

NEW ISSUE--BOOK ENTRY ONLY

*In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the 2024 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance by Fairfax Water with the requirements of federal tax law. Interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that the 2024 Bonds, their transfer and the income therefrom (including any profit from the sale thereof) are exempt from taxation within the Commonwealth of Virginia. See "Tax Treatment" herein.*



**\$60,345,000**

**FAIRFAX COUNTY WATER AUTHORITY  
WATER REVENUE BONDS, SERIES 2024**

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

This Official Statement provides information with respect to the 2024 Bonds. Selected information is presented on this cover page for the convenience of the user. Investors must read this entire Official Statement to obtain information essential in the making of an informed investment decision.

**Security:** The 2024 Bonds are special obligations of Fairfax Water payable from the Net Revenues of the Water System. The 2024 Bonds do not constitute a pledge of the faith and credit of the Commonwealth of Virginia (the "Commonwealth") or of any political subdivision thereof, and neither the faith and credit of the Commonwealth nor the faith and credit of any county, city, town or other political subdivision of the Commonwealth are pledged to the payment of the principal of, premium, if any, or the interest on the 2024 Bonds. The issuance of the 2024 Bonds does not directly or indirectly or contingently obligate the Commonwealth or any county, city, town or other political subdivision of the Commonwealth to levy any taxes whatever therefor or to make any appropriation for the payment thereof except from the Net Revenues of the Water System.

**Redemption:** The 2024 Bonds are subject to redemption before maturity as described herein.

**Issued Pursuant to:** The 2024 Bonds are being issued pursuant to the Virginia Water and Waste Authorities Act, specifically, Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (the "Act"); a General Trust Indenture dated as of October 1, 1992 (the "General Indenture") between Fairfax Water and Crestar Bank, the successor to which is U.S. Bank Trust Company, National Association, a national banking association, Richmond, Virginia, as Trustee (the "Trustee"); and Series Indenture, Number 17, dated as of July 1, 2024 between Fairfax Water and the Trustee.

**Purpose:** The 2024 Bonds are being issued to provide funding for Fairfax Water's capital improvement program, make a deposit to the Reserve Fund and pay costs of issuing the 2024 Bonds.

**Interest Payment Dates:** October 1 and April 1 of each year, commencing October 1, 2024.

**Authorized Denominations:** \$5,000 or integral multiples thereof.

**Closing/Delivery Date:** July 30, 2024.

**Registration:** Full book-entry only; The Depository Trust Company (see "THE 2024 BONDS—BOOK ENTRY ONLY SYSTEM" herein).

**Trustee:** U.S. Bank Trust Company, National Association, Richmond, Virginia

**Financial Advisor:** PFM Financial Advisors LLC, Arlington, Virginia

**Bond Counsel:** Ballard Spahr LLP, Washington, D.C.

**Fairfax Water Counsel:** Hunton Andrews Kurth LLP, Washington, D.C.

The date of this Official Statement is July 9, 2024.

## MATURITY SCHEDULE

**\$60,345,000**

### **FAIRFAX COUNTY WATER AUTHORITY WATER REVENUE BONDS, SERIES 2024**

<b>Due (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP Nos. 303891-</b>
2025	\$ 935,000	5.000%	101.238%	K53
2026	980,000	5.000	103.179	K61
2027	1,030,000	5.000	105.300	K79
2028	1,085,000	5.000	107.256	K87
2029	1,140,000	5.000	109.288	K95
2030	1,200,000	5.000	111.122	L29
2031	1,260,000	5.000	112.971	L37
2032	1,325,000	5.000	114.788	L45
2033	1,395,000	5.000	116.408	L52
2034	1,465,000	5.000	118.055	L60
2035	1,540,000	5.000	117.592*	L78
2036	1,620,000	5.000	117.132*	L86
2037	1,700,000	5.000	116.674*	L94
2038	1,790,000	5.000	116.128*	M28
2039	1,880,000	5.000	115.403*	M36
2040	1,975,000	5.000	114.505*	M44
2041	2,065,000	4.000	102.007*	M51
2042	2,150,000	4.000	101.197*	M69
2043	2,240,000	4.000	100.394*	M77
2044	2,330,000	4.000	100.000	M85
2045	2,425,000	4.000	99.299	M93
2046	2,525,000	4.000	98.993	N27
2047	2,630,000	4.000	98.383	N35

\$8,545,000 4.00% Term Bonds due April 1, 2050, Price 98.25, CUSIP: 303891N68

\$13,115,000 4.00% Term Bonds due April 1, 2054, Price 98.00, CUSIP: 303891P25

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\* Priced to the earliest optional redemption date, April 1, 2034, at a redemption price of 100%.

In connection with the issuance and sale of the 2024 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2024 Bonds at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesman or other person has been authorized by Fairfax Water or the Underwriter to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any 2024 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from Fairfax Water and other sources which are believed to be reliable.

The 2024 Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended.

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In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting Fairfax Water’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained there are not incorporated into, and are not part of, this official statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2024 Bonds shall under any circumstances create any implication that there has been no change in the affairs of Fairfax Water since the date hereof.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement.

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**FAIRFAX COUNTY WATER AUTHORITY**  
**8570 Executive Park Avenue**  
**Fairfax, Virginia 22031**

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**MEMBERS OF THE FAIRFAX COUNTY WATER AUTHORITY**

Philip W. Allin, Chairman  
Frank R. Begovich, Vice-Chairman  
Richard Dotson, Secretary  
J. Alan Roberson, Treasurer  
Burton J. Rubin  
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Distribution Division

Erica Brown  
Director  
Administration Division

Douglas Grimes  
Director  
Production Division

W. Scott Dewhirst  
Director, Engineering and  
Construction Division

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**FINANCIAL ADVISOR**

PFM Financial Advisors LLC, Arlington, Virginia

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Hunton Andrews Kurth LLP, Washington, D.C.

**BOND COUNSEL**

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## OFFICIAL STATEMENT

*relating to*

**\$60,345,000**

### **FAIRFAX COUNTY WATER AUTHORITY WATER REVENUE BONDS, SERIES 2024**

#### INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is being furnished in connection with the issuance by the Fairfax County Water Authority (“*Fairfax Water*”) of \$60,345,000 of its Water Revenue Bonds, Series 2024 (the “*2024 Bonds*”). The 2024 Bonds are being issued pursuant to the provisions of the Virginia Water and Waste Authorities Act, specifically, Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (the “*Act*”); a General Trust Indenture dated as of October 1, 1992 (the “*General Indenture*”) between Fairfax Water and Crestar Bank, Richmond, Virginia, the successor to which is U.S. Bank Trust Company, National Association, Richmond, Virginia, a national banking association, as Trustee (the “*Trustee*”); Series Indenture, Number 17 dated as of July 1, 2024 (the “*Series Indenture*”) between Fairfax Water and the Trustee; and a resolution adopted by Fairfax Water on June 6, 2024, authorizing the issuance of the 2024 Bonds. The General Indenture, together with the Series Indenture, the Prior Series Indentures (defined below) and any future supplemental indentures amending or supplementing the General Indenture, are herein collectively referred to as the “*Indenture*”.

The 2024 Bonds are being issued to provide funding for Fairfax Water’s capital improvement program, make a deposit to the Reserve Fund and pay the costs of issuing the 2024 Bonds. See “CAPITAL IMPROVEMENT PROGRAM” herein. The 2024 Bonds will be issued on a parity with the Outstanding Prior Bonds described below.

Fairfax Water has previously issued eighteen series of bonds secured on a parity basis under the General Indenture, as follows:

- (1) The first series, designated as Fairfax Water’s Water Refunding Revenue Bonds, Series 1992 (the “*1992 Bonds*”) were issued December 8, 1992 in the aggregate principal amount of \$270,570,000 pursuant to the Series Indenture, Number 1 dated as of October 1, 1992 (“*Series Indenture, Number 1*”), none of which remains outstanding.
- (2) The second series, designated as Fairfax Water’s Water Revenue Bonds, Series 1994 (the “*1994 Bonds*”) were issued February 23, 1994 in the aggregate principal amount of \$76,305,000 pursuant to the Series Indenture, Number 2 dated as of February 1, 1994 (“*Series Indenture, Number 2*”), none of which remains outstanding.
- (3) The third series, designated as Fairfax Water’s Water Refunding Revenue Bonds, Series 1997 (the “*1997 Bonds*”) were issued August 19, 1997 in the aggregate principal amount of \$102,210,000 pursuant to the Series Indenture, Number 3 dated as of July 15, 1997 (“*Series Indenture, Number 3*”), none of which remains outstanding.
- (4) The fourth series, designated as Fairfax Water’s Water Revenue Bonds, Series 2000 (the “*2000 Bonds*”) were issued June 22, 2000 in the aggregate principal amount of \$51,160,000 pursuant to the Series Indenture, Number 4 dated as of June 1, 2000 (“*Series Indenture, Number 4*”), none of which remains outstanding.

(5) The fifth series, designated as Fairfax Water's Water Revenue and Refunding Revenue Bonds, Series 2002 (the "2002 Bonds") were issued March 21, 2002 in the aggregate principal amount of \$174,495,000 pursuant to the Series Indenture, Number 5 dated as of March 1, 2002 ("*Series Indenture, Number 5*"), none of which remains outstanding.

(6) The sixth series, designated as Fairfax Water's Water Refunding Revenue Bonds, Series 2003 (the "2003 Bonds") were issued December 11, 2003 in the aggregate principal amount of \$50,410,000 pursuant to the Series Indenture, Number 6 dated as of December 1, 2003 ("*Series Indenture, Number 6*"), none of which remains outstanding.

(7) The seventh series, designated as Fairfax Water's Water Revenue Bonds, Series 2004 (the "2004 Bonds") were issued July 1, 2004 in the aggregate principal amount of \$100,580,000 pursuant to the Series Indenture, Number 7 dated as of July 1, 2004 ("*Series Indenture, Number 7*"), none of which remains outstanding.

(8) The eighth series, designated as Fairfax Water's Water Refunding Revenue Bonds, Series 2005 (the "2005 Bonds") were issued March 30, 2005 in the aggregate principal amount of \$113,440,000 pursuant to the Series Indenture, Number 8 dated as of March 1, 2005 ("*Series Indenture, Number 8*"), of which \$11,950,000 currently remain outstanding.

(9) The ninth series, designated Fairfax Water's Water Revenue and Refunding Revenue Bonds, Series 2007 (the "2007 Bonds") were issued February 28, 2007 in the aggregate principal amount of \$204,045,000 pursuant to the Series Indenture, Number 9 dated as of February 1, 2007 ("*Series Indenture, Number 9*"), none of which remains outstanding.

(10) The tenth series, designated Fairfax Water's Water Revenue Bonds, Series 2010A (Federally Taxable - Issuer Subsidy - Build America Bonds) (the "2010A Bonds") were issued November 10, 2010 in the aggregate principal amount of \$64,860,000 pursuant to the Series Indenture, Number 10 dated as of November 1, 2010 ("*Series Indenture, Number 10*"), of which \$64,860,000 currently remain outstanding.

(11) The eleventh series, designated Fairfax Water's Water Refunding Revenue Bonds, Series 2010B (the "2010B Bonds") were issued November 10, 2010 in the aggregate principal amount of \$24,000,000 pursuant to the Series Indenture, Number 10, none of which remains outstanding.

(12) The twelfth series, designated Fairfax Water's Water Refunding Revenue Bonds, Series 2012 (the "2012 Bonds") were issued January 24, 2012 in the aggregate principal amount of \$81,225,000 pursuant to the Series Indenture, Number 11 dated as of January 1, 2012 ("*Series Indenture, Number 11*"), none of which currently remains outstanding.

(13) The thirteenth series, designated Fairfax Water's Water Refunding Revenue Bonds, Series 2013A (the "2013A Bonds") were issued February 25, 2013 in the aggregate principal amount of \$36,480,000 pursuant to the Series Indenture, Number 12 dated as of February 1, 2013 ("*Series Indenture, Number 12*"), none of which currently remains outstanding.

(14) The fourteenth series, designated Fairfax Water's Water Refunding Revenue Bonds, Series 2013B (Federally Taxable) (the "2013B Bonds" and together with the 2013A Bonds, the "2013 Bonds") were issued February 25, 2013 in the aggregate principal amount of \$57,390,000 pursuant to the Series Indenture, Number 12, of which \$15,810,000 currently remain outstanding.

(15) The fifteenth series, designated Fairfax Water’s Water Revenue and Refunding Revenue Bonds, Series 2017 (the “2017 Bonds”) were issued March 1, 2017 in the aggregate principal amount of \$201,590,000 pursuant to the Series Indenture, Number 13 dated as of March 1, 2017 (“*Series Indenture, Number 13*”), of which \$145,700,000 currently remain outstanding.

(16) The sixteenth series, designated Fairfax Water’s Water Refunding Revenue Bonds, Series 2019 (Federally Taxable) (the “2019 Bonds”) were issued December 10, 2019 in the aggregate principal amount of \$91,230,000 pursuant to the Series Indenture, Number 14 dated as of December 1, 2019 (“*Series Indenture, Number 14*”), of which \$70,790,000 currently remain outstanding.

(17) The seventeenth series, designated Fairfax Water’s Water Refunding Revenue Bonds, Series 2020 (the “2020 Bonds”) were issued January 7, 2020 in the aggregate principal amount of \$18,765,000 pursuant to the Series Indenture, Number 15 dated as of January 1, 2020 (“*Series Indenture, Number 15*”), of which \$18,765,000 currently remain outstanding.

(18) The eighteenth series, designated Fairfax Water’s Water Revenue Bonds, Series 2021 (the “2021 Bonds” and collectively with the 1992 Bonds, the 1994 Bonds, the 1997 Bonds, the 2000 Bonds, the 2002 Bonds, the 2003 Bonds, the 2004 Bonds, the 2005 Bonds, the 2007 Bonds, the 2010A Bonds, the 2010B Bonds, the 2012 Bonds, the 2013A Bonds, the 2013B Bonds, the 2017 Bonds, the 2019 Bonds, and the 2020 Bonds the “*Prior Bonds*”) were issued July 29, 2021 in the aggregate principal amount of \$82,525,000 pursuant to the Series Indenture, Number 16, dated as of July 1, 2021 (“*Series Indenture, Number 16*” and together with Series Indenture, Number 1, Series Indenture, Number 2, Series Indenture, Number 3, Series Indenture, Number 4, Series Indenture, Number 5, Series Indenture, Number 6, Series Indenture, Number 7, Series Indenture, Number 8, Series Indenture, Number 9, Series Indenture, Number 10, Series Indenture, Number 11, Series Indenture, Number 12, Series Indenture, Number 13, Series Indenture, Number 14, and Series Indenture, Number 15, the “*Prior Series Indentures*”), of which \$78,165,000 currently remain outstanding.

The Outstanding Prior Bonds, the 2024 Bonds and any additional bonds issued under the General Indenture and secured on a parity are herein referred to as the “Bonds.”

The 2024 Bonds were offered for sale at competitive bidding on July 9, 2024. See “SALE AT COMPETITIVE BIDDING” herein.

This Official Statement contains a description of the 2024 Bonds, their terms and the security therefor, the General Indenture and the Series Indenture. Fairfax Water and the Water System are also described herein. The summaries of the instruments and opinions contained herein and in the appendices hereto do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such instruments and opinions, copies of which may be obtained from the Trustee’s offices in Richmond, Virginia. The financial data provided herein is as of the date indicated.

Certain capitalized terms used in this Official Statement, unless otherwise defined, have the meanings set forth in Appendix B hereto, “GLOSSARY OF DEFINED TERMS.”

## **THE 2024 BONDS**

### **PRINCIPAL AMOUNT, DATE, INTEREST AND MATURITIES**

The 2024 Bonds will be issued in the principal amounts for each maturity as set forth on the inside cover page of this Official Statement and will be dated as of and bear interest from their date of delivery.

The 2024 Bonds will bear interest at the rates per annum and will mature, subject to earlier redemption, on the dates and in the principal amounts as shown on the inside cover page hereof. Interest on the 2024 Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2024. Each October 1 and April 1 (commencing October 1, 2024) is herein referred to as an “Interest Payment Date.”

The 2024 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”).

### **BOOK-ENTRY-ONLY SYSTEM**

Beneficial ownership interests in the 2024 Bonds will be available only in book-entry system (the “*Book-Entry System*”) as maintained by DTC or such other depository institution designated by Fairfax Water pursuant to the General Indenture. Beneficial Owners will not receive physical bond certificates representing their interests in the 2024 Bonds purchased. So long as DTC or its nominee is the registered owner of the 2024 Bonds, references in this Official Statement to the Owners of the 2024 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. So long as DTC or its nominee, currently Cede & Co., is the registered owner of the 2024 Bonds, payments of principal, premium, if any, and interest on the 2024 Bonds will be paid directly to DTC or its nominee, which is to remit such payments to the DTC Participants (as hereinafter defined), which in turn are to remit such payments to the Beneficial Owners of the 2024 Bonds.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2024 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE 2024 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2024 BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be registered in the name of Cede & Co. (DTC’s Partnership Nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2024 Bond in the aggregate principal amount of each maturity of the 2024 Bonds bearing the same interest rate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). The DTC Rules applicable to its Participants are on file with the

Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, unless the use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of any separate maturity of the 2024 Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Trustee as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2024 Bonds are credited on the record date.

**BECAUSE DTC IS TREATED AS THE OWNER OF THE 2024 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO FAIRFAX WATER, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.**

Payments of principal, interest and any redemption premiums on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail

information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or Fairfax Water, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. FAIRFAX WATER CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the 2024 Bonds at any time by giving reasonable notice to the Trustee or Fairfax Water. Fairfax Water also may determine that DTC is incapable of discharging its duties or that continuation of the book-entry system is not in the best interest of the Beneficial Owners of the 2024 Bonds. In either situation, if Fairfax Water fails to identify another qualified securities depository to replace DTC, physical 2024 Bonds will be delivered in accordance with DTC's rules and procedures.

FAIRFAX WATER AND THE TRUSTEE SHALL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2024 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE GENERAL INDENTURE TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2024 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources Fairfax Water believes to be reliable, but Fairfax Water takes no responsibility for the accuracy thereof.

