	8.48	5.45
Private Real Estate Property	15.00	5.91	4.48
Private Equity	10.00	10.51	6.30
Hedge FOF Strategic	6.00	2.48	1.77
Assumed Inflation		2.33	2.32
Portfolio Real Mean Return		5.60	4.67
Portfolio Nominal Mean Return		7.93	7.14
Portfolio Standard Deviation			13.33
Long-Term Expected Rate of Return			6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will continue in addition to the benefits paid. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on OPEB Trust investments were applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

The components of the net OPEB liability of the Authority at December 31, 2025 is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2024	\$ 7,793,166	\$ 5,057,199	\$ 2,735,967
Changes for the Year:			
Service cost	154,223	—	154,223
Interest cost	504,692	—	504,692
Benefit payments	(371,649)	(371,649)	—
Contributions – employer	—	445,551	(445,551)
Net investment income	—	617,192	(617,192)
Administrative expense	—	(5,094)	5,094
Net changes	287,266	686,000	(398,734)
Balance at December 31, 2025	\$ 8,080,432	\$ 5,743,199	\$ 2,337,233

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

The sensitivity of the net OPEB liability to changes in the discount rate was calculated using the discount rate of 6.50%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate. The results of the sensitivity analysis are presented below:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total OPEB Liability	\$ 9,096,467	\$ 8,080,432	\$ 7,230,832
Fiduciary Net Position	\$ 5,743,199	\$ 5,743,199	\$ 5,743,199
Net OPEB Liability	\$ 3,353,268	\$ 2,337,233	\$ 1,487,633

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

The sensitivity of the net OPEB liability to changes in the healthcare cost trend rate was calculated using the current healthcare cost trend rate of 6.50%, as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is 1.00% lower or 1.00% higher than the current rate. The results of the sensitivity analysis are presented below:

	1% Decrease 5.50%	Current Trend Rate 6.50%	1% Increase 7.50%
Total OPEB Liability	\$ 6,992,486	\$ 8,080,432	\$ 9,423,224
Fiduciary Net Position	\$ 5,743,199	\$ 5,743,199	\$ 5,743,199
Net OPEB Liability	\$ 1,249,287	\$ 2,337,233	\$ 3,680,025

OPEB Expenses

	2025	2024
Service cost	\$ 154,223	\$ 182,474
Interest on total OPEB liability	504,692	685,064
Projected earnings on plan investments	—	—
Recognition of deferred inflows/outflows of resources	(328,925)	(298,979)
Recognition of economic/demographic gains	(162,203)	(105,255)
Recognition of assumption changes or inputs	(91,106)	(142,302)
Recognition of investment losses or gains	(25,003)	(8,980)
Administrative expense	5,094	5,154
Total	\$ 56,772	\$ 317,176

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,500	\$ 2,531,627
Net difference between projected and actual earnings	—	228,235
Changes in assumptions	22,281	217,005
Total	\$ 166,781	\$ 2,976,867

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

Years Ended December 31,	Amount
2026	\$ (231,435)
2027	(387,346)
2028	(380,181)
2029	(355,077)
2030	(297,422)
Thereafter	(1,158,625)
Total	\$ (2,810,086)

B. OPEB Group Life Insurance (GLI)

Plan Description

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

All full-time, salaried permanent employees of the Authority are automatically covered by the GLI program upon employment. The plan is administered by the Virginia Retirement System along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI Program OPEB, including eligibility coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PROVISIONS

Eligible Employers

The GLI Program was established July 1, 1960 for employees of participating political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$9,532 effective June 30, 2025.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or a part of the employee contribution, however the employer must pay all of the employer contribution. The Authority has elected to pay all of the employee contributions in addition to the employer contributions.

The Authority's contractually required contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Authority were \$154,447 and \$168,295 for the years ended June 30, 2025 and 2024, respectively.

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

At June 30, 2025 and 2024, the Authority reported a liability of \$1,146,832 and \$1,354,506, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2025 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the Authority's proportion was 0.119% as compared to 0.121% at June 30, 2024.

For the year ended June 30, 2025, the Authority recognized GLI OPEB expense of \$1,118. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

As of June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,443	\$ 21,587
Net difference between projected and actual earnings	–	160,485
Changes in assumptions	–	37,522
Changes in proportionate share	30,919	53,588
Employer contributions subsequent to the measurement date*	81,734	–
Total	<u>\$ 316,096</u>	<u>\$ 273,182</u>

*81,734 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in fiscal year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the OPEB expense in future reporting periods as follows:

Years Ended December 31,	Amount
2026	\$ 8,083
2027	(26,363)
2028	(13,525)
2029	(12,237)
2030	5,222
Thereafter	–
Total	<u>\$ (38,820)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality Rates

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change- 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

Total GLI OPEB Liability	\$ 4,433,282
Plan Fiduciary Net Position	<u>3,471,094</u>
GLI Net OPEB Liability	\$ 962,188
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	78.30%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Stmt. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP-Private Investment Partnerships	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
Expected arithmetic nominal return*			7.07%

*The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the employer rate contributed by the Authority will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2024 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB Liability - Group Life Insurance	\$ 1,934,656	\$ 1,146,832	\$ 511,243

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2025-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

C. Combined OPEB Plans

The OPEB Trust and VRS GLI have been reported separately since each plan has different and distinct characteristics, reporting requirements and valuations. For purposes of aiding the reader of these financial statements in gaining a full understanding of the impact of total OPEB requirements on the net position of the Authority, the following combined schedule is presented:

	<u>OPEB Trust</u>	<u>VRS GLI</u>	<u>Total OPEB Combined</u>
Net OPEB Liability	\$ 2,337,233	\$ 1,146,832	\$ 3,484,065
OPEB Expense	56,772	1,118	57,890
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 144,500	\$ 203,443	\$ 347,943
Changes in assumptions	22,281	—	22,281
Changes in proportionate share	—	30,919	30,919
Employer contribution subsequent to measurement date	—	81,734	81,734
Total Deferred Outflows of Resources	\$ 166,781	\$ 316,096	\$ 482,877
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 2,531,627	\$ 21,587	\$ 2,553,214
Net difference between projected and actual earnings	228,235	160,485	388,720
Changes in assumptions	217,005	37,522	254,527
Changes in proportionate share	—	53,588	53,588
Total Deferred Inflows of Resources	\$ 2,976,867	\$ 273,182	\$ 3,250,049

9. Net Investment in Capital Assets

Net investment in capital assets includes all capital assets as well as purchased capacity rights. These values have been recorded net of depreciation, outstanding principal related to the asset and any unspent bond proceeds related to the outstanding debt.

Net investments in capital assets are as follows:

	<u>2025</u>	<u>2024</u>
Net Capital Assets	\$ 1,954,289,039	\$ 1,901,220,065
Net Deferred Outflows/Inflows of Resources	(1,883,655)	(1,944,625)
Lease & Subscription Liability	(8,824,911)	(3,949,029)
Capital Related Debt	(206,564,839)	(217,515,132)
	<u>\$ 1,737,015,634</u>	<u>\$ 1,677,811,279</u>

10. Restricted Net Position

Restricted net position reflects that portion of total net position legally or contractually segregated for a specific future use. The following amounts represent restricted net position at December 31, 2025 and 2024:

	2025	2024
Revenue Bond Accounts	\$ 29,597,986	\$ 28,918,986
Other Restricted Assets	9,976,920	11,022,291
Revenue Bond Payable for Unspent Bond Proceeds	—	—
Customer Advance Payment Fees	(2,832,650)	(2,716,502)
Developers' Advances Payable	(25,000)	(25,000)
Performance Bonds	(6,896,250)	(8,063,955)
Maintenance Bonds	(223,020)	(216,833)
Bond Interest Payable	(3,344,415)	(2,578,257)
	<u>\$ 26,253,571</u>	<u>\$ 26,340,730</u>

11. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased through the Virginia Risk Sharing Association (Association), a public entity risk pool that provides commercial general liability, property, automobile and other types of insurance coverage. Settled claims from these risks did not exceed coverage in the three most recent fiscal years.