## **REDEMPTION**

***Optional Redemption of 2024 Bonds.*** The 2024 Bonds with stated maturities on or before April 1, 2034 are not subject to call and redemption prior to maturity. The 2024 Bonds maturing after April 1, 2034 may be redeemed at the option of Fairfax Water from any funds that may be available for such purpose on or after April 1, 2034, in whole or in part on any date at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the Redemption Date, without any premium.

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**Mandatory Sinking Fund Redemption of 2024 Bonds.** The 2024 Bonds maturing on April 1, 2050 (“2050 Term Bonds”) are subject to mandatory redemption in part prior to maturity by Fairfax Water at a Redemption Price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption, without premium, in the amounts and on the dates as follows:

REDEMPTION DATE (APRIL 1)	PRINCIPAL AMOUNT
2048	\$2,735,000
2049	2,845,000
2050*	2,965,000

\* Final Maturity

The 2024 Bonds maturing on April 1, 2054 (“2054 Term Bonds”) and together with the 2050 Term Bonds, the “Term Bonds”) are subject to mandatory redemption in part prior to maturity by Fairfax Water at a Redemption Price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption, without premium, in the amounts and on the dates as follows:

REDEMPTION DATE (April 1)	PRINCIPAL AMOUNT
2051	\$3,085,000
2052	3,210,000
2053	3,340,000
2054*	3,480,000

\* Final Maturity

**Credit for Term Bonds to be Redeemed.** At its option, to be exercised by the delivery of a written direction to the Trustee on or before the February 15 preceding each April 1 mandatory redemption date, Fairfax Water may (i) deliver to the Trustee for cancellation, Term Bonds or portions thereof (in Authorized Denominations) in any aggregate principal amount desired, or (ii) receive a credit in respect of its mandatory redemption obligation for any Term Bonds (in Authorized Denominations) which prior to said date have been purchased or redeemed (otherwise than through mandatory redemptions as set forth under “REDEMPTION – Mandatory Sinking Fund Redemption of 2024 Bonds”) and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Term Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of Fairfax Water to redeem Term Bonds on such mandatory redemption date, and any excess over such amount shall be credited against future mandatory redemption obligations in chronological order or as otherwise determined by Fairfax Water, and the principal amount of Term Bonds so to be redeemed shall be accordingly reduced.

**Notice of Redemption.** Notice of redemption will be given by the Trustee (1) to DTC or its nominee or (2) if DTC or its nominee is no longer the Owner of the 2024 Bonds, to the then registered Owners by mail, not less than 30 days nor more than 60 days before the Redemption Date to each Owner of the 2024 Bonds to be redeemed at the last address shown on the registration books kept by the Registrar.

In the case of any optional redemption, the notice may state that it is conditioned on the occurrence of a specified event and that such notice and any optional redemption contemplated thereby will be of no force and effect if the condition is not satisfied before the date set for redemption (or any sooner date specified in the notice). If a condition to an optional redemption has failed to be satisfied, the notice and optional redemption will be of no force and effect, and the Trustee will return any 2024 Bonds presented for payment to the Owners thereof.

If moneys are on deposit in the Debt Service Fund held under the Indenture to pay the Redemption Price of the 2024 Bonds called for redemption on a redemption date, 2024 Bonds thus called and provided for will not bear interest after such redemption date and will not be considered to be Outstanding or to have any other rights under the Indenture other than the right to receive payment. No payment of principal will be made by the Paying Agent on any 2024 Bonds or portions thereof called for redemption until such 2024 Bonds or portions thereof have been delivered for payment or cancellation or the Paying Agent has received the items required by the Indenture with respect to any mutilated, lost, stolen or destroyed 2024 Bonds.

***Selection of 2024 Bonds to be Redeemed.*** In the case of any partial redemption of the 2024 Bonds (other than with respect to a mandatory sinking fund redemption), Fairfax Water will select the maturity or maturities of the 2024 Bonds to be redeemed and DTC will select the portions of the 2024 Bonds within the same maturity pursuant to its rules and procedures or, if the book-entry system with DTC or any other securities depository has been discontinued, the Trustee will select the 2024 Bonds to be redeemed by lot in such manner as the Trustee in its discretion may deem proper. For this purpose, each Authorized Denomination of principal amount represented by any 2024 Bond will be considered a separate 2024 Bond for purposes of selecting the 2024 Bonds to be redeemed. Immediately on selection of the 2024 Bonds to be redeemed the Trustee shall notify the Registrar of the specific 2024 Bonds to be redeemed.

If a 2024 Bond subject to redemption is in a denomination larger than the minimum Authorized Denomination, a portion of such 2024 Bond may be redeemed, but only in a principal amount such that the unredeemed portion of such 2024 Bond is equal to an Authorized Denomination. For any 2024 Bond in a denomination of more than the minimum Authorized Denomination, the Trustee shall treat each such 2024 Bond as representing a single 2024 Bond in the minimum Authorized Denomination plus that number of 2024 Bonds that is obtained by dividing the remaining principal amount of such 2024 Bond by the minimum Authorized Denomination.

If it is determined that one or more, but not all, of the Authorized Denominations of principal amount represented by any 2024 Bond is to be called for redemption, then, on notice of intention to redeem such Authorized Denominations of principal amount of such 2024 Bond, the Owner of such 2024 Bond, on surrender of such 2024 Bond to the Paying Agent for payment of the principal amount of such 2024 Bond, will be entitled to receive new 2024 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2024 Bond. New 2024 Bonds representing the unredeemed balance of the principal amount of such 2024 Bonds will be issued to the Owner thereof without charge therefor.

If the Owner of any 2024 Bond of a denomination greater than the amount being redeemed fails to present such 2024 Bond to the Paying Agent for payment and exchange as aforesaid, such 2024 Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the denomination being redeemed and to that extent only.

## **SOURCE OF PAYMENT AND SECURITY FOR THE BONDS**

### **PLEDGE UNDER THE INDENTURE**

The General Indenture pledges, to secure the 2024 Bonds and all other Bonds which have been or may be in the future issued under the General Indenture, the following:

- (1) All Net Revenues of the Water System.
- (2) All moneys and securities held by the Trustee, Fairfax Water or any other depositories in any and all of the funds and accounts established under the General Indenture except the Rebate Fund, the Extension and Replacement Account in the Improvement Fund and the General Fund. For a description of the funds and accounts established under the General Indenture,



see Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts” hereto.

The General Indenture does not convey, mortgage, pledge or create any lien upon any real estate or tangible personal property owned by Fairfax Water or upon any revenues of Fairfax Water other than the Net Revenues of the Water System.

THE 2024 BONDS DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE FAITH AND CREDIT OF THE COMMONWEALTH NOR THE FAITH AND CREDIT OF ANY COUNTY, CITY, TOWN OR OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE 2024 BONDS. THE ISSUANCE OF THE 2024 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OR ANY COUNTY, CITY, TOWN OR OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH TO LEVY ANY TAXES WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT THEREOF EXCEPT FROM THE NET REVENUES OF THE WATER SYSTEM.

#### **RESERVE FUND**

The Indenture requires that the Reserve Fund be maintained at the “Reserve Requirement” which is defined in the General Indenture to be an amount equal to the maximum amount of interest accruing on the Outstanding Bonds in the current or any future Bond Year; however, if Fairfax Water issues any Capital Appreciation Bonds, then for any Bond Year in which a Capital Appreciation Bond matures, the maximum interest will be calculated as of the last preceding Bond Year in which no Capital Appreciation Bond matures. As of the date hereof, the Reserve Requirement is \$16,756,257.75. Upon the issuance of the 2024 Bonds, the Reserve Requirement will increase by \$1,765,325.00 to \$18,521,582.75. Upon the issuance of the 2024 Bonds, Fairfax Water will cause to be deposited into the Reserve Fund held by the Trustee the sum of \$1,765,325.00 from proceeds of the 2024 Bonds to satisfy the resulting increase in the Reserve Requirement.

Contemporaneously with (i) the issuance of the 2012 Bonds, Fairfax Water made an additional cash deposit to the Reserve Fund in the amount of \$8,122,500, and (ii) the issuance of the 2013 Bonds, Fairfax Water made an additional cash deposit to the Reserve Fund in the amount of \$2,220,926.88, which additional deposits resulted in amounts in the Reserve Fund being in excess of the Reserve Requirement. A portion of such additional cash deposits (approximately \$5,439,902.77 of the additional deposit related to the 2012 Bonds and approximately \$2,279,798.79 of the additional deposit related to the 2013 Bonds) currently remain in segregated sub-accounts of the Reserve Fund, and are in excess of the Reserve Requirement. Fairfax Water may subsequently direct that any excess amounts on deposit in the Reserve Fund, including in such segregated sub-accounts, be transferred to the Revenue Fund.

The General Indenture authorizes Fairfax Water to provide to the Trustee a Qualified Reserve Fund Substitute in place of cash or securities as a means of funding all or a part of the Reserve Fund. When the 1992 Bonds were issued, the Reserve Requirement was satisfied with a Surety Bond (the “*AMBAC Surety Bond*”) which was issued by AMBAC Indemnity Corporation, now Ambac Assurance Corporation (“*Ambac Assurance*”), in the amount of \$15,649,347.50 and deposited into the Reserve Fund in lieu of cash. The AMBAC Surety Bond provides that on the later of (i) one day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of the principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the demand for payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Bonds, but in no event exceeding the AMBAC Surety Bond Coverage. The AMBAC Surety Bond Coverage is defined in the

AMBAC Surety Bond as the lesser of \$15,649,347.50 or the Reserve Requirement. Pursuant to the terms of the AMBAC Surety Bond, the AMBAC Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the AMBAC Surety Bond, and Fairfax Water is required to reimburse Ambac Assurance for any draws under the AMBAC Surety Bond with interest at a market rate. Upon such reimbursement, the AMBAC Surety Bond is reinstated to the extent of the reimbursement for the related draw up to but not exceeding the AMBAC Surety Bond Coverage. The reimbursement obligation of Fairfax Water is subordinate to Fairfax Water's obligations with respect to the Bonds. The AMBAC Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee. The AMBAC Surety Bond was issued in connection with the issuance of the 1992 Bonds and expires on April 1, 2029 or upon the earlier payment and discharge of all Bonds issued on a parity with the 1992 Bonds under the Indenture. For information regarding Ambac Assurance Corporation, see Appendix E – "AMBAC ASSURANCE CORPORATION" hereto.

If the amount on deposit in, or credited to, the Reserve Fund exceeds the amount of the AMBAC Surety Bond, any draw on the AMBAC Surety Bond will be made only after all cash and investments in the Reserve Fund have been expended. If the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the AMBAC Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "*Additional Funding Instrument*"), draws on the AMBAC Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

The Trustee will, on or before June 25 and December 25 of each year and at any other time Fairfax Water directs, value the Reserve Fund in accordance with the Indenture and provide written notice to Fairfax Water of any moneys which are on hand in the Reserve Fund in excess of the Reserve Requirement (taking into account any Qualified Reserve Fund Substitute that may be held by the Trustee), and the Trustee will transfer such excess moneys to the Revenue Fund (unless otherwise directed by Fairfax Water to retain such amounts in the Reserve Fund).

Following the issuance of the 2024 Bonds, the AMBAC Surety Bond will account for \$15,649,347.50 of the Reserve Requirement. The General Indenture does not require the replacement of a Qualified Reserve Fund Substitute based on a subsequent downgrade of the credit rating of the provider thereof, and the aforementioned semiannual valuations of amounts or investments held in the Reserve Fund exclude valuation of any Qualified Reserve Fund Substitute which are credited at the face amount thereof for purposes of calculating the Reserve Requirement. At the time of original delivery of the AMBAC Surety Bond, Ambac Assurance had long term credit ratings in the highest rating category by Moody's and S&P, respectively. Ambac Assurance has received multiple rating downgrades since the original delivery of the AMBAC Surety Bond. See Appendix E for more information on Ambac Assurance. As described in "FLOW OF FUNDS UNDER THE TERMS OF THE INDENTURE" below, to the extent Net Revenues are insufficient to restore the Reserve Fund to the Reserve Requirement on any monthly date for transfers from the Revenue Fund, such insufficiency shall not be an Event of Default under the General Indenture so long as transfers sufficient to correct the deficiency have been made within two years.

## **RATE COVENANT**

Under the terms of the Indenture, before the commencement of each Fiscal Year, Fairfax Water is required to fix, establish or maintain or cause to be fixed, established and maintained such rates, fees and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each Fiscal Year, as necessary, as will produce Net Revenues, in the opinion of the Consulting Engineer, at least equal in such Fiscal Year to the total of 110% of the Principal and Interest Requirements during that Fiscal Year.

See Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - RATE COVENANT” hereto.

#### **ADDITIONAL BONDS**

Fairfax Water, subject to the terms of the General Indenture, may issue bonds in addition to the Prior Bonds and the 2024 Bonds under the Indenture and secured on a parity with the Outstanding Prior Bonds and the 2024 Bonds for any purpose allowed under the Act.

Fairfax Water may issue bonds in addition to the Prior Bonds and the 2024 Bonds under the Indenture and secured on a parity with the Outstanding Prior Bonds and the 2024 Bonds to refund all or any principal amount of any Outstanding Bonds; if, however, the total debt service after the issuance of the refunding Bonds on all Outstanding Bonds will increase as a result of such refunding or if the maximum annual Principal and Interest Requirements after the issuance of the refunding Bonds exceed the maximum annual Principal and Interest Requirements before the issuance of the refunding Bonds, then Fairfax Water must satisfy the requirements in the following paragraph.

No Series of Bonds, other than the refunding Bonds resulting in debt service savings described in the preceding paragraph, will be issued under the Indenture unless the Net Revenues for any 12 consecutive months in the 18 calendar months immediately preceding the delivery of the Series of Bonds to be issued, adjusted in the manner hereinafter provided, are at least equal to 110% of maximum Principal and Interest Requirements in the current or any future Fiscal Year, including the Series of Bonds to be issued. If Fairfax Water has caused rates, fees and charges for the provision of water service or other services of the Water System to be increased, the Consulting Engineer may be instructed to prepare a pro forma analysis of Revenues for the preceding 18 months giving effect to the increases to the extent, and only to the extent, that said increases would be in effect for the 18 month period ending the month immediately preceding the delivery of the Series of Bonds to be issued, and such analysis may be used for purposes of satisfying such covenant.

#### **FLOW OF FUNDS UNDER THE TERMS OF THE INDENTURE**

The Indenture provides that Fairfax Water will establish the following special trust funds: (1) Revenue Fund; (2) Debt Service Fund; (3) Reserve Fund; (4) Improvement Fund, and within the Improvement Fund, an Improvement Account and an Extension and Replacement Account; (5) General Fund; and (6) Rebate Fund. The Debt Service Fund, the Reserve Fund and the Rebate Fund are to be held by the Trustee, and the Revenue Fund, the Improvement Fund and the General Fund are to be held by a financial institution from time to time determined by Fairfax Water.

The Indenture provides that Fairfax Water will cause all Revenues to be deposited in the Revenue Fund created pursuant to the terms of the Indenture, and that Fairfax Water will apply amounts in the Revenue Fund to the payment of Current Expenses consistent with Fairfax Water’s annual budget, and in no event will the aggregate disbursements from the Revenue Fund applied to the payment of Current Expenses in a Fiscal Year exceed the amount provided therefor in the annual budget.

The Indenture provides that Fairfax Water will cause disbursements to be made from the Revenue Fund, after reserving therein an amount up to 1/5th of the Current Expenses as shown in the annual budget for the current Fiscal Year, in the following order of priority:

- (1) On or before the 15th day of each month or otherwise as needed, to the Trustee for deposit in the Debt Service Fund, that amount required, if any (or the entire sum available for transfer if less than the required amount), to make the aggregate amount paid into such fund during the Fiscal Year with respect to interest on the Outstanding Bonds equal to the amount of interest due on October 1 of the current Fiscal Year and on April 1 of the subsequent Fiscal Year, in each case taking into account any amounts (i) transferred pursuant to the Indenture or (ii) on deposit in

such fund on the first day of the Fiscal Year in excess of the amount required to be paid with respect to interest on April 1 of such Fiscal Year; plus any amounts established by any Supplemental Indenture with respect to interest on any Additional Bonds;

(2) On or before the 15th day of each month or otherwise as needed, to the Trustee for deposit in the Debt Service Fund, that amount required (or the entire sum available for transfer if less than the required amount) to make the aggregate amount paid into such fund during the Fiscal Year with respect to Principal Installments on the Outstanding Bonds equal to the amount of Principal Installments then or to become due on April 1 of the subsequent Fiscal Year, in each case taking into account any amounts (i) transferred pursuant to the Indenture and not credited against interest deposits as described in the immediately preceding paragraph or (ii) on deposit in such fund on the first day of the Fiscal Year in excess of the amount required to be paid with respect to Principal Installments on April 1 of such Fiscal Year; plus any amounts established by any Supplemental Indenture with respect to Principal Installments for Additional Bonds;

(3) On the date set for payment thereof, to the provider of any Qualified Reserve Fund Substitute in satisfaction of the then current obligations of Fairfax Water incurred in connection therewith;

(4) On or before the 15th day of each month, to the Trustee for deposit in the Reserve Fund the amount necessary for the balance therein to equal the Reserve Requirement;

(5) On or before the 15th day of each month, for deposit in the Improvement Fund, an amount such that the amount deposited in the Improvement Fund in the current Fiscal Year is equal to (i) the amount, if any, recommended by the Consulting Engineer to be deposited in the Improvement Fund during such Fiscal Year plus (ii) the amount, if any, necessary in such Fiscal Year to pay the principal of and premium, if any, and interest on any subordinate obligations of Fairfax Water; and

(6) On or before the 15th day of each month, to the General Fund, the balance remaining after the transfers described in (1) through (5) above.

The failure to make any transfer required above will not constitute an Event of Default (i) as to the transfers described in paragraphs (1) and (2), as long as the amounts on deposit in the Debt Service Fund on each Interest Payment Date are sufficient to pay the Interest due on such date, and the amounts on deposit in the Debt Service Fund on each Principal Payment Date are sufficient to pay the Principal Installment due on such date or (ii) as to the transfers described in paragraphs (3) through (5), to the extent that Net Revenues are from time to time insufficient therefor and, as to the transfers described in paragraphs (3) and (4), as long as all such transfers are completed within two years of the requirement therefor.

Transfers to pay the principal of and interest on any Additional Bonds will be established in the related Series Indenture.

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## SOURCES AND USES OF PROCEEDS OF THE 2024 BONDS

The estimated sources of funds related to the issuance of the 2024 Bonds and the application thereof are as follows:

SOURCES OF FUNDS	
2024 Bonds Principal Amount	\$60,345,000.00
Net Original Issue Premium	2,544,036.85
TOTAL SOURCES	<u>\$62,889,036.85</u>
USES OF FUNDS	
Deposit to Improvement Fund	
Costs of Construction	\$60,000,000.00
Costs of Issuance <sup>1</sup>	399,571.85
Deposit to Reserve Fund	1,765,325.00
Underwriter's Discount	724,140.00
TOTAL USES	<u>\$62,889,036.85</u>

<sup>1</sup> Includes legal, ratings, financial advisory, printing and other costs of issuing the 2024 Bonds.

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## PRINCIPAL AND INTEREST REQUIREMENTS ON THE BONDS

The following table shows the debt service requirements on the Bonds.

Bond Year <sup>1</sup>	Existing Debt Service <sup>2</sup>	2024 Bonds			Combined Total Debt Service <sup>3</sup>
		Principal	Interest	Total	
2025	\$46,316,258	\$ 935,000	\$1,765,325	\$2,700,325	\$49,016,583
2026	46,301,406	980,000	2,590,250	3,570,250	49,871,656
2027	46,251,324	1,030,000	2,541,250	3,571,250	49,822,574
2028	45,974,735	1,085,000	2,489,750	3,574,750	49,549,485
2029	46,052,387	1,140,000	2,435,500	3,575,500	49,627,887
2030	24,641,639	1,200,000	2,378,500	3,578,500	28,220,139
2031	21,690,558	1,260,000	2,318,500	3,578,500	25,269,058
2032	22,253,917	1,325,000	2,255,500	3,580,500	25,834,417
2033	20,788,913	1,395,000	2,189,250	3,584,250	24,373,163
2034	20,762,125	1,465,000	2,119,500	3,584,500	24,346,625
2035	20,607,413	1,540,000	2,046,250	3,586,250	24,193,663
2036	20,471,463	1,620,000	1,969,250	3,589,250	24,060,713
2037	20,337,225	1,700,000	1,888,250	3,588,250	23,925,475
2038	21,483,750	1,790,000	1,803,250	3,593,250	25,077,000
2039	21,280,200	1,880,000	1,713,750	3,593,750	24,873,950
2040	21,073,250	1,975,000	1,619,750	3,594,750	24,668,000
2041	15,927,000	2,065,000	1,521,000	3,586,000	19,513,000
2042	15,932,200	2,150,000	1,438,400	3,588,400	19,520,600
2043	15,932,450	2,240,000	1,352,400	3,592,400	19,524,850
2044	15,936,750	2,330,000	1,262,800	3,592,800	19,529,550
2045	15,943,700	2,425,000	1,169,600	3,594,600	19,538,300
2046	15,936,850	2,525,000	1,072,600	3,597,600	19,534,450
2047	15,945,450	2,630,000	971,600	3,601,600	19,547,050
2048	4,832,400	2,735,000	866,400	3,601,400	8,433,800
2049	4,837,200	2,845,000	757,000	3,602,000	8,439,200
2050	4,840,200	2,965,000	643,200	3,608,200	8,448,400
2051	4,841,200	3,085,000	524,600	3,609,600	8,450,800
2052	—	3,210,000	401,200	3,611,200	3,611,200
2053	—	3,340,000	272,800	3,612,800	3,612,800
2054	—	3,480,000	139,200	3,619,200	3,619,200
<b>Total</b>	<b>\$597,191,961</b>	<b>\$60,345,000</b>	<b>\$46,516,625</b>	<b>\$106,861,625</b>	<b>\$704,053,586</b>

<sup>1</sup> Bond Year ending April 1.

<sup>2</sup> Existing debt service shown includes all interest on the 2010A Bonds and has not been adjusted for the cash subsidy payment from the United States.

<sup>3</sup> Totals in each column and across columns may not foot because of rounding.

## FAIRFAX WATER

### ORGANIZATION AND AUTHORITY

Fairfax Water is a public body politic and corporate and a political subdivision exercising public and essential governmental functions, organized under the provisions of the Act. Fairfax Water was created by the Board of Supervisors of Fairfax County, Virginia (the “*County*”) and chartered by the State Corporation Commission in 1957 for the purpose of establishing, operating and maintaining a comprehensive and integrated water system to be accomplished through the acquisition of existing systems and the construction of new facilities. Currently the term of existence of Fairfax Water extends to December 1, 2059.

Under the Act, Fairfax Water is authorized, among other things, (a) to acquire, purchase, construct, reconstruct, improve, extend, operate and maintain any water system located within or without or partly within and partly without Fairfax County, (b) to issue revenue bonds of Fairfax Water, payable solely from revenues, to pay all or any part of the cost of a water system and (c) to fix, charge and collect rates, fees and charges for the use of and for the services furnished or to be furnished by any system operated by Fairfax Water.

Fairfax Water presently provides wholesale water service, on a contract basis, to eight other Northern Virginia water systems which in turn sell the water to residents and businesses within their respective jurisdictions, which, together with Fairfax Water’s retail customers, equals service to over two million people.

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**MEMBERS OF FAIRFAX WATER**

Fairfax Water is governed by a Board of ten members appointed by the Board of Supervisors of Fairfax County, Virginia, each for a term of three years. The following persons are presently serving as members of Fairfax Water.

**GOVERNING BOARD  
FAIRFAX COUNTY WATER AUTHORITY**

NAME	OFFICE	TERM EXPIRES JUNE 30
Philip W. Allin Centreville, Virginia Executive Vice-President, Interiors by Guernsey	Chairman since September 7, 2006 Member since April 7, 1992	2025
Frank R. Begovich Alexandria, Virginia Former President, Whitaker Security Inc.	Vice-Chairman since July 14, 2016 Member since September 27, 2004	2024*
Richard Dotson Oakton, Virginia Project Manager, MC Dean	Secretary since July 14, 2016 Member since September 14, 2009	2025
J. Alan Roberson Fairfax, Virginia Executive Director, Association of State Drinking Water Administrators	Treasurer since July 14, 2016 Member since August 3, 2009	2024*
Burton J. Rubin Burke, Virginia Attorney at Law	Member since May 21, 1984	2026
Harry F. Day Annandale, Virginia Former Counsel New York Stock Exchange	Member since June 29, 1987	2026
Anthony H. Griffin Oak Hill, Virginia Former County Executive of Fairfax County	Member since May 1, 2012	2024*
Joseph Cammarata Lorton, Virginia Attorney at Law Chaikin, Sherman, Cammarata & Siegal, P.C.	Member since October 16, 2012	2026
Nancy S. Colleton Reston, Virginia President, Institute for Global Environmental Strategies	Member since February 25, 2020	2025
Cheryl A. Ginyard-Jones McLean, Virginia Managing Director, Ramboll	Member since March 23, 2021	2025

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\* Remains as member while awaiting reappointment for a subsequent term.



In addition, upon invitation by the Board of Supervisors of Fairfax County and Fairfax Water, the City of Alexandria, Virginia, and Prince William County, Virginia have each appointed a non-voting representative to Fairfax Water.

## STAFF

The activities of Fairfax Water are conducted by an authorized staff of 483 employees under the direction of Ms. Jamie Bain Hedges, General Manager. Mr. John W. Kingsbury, III serves as Deputy General Manager.

**Jamie Bain Hedges.** Ms. Hedges has been with Fairfax Water for over 35 years and became General Manager in July 2021. Prior to her appointment as General Manager, she served as Deputy General Manager, Director of the Planning and Engineering Division and Manager of Planning. Ms. Hedges has a Bachelor of Science degree in Civil Engineering and a Master of Business Administration degree, both from Virginia Tech. Ms. Hedges is a licensed Professional Engineer and a member of the American Water Works Association, the Association of Metropolitan Water Agencies, and is on the Board of the Virginia Municipal Drinking Water Association.

**John W. Kingsbury, III.** Mr. Kingsbury, Deputy General Manager, has been with Fairfax Water for over 24 years. Prior to his appointment as Deputy General Manager, he served as the Director of Transmission and Distribution and Manager of Mechanical and Distribution Maintenance. Before joining Fairfax Water, Mr. Kingsbury served 15 years with American Water. Mr. Kingsbury has a Bachelor of Science degree in Chemistry from Marshall University and a Master's degree in Environmental Sciences and Engineering from Virginia Tech. He is a licensed Waterworks Operator, licensed Professional Engineer, and a member of the American Water Works Association, where he has served on committees at the local and national levels.

The staff of Fairfax Water is organized into the divisions of: (i) Engineering and Construction, (ii) Planning and Water Resources, (iii) Production, (iv) Transmission and Distribution, (v) Finance, (vi) Administration, and (vii) Technology. Each division is headed by a person who is qualified and experienced in water works operations.

**Gregory J. Prelewicz.** Mr. Prelewicz, Director of Planning and Water Resources, has been with Fairfax Water since 2003, previously serving as Manager of Planning and in Source Water Planning and Protection positions. Prior to joining Fairfax Water, Mr. Prelewicz worked for a national, multi-disciplinary consulting engineering firm. Mr. Prelewicz has a Bachelor of Science degree in Civil Engineering from Virginia Tech and a Master of Science degree in Civil and Infrastructure Engineering from George Mason University. Mr. Prelewicz is a licensed Professional Engineer in Virginia and a certified Envision Sustainability Professional.

**Douglas K. Grimes.** Mr. Grimes has been in the water treatment industry for 30 years; most of which at drinking water treatment plants in the region. He is currently the Director of Production and as such oversees treatment, maintenance, and pumping at Fairfax Waters' two water treatment plants. Prior to working in water treatment, he spent several years as an environmental consultant and a State regulator. He holds a Bachelor of Science degree in Civil Engineering from the University of Delaware and is a licensed Professional Engineer and Class I Waterworks Operator. He is active in the American Water Works Association where he serves on a national committee and teaches at the local level.

**Traci Kammer Goldberg.** Ms. Goldberg has been with Fairfax Water for 26 years and became Director of Transmission and Distribution in July 2021. After working 5 years in private consulting, Ms. Goldberg joined Fairfax Water in 1998 as a Water Resources Engineer and later served as Planning Manager and Engineering Manager. Ms. Goldberg has a Bachelor of Science degree in Civil Engineering

from Penn State University and a Master of Science degree in Civil Engineering from Virginia Tech, and is a licensed Professional Engineer.

**Kim Oates.** Ms. Oates has been with Fairfax Water for more than 12 years and became the Director of Finance in 2022. Prior to her appointment as Director, she held several other management and supervisory positions in the Finance Division. Before joining Fairfax Water in 2011, Ms. Oates was the Vice President of Finance and Administration for Vacation.com. Ms. Oates has a Bachelor of Business Administration degree in Finance from Radford University and a Master of Business Administration degree from Marymount University. She is a member of the Virginia Government Finance Officers Association, Government Finance Officers Association, and American Water Works Association.

**Bao Nguyen.** Mr. Nguyen, Director of Technology, has been with Fairfax Water for more than 12 years. He has held several management positions in the Technology Division and started as a Systems Control Engineer with a focus on SCADA systems and computing technologies. Mr. Nguyen has a Bachelor of Science degree in Electrical Engineering and a Master's degree in Systems Engineering from George Mason University. He currently serves on the AWWA Technology Services Committee and is actively involved in the water sector cybersecurity community.

**W. Scott Dewhirst.** Mr. Dewhirst was named Director, Engineering and Construction, in June 2024. Prior to joining Fairfax Water, Mr. Dewhirst's experience includes 7 years as Superintendent and Chief Operating Officer of Tacoma Water and 17 years at Newport News Waterworks including roles as the Assistant Director and Interim Director. Mr. Dewhirst has a Bachelor of Science degree in Environmental Engineering and a Master's degree in Civil Engineering, both from Virginia Tech. He is a licensed Professional Engineer and has served on Boards of the Association of Metropolitan Water Agencies and the Water Information Sharing and Analysis Center and as the Chair of the Virginia Section of the American Water Works Association.

**Erica Brown.** Ms. Brown was named Director, Administration in June 2024. Ms. Brown has 25 years of water sector experience, 18 of which were with the Association of Metropolitan Water Agencies where she served in roles including Chief Policy and Strategy Officer, Director, Regulatory Affairs and Scientific Program Development, and Director, Sustainability and Climate Programs. Ms. Brown has a Bachelor of Science degree in Civil Engineering and a Master's degree in Secondary Science Education, both from the University of Virginia. She is on the Board of The Water Tower Institute and is a credentialed Project Management Professional.

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## **WATER SYSTEM**

### **SERVICE AREAS**

The present areas served by Fairfax Water are located within a band ranging from 7 to 25 miles from the center of Washington, D.C., and extend about 35 miles from north to south and about 25 miles from east to west. The developed portions of these areas are predominantly residential in character, consisting of single-family residences, townhouses and apartments. Several interstate and other primary highways, including Interstates 66, 95, 395 and 495, and the Washington Metropolitan Area Transit System, provide excellent access to the areas served. To date, Fairfax Water has acquired 24 water systems and has constructed additional facilities and now serves approximately 283,000 retail customers and several large wholesale customers.

### **AREAS SERVED BY OTHER AGENCIES**

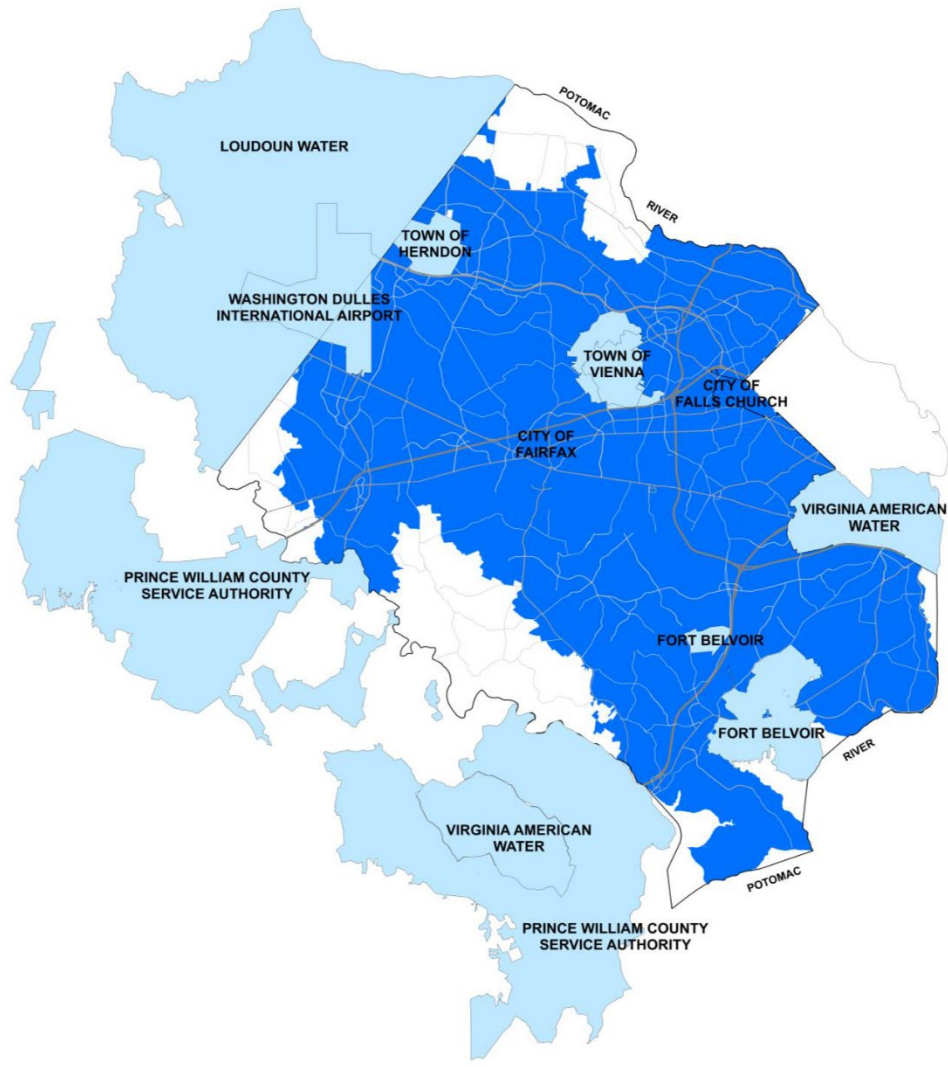
Water service is provided in parts of Fairfax County by two other publicly-owned systems. The relationship of these systems to Fairfax Water's operations is as follows:

**Town of Vienna** – The Town of Vienna presently obtains its water supply by purchase from the Fairfax Water system.

**Town of Herndon** – The Town of Herndon presently obtains its water supply by purchase from the Fairfax Water system.

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The following is a map of Fairfax Water’s service area, including the retail service area (in dark blue) and the wholesale service area (in light blue).



## WATER SUPPLY AND OTHER FACILITIES

In general, Fairfax Water receives approximately 38% of its water supply from the Occoquan River, approximately 55% from the Potomac River, and approximately 7% is purchased from the Baltimore District Corps of Engineers, U.S. Army, functioning through the Washington Aqueduct Division (the “*Aqueduct*”).

**Occoquan River Supply.** The Occoquan River source of supply is comprised of a gravity-type concrete dam across the Occoquan River, a few miles above its junction with the Potomac River. The upper dam was constructed in 1957 and the crest of the upper dam was raised two feet in 1980. The drainage area of the Occoquan River above the upper dam is approximately 595 square miles. The reservoir, when filled to the crest of the dam at elevation 122 feet above mean sea level, has a surface area of about 1,840 acres.