The Authority also has coverage with the Association for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid.

12. Commitments and Contingencies

A. Broad Run Water Reclamation Facility

In 1998, the Authority initiated the Broad Run Water Reclamation Facility (BRWRF) Preliminary Design Study to identify the best overall solution to meet the area's increasing need for wastewater treatment while considering and protecting the interests of the community and the environment. The study was completed in 2000 at a cost of approximately \$975,000. After extensive evaluation, the Authority identified membrane bioreactor (MBR) technology as the most promising treatment process for the future BRWRF and began pilot testing of the process in 2000. The pilot program was completed in May of 2001, and the BRWRF became operational on April 1, 2008. As of December 31, 2025, the Authority has paid approximately \$346.9 million in expenses associated with the plant.

In 2011, Fairfax County purchased 1 MGD of capacity at the BRWRF for the amount of \$20.9 million. The Authority is committed to reserve this capacity for Fairfax County.

B. District of Columbia Water and Sewer Authority (DC Water)

In 1998, the Authority, DC Water and the District of Columbia executed an Agreement whereby DC Water agreed to provide wastewater treatment capacity at the Blue Plains Wastewater Treatment Plant, as well as corresponding transmission entitlements in the Potomac Interceptor System. The Authority pays DC Water for capital expenses based on the Authority's allocated capacity of 13.8 MGD. Operation and maintenance costs are based on actual flows. For the year ended December 31, 2025, the Authority paid DC Water approximately \$10.0 million for on-going capital improvements at Blue Plains.

C. Claims and Legal Proceedings

The Authority has become subject to litigation incidental to its business. Management, based on consultation with legal counsel, expresses no opinion on outcome, results or even likelihood.



ENDURE

With more than one billion gallons of storage capacity, Milestone Reservoir ensures our water resources can endure long-term challenges and changing conditions.

REQUIRED SUPPLEMENTARY INFORMATION





REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending December 31				
	2025	2024	2023	2022	2021
Total Pension Liability					
Service Cost	\$ 2,157,833	\$ 2,144,519	\$ 2,051,623	\$ 1,898,743	\$ 1,956,296
Interest	5,928,714	5,552,916	5,233,985	5,004,697	4,442,818
Change in Assumptions	2,010,621	–	–	–	1,749,440
Difference Between Actual and Expected Experience	1,666,600	1,708,397	858,406	(649,559)	939,515
Benefit Payments, including Refunds of Employee Contributions	(3,900,738)	(3,802,803)	(3,221,198)	(2,798,620)	(2,526,734)
Net Change in Total Pension Liability	7,863,030	5,603,029	4,922,816	3,455,261	6,561,335
Total Pension Liability - Beginning	87,625,335	82,022,306	77,099,490	73,644,229	67,082,894
Total Pension Liability - Ending (a)	<u>\$ 95,488,365</u>	<u>\$ 87,625,335</u>	<u>\$ 82,022,306</u>	<u>\$ 77,099,490</u>	<u>\$ 73,644,229</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,575,419	\$ 1,504,471	\$ 1,473,732	\$ 1,396,494	\$ 1,343,555
Contributions - Employee	1,694,868	1,384,877	1,348,905	1,205,444	1,159,638
Net investment Income	8,934,287	7,533,707	4,770,886	(99,902)	15,938,755
Benefit Payments, including Refunds of Employee Contributions	(3,900,738)	(3,802,803)	(3,221,198)	(2,798,620)	(2,526,734)
Administrative Expense	(50,552)	(48,919)	(46,922)	(45,554)	(38,631)
Other	2,318	1,597	1,923	1,723	1,512
Net Change in Plan Fiduciary Net Position	8,255,602	\$ 6,572,930	\$ 4,327,326	\$ (340,415)	\$ 15,878,095
Plan Fiduciary Net Position - Beginning	84,212,976	77,640,046	73,312,720	73,653,135	57,775,040
Plan Fiduciary Net Position - Ending (b)	<u>\$ 92,468,578</u>	<u>\$ 84,212,976</u>	<u>\$ 77,640,046</u>	<u>\$ 73,312,720</u>	<u>\$ 73,653,135</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,019,787</u>	<u>\$ 3,412,359</u>	<u>\$ 4,382,260</u>	<u>\$ 3,786,770</u>	<u>\$ (8,906)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.84%	96.11%	94.66%	95.09%	100.01%
Covered Payroll	\$ 32,821,231	\$ 30,978,986	\$ 30,388,437	\$ 28,142,703	\$ 26,097,117
Net Pension Liability as a percentage of Covered Payroll	9.20%	11.02%	14.42%	13.46%	-0.03%

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending December 31				
	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	\$ 1,919,064	\$ 1,822,392	\$ 1,796,398	\$ 1,854,142	\$ 1,807,259
Interest	4,250,110	3,927,320	3,694,873	3,477,398	3,218,327
Change in Assumptions	–	2,012,467	–	(1,199,985)	–
Difference Between Actual and Expected Experience	(825,248)	1,496,869	(36,206)	837,373	340,825
Benefit Payments, including Refunds of Employee Contributions	(2,451,244)	(2,343,971)	(1,927,653)	(1,796,647)	(1,534,137)
Net Change in Total Pension Liability	2,892,682	6,915,077	3,527,412	3,172,281	3,832,274
Total Pension Liability - Beginning	64,190,212	57,275,135	53,747,723	50,575,442	46,743,168
Total Pension Liability - Ending (a)	<u>\$ 67,082,894</u>	<u>\$ 64,190,212</u>	<u>\$ 57,275,135</u>	<u>\$ 53,747,723</u>	<u>\$ 50,575,442</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,051,036	\$ 1,038,736	\$ 1,681,357	\$ 1,100,980	\$ 1,510,324
Contributions - Employee	1,147,676	1,313,832	1,088,084	1,165,954	1,168,027
Net investment Income	1,094,029	3,602,161	3,683,582	5,388,063	772,404
Benefit Payments, including Refunds of Employee Contributions	(2,451,244)	(2,343,971)	(1,927,653)	(1,796,647)	(1,534,137)
Administrative Expense	(36,638)	(34,674)	(30,974)	(30,088)	(25,392)
Other	(1,303)	(2,274)	(3,314)	(4,834)	(319)
Net Change in Plan Fiduciary Net Position	\$ 803,556	\$ 3,573,810	\$ 4,491,082	\$ 5,823,428	\$ 1,890,907
Plan Fiduciary Net Position - Beginning	56,971,484	53,397,674	48,906,592	43,083,164	41,192,257
Plan Fiduciary Net Position - Ending (b)	<u>\$ 57,775,040</u>	<u>\$ 56,971,484</u>	<u>\$ 53,397,674</u>	<u>\$ 48,906,592</u>	<u>\$ 43,083,164</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 9,307,854</u>	<u>\$ 7,218,728</u>	<u>\$ 3,877,461</u>	<u>\$ 4,841,131</u>	<u>\$ 7,492,278</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.12%	88.75%	93.23%	90.99%	85.19%
Covered Payroll	\$ 24,924,480	\$ 23,482,772	\$ 22,590,740	\$ 21,575,706	\$ 20,476,432
Net Pension Liability as a percentage of Covered Payroll	37.34%	30.74%	17.16%	22.44%	36.59%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Pension