Treatment of water is provided at the 120 mgd (million gallons per day) Frederick P. Griffith, Jr. Water Treatment Plant which was placed in service in 2006. The Frederick P. Griffith, Jr. Water Treatment Plant can be expanded to a maximum day capacity of 160 mgd as its current source of supply increases and

beyond that volume as new planned sources are expected to become available in 2035 and 2085 (see “WATER SYSTEM – WATER SUPPLY AND OTHER FACILITIES – Vulcan Quarry Water Supply Reservoir” below).

Facilities are available for applying various chemicals for coagulation, control of taste and odors, fluoridation and disinfection by ozone, chlorination and ammonia addition. The treatment plant contains treated water reservoirs with a total capacity of approximately 11 million gallons, from which water is pumped to the transmission and distribution system.

Two 30-inch, two 42-inch and one 48-inch water mains transmit water from the treatment plant to the distribution system, and to Prince William County. Twin new 42-inch water main crossings of the Occoquan River to supply wholesale customers in Eastern Prince William County are planned to be placed in service in late 2024.

**Potomac River Supply.** The Potomac River source of supply has a raw water intake, located in Loudoun County, with a capacity of 300 mgd. Construction of the intake structure, raw water pumping station and James J. Corbalis, Jr. Water Treatment Plant commenced in 1978 and were placed into operation in 1982. Fairfax Water constructed a Potomac River intake structure located offshore and a 108-inch diameter raw water conduit from the new structure to the raw water pumping station in 2002. The offshore intake increased reliability, operational flexibility and provided adequate long-term capacity. The James J. Corbalis, Jr. Water Treatment Plant was expanded from 150 mgd to 225 mgd in 2008. Areas of the plant associated with earlier construction phases were also upgraded to meet current and future treatment regulations.

Facilities are available for applying various chemicals for coagulation, control of taste and odors, fluoridation and disinfection by ozone, chlorine and ammonia. Fairfax Water began using ozone as part of their disinfection in December 2001. The treatment plant contains three treated water reservoirs with a total capacity of approximately 29 million gallons, from which water is pumped to the transmission and distribution system.

Several pipelines transmit water from the James J. Corbalis, Jr. Water Treatment Plant to the distribution system including one 30-inch and one 48-inch prestressed concrete pipelines and two 54-inch steel and ductile iron pipelines. A 36-inch ductile iron pipeline was placed into operation in early 1993 to transmit water to Loudoun County.

**Washington Aqueduct Supply.** With the acquisition of the City of Falls Church water system in January 2014, Fairfax Water obtained the infrastructure to supply portions of its system with water purchased from the Aqueduct. As a result, through a wholesale water sale agreement between Fairfax Water and the Aqueduct, Fairfax Water has access to 31 mgd of treated water.

**Steven T. Edgemon Water Supply Reservoir.** In October 2016, Fairfax Water and Vulcan Land, Inc. (“*Vulcan*”) entered into an agreement pursuant to which Vulcan transferred ownership to Fairfax Water of a portion of its Graham Quarry, located between Fairfax Water’s Occoquan River supply and its Frederick P. Griffith, Jr. Water Treatment Plant. Vulcan will quarry this land pursuant to a lease until 2035, at which time such land will become available for Fairfax Water’s use as a water supply reservoir with a storage capacity of 1.7 billion gallons of water. Subsequent to such land becoming available for Fairfax Water’s use as a water supply reservoir (the Steven T. Edgemon Water Supply Reservoir), Vulcan will continue to quarry adjacent property. Ownership of such adjacent property will transfer to Fairfax Water at no additional cost no later than 2085. When completed, such quarry reservoirs are expected to store up to 17 billion gallons of water.

**Other Facilities.** Twenty-seven existing booster pumping stations are located within the distribution system to provide adequate pressure throughout the service area. These stations are unattended, and the smaller stations are on automatic operation. The larger stations are operated remotely from a central command center.

Distribution system storage tanks at twenty sites provide a total of approximately 70 million gallons storage (gross volume). The principal storage facilities include 9.1 million gallons in three steel storage tanks near Annandale; 7.6 million gallons in three steel storage tanks in Gum Springs; 12.1 million gallons in five steel storage tanks and 2.0 million gallons in an elevated steel storage tank at Penderwood; 10.0 million gallons in two steel storage tanks at Fox Mill; 4.4 million gallons in two concrete storage tanks and 2.2 million gallons in one elevated composite tank at Tysons; 3.5 million gallons in one steel storage tank at Griffith; 4.6 million gallons in two steel storage tanks in McLean; 4.0 million gallons in one steel storage tank at Lyndhurst; 2.5 million gallons in one elevated composite tank at George Mason University; 2.0 million gallons in one steel storage tank at Dunn Loring; 1.8 million gallons in two steel storage tanks at Prout Hill; 1.5 million gallons in one steel storage tank at Seven Corners; 0.80 million gallons in one steel storage tank at Beacon Hill; and 1.0 million gallons in an elevated steel storage tank located adjacent to the Fairfax Hospital. Several smaller tanks are located throughout the system.

The transmission and distribution system contains about 4,054 miles of pipe ranging in size from 2-inch in diameter to 54-inch in diameter.

Fairfax Water's system is interconnected at 74 locations with 9 other water systems in northern Virginia. Eight of these water systems are operated by wholesale customers of Fairfax Water. The ninth water system, Arlington County, is an adjacent jurisdiction which purchases its water from the Aqueduct.

Fire protection service is provided by Fairfax Water in accordance with generally accepted standards, and there are approximately 29,797 fire hydrants installed throughout the distribution system.

Fairfax Water has strengthened the acquired systems by replacing substandard mains and by installing additional transmission mains where required. The principal facilities, including the major pumping stations and storage tanks, are relatively new and in good operating condition. Fairfax Water is required by its 1992 General Indenture to have its Consulting Engineer make an inspection of the water system at least once each year and to report directly to the Board of Fairfax Water the findings of the inspection. The most recent inspection and report was completed in November 2023 and found the existing water system to be in good operating condition and adequately maintained.

## **ENVIRONMENTAL/REGULATIONS AND COMPLIANCE**

Fairfax Water is regulated by the Virginia Department of Health, Office of Drinking Water (VDH). VDH maintains primacy for enforcement of the Safe Drinking Water Act, by enforcement of equal or greater requirements as those imposed by the United States Environmental Protection Agency. To its knowledge, Fairfax Water has continually remained in compliance with all applicable environmental regulations by meeting or surpassing all such requirements. Fairfax Water routinely monitors regulatory developments that may affect its water system. Though current environmental regulations and policies are subject to change, Fairfax Water believes it is well positioned to address possible future changes in such regulatory requirements that may be applicable to its operations.

Fairfax Water is committed to consistently producing exceptional quality water, including complying with the new drinking water regulations for per- and polyfluoroalkyl substances (“PFAS”) that the U.S. Environmental Protection Agency (the “EPA”) finalized in April 2024. Data collected to date shows that water sourced from the Potomac River is below the new PFAS regulatory limits. Results for some tests at the Griffith Water Treatment Plant, which treats water from the Occoquan Reservoir, are

slightly above the regulatory limit for perfluorooctanoic acid (“PFOA”), a contaminant limited under the new regulations. Fairfax Water is evaluating treatment processes to remove PFAS at the Griffith Water Treatment Plant. Fairfax Water is also conducting watershed monitoring and working with state and regional partners to identify and mitigate potential PFAS sources in the watershed.

In 2021, the EPA passed the Lead and Copper Rule Revisions, which require public water systems, beginning in October 2024, to develop and make publicly available a service line inventory, notify customers of service lines with lead or unknown materials, notify the public of a lead action level exceedance, and comply with various reporting requirements. Fairfax Water’s preliminary service line inventory reflects approximately 50% unknowns driven primarily by the customer side where Fairfax Water has no records. Fairfax Water is working to substantially reduce the number of unknowns through several initiatives including field data collection by staff, deployment of a customer self-reporting application, test pitting, and the use of predictive modeling. At this time, Fairfax Water anticipates finding minimal lead service lines in the system and will continue efforts to identify service line materials.

## **ENVIRONMENTAL PRIORITIES**

Fairfax Water has multiple projects and initiatives underway that demonstrate its commitment to environmental priorities, including but not limited to, the examples that follow.

- Fairfax Water is focused on reducing water loss through proactive water main leak detection and repairs, replacement of aging water mains through its Distribution System Sustainability Program (a systematic program to improve underground assets and maintain a low break-rate on pipes), and a meter management program.
- As described under “ENVIRONMENTAL/REGULATIONS AND COMPLIANCE,” Fairfax Water is undertaking new initiatives to ensure compliance with new PFAS and Lead and Copper Rule Regulations.
- Every five years, along with its regional partners, Fairfax Water undertakes a long-term planning effort to predict potential water supply and demand scenarios that incorporates climate modeling. This effort is designed to help ensure that the region is resilient to drought.
- Fairfax Water is currently undertaking a climate vulnerability study, which is intended to help guide Fairfax Water in assessing the impacts of climate scenarios on its assets and infrastructure and support prioritization of future climate resilience efforts.
- Fairfax Water maintains an Energy Management Team, led by a dedicated Energy Manager. Since implemented eleven years ago, the energy management program has reduced electricity usage by 60,801 kw, which is the equivalent of powering 30,401 homes for one year.
- Fairfax Water optimizes its treatment processes to reduce chemical usage and proactively manages its watersheds to prevent and reduce contaminants.
- In 2023, Fairfax Water’s new Murray distribution maintenance and warehouse facility was completed and put into service, and currently, Fairfax Water is building a distribution maintenance and warehouse facility in Chantilly, each of which is designed to be LEED certified.

- Fairfax Water promotes wise water use among its ratepayers through multiple avenues, including education and outreach programs and a peak use charge that is designed to reduce water use in the warmer months.

## CYBERSECURITY

Fairfax Water, like many other public entities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to hacking, viruses, malware, and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by Fairfax Water will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could affect operations and digital networks, and the cost of remedying any such damage could be significant.

Fairfax Water maintains comprehensive cybersecurity policies and practices, with continued investment in this area. Fairfax Water follows industry-best practices in this area and is actively involved in industry cybersecurity industry groups.

Fairfax Water maintains a comprehensive cyber insurance coverage policy that covers breach-related expenses, data recovery, liability and extortion. In addition, Fairfax Water maintains insurance related to privacy liability, network liability, internet media liability and social engineering.

## STATISTICAL DATA

The following statistical information is taken from reports of Fairfax Water for the Fiscal Years ended December 31, 2019 through 2023.

	2019	2020	2021	2022	2023
Metered Customers Served (end of year)	281,504	281,868	282,099	282,595	283,257
Water Produced and Purchased:					
Million gallons produced	55,602	54,306	55,653	54,203	56,072
Million gallons purchased	<u>5,602</u>	<u>4,170</u>	<u>4,582</u>	<u>4,927</u>	<u>4,474</u>
Million Gallons Total	61,204	58,476	60,235	59,130	60,546
Daily average (in millions of gallons)	167.7	159.8	165.0	162.0	165.9
Water Sold (in millions of gallons):					
Wholesale	24,649	24,177	25,778	25,131	26,282
Retail	<u>30,854</u>	<u>29,821</u>	<u>29,711</u>	<u>29,325</u>	<u>29,689</u>
Million Gallons Total	55,503	53,998	55,489	54,456	55,971
Percent sold <sup>1</sup>	91	92	92	92	92
Transmission and Distribution Mains (in miles)					
	4,027	4,034	4,042	4,049	4,054
Distribution Storage (in millions of gallons)					
	73	71	70	70	70
Fire Hydrants	<u>29,414</u>	<u>29,539</u>	<u>29,639</u>	<u>29,715</u>	<u>29,797</u>

<sup>1</sup> National averages for unaccounted for water exceed 15 percent.



## FINANCIAL DATA

The following table sets forth a summary of the statements of revenues, expenses and changes in net position of Fairfax Water for each of the Fiscal Years ended December 31, 2019 through 2023, which is derived from Fairfax Water's audited basic financial statements for such years. The basic financial statements for the Fiscal Year ended December 31, 2023 are included in Appendix A of this Official Statement.

### SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (000's Omitted)

	Fiscal Years Ended December 31				
	2019	2020	2021	2022	2023
Operating revenues					
Sales to retail customers	\$121,689	\$120,590	\$127,446	\$129,716	\$135,454
Sales to wholesale customers	42,184	35,860	35,216	43,516	71,185
Sewer service billing charges	6,762	7,006	7,447	7,081	7,504
Other	4,649	4,013	4,072	4,617	4,542
Subtotal	175,284	167,469	174,181	184,930	218,685
Operating expenses					
Supply facilities	10,395	10,909	10,745	11,564	13,910
Treatment facilities	25,074	26,030	25,416	29,172	34,438
Transmission system	6,093	6,191	6,186	6,997	7,911
Distribution system	22,200	22,835	21,474	21,119	22,192
Administrative and general	31,859	21,628	9,661	(322)	20,554
Subtotal	95,621	87,593	73,482	68,530	99,005
Operating income before depreciation and amortization	79,663	79,876	100,699	116,400	119,680
Depreciation and amortization	(54,587)	(56,988)	(59,256)	(61,386)	(64,621)
Operating income	25,076	22,888	41,443	55,014	55,059
Nonoperating revenues (expenses)					
Customer connection charges	14,109	14,286	20,693	20,849	19,987
Investment income (loss)	8,278	7,100	(1,351)	(5,110)	9,262
Other	2,712	2,844	3,148	2,980	2,689
Interest expense	(17,732)	(15,917)	(16,826)	(16,808)	(15,960)
Subtotal	7,367	8,313	5,664	1,911	15,978
Increase in net assets before contributions	32,443	31,201	47,107	56,925	71,037
Capital contributions	3,621	6,434	4,331	2,180	6,368
Increase in net position	36,064	37,635	51,438	59,105	77,405
Net position, beginning of year	1,409,546 <sup>(1)</sup>	1,445,610	1,483,245	1,534,683	1,593,788
Net position, end of year	\$1,445,610	\$1,483,245	\$1,534,683	\$1,593,788	\$1,671,193

<sup>(1)</sup> Net position, beginning of year was restated in 2019 in conjunction with the implementation of GASB 84, Fiduciary Activities.

**Management Discussion—As of Fiscal Year 2023.** Fairfax Water traditionally has experienced positive operating results, as reflected by the historical operating data shown previously. Fairfax Water has maintained a strong financial position with modest annual rate increases. Comparisons of the audited financial results for Fiscal Years 2019 through 2023 show that Fairfax Water has consistently generated increases in net position primarily through operations and the collection of customer connection charges.

Selected comments on the financial results include:

- The administrative and general expenses in 2019 was due to the reclassification of the Fairfax County Water Authority Welfare Benefit Trust Fund as a fiduciary component unit instead of a blended component unit following the implementation of GASB Statement No. 84, *Fiduciary Activities*.
- The decreased administrative and general expenses in 2020, 2021, and 2022 were driven by strong market returns in the pension plan from the prior three years (2019 to 2021), which resulted in decreased net pension and other postemployment benefit liabilities, as reported from actuarial valuations performed annually.
- During 2020, water sales for wholesale and retail customers decreased 2.7% as a result of the COVID-19 pandemic, but when combined with the thirteen-cent increase in the retail commodity charge, resulted in a 0.9% decrease in retail sales revenue. Lower capital costs in 2020 additionally contributed to a decrease in the wholesale commodity rate and lower wholesale sales revenue.
- During 2021, retail water sales revenue increased \$6.9 million due to the thirteen-cent increase in the commodity charge, a forty-cent increase to the quarterly billing service charge, and an increase in commercial and municipal customers hitting peak use in 2021.
- During 2022, revenue from wholesale customers increased \$8.3 million due to an increase in the wholesale commodity rate resulting from higher operating and capital costs, and billed amounts of \$3.6 million to construct new transmission facilities for the Occoquan River Crossing project, netted against a 2.5% decrease in wholesale water sales.
- Sales to wholesale and retail customers for 2023 increased by \$33.4 million, approximately 19.3% over 2022. Wholesale revenues increased \$27.7 million due to an increase in the wholesale commodity rate and a 4.6% increase in wholesale water sales. Additionally, \$10.8 million was billed to construct new transmission facilities for the Occoquan River Crossing project and \$7.8 million for other wholesale transmission construction projects. Retail water sales revenue increased \$5.7 million due to the nineteen-cent increase in the commodity charge and a 1.2% increase in retail water sales.
- During 2023, operating expenses increased 44.5% to \$99.0 million, mainly due to increased pension and other postemployment benefits resulting from net investment losses in the last actuarial valuation. Additionally, inflationary increases in chemicals and power purchased drove higher supply and treatment facilities expenses.

The following table shows Revenues and Current Expenses on a cash basis for the Fiscal Years ended December 31, 2019 through 2023, excerpted from the reports and records prepared by Fairfax Water. For definitions of “Revenues,” “Current Expenses” and “Net Revenues” as used in the Indenture, see Appendix B – “GLOSSARY OF DEFINED TERMS” attached to this Official Statement.

SUMMARY OF REVENUES AND CURRENT EXPENSES  
ON A CASH BASIS  
(000'S OMITTED)  
FISCAL YEARS ENDED DECEMBER 31

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues	\$201,164	\$197,918	\$208,195	\$206,111	\$236,523
Current Expenses	<u>(95,095)</u>	<u>(98,108)</u>	<u>(94,618)</u>	<u>(102,241)</u>	<u>(113,093)</u>
Net Revenues	\$106,069	\$99,810	\$113,577	\$103,870	\$123,430
Debt Service	\$42,988	\$40,711	\$44,326	\$42,484	\$46,327
Debt Service Coverage	2.47x	2.45x	2.56x	2.44x	2.66x

**Fiscal Year 2024 Budget.** On December 14, 2023, the Fairfax Water Board adopted the 2024 Annual Budget. The 2024 Budget contained a provision for revisions to certain rates, fees and charges effective April 1, 2024, including a 5.2% increase in the retail commodity charge. Budgeted revenues total \$241.429 million, which is a 5.7% increase over the 2023 Budget. The 2024 Budget includes total expenses of \$123.207 million, resulting in net revenues of \$119.218 million. The 2024 Budget reflects debt service coverage of 2.42 times.

The next table shows projected Revenues and Current Expenses on a cash basis for the Fiscal Years ending December 31, 2024 through 2028.

SUMMARY OF PROJECTED REVENUES AND CURRENT EXPENSES  
ON A CASH BASIS  
(000'S OMITTED)  
FISCAL YEARS ENDED DECEMBER 31

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenues	\$242,425	\$237,849	\$242,339	\$248,348	\$254,666
Current Expenses	<u>(123,207)</u>	<u>(131,585)</u>	<u>(137,034)</u>	<u>(141,136)</u>	<u>(146,156)</u>
Net Revenues	\$119,218	\$106,264	\$105,305	\$107,212	\$108,510
Debt Service	\$49,244	\$50,204	\$51,683	\$52,936	\$54,151
Debt Service Coverage	2.42x	2.12x	2.04x	2.03x	2.00x

The foregoing summary of projected Revenues and Current Expenses on a cash basis for Fiscal Years 2024 through 2028 in the preceding table reflects the following criteria and assumptions.

- (1) Assumes rate increases ranging from 4.3% to 5.2% (annual average increase of 4.7%) for each of the years in the projections. In addition, retail growth is projected at approximately 2,200 single family equivalent units in each year of the projection.
- (2) The average annual current expense increase between 2024 and 2028 is projected at 4.4%. The baseline inflation for most expense items is projected in excess of 3%. Power, chemicals, and personnel expenses are projected in excess of 5%.
- (3) Anticipated borrowings of approximately \$47 million and \$35 million are expected in 2026 and 2028, respectively.

**Debt Management Policy.** The Board adopted a Debt Management Policy in 2001, which was amended in July 2011. The purpose of the Debt Management Policy is to establish and codify the objectives and practices for debt management for Fairfax Water and to assist all concerned parties in understanding Fairfax Water's approach to debt management.

Key provisions of the Debt Management Policy are summarized below:

- (1) Fairfax Water will strive to maintain its annual total debt service coverage ratio at a minimum of 2.0 times by 2020 following a smooth transition to such minimum coverage ratio between 2011 and 2020. The calculation of the coverage ratio limits the revenues from Availability, Service Connection and Local Facility charges at the 2011 base of approximately \$6 million, plus an annual inflation factor to account for growth in construction related expenses.
- (2) Fairfax Water will maintain a balance in its General Fund ranging from 6 months to 1 years' worth of operating expenses, including debt service.
- (3) The percentage of variable-rate debt outstanding may not exceed 20% of Fairfax Water's total outstanding debt and will take into consideration the amount and investment strategy of Fairfax Water's operating cash. Currently, Fairfax Water does not have any variable-rate debt outstanding.

## WATER SUPPLY

The following table shows the sources of Fairfax Water's water supply for 2019 through 2023.

SOURCES OF WATER SUPPLY WATER PROVIDED TO FAIRFAX WATER (IN MILLIONS OF GALLONS)					
	2019	2020	2021	2022	2023
Occoquan River	22,725	21,699	23,880	22,360	22,958
Potomac River	32,877	32,607	31,773	31,843	33,114
Washington Aqueduct	5,602	4,170	4,582	4,927	4,474

Use of Potomac River water is the subject of a number of agreements between Fairfax Water and other governmental bodies, including (1) the Potomac River Low Flow Allocation Agreement with the United States of America (the "Government"), the State of Maryland (the "State"), the Commonwealth of Virginia, the District of Columbia (the "District") and the Washington Suburban Sanitary Commission (the "Commission"), dated January 11, 1978; (2) the "Water Supply Coordination Agreement" with the Government acting through the Aqueduct, the Commission and the Interstate Commission on the Potomac Basin Section for Cooperative Water Supply Operations on the Potomac, dated July 22, 1982; (3) a contract with the District and the Commission "for Future Water Supply Storage Space in the Bloomington Lake (now, Jennings Randolph) Reservoir, Maryland and West Virginia," dated July 22, 1982; (4) the "Bloomington Lake Payment Agreement" with the Commission and the District, dated July 1, 1982; (5) the "Little Seneca Lake Cost Sharing Agreement" with the District and the Commission, dated July 1, 1982; and (6) the "Savage Reservoir Maintenance and Operation Cost Sharing Agreement" with the District, the Commission, Allegheny County, Maryland and the Upper Potomac River Commission, dated July 1, 1982.

These agreements generally have been developed to provide for orderly and equitable withdrawals of water from the Potomac River during periods of low flow by Fairfax Water, the Commission and the Aqueduct and for the joint sharing by Fairfax Water, the Commission and the District of the costs of providing water storage in upstream reservoirs to be released, if and as necessary, as a part of a regional plan to provide an adequate quantity of water for the inhabitants of the area (including those to whom Fairfax Water provides service) during periods of low flow in the Potomac River. The plan is designed to make the most efficient use of all water supply facilities available to Fairfax Water, the Commission and

the Aqueduct, including, but not limited to, the Potomac River, Jennings Randolph Reservoir, Occoquan Reservoir, Tridelphia Reservoir, Duckett Reservoir and Little Seneca Lake.

## **EMPLOYEES OF FAIRFAX WATER**

Fairfax Water’s 2024 Budget includes 483 full-time employees and as of December 31, 2023 there were 443 full-time employees. Fairfax Water also makes use of part-time employees to handle specialized assignments and summer employees to handle the increase in workload occasioned by the summer months. None of Fairfax Water’s employees are represented by a union or other collective bargaining organization. Section 40.1-57.2 of the Code of Virginia, 1950, as amended, forbids Fairfax Water to bargain collectively with a union or other organization with respect to compensation or any other “matter relating to them or their employment or service.”

Fairfax Water provides a defined benefit retirement plan and other postemployment benefits for its employees and has contributed 100% (or more) of the actuarially determined contribution rate (“ADCR”) since the plan’s inception. In 2006 and 2007, Fairfax Water developed a long-term plan to achieve full funding of the retirement plan. This plan included benefit revisions for new hires as well as a directive from the Board of Directors of Fairfax Water to annually contribute the greater of the ADCR or 48%. In 2023, Fairfax Water contributed to the plan an amount equal to 48% of the payroll, 15.96% above the ADCR of 32.04%. The ADCR for 2024 is 32.61% of the payroll for such year, but Fairfax Water will contribute 48%. Fairfax Water has overfunded the plan each year for the past eleven years. Fairfax Water is approximately fifty-eight percent into the projected timeframe of the plan, with results being better than originally projected.

As to the other postemployment benefits liability, Fairfax Water has always included such liability within its funding calculations. Any proposed changes to GASB requirements have been reviewed and would not represent a material change in the currently stated funding levels.

For further information regarding Fairfax Water’s retirement plan and other postemployment benefits, see Appendix A – “Basic Financial Statements – Notes to Financial Statements – Notes 8, 9, 10 and 11.”

## **CAPITAL IMPROVEMENT PROGRAM**

In order to continue compliance with the requirements of the United States Environmental Protection Agency under the Safe Drinking Water Act and meet future needs based on increases in customer growth and consumption rates, Fairfax Water has developed a Capital Improvement Program comprising a variety of major additions, extensions, and improvements of the Water System.

The Capital Improvement Program defines the investments in capital facilities necessary to achieve Fairfax Water’s objectives to construct, operate, and maintain a water system that (1) meets or surpasses all state and federal water quality regulations; (2) safeguards the public’s health; (3) meets maximum day demands under normal climatological conditions; (4) provides reliable and continuous service; (5) is fiscally responsible; and (6) is safe for our employees and the community. Current estimates indicate that the Capital Improvement Program will cost approximately \$1,033,189,000 during the ten-year period 2024 - 2033. The 2024 – 2033 Capital Improvement Program does not include cost for new treatment facilities that may be required for compliance with National Primary Drinking Water Regulations for six types of PFAS finalized by the EPA in April 2024. Public water systems have five years (i.e., by 2029) to implement solutions that reduce these PFAS if monitoring shows that drinking water levels exceed EPA-established Maximum Contaminant Levels (“MCL”). (See “WATER SYSTEM–Environmental/Regulations and Compliance” above.)

The elements of the Capital Improvement Program are summarized as follows:

- Part B Projects primarily funded from Net Revenues and bond issues where appropriate, including extraordinary maintenance and replacement, and additions, extension and betterments.
- Part E Projects to be funded by bond issues and funds on hand. These projects include anticipated future system capacity needs.

Many of the projects and improvements contemplated under the Capital Improvement Program are in the preliminary planning stages and contracts have not been awarded. Accordingly, the total cost of the Capital Improvement Program could be more or less depending on future demand, actual contract awards and other economic factors. Fairfax Water reviews its Capital Improvement Program annually. A more detailed description of the projects under the three principal elements of the Program is as follows:

PROGRAM ELEMENT	ESTIMATED COST 2024 - 2033
Part B Extraordinary Maintenance and Repairs; Additions, Extensions and Betterments; General Studies and Programs	\$1,026,873,000
Part E Capital Improvements:	
Transmission Facilities	5,036,000
Other/General and Administrative	<u>1,280,000</u>
Total – Part E	6,316,000
 Total – 2024-2033 Capital Improvement Program	 <u>\$1,033,189,000</u>

Fairfax Water anticipates that the Capital Improvement Program will be funded as follows:

**SOURCE OF FUNDS FOR CAPITAL IMPROVEMENT PROGRAM**

	<u>ESTIMATED</u>
Funds on Hand and Expected Future Revenue	\$708,492,000
Future Debt Issuance <sup>1</sup>	268,000,000
Investment and Miscellaneous Income	<u>56,697,000</u>
TOTAL	\$1,033,189,000

<sup>1</sup> Future debt issuance includes expected amounts to be funded with proceeds of the 2024 Bonds.

As shown in the table above, on the basis of current estimates and current plans for the Capital Improvement Program, Fairfax Water anticipates incurring additional debt to complete the program. In addition, it is possible that increases in the cost of the program or the occurrence of other events not currently expected could cause Fairfax Water to seek additional financing. Among the factors that could require Fairfax Water to seek financing in addition to that indicated in the preceding table are possible U.S. Environmental Protection Agency and Virginia Department of Health regulations that may require additional capital improvements to the Water System.

## RATES, FEES AND CHARGES

### GENERAL

Fairfax Water fixes and revises its rates, fees and charges to its retail customers from time to time. Charges are fixed by contract with respect to each of Fairfax Water's wholesale customers.

***Wholesale Rates, Fees and Charges.*** Wholesale customers pay for water actually delivered to them at adjustable rates established by contract which will not be less than the estimated operation and maintenance cost to Fairfax Water to produce and deliver the water. Each wholesale customer also pays a monthly demand or capacity charge based upon the maximum daily quantity of water that Fairfax Water is obligated to deliver to it. Such charges are payable regardless of whether any water is actually purchased. Such capacity charges will terminate when the respective wholesale customers have paid in full the costs of providing the capacity, including interest.

Wholesale customers include Virginia American Water Company, Alexandria District and Prince William District, the Prince William County Service Authority, the Metropolitan Washington Airports Authority (for use at Dulles International Airport), United States of America, Department of the Army, Corps of Engineers (for use at Fort Belvoir), the Town of Herndon, Virginia, the Town of Vienna, Virginia and Loudoun Water.

Vulcan Materials, Inc., Prince William County Department of Parks & Recreation and a private golf course purchase untreated water under contract for use in their respective facilities.

In addition to the capacity or demand charges, each wholesale customer pays its proportional share of Fairfax Water's costs for the Jennings Randolph, Savage, and Seneca Reservoirs, which are used to mitigate low flows in the Potomac River.

***Retail Rates, Fees and Charges.*** Fairfax Water's current schedule of retail rates, fees and charges for water service became effective April 1, 2024. Prior to such increase, the most recent rate changes had been implemented on April 1, 2023. In June 2024, Fairfax Water proposed rates, fees and charges to be effective April 1, 2025. The proposed rates, fees and charges are subject to approval of the Board following a public hearing process.

Principal charges billed by Fairfax Water consist of one-time charges imposed when service is installed, a basic service charge for water service and a use charge for each 1,000 gallons consumed. Other charges are assessed for opening accounts and for various miscellaneous transactions.

Fairfax Water has increased some aspect of its rates, fees and charges in each of the last thirty years in order to generate Revenues sufficient to fund a portion of its Capital Improvement Program and to assure it is able to meet the requirements of its rate covenant with respect to the Outstanding Bonds. The cost to users of Fairfax Water's Water System is, nevertheless, among the lowest incurred by users of water systems in the metropolitan Washington, D.C. area.

**Largest Retail and Wholesale Customers.** The following tables show the ten largest retail and wholesale customers of the Water System during the 12 months ended December 31, 2023. Total water usage during the 12 months ended December 31, 2023 was 56.0 billion gallons, generating \$181,038,271 in usage revenues. No single retail customer accounted for more than 0.17% of total Water System usage revenues in 2023, and the ten largest retail customers together accounted for 0.87% of such revenues. No single wholesale customer accounted for more than 10.12% of total Water System usage revenues in 2023, and the ten largest wholesale customers together accounted for 24.30% of such revenues.

#### TEN LARGEST RETAIL WATER CUSTOMERS – 2023

Customer	Thousands of Gallons Per Year	MGD	% of Total System MGD	Total Revenues Received	% of Total System Revenue
INOVA Fairfax Hospital	68,885	0.19	0.12%	\$ 305,942	0.17%
Covanta Fairfax Inc	58,265	0.16	0.10	209,963	0.12
5599 Seminary Rd (VA) Holdings, LLC	54,679	0.15	0.10	196,950	0.11
County of Fairfax-Noman Cole	42,250	0.12	0.08	152,227	0.08
INOVA Fair Oaks Hospital	41,795	0.11	0.07	150,900	0.08
Pavilion Condo Association	37,292	0.10	0.07	134,814	0.07
Skyline Plaza-North	36,398	0.10	0.07	131,542	0.07
Skyline Plaza-South	30,739	0.08	0.05	110,856	0.06
BECO Management	28,485	0.08	0.05	102,839	0.06
Woodlake Tower Inc	25,824	0.07	0.05	93,131	0.05
	424,612	1.16	0.76%	\$1,589,165	0.87%

#### TEN LARGEST WHOLESALE WATER CUSTOMERS – 2023

Customer	Thousands of Gallons Per Year	MGD	% of Total System MGD	Water Sales Revenue	% of Total System Revenue
Prince William County Service Authority	9,851,228	26.99	17.60%	\$18,323,284	10.12%
Loudoun Water	6,432,748	17.62	11.49	7,333,333	4.05
Virginia American Water Company-Alexandria	5,801,683	15.90	10.37	10,791,130	5.96
Virginia American Water Company-Prince William	1,801,977	4.94	3.22	3,351,677	1.85
Town of Herndon	738,579	2.02	1.32	1,373,757	0.76
Town of Vienna	736,187	2.02	1.32	1,369,308	0.76
Fort Belvoir	598,653	1.64	1.07	1,003,988	0.55
Dulles Airport	256,641	0.70	0.46	430,085	0.24
Vulcan Materials Inc.	54,972	0.15	0.10	14,293	0.01
Old Hickory Golf Club	7,532	0.02	0.01	1,958	0.00
	26,280,200	72.00	46.95%	\$43,992,813	24.30%



**Rate History.** The following table shows the history over the past five years for the rate of 1,000 gallons of water consumed charged by Fairfax Water, along with the proposed rate which if approved, would become effective April 1, 2025.

#### RATE HISTORY

<u>Effective Date</u>	<u>Rate per 1,000 Gallons of Water Consumed</u>
April 1, 2025 (Proposed)	\$4.03
April 1, 2024	3.84
April 1, 2023	3.65
April 1, 2022	3.46
April 1, 2021	3.33
April 1, 2020	3.20

#### COLLECTION AND ENFORCEMENT OF SERVICE CHARGES

Water service charges imposed by Fairfax Water upon retail customers within the County and the Cities of Fairfax and Falls Church are billed and collected on a quarterly basis, along with a small number of customers who are billed on a monthly basis. Fairfax Water also acts as the collection agent for sewer service charges on behalf of Fairfax County, the City of Fairfax and the City of Falls Church. Fairfax Water receives a fee which covers Fairfax Water’s costs to provide such services. Sewer service charges imposed by Fairfax County and the Cities of Fairfax and Falls Church appear as a separate item on the water bill, but cannot be separated from the water charges for payment or non-payment by the customer. Any quarterly payments received by Fairfax Water totaling less than the aggregate water and sewer service charges are applied first to the current water charge and second to the current sewer charge. All customers must pay their bills within 30 days of bill receipt or be subjected to a 10% transaction charge for late payments. Two reminder notices are sent to the customer within the 45-day period following rendering of the initial bill, the second of which indicates the date of discontinuance of service.

Under the Act, Fairfax Water, after exhausting its collection methods, may proceed to recover outstanding amounts plus interest in accordance with statutory requirements by filing a lien after complying with the statutory regulations against the property served. In practice, Fairfax Water files a lien for accounts of \$20.00 or more after the property owner has been notified and given an opportunity to pay. Accounts of less than \$20.00 are written off as uncollectible debts and removed from accounts receivable.

During the five-year period ended December 31, 2023, retail water sales billings totaled \$640,413,165. Accounts receivable at the beginning of the five-year period was \$7,143,675. Of these amounts, \$638,834,359 (98.6%) was collected; \$677,743 (0.1%) was written off as uncollectible, and \$8,044,738 (1.3%) represented accounts receivable at the end of the period. Liens have been placed against the affected real estate for a substantial portion of the amount which has been written off, which may be recovered when the ownership of such real estate is transferred or the real estate is refinanced. The following table depicts collection activity for the past five years.