Fiscal Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 1,643,206	\$ 1,643,206	\$ —	\$ 34,233,469	4.60%
2024	1,524,244	1,524,244	—	31,638,299	4.82%
2023	1,485,677	1,485,677	—	30,229,946	4.91%
2022	1,439,608	1,439,608	—	27,882,283	5.16%
2021	1,361,259	1,361,259	—	26,508,440	5.14%
2020	1,195,288	1,195,288	—	25,636,401	4.66%
2019	1,040,880	1,040,880	—	23,878,697	4.36%
2018	1,083,514	1,083,514	—	23,177,069	4.67%
2017	1,110,465	1,110,465	—	21,983,932	5.05%
2016	1,243,763	1,243,763	—	21,164,245	5.88%

Notes to Required Supplementary Information

Changes of Benefits Terms

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

Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted retirement rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; and changed final retirement age
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary Scale	No change
Discount Rate	No change - 6.75%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ending December 31				
	2025	2024	2023	2022	2021
Total OPEB Liability					
Service Cost	\$ 154,223	\$ 182,474	\$ 209,927	\$ 118,863	\$ 109,362
Interest	504,692	685,064	655,018	293,073	271,726
Effect of Plan Changes	—	—	—	5,419,149	—
Effect of Economic/ Demographic Gain	—	(3,100,531)	—	157,773	157,158
Effect of Assumption Changes or Inputs	—	(131,088)	—	(168,621)	84,176
Benefit Payments	(371,649)	(393,261)	(357,788)	(328,497)	(279,289)
Net change in total OPEB liability	287,266	(2,757,342)	507,157	5,491,740	343,133
Total OPEB Liability - Beginning	7,793,166	10,550,508	10,043,351	4,551,611	4,208,478
Total OPEB Liability - Ending (a)	<u>\$ 8,080,432</u>	<u>\$ 7,793,166</u>	<u>\$ 10,550,508</u>	<u>\$ 10,043,351</u>	<u>\$ 4,551,611</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 445,551	\$ 431,994	\$ 717,559	\$ 699,462	\$ 472,309
Net Investment Income/(Expense)	617,192	424,501	426,634	(486,444)	490,085
Benefit Payments	(371,649)	(393,261)	(357,788)	(328,497)	(279,289)
Administrative expense	(5,094)	(5,154)	(4,054)	(4,282)	(4,075)
Net change in plan fiduciary net position	686,000	458,080	782,351	(119,761)	679,030
Plan Fiduciary Net Position - Beginning	5,057,199	4,599,119	3,816,768	3,936,529	3,257,499
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,743,199</u>	<u>\$ 5,057,199</u>	<u>\$ 4,599,119</u>	<u>\$ 3,816,768</u>	<u>\$ 3,936,529</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$2,337,233</u>	<u>\$ 2,735,967</u>	<u>\$ 5,951,389</u>	<u>\$ 6,226,583</u>	<u>\$ 615,082</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	71.08%	64.89%	43.59%	38.00%	86.49%
Covered Payroll	\$ 31,115,445	\$ 31,115,445	\$ 26,022,913	\$ 26,022,913	\$ 25,358,092
Net OPEB Liability as a percentage of Covered Payroll	7.51%	8.79%	22.87%	23.93%	2.43%

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ending December 31			
	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 97,893	\$ 147,701	\$ 126,084	\$ 106,287
Interest	265,381	312,964	243,596	239,308
Effect of Plan Changes	—	—	—	—
Effect of Economic/ Demographic Gain	—	939,621	—	—
Effect of Assumption Changes or Inputs	—	(844,748)	—	166,826
Benefit Payments	(275,047)	(320,534)	(208,670)	(197,824)
Net change in total OPEB liability	88,227	235,004	161,010	314,597
Total OPEB Liability - Beginning	4,120,251	3,885,247	3,724,237	3,409,640
Total OPEB Liability - Ending (a)	<u>\$ 4,208,478</u>	<u>\$ 4,120,251</u>	<u>\$ 3,885,247</u>	<u>\$ 3,724,237</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 559,698	\$ 634,534	\$ 491,070	\$ 471,624
Net Investment Income/(Expense)	385,525	372,586	(76,926)	191,749
Benefit Payments	(275,047)	(320,534)	(208,670)	(197,824)
Administrative expense	(3,130)	(2,695)	(2,317)	(1,886)
Net change in plan fiduciary net position	667,046	683,891	203,157	463,663
Plan Fiduciary Net Position - Beginning	2,590,453	1,906,562	1,703,405	1,239,742
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,257,499</u>	<u>\$ 2,590,453</u>	<u>\$ 1,906,562</u>	<u>\$ 1,703,405</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 950,979</u>	<u>\$ 1,529,798</u>	<u>\$ 1,978,685</u>	<u>\$ 2,020,832</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	77.40%	62.87%	49.07%	45.74%
Covered Payroll	\$ 24,260,228	\$ 24,260,228	\$ 20,783,700	\$ 20,783,700
Net OPEB Liability as a percentage of Covered Payroll	3.92%	6.31%	9.52%	9.72%

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – OPEB

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution (1) (2)	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 445,551	\$ 445,551	\$ –	\$ 31,115,445	1.43%
2024	431,994	431,994	–	31,115,445	1.39%
2023	717,435	717,559	(124)	26,022,913	2.76%
2022	699,462	699,462	–	26,022,913	2.69%
2021	193,020	472,309	(279,289)	25,358,092	1.86%
2020	284,651	559,698	(275,047)	24,260,228	2.31%
2019	277,158	634,534	(357,376)	24,260,228	2.62%
2018	282,400	491,070	(208,670)	20,783,700	2.36%
2017	273,800	471,624	(197,824)	20,783,700	2.27%
2016	208,400	320,800	(112,400)	18,405,600	1.74%

- (1) The Authority established its OPEB trust during the fiscal year ending December 31, 2012
- (2) Employer contributions include trust contribution, implicit and explicit subsidy payments provided directly to retirees from the Authority's own resources

Notes to Required Supplementary Information

Changes of Benefits Terms

Loudoun Water began providing post-65 retiree health benefits in 2022. Health coverage is for retirees, spouses, and other covered dependents. Coverages include medical, prescription drug, dental and vision. Retirees, spouses, and other eligible dependents who are eligible for Medicare Parts A and B must enroll for Medicare coverage at age 65 and provide proof of enrollment 45 days prior to the Medicare coverage effective date in order to retain supplemental coverage. This change increased the plan's Total and Net OPEB Liability by about \$5.4 million as of December 31, 2022. This increase was immediately recognized in fiscal 2022 OPEB expense.

Changes of Assumptions

The following changes in actuarial assumptions were used to calculate the Actuarially Determined Contribution since the prior actuarial valuation.