**COLLECTION ACTIVITY**

	Retail Water Billings	Collections	Percentage Collected
2019	\$122,097,529	\$120,809,562	98.9%
2020	122,338,924	121,225,261	99.1
2021	129,060,253	130,474,748	101.1
2022	129,871,535	130,129,912	100.2
2023	137,044,924	136,194,876	99.4

**RATE REGULATION**

The Act provides that Fairfax Water is authorized to fix and revise from time to time rates, fees and other charges for the use of and for the services furnished or to be furnished by any water system owned, operated or maintained by Fairfax Water and on account of which Fairfax Water shall have issued revenue bonds. Such rates, fees and charges are, under the Act, to be fixed and revised as to provide funds, with other funds available for such purposes, sufficient at all times (a) to pay the cost of maintaining, repairing and operating the Water System on account of which such bonds are issued, including reserves for such purposes and for replacement and depreciation and necessary extensions, (b) to pay the principal of and the interest on the revenue bonds as the same shall become due and reserves therefor and (c) to provide a margin of safety for making such payments. The Act states that Fairfax Water shall charge and collect the rates, fees and charges so fixed or revised.

Prior to 2001, the Act provided in Section 15.2-5136(A) that such rates were “subject to the jurisdiction of the State Corporation Commission and to any applicable regulation of the State Corporation Commission or law appertaining thereto.” However, the State Corporation Commission, on December 1, 1963, in Case No. 16516, ruled that it had no jurisdiction to review or revise rates of authorities such as Fairfax Water. The Virginia General Assembly amended Section 15.2-5136(A) in 2001 to delete the above-quoted language concerning the jurisdiction of the State Corporation Commission.

**INFORMATION RELATIVE TO FAIRFAX COUNTY AND FAIRFAX WATER’S RETAIL AND WHOLESALE SERVICE AREAS**

**FAIRFAX WATER SERVICE AREA**

Fairfax Water is empowered by the Act to operate a water system “within, without or partly within and partly without” Fairfax County. Fairfax Water provides retail service to most of the developed area of Fairfax County.

Fairfax Water also serves, at wholesale, (1) Virginia American Water Company, which serves the City of Alexandria, Virginia, and a portion of Prince William County, Virginia; (2) Prince William County Service Authority, which serves a major portion of Prince William County; (3) Fort Belvoir; (4) Dulles International Airport; (5) Town of Herndon; (6) Town of Vienna; and (7) Loudoun Water.

**FAIRFAX COUNTY ECONOMIC FACTORS**

Fairfax County is located in the northeastern corner of the Commonwealth and encompasses an area of approximately 407 square miles west of Washington, D.C. A portion of the County’s northern and eastern boundaries lie along the Potomac River. The County is part of the Washington, D.C. metropolitan area (the “*Metropolitan Area*”), which includes jurisdictions in Maryland, the District of Columbia and Northern Virginia.

## POPULATION

Fairfax County’s estimated population in 2022 was 1,172,646. In 1980, Fairfax County was the third most populous jurisdiction in the Washington, D.C. primary metropolitan statistical area, as defined by the U.S. Bureau of the Census. By 1990, Fairfax County, with 818,584 residents, had become the most populous jurisdiction in the Washington, D.C. area, adding an average of 22,168 people per year in the 1980s. Population growth during the 1990s and 2000s has slowed in Fairfax County; on average, about 9,471 people per year were added to the population during 2010–2019.

### Fairfax County Population

<u>Calendar Year</u>	<u>Population</u>
1980	596,901
1990	818,584
2000	969,749
2010	1,081,726
2011	1,100,692
2012	1,118,602
2013	1,130,924
2014	1,137,538
2015	1,142,234
2016	1,138,652
2017	1,142,888
2018	1,152,873
2019	1,166,965
2020	1,171,848*
2021	1,170,033
2022	1,172,646

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*Sources:* U.S. Bureau of the Census (1980-2000, and 2010 Decennial Censuses); FY 2011-2023 Fairfax County Annual Comprehensive Financial Reports.

\* The 2020 population shown as estimated by the Fairfax County Economic, Demographic and Statistical Research Unit. This estimate differs from County population shown in the 2020 Decennial Census of 1,150,309 and results from different methodologies independently developed by Fairfax County Demographers designed to provide accurate and updated information. The 2020 Decennial Census may have certain statistical anomalies in the County-level data.

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## HOUSEHOLD INCOME

Based on data released by the U.S. Census Bureau, Fairfax County's median household income was \$145,165 and median family income was \$172,110 in 2022. Approximately 48.5% of Fairfax County's households and 57.5% of families had annual income of \$150,000 or more. The following table illustrates the 2022 household and family income distribution in the County.

### 2022 Household and Family Income Distribution\*

<u>Income Level</u>	<u>Household</u>	<u>Family</u>
Under \$25,000	6.2%	4.2%
\$25,000-49,999	8.0	6.3
\$50,000-74,999	9.1	7.3
\$75,000-99,999	9.9	8.0
\$100,000-149,999	18.3	16.7
\$150,000 or more	48.5	57.5
Median Income	\$145,165	\$172,110

*Sources:* U.S. Census Bureau, 2018-2022 American Community Survey 5-Year Estimates.

\* Household Income is defined as that income which is available to all residents of a housing unit, regardless of relationship. Income is from all sources before taxes and deductions and includes wages, business, retirement, SSI, alimony, child support, interest, etc. Family Income is derived by including only those households containing two or more persons related by blood, marriage, or adoption. Percentages may add to more than 100% due to rounding.

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## EMPLOYMENT

As of the second quarter of 2023, there were more than 44,000 payroll business establishments (units) including global, corporate and regional headquarters, technology firms, sales and marketing offices, and business services located in Fairfax County, employing over 630,000 people. Local businesses create employment in diversified areas like computer software development and systems integration, technical services, management consulting, government contracting, Internet-related services, wholesale and retail trade, and financial services. The following table presents data on the average number of payroll establishments and employment by major industry classification in Fairfax County as of second quarter 2023.

### Businesses and Employment by Industry Fairfax County, Virginia<sup>1</sup>

<u>Industrial Classification</u>	<u>Number of Establishments</u>	<u>Average Payroll Employment for Quarter</u>
Agriculture, Forestry, Fishing and Hunting	24	81
Mining, quarrying, and oil and gas extraction	13	72
Utilities	29	1,320
Construction	2,695	25,399
Manufacturing	574	5,357
Wholesale Trade	1,213	13,680
Retail Trade	2,638	48,179
Transportation and Warehousing	503	10,242
Information	1,142	22,445
Finance and Insurance	1,846	22,174
Real Estate and Rental and Leasing	2,029	9,585
Professional and Technical Services <sup>2</sup>	12,118	162,576
Management of Companies and Enterprises	455	24,624
Administrative and Waste Services	2,383	46,966
Educational Services	822	10,944
Health Care and Social Assistance	5,082	67,301
Arts, Entertainment, and Recreation	513	8,665
Accommodation and Food Services	2,590	43,702
Other Services except Public Administration	6,409	19,179
Unclassified	1,002	1,683
Federal Government, all industries	159	28,338
State Government, all industries	40	9,726
Local Government, all industries	<u>88</u>	<u>48,119</u>
Total	44,367	630,357

*Source:* Virginia Employment Commission, Quarterly Census of Employment and Wages, Fairfax County, second quarter 2023.

<sup>1</sup> Excludes self-employed business owners.

<sup>2</sup> The Services category includes professional and technical services, health care and social assistance, management services, educational services, accommodation and food services, arts, entertainment and recreation, administrative and waste services, and membership organizations and trade associations.

## Largest Private Employers in Fairfax County

### 5,000-10,000+ Employees

<u>Company Name</u>	<u>Type of Business</u>
Amazon	Professional, Technical Services
Booz Allen Hamilton*	Professional, Technical Services
Capital One*	Financial Services
Federal Home Loan Mortgage Corporation*	Financial Services
General Dynamics*	Professional, Technical Services
Inova Health System*	Health Care
SAIC*	Professional, Technical Services

### 1,000-4,999 Employees

<u>Company Name</u>	<u>Type of Business</u>
The MITRE Corporation*	Professional, Technical Services
Navy Federal Credit Union*	Financial Services
Peraton*	Professional, Technical Services

*Sources:* Virginia Works, Virginia Employment Commission LMI, and Fairfax County Economic Development Authority, second quarter of 2023. Some companies may report jobs out of a Fairfax County location, but jobs may be located elsewhere. Companies are in alphabetical order within ranges.

\* Company with headquarters in Fairfax County.

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Unemployment in Fairfax County has historically been, and continues to be, well below the national average, even in challenging economic times. The following table shows the average annual unemployment rate in Fairfax County as compared to Virginia and national averages in the past decade:

**Average Annual Unemployment Rates**

<b>Calendar Year</b>	<b>Fairfax County</b>	<b>Virginia</b>	<b>United States</b>
2014	4.2%	5.2%	6.2%
2015	3.6	4.4	5.3
2016	3.2	4.0	4.9
2017	3.0	3.8	4.4
2018	2.4	3.0	3.9
2019	2.3	2.8	3.7
2020	5.8	6.2	8.1
2021	3.5	3.9	5.3
2022	2.5	2.9	3.6
2023*	2.5	2.9	3.7

*Sources: U.S. Bureau of Labor Statistics; data are not seasonally adjusted, Virginia Employment Commission.*

*\* The calendar year 2023 data represents the average unemployment rate from January 1, 2023, to October 31, 2023.*

**CONSTRUCTION ACTIVITY**

The following table illustrates trends in residential and commercial construction activity in Fairfax County:

<b>Fiscal Year</b>	<b>Building Permits</b>				<b>Estimated Housing Units Started</b>
	<b>Residential Properties</b>		<b>Industrial and Commercial Properties</b>		
	<b>Number<sup>1</sup></b>	<b>Estimated Value (000s)</b>	<b>Number<sup>1</sup></b>	<b>Estimated Value (000s)</b>	
2014	10,469	\$895,638	5,054	\$660,063	4,154
2015	10,320	529,104	4,714	475,241	2,580
2016	10,268	616,151	4,844	496,006	2,961
2017	10,885	800,375	4,609	710,078	3,872
2018	11,243	659,928	4,836	743,057	3,982
2019	11,360	875,437	4,650	597,232	2,855
2020	9,005	959,102	6,711	820,010	3,657
2021	13,424	1,467,800	3,359	627,943	5,587
2022	13,499	1,154,965	3,556	605,491	2,612
2023	9,925	755,497	3,616	904,085	3,488

*Sources: Building permits provided by Fairfax County Land Development Services, and estimated housing units started provided by the Weldon Cooper Center for Public Service, University of Virginia.*

<sup>1</sup> Includes new and alteration/repair permits issued. Does not include trade permits issued.

## TAX BASE DATA

Fairfax County annually reassesses over 363,000 parcels of real property employing a computer assisted mass reassessment program for both residential and non-residential properties. The County uses a statistic called the coefficient of dispersion (the “*Coefficient of Dispersion*”), which measures the uniformity of assessment to sale ratios among properties. The lower the coefficient of dispersion, the more uniform the assessment. The overall Coefficient of Dispersion in Fairfax County for tax year 2021 (Fiscal Year 2022) was 3.6%, and the assessment to sales price ratio was 0.951. A Coefficient of Dispersion of 15% is considered good by professional assessing standards. The County falls into the excellent category, indicating a high degree of assessment uniformity and equity.

### Assessed Value of All Taxable Property<sup>1</sup>

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
2015	\$216,832,912,747	\$16,518,808,610	\$233,351,721,357
2016	224,411,716,328	16,895,179,934	241,306,896,262
2017	231,350,805,374	17,451,767,407	248,802,572,781
2018	235,919,724,142	17,592,325,499	253,512,049,641
2019	244,472,458,923	17,884,347,499	262,356,806,422
2020	253,272,215,743	18,535,851,732	271,808,067,475
2021	262,970,803,833	18,019,575,722	280,990,379,555
2022	270,042,399,071	19,359,424,063	289,401,823,134
2023 <sup>2</sup>	292,153,555,138	20,912,705,205	313,066,260,343
2024 <sup>2</sup>	311,447,039,950	20,591,852,642	332,038,892,592

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*Sources:* Fairfax County Department of Tax Administration and Department of Management and Budget. All years included figures for the Public Service Corporation. All Public Service Corporation real property assessments are required under Virginia law to be made at 100% of estimated market value annually by the State Corporation Commission.

<sup>1</sup> Figures are net of exonerated assessments and tax relief for the elderly and disabled.

<sup>2</sup> Estimate from the FY 2024 Adopted Budget Plan per Fairfax County Department of Management and Budget. Fiscal year property taxes are levied on prior year assessments.

The 2024 Bonds are not secured by revenue derived from real property, personal property or any other tax of Fairfax County.

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## HOUSING

Single-family detached housing units represented 45.6% of the total housing units within Fairfax County in 2023. Single-family attached housing accounted for 24.1%, and multi-family housing made up the remaining 30.3%. In 2023, the median market value of all owned housing units, including condominiums, in Fairfax County was estimated by the Department of Management and Budget to be \$661,564.

### Housing Units by Type of Structure

	<u>2000</u>		<u>2010</u>		<u>2020</u>		<u>2023</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Single-Family:								
Detached <sup>1</sup>	181,591	50.6	191,873	48.4	196,238	46.3	196,975	45.6
Attached <sup>2</sup>	87,171	24.3	98,972	25.0	101,893	24.0	104,331	24.1
Multi-Family <sup>3</sup>	<u>90,198</u>	<u>25.1</u>	<u>105,541</u>	<u>26.6</u>	<u>125,956</u>	<u>29.7</u>	<u>130,952</u>	<u>30.3</u>
Total	<u>358,960</u>	<u>100.0</u>	<u>396,386</u>	<u>100.0</u>	<u>424,087</u>	<u>100.0</u>	<u>432,258</u>	<u>100.0</u>

*Sources:* U.S. Bureau of the Census, U.S. Census of Housing (2000); 2010, 2020 and 2023 data from Fairfax County Department of Management and Budget. The 2000 and 2010 estimates do not include housing units located in Fort Belvoir.

<sup>1</sup> Single-Family detached includes all single-family homes and mobile homes.

<sup>2</sup> Single-Family attached includes duplexes, townhouses, and multiplex units.

<sup>3</sup> Multi-Family includes condominiums, apartments and other units in structures with a common entryway.

The average sale price of housing units within the County comparing August 2022 with August 2023 is listed below:

### Average Sale Price Housing Units

<u>Type of Structure</u>	<u>August 2023</u>	<u>August 2022</u>	<u>% change</u>
All Homes	\$845,311	\$721,095	17.2%
Detached Homes	1,122,304	972,777	15.4
Attached Homes	540,832	480,729	12.5

*Source:* Fairfax County Department of Management and Budget Economic Indicators – September 2023.

## LEGALITY FOR INVESTMENT

Under the Act, the 2024 Bonds are securities in which all public officers and bodies of the Commonwealth of Virginia and all political subdivisions thereof, all insurance companies and associations and all savings banks and savings institutions, including savings and loan associations, in the Commonwealth, may properly and legally invest funds in their control.

## TAX TREATMENT

### FEDERAL TAXATION

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the 2024 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2024 Bonds, assuming the accuracy of the certifications of Fairfax Water and continuing compliance by Fairfax Water with the requirements of the Internal Revenue Code of 1986, as

amended (the “Code”). Interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the “adjusted financial statement income” of “applicable corporations” for purposes of computing the alternative minimum tax imposed on such corporations, as such quoted terms are defined in the Code.

The Code imposes a number of restrictions and requirements that apply to the 2024 Bonds including, without limitation, (i) investment restrictions, (ii) requirements for periodic payments of arbitrage profits to the United States, and (iii) rules regarding the proper use of the proceeds of the 2024 Bonds and the facilities financed or refinanced with such proceeds. Fairfax Water will covenant to comply with all restrictions and requirements of the Code that must be satisfied in order for the interest on the 2024 Bonds to be and remain excludable from the gross income of the owners thereof for federal income tax purposes (the “Tax Covenants”). Failure to comply with the Tax Covenants may result in the inclusion of interest on the 2024 Bonds in the gross income of the owners for federal income tax purposes, retroactive to the date of issuance of the 2024 Bonds or some other date. The opinion of Bond Counsel assumes compliance with the Tax Covenants.

**Original Issue Discount.** Certain of the 2024 Bonds were offered at a discount (“*original issue discount*”) equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a 2024 Bond accrues periodically over the term of such 2024 Bond as interest with the same tax exemption and alternative minimum tax status as stated interest. The accrual of original issue discount increases the bondholder’s tax basis in the 2024 Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Bondholders should consult their tax advisers for an explanation of the accrual rules.

**Original Issue Premium.** Certain of the 2024 Bonds were offered at a premium (“*original issue premium*”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a 2024 Bond through reductions in the bondholder’s tax basis for the 2024 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Bond Counsel expresses no opinion regarding any other tax consequences under federal laws relating to ownership or disposition of, or the accrual or receipt of interest on any 2024 Bonds.

#### **COMMONWEALTH OF VIRGINIA TAXATION**

Bond Counsel is of the opinion that the 2024 Bonds, their transfer and the income therefrom (including any profit from the sale thereof) are exempt from taxation within the Commonwealth of Virginia.

Bond Counsel expresses no opinion regarding other state or local tax consequences arising with respect to the 2024 Bonds, including whether interest on the 2024 Bonds is exempt from taxation under the laws of any jurisdiction other than the Commonwealth of Virginia.

#### **GENERAL**

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2024 Bonds, and Bond Counsel will not express any opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

*The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the 2024 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.*

See Appendix D – “Form of Bond Counsel Opinion” hereto for the proposed Form of Bond Counsel Opinion.

## LITIGATION

There is no controversy or action of any nature now pending against Fairfax Water (or, to the knowledge of Fairfax Water, any threatened action) seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2024 Bonds or in any way contesting or affecting the validity of the 2024 Bonds. There are no judicial or regulatory suits or actions pending by or against Fairfax Water or, to the knowledge of Fairfax Water threatened, which, if determined adversely to Fairfax Water, would materially and adversely affect the operations of Fairfax Water, its revenues or net revenues or its ability to pay debt service on the 2024 Bonds.