Interest rate	6.50%, net of investment expense
Healthcare Cost Trend Rates	The healthcare trend assumption was updated. These rates are consistent with information from the Getzen Trend Model, Milliman's Health Cost Guidelines, and actuarial judgment. 6.5% in 2024, 5.9% in 2025, then grading to an ultimate rate of 3.9% in 2073
Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Changed to be consistent with those used in the June 30, 2021 actuarial valuation of the Virginia Retirement System. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Changed to be consistent with those used in the June 30, 2021 actuarial valuation of the Virginia Retirement System. Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Changed to be consistent with those used in the June 30, 2021 actuarial valuation of the Virginia Retirement System. Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Program

	Fiscal Year Ending December 31				
	2025	2024	2023	2022	2021
Employer's Proportion of the Net GLI OPEB Liability	0.119%	0.12%	0.12%	0.12%	0.12%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 1,146,832	\$ 1,354,506	\$ 1,498,062	\$ 1,471,767	\$ 1,433,335
Employer's Covered Payroll	\$ 32,861,141	\$ 31,165,740	\$ 29,423,291	\$ 26,588,296	\$ 25,417,749
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	3.49%	4.35%	5.09%	5.54%	5.64%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%	73.41%	69.30%	67.21%	67.45%

	Fiscal Year Ending December 31			
	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.12%	0.12%	0.12%	0.11%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 1,962,718	\$ 1,916,000	\$ 1,756,000	\$ 1,713,000
Employer's Covered Payroll	\$ 24,204,790	\$ 23,080,316	\$ 21,994,276	\$ 20,998,945
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.11%	8.30%	7.98%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Group Life Insurance Program

Fiscal Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 154,447	\$ 154,447	\$ –	\$ 34,257,278	0.45%
2024	168,295	168,295	–	31,825,052	0.53%
2023	158,886	158,886	–	30,409,732	0.52%
2022	143,577	143,577	–	27,934,978	0.51%
2021	137,256	137,256	–	25,829,072	0.53%
2020	125,865	125,865	–	24,916,711	0.51%
2019	120,018	120,018	–	23,476,241	0.51%
2018	114,370	114,370	–	22,580,605	0.51%
2017	109,195	109,195	–	21,407,171	0.51%
2016	94,656	94,656	–	20,407,724	0.46%

Notes to Required Supplementary Information

Changes of Benefits Terms

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

Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows.

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary Scale	No change
Discount Rate	No change - 6.75%



STATISTICAL SECTION



STABILIZE

The reservoir helps stabilize our overall water system by adding reliable storage that keeps supply steady even when the river conditions shift.







Statistical Section Table of Contents

The statistical section of the Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information say about the Authority's overall financial health. This information has not been audited by the independent auditor.

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FINANCIAL TRENDS

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

86-90

REVENUE CAPACITY INFORMATION

These tables contain information to help the reader assess the Authority's significant revenue sources.

91-92

DEBT CAPACITY INFORMATION

These tables present information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future.

93-94

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

95-96

OPERATING INFORMATION

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

Sources: Unless otherwise noted, the information in this section is derived from the Authority's Annual Comprehensive Financial Reports for the relevant year.

FINANCIAL TRENDS

Financial trend information is intended to help the reader understand how the Authority's financial well-being has changed over time.

TABLE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year				
	2025	2024	2023	2022	2021
Net Investment in Capital Assets	\$ 1,737,015,634	\$ 1,677,811,279	\$ 1,583,168,244	\$ 1,571,174,883	\$ 1,571,358,973
Restricted	26,253,571	26,340,730	26,450,642	23,175,643	26,994,329
Unrestricted	433,768,219	384,711,609	331,442,955	300,392,021	271,898,986
Total Net Position	\$ 2,197,037,424	\$ 2,088,863,618	\$ 1,941,061,841	\$ 1,894,742,547	\$ 1,870,252,288

	Fiscal Year				
	2020	2019	2018	2017	2016
Net Investment in Capital Assets	\$ 1,486,736,687	\$ 1,472,036,076	\$ 1,439,867,536	\$ 1,382,225,134	\$ 1,269,997,525
Restricted	27,712,690	27,527,317	28,807,540	28,265,041	28,146,477
Unrestricted	315,181,493	277,642,398	228,707,756	232,221,546	255,905,913
Total Net Position	\$ 1,829,630,870	\$ 1,777,205,791	\$ 1,697,382,832	\$ 1,642,711,721	\$ 1,554,049,915

Source: Authority Annual Comprehensive Financial Report for the relevant year.

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Net Non-Operating Revenues (Expenses)	Gain (Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2025	\$ 151,024,039	\$ (161,191,905)	\$ (10,167,866)	\$ (1,148,421)	\$ (11,316,287)	\$ 119,490,093	\$ 108,173,806
2024	178,058,867	(150,359,032)	27,699,835	13,006,761	40,706,596	107,095,181	147,801,777
2023	124,906,044	(146,225,738)	(21,319,694)	4,740,669	(16,579,025)	62,898,319	46,319,294
2022	116,260,903	(139,227,410)	(22,966,507)	(13,023,831)	(35,990,338)	60,480,597	24,490,259
2021	111,771,057	(129,104,930)	(17,333,873)	(6,305,473)	(23,639,346)	64,260,764	40,621,418
2020	101,603,174	(124,552,400)	(22,949,226)	1,590,129	(21,359,097)	73,784,176	52,425,079
2019	99,226,529	(124,425,893)	(25,199,364)	4,660,199	(20,539,165)	100,362,124	79,822,959
2018	89,185,271	(106,226,900)	(17,041,629)	649,050	(16,392,579)	71,063,690	54,671,111
2017	87,924,692	(97,127,709)	(9,203,017)	(363,515)	(9,566,532)	98,228,338	88,661,806
2016	88,032,744	(87,679,863)	352,881	(1,843,791)	(1,490,910)	81,035,188	79,544,278

Source: Authority Annual Comprehensive Financial Report for the relevant year.

TABLE 3**OPERATING REVENUES BY SOURCE**

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Water Revenue	Sewage Disposal Fees	Penalties & Fees ⁽¹⁾	Miscellaneous ⁽²⁾	Total
2025	\$ 64,668,588	\$ 71,428,501	\$ 5,672,386	\$ 9,254,564	\$ 151,024,039
2024	61,263,558	64,873,469	4,610,843	47,310,997 ⁽³⁾	178,058,867
2023	57,503,490	61,851,733	5,088,150	462,671	124,906,044
2022	52,050,199	58,496,572	4,891,292	822,840	116,260,903
2021	50,691,670	55,927,713	4,194,679	956,995	111,771,057
2020	46,280,789	51,590,873	2,890,714	840,798	101,603,174
2019	45,633,147	49,239,167	3,467,889	886,326	99,226,529
2018	39,066,229	45,846,228	3,587,250	685,564	89,185,271
2017	36,896,957	46,072,656	4,104,368	850,711	87,924,692
2016	40,141,669	42,378,231	4,554,090	958,754	88,032,744

Notes:

(1) Penalties and fees include plan review, inspection, and backflow prevention fees, cut-off/on charges and miscellaneous penalties.

(2) Miscellaneous income includes sales of goods and services, income from leased land and facilities and miscellaneous revenues.

(3) \$42 million from compensation related to an easement agreement.

Source: Authority Annual Comprehensive Financial Report for the relevant year.

TABLE 4**OPERATING EXPENSES**

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Personnel ⁽¹⁾	Repairs & Maintenance Materials	Supplies & Minor Equipment	Utilities	Contractual Services ⁽²⁾	Administration Costs ⁽³⁾	Depreciation and Amortization	Total Operating Expenses
2025	\$ 40,770,748	\$ 2,968,754	\$ 5,143,884	\$ 5,481,454	\$ 30,006,240	\$ 1,652,244	\$ 75,168,581	\$ 161,191,905
2024	39,669,679	2,972,108	5,149,200	5,436,721	27,926,626	(1,020,164)	70,224,862	150,359,032
2023	39,827,029	2,839,284	4,812,299	5,586,324	25,467,445	114,512	67,578,845	146,225,738
2022	41,666,238	2,601,976	4,215,871	4,855,769	21,420,718	742,413	63,724,425	139,227,410
2021	31,851,149	2,185,238	3,686,041	4,185,811	21,639,562	407,661	65,149,468	129,104,930
2020	32,326,145	2,080,958	3,642,959	4,261,666	21,349,099	1,300,414	59,591,159	124,552,400
2019	29,674,102	2,021,157	3,640,763	4,667,777	22,877,416	1,956,261	59,588,417	124,425,893
2018	24,697,189	2,138,653	2,722,103	3,838,745	21,942,482	903,983	49,983,745	106,226,900
2017	26,847,887	1,614,239	2,937,257	3,556,596	17,334,972	1,573,661	43,263,097	97,127,709
2016	23,237,460	1,656,789	2,638,127	3,395,861	17,487,714	1,053,450	38,210,462	87,679,863

Notes:

(1) Total employment cost net of capitalized salaries.

(2) Contractual Services includes purchased water and sewage disposal fees, professional services, maintenance contracts and other contractual services.

(3) Administration Costs includes communication costs, insurance, travel, leases and rentals and miscellaneous costs.

Source: Authority Annual Comprehensive Financial Report for the relevant year.

TABLE 5**NON-OPERATING REVENUES AND EXPENSES**

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Availability Fees	Investment Income (Loss)	Gain (Loss) on Sale of Capital Assets	Interest Expense	Bond Issuance Costs	Contribution From (to) VDOT/ Government	Net Non-Operating Revenues/ (Expenses)
2025	\$ 4,489,506	\$ 21,224,571	\$ 136,480	\$ (7,158,459)	\$ —	\$ (19,840,519)	\$ (1,148,421)
2024	3,097,735	16,047,494	41,541	(6,664,251)	(435,758)	920,000	13,006,761
2023	2,608,917	16,772,665	261,272	(8,232,254)	—	(6,669,931)	4,740,669
2022	2,824,127	(7,552,616)	100,517	(8,395,859)	—	—	(13,023,831)
2021	4,055,805	(1,594,623)	47,240	(8,519,663)	(294,232)	—	(6,305,473)
2020	5,495,167	5,980,479	(23,274)	(9,862,243)	—	—	1,590,129
2019	7,330,607	7,566,376	40,894	(10,137,709)	(139,969)	—	4,660,199
2018	6,248,570	5,195,499	13,069	(10,808,088)	—	—	649,050
2017	6,394,729	2,285,153	1,767,415	(10,810,812)	—	—	(363,515)
2016	4,764,399	2,462,585	41,847	(9,112,622)	—	—	(1,843,791)

Note: Interest expense is net of capitalized interest.

Source: Authority Annual Comprehensive Financial Report for the relevant year.

REVENUE CAPACITY INFORMATION

Revenue capacity information is provided to assist the reader in understanding the Authority's significant revenue sources.

TABLE 6**WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED (PER 1,000 GALLONS)**

LAST TEN FISCAL YEARS (UNAUDITED)

EAST TEN TISCAL YEARS (UNAUDITED)												
Gallons of Water Produced/Purchased (FCWA/Goose Creek/ Trap Rock/ Community Wells) (3)			Gallons of Wastewater Wastewater Treated				Total Direct Rates (per 1,000 gallons)(1)					
Fiscal Year	Trap Rock/ Community Wells) (3)	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Blue Plains (million gallons)	BRWRF (million gallons)	Water				Wastewater	
							Usage Rates				Base Rate(2)	Usage Rate
							Base Rate(2)	Tier 1	Tier 2	Tier 3		
2025	10,297,116	9,740,287	556,829	5.41%	4,884	3,422	\$ 14.32	\$ 3.15	8.73	11.70	\$ 14.31	\$ 6.16
2024	10,584,910	9,972,777	612,133	5.78%	4,867	3,358	13.38	2.94	8.16	10.93	13.37	5.76
2023	10,040,137	9,390,845	649,292	6.47%	4,781	3,140	12.99	2.85	7.92	10.61	12.98	5.59
2022	9,772,197	9,011,592	760,605	7.78%	4,886	3,025	12.61	2.77	7.69	10.30	12.60	5.43
2021	9,602,260	8,776,686	825,574	8.60%	4,716	2,952	12.25	2.69	7.47	10.00	12.24	5.27
2020	9,169,654	8,376,719	792,935	8.65%	4,868	3,046	11.95	2.62	7.29	9.76	11.94	5.14
2019	9,380,390	8,461,067	919,323	9.80%	4,787	2,856	11.54	2.53	7.04	9.43	11.53	4.97
2018	8,690,283	8,145,954	544,329	6.26%	5,082	2,389	11.15	2.44	6.80	9.11	11.14	4.80
2017	8,678,789	8,250,441	428,348	4.94%	4,733	2,175	10.83	2.37	6.60	8.84	10.82	4.66
2016	8,702,906	8,367,785	335,121	3.85%	4,731	1,858	10.51	2.30	6.41	8.58	10.50	4.52

Notes:

(1) Total direct rates are reviewed annually by the Authority. Any change to rates is subject to a public hearing and a change is adopted by a Resolution of the Board of Directors of the Authority.

(2) Base rates above represent one month of service.

(3) Starting in 2018 Community Wells production was added to the total.

Source: Authority Division of Finance and Operations and Maintenance.

TABLE 7
ANNUAL WATER AND SEWER PERMITS (ERCs)
 LAST TEN FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Water Permits Issued</u>	<u>Sewer Permits Issued</u>	<u>Total Permits</u>
2025	6,717	3,283	10,000
2024	7,314	4,653	11,967
2023	2,918	2,052	4,970
2022	2,710	2,042	4,752
2021	4,242	2,865	7,107
2020	4,206	3,004	7,210
2019	6,268	4,278	10,546
2018	4,269	3,289	7,558
2017	4,097	3,575	7,672
2016	3,709	3,121	6,830

Note: Equivalent Residential Connections (ERCs) are determined based upon the rated capacity of a water meter (e.g. the average amount of water which can flow through such a meter on a continuous basis) as compared to the rated capacity for a typical 5/8" residential water meter.

Source: Authority Division of Engineering.

TABLE 8
NUMBER OF WATER AND SEWER CUSTOMERS BY TYPE
 LAST TEN FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Water & Sewer</u>		
	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2025	83,148	5,296	88,444
2024	82,639	5,194	87,833
2023	81,599	5,071	86,670
2022	80,568	5,001	85,569
2021	79,853	4,967	84,820
2020	78,773	4,850	83,623
2019	77,662	4,725	82,387
2018	76,096	4,555	80,651
2017	74,293	4,399	78,692
2016	72,179	4,196	76,375

Notes: Information is from customer billing records as of December 31. "Commercial" includes apartments, multiple business malls, government buildings, schools and churches.