## CONTINUING DISCLOSURE OBLIGATION

Fairfax Water has agreed in the Series Indenture to provide certain continuing disclosure in accordance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) so long as any 2024 Bonds remain Outstanding. See Appendix C – “Summary of Certain Provisions of the Indenture – Undertaking to Provide Ongoing Disclosure” herein for a description of the information to be provided.

Fairfax Water has agreed that its undertaking set forth above is intended to be for the benefit the Owners and the Beneficial Owners of the 2024 Bonds and any Owner or Beneficial Owner may take action to enforce the provisions or may request the Trustee to enforce the provisions, but the Trustee is under no obligation to do so. The Series Indenture specifically states that a failure to comply with the provisions relating to continuing disclosure will not be an Event of Default under the Indenture and will not result in acceleration of the payment of the 2024 Bonds or the availability of any other remedies which are dependent upon the occurrence of an Event of Default, and the sole remedy with respect thereto is an action seeking specific performance in an effort to compel Fairfax Water to comply with the continuing disclosure obligation.

Fairfax Water may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of Fairfax Water, without the consent of the Owners of the 2024 Bonds if the Trustee receives an opinion of Bond Counsel to the effect that such amendment will not adversely affect the compliance by Fairfax Water with the Rule.

Pursuant to the terms of its undertakings under the Rule prior to the issuance of the 2019 Bonds, Fairfax Water is obligated to provide, among other things, by not later than July 1 of each Fiscal Year, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions “WATER SYSTEM” and “RATES, FEES AND CHARGES” in the related offering document for the related series of Bonds subject to each such undertaking, to the extent such items are not included in Fairfax Water’s audited financial statements.

Fairfax Water did not provide certain summary information concerning revenues and expenses on a cash basis, as similar information concerning revenues and expenses on an accrual basis was provided as part of its audited financial statements submitted in accordance with such prior undertakings (and

accordingly Fairfax Water has not provided any notice of a failure to file pursuant to the terms of its prior undertakings under the Rule).

For purposes of clarity and enhanced disclosure, Fairfax Water’s undertakings in connection with the 2019 Bonds, 2020 Bonds, 2021 Bonds and 2024 Bonds are formulated to be more specific as to the detail of the type of financial and statistical information to be provided, including summary information containing revenues and expenses on both an accrual basis and on a cash basis. See “Appendix C – Summary of Certain Provisions of the Indenture – Undertaking to Provide Ongoing Disclosure” herein.

### **LEGAL MATTERS**

All legal matters in connection with the authorization and issuance of the 2024 Bonds are subject to the approval of Ballard Spahr LLP, Bond Counsel. The proposed form of opinion of Bond Counsel is included as Appendix D to this Official Statement. Certain legal matters will be passed on for Fairfax Water by its General Counsel, Hunton Andrews Kurth LLP.

### **CONSULTING ENGINEER**

Greeley and Hansen LLC, Richmond, Virginia, serves as Consulting Engineer for Fairfax Water.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC (“*PFM*”), Arlington, Virginia, has served as financial advisor to Fairfax Water in connection with the issuance and sale of the 2024 Bonds. Although PFM has assisted in the preparation of the Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **SALE AT COMPETITIVE BIDDING**

The 2024 Bonds were awarded pursuant to electronic competitive bidding held via MuniAuction on July 9, 2024 to Wells Fargo Bank, National Association (the “*Underwriter*”) at a price that results in an underwriter’s discount of \$724,140 from the initial reoffering prices derived from the yields shown on the inside cover page. The Underwriter has supplied the information as to the initial reoffering yields shown on the inside cover page. The Underwriter may offer to sell the 2024 Bonds to certain dealers and others at prices lower than the initial reoffering prices derived from the yields shown on the inside cover page.

### **RATINGS**

S&P has assigned a rating of AAA to the 2024 Bonds, with a stable outlook. Moody’s has assigned the rating of Aaa to the 2024 Bonds, with a stable outlook. Such ratings and outlooks reflect only the respective views of such rating agencies, and any explanation of the significance of such ratings and outlooks should be obtained only from the rating agency furnishing the same. There is no assurance that such ratings or outlooks will be maintained for any given period of time or that they will not be revised downward or withdrawn entirely by either or all of such rating agencies if, in the judgment of either or all, circumstances so warrant. Any such downward revision or withdrawal of such ratings or outlooks may have an adverse effect on the market price of the 2024 Bonds.

**MISCELLANEOUS**

This Official Statement has been duly approved, executed and delivered by Fairfax Water.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between Fairfax Water and the purchasers or holders of any of the 2024 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Fairfax Water since the date hereof. All references to the Act, the General Indenture and the Series Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such laws and documents for a full and complete statement thereof.

FAIRFAX COUNTY WATER AUTHORITY

By: /s/Philip W. Allin  
Philip W. Allin  
Chairman

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APPENDIX A  
FAIRFAX COUNTY WATER AUTHORITY  
FAIRFAX, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION  
AND  
SUPPLEMENTARY INFORMATION

for  
the Year Ended

December 31, 2023

(with Independent Auditor's Report Thereon)

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## **FAIRFAX COUNTY WATER AUTHORITY**

**Management's Discussion and Analysis, Basic Financial Statements,  
Required Supplementary Information and Supplementary Information  
December 31, 2023  
(With Independent Auditor's Report Thereon)**

# FAIRFAX COUNTY WATER AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board Members  
Fairfax County Water Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activity and fiduciary activity of the Fairfax County Water Authority (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activity and fiduciary activity of the Authority as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 58-65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
April 18, 2024

# FAIRFAX COUNTY WATER AUTHORITY

## Management's Discussion and Analysis

This section of the Fairfax County Water Authority (Fairfax Water) annual financial report presents management's analysis of Fairfax Water's financial performance during the fiscal year ended December 31, 2023. This analysis should be read in conjunction with the basic financial statements that follow this section.

### Financial Highlights

- Fairfax Water maintained triple-A bond ratings from Moody's Investors Service, Standard & Poor's, and Fitch Ratings.
- Effective April 1, 2023, Fairfax Water increased the commodity charge by nineteen cents to \$3.65. Even with this 5.5% increase, Fairfax Water's rates are among the lowest in the area. Other fees and connection charges were also revised at that time.
- The revenue from wholesale and retail customers for fiscal year 2023 increased by \$33.4 million, approximately 19.3% over fiscal year 2022.
- The increase in net position during the year of \$77.4 million included operating income of \$55.1 million, net nonoperating income of \$15.9 million and capital contributions of \$6.4 million.
- Operating expenses before depreciation and amortization during 2023 increased by approximately \$30.5 million, which is 44.5% over 2022.
- Capital assets (water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities, and other facilities), net of disposals and accumulated depreciation and amortization, increased by \$84.8 million, approximately 4.5% over 2022.

### Overview of the Financial Statements

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

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

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

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

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

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

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

## **Financial Analysis**

During 2023, Fairfax Water maintained its sound financial position, as demonstrated by Fairfax Water's continued growth in net position and strong cash and investment portfolio, along with the strategic management of its debt borrowings, as outlined in the financial statements and schedules included in this report. While exercising prudent fiscal discipline, Fairfax Water continues to ensure it is able to provide safe and reliable water to its customers.

## Net Position

The following table reflects Fairfax Water's net position at December 31, 2023 and 2022:

### Summary of Net Position (in millions)

	2023	2022	Increase (Decrease)	% Change
Current and other assets	\$ 273.4	\$ 310.8	\$ (37.4)	(12.0)
Capital assets, net of accumulated depreciation and amortization	1,975.8	1,891.0	84.8	4.5
<b>Total assets</b>	<b>2,249.2</b>	<b>2,201.8</b>	<b>47.4</b>	<b>2.2</b>
<b>Deferred outflows of resources</b>	<b>79.8</b>	<b>41.8</b>	<b>38.0</b>	<b>90.9</b>
Other liabilities	37.0	31.5	5.5	17.5
Long-term liabilities	592.3	526.3	66.0	12.5
<b>Total liabilities</b>	<b>629.3</b>	<b>557.8</b>	<b>71.5</b>	<b>12.8</b>
<b>Deferred inflows of resources</b>	<b>28.6</b>	<b>92.1</b>	<b>(63.5)</b>	<b>(68.9)</b>
Net position:				
Net investment in capital assets	1,502.6	1,444.5	58.1	4.0
Restricted for debt service	43.1	37.9	5.2	13.7
Unrestricted	125.4	111.3	14.1	12.7
<b>Total net position</b>	<b>\$ 1,671.1</b>	<b>\$ 1,593.7</b>	<b>\$ 77.4</b>	<b>4.9</b>

During 2023, Fairfax Water's net position increased 4.9% to \$1,671.1 million. Capital assets, net of accumulated depreciation and amortization, increased 4.5% to \$1,975.8 million. This increase is attributable to various projects to expand and improve Fairfax Water infrastructure. In addition, during 2023, developers constructed \$3.5 million of capital assets and donated them to Fairfax Water. Additional information is presented in the Capital Assets section of this discussion and Notes 4 and 5 of the basic financial statements.

Current and other assets decreased 12.0% due primarily to a \$56.1 million decrease in cash and cash equivalents, which was partially offset by a \$4.5 million increase in investments. The decrease in cash and cash equivalents is the result of ongoing construction and spending of bond proceeds. The remaining \$14.2 million increase in current and other assets is mainly driven by increased inventory, customer receivables, and unbilled revenue.

Deferred outflows of resources increased 90.9% to \$79.8 million, primarily due to increased deferred pension plan and other postemployment benefits expenses, resulting from net investment and demographic losses that were partially offset by decreases in assumption changes in the most recent actuarial valuation. A more detailed description of Fairfax Water's pension and other postemployment benefits plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

Total long-term liabilities increased 12.5% to \$592.3 million, mainly driven by increases in the net pension liability and other postemployment benefits liabilities, and was partially offset by scheduled debt payments. Other liabilities increased 17.5% to \$37.0 million primarily due to an increase in construction contract retainage and accounts payable and accrued expenses. A more detailed description of Fairfax Water's long-term liabilities can be found in the Bonds Payable section of this discussion and in Notes 6, 7, 8, 9, 10, and 11 of the basic financial statements.



Deferred inflows of resources decreased 68.9% to \$28.6 million, mainly due to net investment losses in the pension plan and changes to other postemployment benefit assumptions resulting from the most recent actuarial valuation. A more detailed description of Fairfax Water’s pension and other postemployment benefits plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

### Changes in Net Position

The following table reflects Fairfax Water’s changes in net position for the years ended December 31, 2023 and 2022:

**Summary of Changes in Net Position**  
(in millions)

	2023	2022	Increase (Decrease)	% Change
Operating revenues	\$ 218.7	\$ 184.9	\$ 33.8	18.3
Operating expenses	(99.0)	(68.5)	30.5	44.5
Depreciation and amortization expense	(64.6)	(61.4)	3.2	5.2
Nonoperating revenues, net	15.9	1.9	14.0	736.8
<b>Increase in net position before contributions</b>	<b>71.0</b>	<b>56.9</b>	<b>14.1</b>	<b>24.8</b>
Capital contributions	6.4	2.2	4.2	190.9
<b>Increase in net position</b>	<b>\$ 77.4</b>	<b>\$ 59.1</b>	<b>\$ 18.3</b>	<b>31.0</b>

Fairfax Water’s operating revenues increased 18.3% to \$218.7 million. Revenue from wholesale customers increased \$27.7 million due to an increase in the wholesale commodity rate resulting from higher operating and capital costs and a 4.6% increase in wholesale water sales. Additionally, \$10.8 million was billed to construct new transmission facilities for the Occoquan River Crossing project and \$7.8 million for other wholesale transmission construction projects. Retail water sales revenue increased \$5.7 million as a result of the nineteen-cent increase in the commodity charge and a 1.2% increase in retail water sales. Operating expenses increased 44.5% to \$99.0 million, mainly due to increased pension and other postemployment benefits resulting from net investment losses in the last actuarial valuation. Additionally, inflationary increases in chemicals and power purchased drove higher supply and treatment facilities expenses. Depreciation and amortization expense increased 5.2% to \$64.6 million. Net nonoperating revenues increased 736.8% to \$15.9 million, which was driven by an increase in the fair value of investments.

## Capital Assets and Debt Administration

### Capital Assets

As of December 31, 2023, Fairfax Water had \$1,975.8 million in a full range of capital assets used in the provision of water service including water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities, and other facilities. This amount represents a net increase of \$84.8 million, or 4.5% over December 31, 2022. The following table reflects a breakdown of capital assets by category at December 31, 2023 and 2022:

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

	2023	2022	Increase (Decrease)	% Change
Land and rights of way	\$ 51.3	\$ 51.3	\$ -	-
Easements	2.1	2.1	-	-
Construction in progress	79.6	43.0	36.6	85.1
Water supply	111.7	114.1	(2.4)	(2.1)
Water treatment	427.8	441.4	(13.6)	(3.1)
Transmission	321.3	314.7	6.6	2.1
Distribution	582.6	556.3	26.3	4.7
General plant	397.4	368.1	29.3	8.0
Intangible right-to-use subscription	2.0	-	2.0	100.0
<b>Total capital assets</b>	<b>\$ 1,975.8</b>	<b>\$ 1,891.0</b>	<b>\$ 84.8</b>	<b>4.5</b>

The increase in capital assets in fiscal year 2023 is attributable to investments related to various projects to expand and improve Fairfax Water infrastructure as well as developer donated assets.

### Bonds Payable

At the end of 2023, net bonds outstanding totaled \$476.7 million. This 5.4% decrease from the previous year is attributable to the normal retirement of bonds. The primary source of revenue utilized for repayment of debt is water consumption charges. In addition, Fairfax Water obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water projects. These other sources include payments from applicants for new service and payments from other jurisdictions for projects that specifically benefit them. A more detailed description of Fairfax Water's bonds payable can be found in Note 7 to the basic financial statements. The following table reflects the composition of bonds payable at December 31, 2023 and 2022:

**Bonds Payable**  
(in millions)

	2023	2022	Increase (Decrease)	% Change
Series 2005	\$ 18.1	\$ 24.0	\$ (5.9)	(24.6)
Series 2010	64.9	64.9	-	-
Series 2013	18.1	21.9	(3.8)	(17.4)
Series 2017	151.2	156.5	(5.3)	(3.4)
Series 2019	83.8	91.2	(7.4)	(8.1)
Series 2020	18.8	18.8	-	-
Series 2021	79.7	81.1	(1.4)	(1.7)
<b>Subtotal</b>	434.6	458.4	(23.8)	(5.2)
Plus:				
Unamortized bond premiums	42.1	45.5	(3.4)	(7.5)
<b>Bonds payable, net</b>	476.7	503.9	(27.2)	(5.4)
Current portion	31.8	27.2	4.6	16.9
Long-term portion	\$ 444.9	\$ 476.7	\$ (31.8)	(6.6)

**Bond Ratings**

During fiscal year 2023, Moody's Investors Service, Standard & Poor's, and Fitch Ratings maintained ratings of Aaa, AAA, and AAA, respectively, to Fairfax Water's outstanding revenue bonds.

**Request for Information**

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

Fairfax Water  
 Attention: Director, Finance Division  
 8570 Executive Park Avenue  
 Fairfax, Virginia 22031-2218  
[www.FairfaxWater.org](http://www.FairfaxWater.org)

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Net Position December 31, 2023

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<b>Current assets:</b>	
Cash and cash equivalents	
Unrestricted	\$ 24,724,244
Restricted	3,695,531
Investments	
Unrestricted	14,690,104
Restricted	43,461,761
Accrued interest receivable	940,923
Customer receivables, net of allowance for doubtful accounts of \$272,000	11,607,730
Unbilled revenue	23,173,940
Notes receivable	84,699
Leases receivable	695,135
Inventory	10,460,159
Other current assets	1,351,982
<b>Total current assets</b>	<b>134,886,208</b>
<b>Noncurrent assets:</b>	
Investments	
Unrestricted	126,297,073
Restricted	3,383,866
Notes receivable	814,292
Leases receivable	8,056,825
Capital assets, net of accumulated depreciation and amortization	1,975,859,170
<b>Total noncurrent assets</b>	<b>2,114,411,226</b>
<b>Total assets</b>	<b>2,249,297,434</b>
<b>Deferred outflows of resources:</b>	
Deferred charge on refunding	9,660,421
Pension plan	54,044,781
Other postemployment benefits	16,162,045
<b>Total deferred outflows of resources</b>	<b>79,867,247</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,329,164,681</b>

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Net Position (continued) December 31, 2023

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 20,190,655
Compensated absences	2,817,954
Bonds payable, current maturities	31,794,624
Accrued interest on bonds payable	4,438,084
Unearned revenue	8,246,528
Construction contract retainage	4,166,906
Subscription liability, current portion	590,334
<b>Total current liabilities</b>	<b>72,245,085</b>
<b>Noncurrent liabilities:</b>	
Compensated absences	2,949,362
Refundable construction advances	2,551,481
Bonds payable, net of current portion	444,950,425
Net pension liability	87,669,572
Other postemployment benefits liability	16,932,413
Arbitrage rebate liability	664,596
Subscription liability, noncurrent portion	1,408,942
<b>Total noncurrent liabilities</b>	<b>557,126,791</b>
<b>Total liabilities</b>	<b>629,371,876</b>
<b>Deferred inflows of resources:</b>	
Pension plan	6,222,004
Other postemployment benefits	14,212,779
Lease revenue	8,165,374
<b>Total deferred inflows of resources</b>	<b>28,600,157</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>657,972,033</b>
<b>Net position:</b>	
Net investment in capital assets	1,502,608,360
Restricted for debt service	43,171,031
Unrestricted	125,413,257
<b>Total net position</b>	<b>1,671,192,648</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 2,329,164,681</b>