Source: Authority Division of Finance.

TABLE 9

WATER AND SEWER RATES CENTRAL SYSTEM

LAST TEN FISCAL YEARS (UNAUDITED)

Water Rates ⁽¹⁾	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Base Rate (Meter Size)										
5/8"	\$ 14.32	\$ 13.38	\$ 12.99	\$ 12.61	\$ 12.25	\$ 11.95	\$ 11.54	\$ 11.15	\$ 10.83	\$ 10.51
3/4"	21.48	20.08	19.49	18.92	17.25	16.83	16.26	15.71	15.25	14.81
1"	42.96	40.15	38.98	37.84	36.26	35.38	34.18	33.03	32.06	31.13
1.5"	93.08	86.99	84.46	81.99	57.28	55.89	54.00	52.17	50.65	49.17
2"	171.84	160.60	155.92	151.36	92.31	90.06	87.01	84.07	81.62	79.24
3"	379.49	354.66	344.32	334.25	152.36	148.64	143.61	138.76	134.72	130.79
4"	694.53	649.09	630.18	611.75	252.43	246.28	246.28	229.90	223.21	216.71
6"	973.77	910.07	883.55	857.71	502.63	490.37	473.79	457.77	444.43	431.49
Usage Rate (per 1,000 gallons)										
Tier 1	\$ 3.15	\$ 2.94	\$ 2.85	\$ 2.77	\$ 2.69	\$ 2.62	\$ 2.53	\$ 2.44	\$ 2.37	\$ 2.30
Tier 2	8.73	8.16	7.92	7.69	7.47	7.29	7.04	6.80	6.60	6.41
Tier 3	11.70	10.93	10.61	10.30	10.00	9.76	9.43	9.11	8.84	8.58

Sewer Rates ⁽¹⁾	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Base Rate (Meter Size)										
5/8"	\$ 14.31	\$ 13.37	\$ 12.98	\$ 12.60	\$ 12.24	\$ 11.94	\$ 11.53	\$ 11.14	\$ 10.82	\$ 10.50
3/4"	21.46	20.06	19.47	18.91	17.50	17.08	16.50	15.94	15.48	15.03
1"	42.92	40.11	38.94	37.81	37.56	36.64	35.40	34.20	33.21	32.24
1.5"	92.99	86.91	84.37	81.92	59.71	58.25	56.28	54.38	52.79	51.26
2"	171.67	160.44	155.76	151.24	96.63	94.27	91.09	88.01	85.44	82.95
3"	379.11	354.31	343.97	333.99	159.93	156.03	150.75	145.66	141.41	137.29
4"	693.84	648.45	629.53	611.26	265.43	258.95	250.20	241.74	234.70	227.86
6"	972.80	909.16	882.64	857.03	529.17	516.26	498.80	481.94	467.90	454.27
Usage Rate (per 1,000 gallons)	\$ 6.16	\$ 5.76	\$ 5.59	\$ 5.43	\$ 5.27	\$ 5.14	\$ 4.97	\$ 4.80	\$ 4.66	\$ 4.52

Notes:

(1) Water and sewer rates are reviewed annually by the Authority. Any change to rates is subject to a public hearing and a change is adopted by a Resolution of the Board of Directors of the Authority. Base rates represent one month of service.

Source: Authority Division of Finance.

TABLE 10**AVAILABILITY CHARGES**

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Residential (1)			Commercial (2)		
	Water	Wastewater	Total	Water	Wastewater	Total
2025	\$ 8,219	\$ 10,439	\$ 18,658	\$ 24,657	\$ 31,317	\$ 55,974
2024	7,846	9,519	17,365	23,538	28,557	52,095
2023	7,617	9,241	16,858	22,851	27,723	50,574
2022	7,395	8,972	16,367	22,185	26,916	49,101
2021	7,180	8,711	15,891	21,540	26,134	47,674
2020	7,039	8,541	15,580	21,118	25,622	46,740
2019	6,901	8,373	15,274	20,704	25,120	45,824
2018	6,766	8,209	14,975	20,298	24,627	44,925
2017	6,766	8,209	14,975	20,298	24,627	44,925
2016	6,514	7,896	14,410	19,542	23,688	43,230

(1) Residential availability fee disclosed above is based on a 5/8" meter size.

(2) Commercial availability fee disclosed above is based on a 1" meter size.

Source: Authority Division of Finance.

TABLE 11

TEN PRINCIPAL CUSTOMERS

CURRENT YEAR AND TEN YEARS AGO, 2025 AND 2016 (UNAUDITED)

Fiscal Year 2025						
Annual Revenues						
Customers	Water	Percentage	Wastewater	Percentage	Total	Percentage
Loudoun County Public Schools	\$ 678,465	1.05%	\$ 858,998	1.20%	\$ 1,537,463	1.13%
Hayden Technologies LLC	1,200,185	1.86%	298,093	0.42%	1,498,278	1.10%
Wheeler Survey Company LLC	784,379	1.21%	253,709	0.36%	1,038,088	0.76%
VADData Inc	434,660	0.67%	347,358	0.49%	782,018	0.57%
Amberlea @ South Riding	274,500	0.42%	365,620	0.51%	640,120	0.47%
Newberry 1 Condominiums	267,533	0.41%	355,303	0.50%	622,836	0.46%
Aligned Energy Data Centers LLC	209,797	0.32%	410,121	0.57%	619,918	0.46%
Cuisine Solutions	260,509	0.40%	310,466	0.43%	570,975	0.42%
Cumberland Designs	383,094	0.59%	183,271	0.26%	566,365	0.42%
VADData Services	294,628	0.46%	261,902	0.37%	556,530	0.41%
Subtotal	4,787,750	7.39%	3,644,841	5.11%	8,432,591	6.20%
Balance from other customers	59,880,838	92.61%	67,783,660	94.89%	127,664,498	93.80%
Grand Totals	\$ 64,668,588	100.00%	\$ 71,428,501	100.00%	\$136,097,089	100.00%

Fiscal Year 2016						
Annual Revenues						
Customers	Water	Percentage	Wastewater	Percentage	Total	Percentage
Loudoun County Public Schools	\$ 419,638	1.05%	\$ 495,091	1.17%	\$ 914,729	1.11%
VADData Inc	566,299	1.41%	332,520	0.78%	898,819	1.09%
AERC Ashbourough LLC	266,677	0.66%	267,375	0.63%	534,052	0.65%
DDI Inc	192,426	0.48%	286,118	0.68%	478,544	0.58%
Newberry 1 Condominiums	195,039	0.49%	247,302	0.58%	442,341	0.54%
Ashburn Campus LLC	207,317	0.52%	195,637	0.46%	402,954	0.49%
The National Conference Center	188,259	0.47%	212,720	0.50%	400,979	0.49%
Amberlea @ South Riding	173,522	0.43%	221,371	0.52%	394,893	0.48%
Summit Properties Partnership	159,871	0.40%	198,529	0.47%	358,400	0.43%
Howard Hughes Medical Institute	160,254	0.40%	150,511	0.36%	310,765	0.38%
Subtotal	2,529,302	6.31%	2,607,174	6.15%	5,136,476	6.24%
	37,612,367	93.69%	39,771,057	93.85%	77,383,424	93.76%
Grand Totals	\$ 40,141,669	100.00%	\$ 42,378,231	100.00%	\$ 82,519,900	100.00%

Source: Authority Division of Finance.

DEBT CAPACITY INFORMATION

Debt capacity information is intended to assist the reader in understanding the Authority's debt burden and ability to issue additional debt. The ultimate guarantor of Authority debt are its customers; however, availability fees are designed to recover the cost of debt associated with expansion.

TABLE 12

RATIOS OF OUTSTANDING DEBT

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Revenue Bonds	FCWA Agreement	Virginia Revolving Loan Fund	Virginia Resources Authority Loan Fund	Lease Liability	Subscription Based IT Arrangements (SIBTA)	Total Amount	Per Capita ⁽¹⁾	As a share of Personal Income ⁽²⁾
2025	\$ 185,453,014	\$ 293,275	\$ 3,682,286	\$ 30,881	\$ 16,910	\$ 8,808,001	\$ 198,284,367	\$ 569	0.53%
2024	199,297,146	357,640	4,058,646	36,751	129,398	3,819,631	207,699,212	605	0.57%
2023	217,842,200	419,896	4,428,688	42,452	69,220	5,069,460	227,871,916	674	0.66%
2022	230,260,768	480,110	4,792,518	47,990	—	—	235,581,386	706	0.73%
2021	241,159,142	538,349	5,150,242	53,369	—	—	246,901,102	751	0.82%
2020	260,222,754	594,679	5,501,960	58,594	—	—	266,377,987	822	0.97%
2019	272,208,352	649,162	5,847,775	63,669	—	—	278,768,958	877	1.07%
2018	286,338,172	701,858	6,187,785	68,599	—	—	293,296,414	946	1.20%
2017	296,993,400	752,827	6,522,088	73,387	—	—	304,341,702	1,007	1.33%
2016	307,273,629	802,126	6,850,779	78,038	—	—	315,004,572	1,072	1.45%

Notes:

(1) Represents the total outstanding debt as a share of the population served by the Authority.

(2) Represents the total outstanding debt as a share of the personal income of the population served by the Authority. Personal income and population figures can be found in Table 14.

(3) Due to implementation of GASB 96, 2023 is the first year available for tracking Lease Liability and SBITAs.

Source: Authority Division of Finance.

TABLE 13**REVENUE COVENANT**

LAST TEN FISCAL YEARS (UNAUDITED)

TEST NUMBER 1 (AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year	Gross Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Revenues Available for Debt Service	1.2 Times Senior Debt Service Requirements ⁽³⁾	Subordinate Debt Service ⁽⁴⁾	Coverage (1.00 Req'd)
2025	\$ 258,251	\$ 86,023	\$ 172,228	\$ 23,038	\$ 527	7.31
2024	272,105	80,134	191,971	23,038	527	8.15
2023	173,775	78,647	95,128	22,976	527	4.05
2022	159,482	75,503	83,979	22,976	527	3.57
2021	167,722	63,956	103,766	20,879	527	4.85
2020	161,673	34,535	127,138	25,026	527	4.98
2019	174,885	34,537	140,348	24,638	527	5.58
2018	143,985	44,142	99,843	24,422	527	4.00
2017	142,410	53,865	88,545	25,467	527	3.41
2016	136,522	49,469	87,053	25,881	527	3.30

(1) Total operating and non-operating revenues plus availability fees credited to capital contributions.

(2) Total of operating expenses exclusive of depreciation and amortization.

(3) Includes principal and interest of Revenue Bonds only.

(4) Includes principal and interest payments to Fairfax Water and Virginia Resources Authority.

TEST NUMBER 2 (AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year	Net Revenues	Less 50% Availability Fees	Adjusted Net Revenues	Senior Debt Service Requirement	Either/Or Coverage Requirements Adjusted Net Revenues		
					Coverage (1.00 Req'd)	Plus 50% Unrestricted Reserves ⁽¹⁾	Coverage (1.50 Req'd)
2025	\$ 172,228	\$ 47,358	\$ 124,870	\$ 19,198	6.50	\$ 336,738	17.54
2024	191,971	41,967	150,004	19,198	7.81	346,994	18.07
2023	95,128	19,795	75,333	19,147	3.93	239,632	12.52
2022	83,979	19,553	64,426	19,147	3.36	209,530	10.94
2021	103,766	26,604	77,162	17,399	4.43	206,920	11.89
2020	127,138	28,306	98,832	20,855	4.74	253,858	12.17
2019	140,348	35,876	104,472	20,532	5.09	243,553	11.86
2018	99,843	25,781	74,062	20,352	3.64	192,474	9.46
2017	88,545	26,004	62,541	21,222	2.95	185,620	8.75
2016	87,053	23,050	64,003	21,568	2.95	196,936	9.15

Notes:

(1) Unrestricted Reserves include unrestricted cash and investments less one month's operating budget (exclusive of depreciation and amortization).

Revenue Bonds, Refunding Series 2010, were issued in April, 2010.

Revenue Bonds, Refunding Series 2010A, were issued in September, 2010.

Revenue Bonds, Refunding Series 2012, were issued in March, 2012.

Revenue Bonds and Refunding Series 2013, were issued in June 2013.

Revenue Bonds and Refunding Series 2015, were issued in August 2015.

Revenue Bonds and Refunding Series 2019, were issued in October 2019

Revenue Bonds and Refunding Series 2021, were issued in August 2021

Revenue Bonds and Refunding Series 2024, were issued in October 2024.

Source: Authority Division of Finance.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information is intended to assist the reader in understanding the environment within which the Authority's financial activities take place and to help make comparisons over time.

TABLE 14

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS (UNAUDITED)

County of Loudoun, VA					Loudoun Water – Service Area			
Fiscal Year	Population ⁽¹⁾	Personal Income ⁽¹⁾ (thousands of dollars)	Per Capita Personal Income ⁽¹⁾	Unemployment Rate ⁽¹⁾	Estimated Population Served ⁽²⁾	Usage		Customer Accounts ⁽²⁾
						Water (Millions Gal.) ⁽²⁾	Sewage (Millions Gal.) ⁽²⁾	
2025	455,193	\$ 48,922,323	\$ 107,476	3.5%	348,608	9,740	8,006	88,444
2024	447,837	47,166,641	105,321	2.7%	343,280	9,973	7,948	87,833
2023	440,983	44,607,146	102,229	2.4%	338,119	9,391	7,545	86,670
2022	434,951	41,709,039	96,372	2.4%	333,720	9,012	7,353	85,569
2021	428,000	39,455,920	92,022	3.6%	328,737	8,776	7,220	84,820
2020	420,959	35,988,556	85,139	8.8%	323,990	8,377	6,877	83,623
2019	413,000	34,009,530	81,997	2.3%	317,789	8,460	6,959	82,387
2018	402,575	31,913,668	78,631	2.6%	310,083	8,146	6,546	80,651
2017	392,376	30,041,689	75,651	3.0%	302,322	8,250	6,486	78,692
2016	381,214	28,491,347	73,874	3.2%	293,739	8,368	6,436	76,375

Sources: (1) County of Loudoun, VA Annual Comprehensive Financial Report - 2025.

(2) Authority Department of Billing.

TABLE 15**PRINCIPAL EMPLOYERS, 2025 AND 2016**

(UNAUDITED)

2025			
Employers	Rank	Number of Employees	Percentage of Total Employment
Loudoun County Public Schools	1	13,281	6.71%
County of Loudoun	2	5,059	2.56%
U.S. Department of Homeland Security	3	2,500-5,000	1.89%
Northrop Grumman (formerly Orbital ATK)	4	2,500-5,000	1.89%
United Airlines	5	2,500-5,000	1.89%
Amazon	6	2,500-5,000	1.89%
Inova Health System - (Loudoun Hospital Center)	7	2,500-5,000	1.89%
Verizon	8	1,000-2,500	0.88%
Dynalectric	9	1,000-2,500	0.88%
Walmart	10	1,000-2,500	0.88%
2016			
Employers	Rank	Number of Employees	Percentage of Total Employment
Loudoun County Public Schools	1	10,210	6.41%
County of Loudoun	2	3,377	2.12%
Verizon Business (formerly MCI Worldcom)	3	2,500-4,999	2.35%
U.S. Department of Homeland Security	4	1,000-2,499	1.10%
United Airlines, Inc.	5	1,000-2,499	1.10%
Inova Loudoun Hospital	6	1,000-2,499	1.10%
Raytheon Company	7	1,000-2,499	1.10%
Orbital ATK, Inc.	8	1,000-2,499	1.10%
Swissport USA, Inc.	9	1,000-2,499	1.10%
U.S. Postal Service	10	1,000-2,499	1.10%

Note: These are the principal employers within the County of Loudoun, VA and are not necessarily customers of the Authority.

Source: County of Loudoun, VA Annual Comprehensive Financial Report - 2025.

OPERATING INFORMATION

Operating information is intended to provide contextual information about the Authority's operations and resources to assist readers in using financial statement information to understand and assess the Authority's economic condition.

TABLE 16

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

LAST TEN FISCAL YEARS (UNAUDITED)

	Full-time-Equivalent Employees as of December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water:										
Field Services	11	12	11	12	12	12	13	10	10	10
Utility Protection	8	8	8	8	7	6	6	6	6	4
Cross Connection/Backflow	4	4	4	8	8	4	—	4	4	4
Utility Systems Maintenance	34	36	39	38	37	40	38	39	36	32
Fleet Maintenance	2	2	2	2	2	2	2	2	2	2
Operations Technology	21	19	18	16	16	12	11	13	11	10
Water Operations	25	17	18	15	14	13	12	11	11	11
Plant Maintenance	—	—	—	9	—	8	6	—	—	—
Administrative Staff	40	32	29	29	29	37	40	32	21	22
Sewer:										
Remote Facilities	22	22	22	19	18	8	10	9	9	10
Laboratory	15	13	11	11	10	10	9	9	9	9
Regulatory Programs	4	4	4	4	4	6	6	—	—	—
Waste Water Operations	23	22	22	15	16	16	17	15	14	14
Water Treatment Administration	—	—	—	5	—	—	—	—	3	8
Plant Maintenance	22	23	22	15	22	17	17	21	19	8
Engineering:										
Capital Programs	10	10	9	8	—	—	—	—	—	—
Capital Construction	—	—	—	—	5	5	4	3	5	5
Capital Design	—	—	—	—	7	7	7	5	6	5
Inspections	17	19	18	21	18	18	19	20	19	21
Land Development	10	9	8	6	6	7	6	6	5	6
Utility Planning	8	9	8	7	3	2	2	2	3	3
Administrative Staff	7	6	5	5	9	5	5	5	5	5
Trap Rock Water Treatment	—	—	—	—	—	—	—	—	4	4
Administration:										
Billing/Customer Service	—	—	—	—	—	—	—	—	—	3
Finance	3	3	2	2	2	2	2	3	5	8
Accounting	6	6	6	6	6	6	5	6	4	4
Billing	4	4	4	4	4	4	4	4	4	3
Procurement	5	5	5	5	3	4	3	3	4	4
Safety	5	3	3	3	—	—	—	—	—	—
Business Solutions	—	—	—	—	—	—	—	6	5	5
Facilities	9	10	8	9	9	8	8	7	6	6
Customer Relations	17	16	16	16	16	15	15	15	15	13
Information Technology	30	28	28	27	26	25	22	19	20	16
Human Resources	3	3	3	3	3	3	3	3	3	3
Corporate Communications	3	3	3	3	2	3	3	3	3	3
Corporate Services	—	—	—	—	—	—	—	—	—	—
General Services	1	1	1	1	4	4	4	4	4	4
General Managers' Office	6	6	8	8	7	9	9	8	7	7
Total Employees:	<u>375.00</u>	<u>355.00</u>	<u>345.00</u>	<u>340.00</u>	<u>325.00</u>	<u>318.00</u>	<u>308.00</u>	<u>293.00</u>	<u>282.00</u>	<u>272.00</u>

Notes: All managers or directors are included with their divisions. A full-time employee is scheduled to work 1,950 hours per year (including vacation and sick leave).

Full-time-equivalent employment is calculated by dividing total labor hours by 1,950.

Source: Authority Division of Human Resources.

TABLE 17

OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Services:										
Miles of Main	1,523.0	1,470.0	1,467.0	1,450.1	1,421.5	1,381.9	1,358.2	1,332.4	1,285.0	1,250.0
Miles of Service Lines	204.0	200.0	194.0	188.0	179.0	168.0	159.0	151.0	138.0	127.0
Number of:										
Pressure Regulating Stations	37	37	36	36	36	36	35	28	27	23
Valves	50,462	49,787	48,808	47,699	46,414	44,535	43,332	42,044	41,994	38,773
Fire Hydrants	15,025	14,838	14,613	14,363	14,044	13,598	13,270	12,981	12,551	12,177
Service Accounts	88,444	87,833	86,670	85,569	84,820	83,623	82,387	80,651	78,692	76,375
Community Water Systems	5	5	5	5	5	5	5	5	5	6
Water Capacity (MGD):										
Capacity at Fairfax Water	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Capacity at Goose Creek WTP ⁽²⁾	–	–	–	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Capacity at Trap Rock WTP ⁽¹⁾	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	–	–
Wastewater Services:										
Miles of Gravity Main	1,124.0	1,030.0	1,030.0	1,020.0	1,000.0	983.0	969.0	956.0	928.0	908.0
Miles of Force Main	70.0	54.0	54.0	55.0	55.0	54.0	53.0	54.0	49.0	48.0
Miles of Lateral	298.0	293.0	285.0	276.0	265.0	250.0	237.0	225.0	210.0	194.0
Number of Disposal Systems	10	9	9	9	8	8	8	8	9	11
Wastewater Treatment Capacity (MGD):										
Capacity at DCWASA	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
Capacity at Broad Run Water Reclamation Facility	16.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Reclaimed Water Services:										
Miles of Mains	23.0	22.0	22.0	22.0	21.0	19.0	19.0	18.0	20.0	20.0
Miles of Service Lines	2.7	2.7	2.6	2.4	2.2	1.9	1.9	1.5	1.1	0.8

Notes: Additional operating indicators can be found in Tables 7-9.

(1) Loudoun Water began producing water at the Trap Rock WTP in 2018. This data will be presented prospectively until ten years is accumulated.

(2) Goose Creek WTP decommissioned in 2023.

Source: Divisions of Information Technology, Finance and Water Treatment.



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