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

## FAIRFAX COUNTY WATER AUTHORITY

### Statement of Revenues, Expenses and Change in Net Position For the year ended December 31, 2023

<b>Operating revenues:</b>	
Sales to retail customers	\$ 135,454,268
Sales to wholesale customers	71,184,718
Sewer service billing charges	7,504,083
Other	4,541,885
<b>Total operating revenues</b>	<b>218,684,954</b>
<b>Operating expenses:</b>	
Supply facilities	13,910,387
Treatment facilities	34,437,448
Transmission system	7,911,300
Distribution system	22,191,246
Administrative and general	20,554,333
<b>Total operating expenses before depreciation and amortization</b>	<b>99,004,714</b>
<b>Operating income before depreciation and amortization</b>	<b>119,680,240</b>
Depreciation and amortization	(64,621,064)
<b>Operating income</b>	<b>55,059,176</b>
<b>Nonoperating revenues (expenses):</b>	
Availability fees and other connection charges	19,986,560
Investment gain, net	9,262,267
Bond subsidy	1,070,352
Lease revenue	1,508,220
Gain on sale of property	110,357
Interest expense	(15,960,099)
<b>Total nonoperating revenues, net</b>	<b>15,977,657</b>
<b>Income before capital contributions</b>	<b>71,036,833</b>
<b>Capital contributions</b>	<b>6,368,030</b>
<b>Increase in net position</b>	<b>77,404,863</b>
<b>Net position, beginning of year</b>	<b>1,593,787,785</b>
<b>Net position, end of year</b>	<b>\$ 1,671,192,648</b>

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

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Cash Flows

For the year ended December 31, 2023

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 205,866,175
Cash paid to employees	(76,597,884)
Cash paid to suppliers	(29,108,915)
<b>Net cash provided by operating activities</b>	<b>100,159,376</b>
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on bonds	(23,830,000)
Interest paid on bonds	(18,203,322)
Construction of capital assets	(146,626,618)
Proceeds from disposition of capital assets	129,000
Availability fees and other connection charges	20,772,290
Lease revenue	1,239,820
Bond subsidy	1,070,352
Capital contributions received from developers	2,894,389
Principal paid on subscription	(385,652)
Interest paid on subscription	(29,930)
Intangible right-to-use subscription asset	1,424,627
<b>Net cash used in capital and related financing activities</b>	<b>(161,545,044)</b>
<b>Cash flows from investing activities:</b>	
Gross purchases of investments	(125,582,847)
Gross sales and maturities of investments	126,070,621
Interest received	4,738,680
Collection of note receivable	80,031
<b>Net cash provided by investing activities</b>	<b>5,306,485</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(56,079,182)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>84,498,957</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 28,419,775</b>

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Cash Flows (continued) For the year ended December 31, 2023

<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 55,059,176
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	64,621,064
Other postemployment benefits	(941,249)
Pension expense	(10,559,791)
Change in operating assets and liabilities:	
Customer receivables, net	(4,632,688)
Unbilled revenue	(8,060,326)
Inventory	(1,901,245)
Other assets	(125,765)
Accounts payable and accrued expenses	6,556,136
Compensated absences	144,064
Total adjustments	45,100,200
Net cash provided by operating activities	\$ 100,159,376
<b>Supplemental schedule of noncash investing, capital and financing activities:</b>	
Capital contributions -	
Estimated acquisition value of capital assets received from developers and others	\$ 3,473,641
Capital assets -	
Capital assets acquired through incurrence of year-end accounts payable	\$ 12,236,300
Investments -	
Change in the fair value of investments	\$ 4,954,135
Subscription-based IT arrangements (SBITA) -	
Right-to-use subscription assets	\$ 1,999,276
Subscription liabilities	(1,999,276)

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



# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Fiduciary Net Position December 31, 2023

FIDUCIARY FUNDS	Trust Funds			
	Custodial Funds	Welfare Benefit Trust Fund	Pension and OPEB Trust Fund	Total Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,643,320	\$ 609,853	\$ 2,254,337	\$ 2,864,190
Other current assets	-	472,653	139,842	612,495
Investments held in trust at fair value:				
U.S. government obligations	-	16,071,722	-	16,071,722
Corporate notes	-	548,706	-	548,706
Equity mutual funds	-	-	303,246,551	303,246,551
Fixed income pooled funds	-	-	98,106,672	98,106,672
Supranational bonds	-	504,061	-	504,061
Other investments	-	-	8,047,999	8,047,999
Total investments	-	17,124,489	409,401,222	426,525,711
Total assets	4,643,320	18,206,995	411,795,401	430,002,396
<b>LIABILITIES</b>				
Accounts payable	-	806,552	415,076	1,221,628
Total liabilities	-	806,552	415,076	1,221,628
<b>NET POSITION</b>				
Restricted for:				
Other localities	4,643,320	-	-	-
Pension and other postemployment benefits	-	17,400,443	411,380,325	428,780,768
Total net position	\$ 4,643,320	\$ 17,400,443	\$ 411,380,325	\$ 428,780,768

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

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Changes in Fiduciary Net Position For the year ended December 31, 2023

FIDUCIARY FUNDS	Trust Funds			
	Custodial Funds	Welfare Benefit Trust Fund	Pension and OPEB Trust Fund	Total Trust Funds
<b>Additions:</b>				
Employer contributions	\$ -	\$ 5,167,533	\$ 22,109,602	\$ 27,277,135
Plan member contributions	-	1,432,916	647,613	2,080,529
Sewer service and utility taxes	249,965,264	-	-	-
Other	-	743,824	-	743,824
<b>Total contributions</b>	<b>249,965,264</b>	<b>7,344,273</b>	<b>22,757,215</b>	<b>30,101,488</b>
Investment income:				
Net increase in fair value of investments	-	555,405	64,476,075	65,031,480
Interest	-	314,279	26,308	340,587
<b>Total investment earnings</b>	<b>-</b>	<b>869,684</b>	<b>64,502,383</b>	<b>65,372,067</b>
Less investment expense	-	-	967,407	967,407
<b>Net investment income</b>	<b>-</b>	<b>869,684</b>	<b>63,534,976</b>	<b>64,404,660</b>
<b>Total additions</b>	<b>249,965,264</b>	<b>8,213,957</b>	<b>86,292,191</b>	<b>94,506,148</b>
<b>Deductions:</b>				
Retirement benefits	-	-	22,919,860	22,919,860
Health insurance benefits	-	-	2,587,503	2,587,503
Health insurance claims	-	10,161,083	-	10,161,083
Refunds of contributions	-	-	61,337	61,337
Remittances to localities	249,345,861	-	-	-
Administrative expenses	-	478,770	141,169	619,939
<b>Total deductions</b>	<b>249,345,861</b>	<b>10,639,853</b>	<b>25,709,869</b>	<b>36,349,722</b>
Increase (decrease) in fiduciary net position	619,403	(2,425,896)	60,582,322	58,156,426
<b>Net position, beginning of year</b>	<b>4,023,917</b>	<b>19,826,339</b>	<b>350,798,003</b>	<b>370,624,342</b>
<b>Net position, end of year</b>	<b>\$ 4,643,320</b>	<b>\$ 17,400,443</b>	<b>\$ 411,380,325</b>	<b>\$ 428,780,768</b>

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

# FAIRFAX COUNTY WATER AUTHORITY

## Notes to Basic Financial Statements

December 31, 2023

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### 1. Fairfax Water

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

### 2. Summary of Significant Accounting Policies

#### A. Reporting Entity

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

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

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

#### B. Basis of Accounting

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

Fairfax Water has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, Fairfax Water adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and portions of GASB Statement No. 99, *Omnibus 2022*.

### **C. Use of Estimates**

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

### **D. Revenue Recognition**

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

Fairfax Water's receivables are recorded net of an allowance for doubtful accounts, where considered necessary. As of December 31, 2023, the only receivables that management determined required an allowance relates to retail customers accounts receivable. Fairfax Water calculates the allowance as a percentage of retail sales, based on past bad debt experience. No allowance is calculated for wholesale customer accounts receivable, as Fairfax Water has not historically experienced any collectability issues with its wholesale customers.

### **E. Operating and Nonoperating Revenues and Expenses**

Fairfax Water's Statement of Revenues, Expenses and Change in Net Position distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Fairfax Water's principal ongoing operations. The principal operating revenues of Fairfax Water are from metered sales to customers and other customer related charges. Operating expenses include the cost of water supply, treatment, transmission, and distribution; depreciation and amortization of capital assets; and general and administrative costs. All revenues and expenses

not meeting this definition are reported as nonoperating revenues and expenses. Customer availability fees and connection charges are reported as nonoperating revenues as such revenues are primarily used to fund capital improvements and expansion.

### **F. Nonoperating Lease Revenue**

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

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

### **G. Subscription-Based Information Technology Agreements (SBITA)**

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

### **H. Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. At December 31, 2023, such investments were primarily comprised of money market funds. Restricted cash equivalents represent funds held by the Trustee for debt service in accordance with applicable bond covenants, and cash in escrow for purchased water.

### **I. Notes Receivable**

Fairfax Water entered into an agreement with the Fairfax County Board of Supervisors in July, 2001 to extend Fairfax Water's transmission and distribution system to serve Lewis Park, Colchester Acres and Vannoy Park Subdivision. Under the agreement, Fairfax County agreed to pay Fairfax Water in semi-annual payments on October 1 and March 1 of each year commencing October 1, 2002 and ending March 1, 2032. The total project cost and amount financed was \$1,896,874. The note receivable at December 31, 2023, totaled \$898,991.

### **J. Investments**

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

on accreted value. Investments in mutual funds, which are Securities and Exchange Commission 2a-7 investment pools, are stated at share price which is substantially the same as fair value. Restricted investments represent investments held by the Trustee for debt service.

**K. Inventory**

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

**L. Capital Assets**

Capital assets are carried at cost (except for intangible right-to-use subscription assets, the measurement of which is discussed in Note 13), which, for assets constructed by Fairfax Water, includes associated payroll, fringe benefits, and administrative costs. Fairfax Water capitalizes all assets that individually cost \$2,500 or more, with useful lives greater than one year. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Contributed assets consist principally of water mains constructed by developers and subsequently donated to Fairfax Water. Such assets are recorded at acquisition value on the date of the donation. The acquisition value is based on Fairfax Water’s estimated cost to construct or purchase similar assets. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements are capitalized. There were no impaired capital assets as of December 31, 2023. In 2023, the capital assets were depreciated or amortized on the straight-line basis over the following estimated useful lives:

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

**M. Construction in Progress**

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

**N. Deferred Outflows and Inflows of Resources**

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

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The remaining items relate to the pension and other postemployment benefits plans. A more detailed description of Fairfax Water's pension and other postemployment benefits plans can be found in Notes 8, 9, 10, and 11 of the basic financial statements.

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

### **O. Pensions and Other Postemployment Benefits**

For purposes of measuring all financial statement elements related to Fairfax Water's pension and other postemployment benefits plans, information about the fiduciary net position of the Fairfax County Water Authority Retirement Plan (the Plan) as well as additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were reported by the Plan, which are prepared using the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

### **P. Unamortized Debt Discounts (Premiums)**

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

### **Q. Compensated Absences**

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

### R. Net Position

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

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

### S. Refundable Construction Advances

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

### T. New Accounting Pronouncements

GASB Statement No. 99, *Omnibus 2022*, will enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will be effective for Fairfax Water beginning with its year ending December 31, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections- an amendment of GASB Statement No. 62*, will provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability by enhancing the accounting and financial reporting requirements for accounting changes and error corrections. Statement 100 will be effective for Fairfax Water with its year ending December 31, 2024.

GASB Statement No. 101, *Compensated Absences*, will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amend certain previously required disclosures to better meet the information needs of financial statement users. Statement 101 will be effective for Fairfax Water with its year ending December 31, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*, will improve financial reporting by providing users of financial statements with more timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur in order to understand



and anticipate certain substantial impacts to a government's financial condition. Statement 102 will be effective for Fairfax Water with its year ending December 31, 2025.

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

### U. Subsequent Events

Fairfax Water has evaluated and determined there were no subsequent events through April 18, 2024, which was the date the financial statements were available to be issued.

## 3. Cash and Investments

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

### Business-Type Activities

As of December 31, 2023, the carrying value of Fairfax Water's business-type activities deposits with banks was \$10,016,001, with a bank balance of \$16,120,493. In addition, Fairfax Water held a deposit of \$3,093,861 with the U.S. Army Corps of Engineers, \$7,148,281 of cash equivalents in the Virginia State Non-Arbitrage Program (SNAP), Allspring Fund, and First American Treasury Obligation Fund, which are money market funds, and \$8,161,632 of cash equivalents in Treasury Bills as of December 31, 2023.

### Fiduciary Activities

As of December 31, 2023, the carrying value and bank balance of Fairfax Water's fiduciary activities deposits with banks for custodial funds for sewer collections was \$4,643,320. Cash and cash equivalents held by Fairfax Water for custodial funds are not invested.

As of December 31, 2023, the carrying value and bank balance of Fairfax Water's fiduciary activities deposits with banks for the Welfare Benefit Trust Fund was \$106,049. In addition, \$8,947 of cash equivalents in the Allspring Fund, which is a money market fund and \$494,857 of cash equivalents in Treasury Bills, are being held by Fairfax Water in a trust capacity, as of December 31, 2023.

As of December 31, 2023, the carrying value of Fairfax Water's fiduciary activities deposits with banks for the Pension and OPEB Trust Fund was \$2,254,337, with a bank balance of \$2,378,318. There were no other cash and cash equivalents held by Fairfax Water in a trust capacity, as of December 31, 2023.

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

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

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

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

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water’s business-type activities investments as of December 31, 2023. WAM expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio’s WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, Fairfax Water assumes that all of its investments will be held to maturity.

## Notes to Basic Financial Statements

Investment Type	Fair Value	Weighted Average Maturity (Years)
U. S. Government Treasury Notes and Bonds	\$ 143,565,920	1.880
U. S. Government Agency Notes	32,498,490	2.110
Supranational Bonds	2,725,847	1.447
Corporate Notes	9,042,547	2.701
Total Portfolio	\$ 187,832,804	1.953

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water's fiduciary component unit (the Welfare Benefit Trust Fund) as of December 31, 2023.

Investment Type	Fair Value	Weighted Average Maturity (Years)
U. S. Government Treasury Notes and Bonds	\$ 15,826,003	1.576
U. S. Government Agency Notes	245,719	2.578
Supranational Bonds	504,061	0.447
Corporate Notes	548,706	0.974
Total Portfolio	\$ 17,124,489	1.538

The following table reflects the fair value and the weighted average maturity (WAM) of Fairfax Water's fiduciary activities investments for the Pension and OPEB Trust Fund as of December 31, 2023. The Pension and OPEB Trust Fund investments in equity mutual funds and other investments have no stated maturity and have not been allocated to a time period on the following table.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Equity Mutual Funds	\$ 303,246,551	Not applicable
Fixed Income Pooled Funds	98,106,672	17.531
Other Investments	8,047,999	Not applicable
Total Portfolio	\$ 409,401,222	17.531

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

## Notes to Basic Financial Statements

The table below reflects the allocation of credit quality rating of Fairfax Water's business-type activities investments by Standard & Poor's Rating Services as of December 31, 2023.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
U.S. Government Treasury Notes and Bonds	-	76.4%	-	-	-
U.S. Government Agency Notes	-	17.3%	-	-	-
Supranational Bonds	1.5%	-	-	-	-
Corporate Notes	0.9%	-	1.9%	2.0%	-
Total Portfolio	2.4%	93.7%	1.9%	2.0%	-

The table below reflects the allocation of credit quality rating of Fairfax Water's fiduciary component unit (the Welfare Benefit Trust Fund) investments by Standard & Poor's Rating Services as of December 31, 2023.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
U.S. Government Treasury Notes and Bonds	-	92.5%	-	-	-
U.S. Government Agency Notes	-	1.4%	-	-	-
Supranational Bonds	2.9%	-	-	-	-
Corporate Notes	-	-	-	3.2%	-
Total Portfolio	2.9%	93.9%	-	3.2%	-

The table below reflects the allocation of credit quality rating of Fairfax Water's fiduciary activities for the Pension and OPEB Trust Fund investments by Standard & Poor's Rating Services as of December 31, 2023. The investments in equity mutual funds and other investments are not rated and have been excluded from the following table.

Investment Type	Credit Quality Rating				
	AAA	AA+	AA	AA-	A-1+
Fixed Income Pooled Funds	100.0%	-	-	-	-
Total Portfolio	100.0%	0.0%	0.0%	0.0%	0.0%

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

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

In addition, not more than five percent of total funds available for investment (based on book value on the date of acquisition) can be invested in any single issuing corporation or bank for corporate notes, commercial paper, or bankers' acceptances. As of December 31, 2023, there are no concentrations of credit risk beyond the stated policy.

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

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

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

For Fairfax Water's business-type activities, accrued interest at December 31, 2023 of \$8,775,174 on the Resolution Funding Corporation stripped securities (REFCO Strips) is classified with the REFCO Strips in unrestricted investments. Maturity dates of the investments determine the Statement of Net Position classification.

**Fair Value Measurement** – Fairfax Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on

## Notes to Basic Financial Statements

the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities (REFCO Strips); and Level 3 inputs are significant unobservable inputs.

The table below details the fair value measurements of Fairfax Water's business-type activities as of December 31, 2023:

Investment Type	Level 1 Inputs	Level 2 Inputs
U. S. Government Treasury Notes and Bonds	\$ 143,565,920	\$ -
U. S. Government Agency Notes	18,770,790	13,727,700
Supranational Bonds	-	2,725,847
Corporate Notes	9,042,547	-
Total Portfolio	\$ 171,379,257	\$ 16,453,547

The table below details the fair value measurements of Fairfax Water's fiduciary component unit (the Welfare Benefit Trust Fund) as of December 31, 2023:

Investment Type	Level 1 Inputs	Level 2 Inputs
U. S. Government Treasury Notes and Bonds	\$ 15,826,003	\$ -
U. S. Government Agency Notes	-	245,719
Supranational Bonds	-	504,061
Corporate Notes	298,791	249,915
Total Portfolio	\$ 16,124,794	\$ 999,695

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

**4. Capital Assets**

The changes in Fairfax Water’s capital assets for the year ended December 31, 2023 follow (in thousands):

	Beginning Balance*	Increases	Decreases/ Transfers	Ending Balance
Capital assets not being depreciated or amortized:				
Land and rights of way	\$ 51,299	\$ -	\$ -	\$ 51,299
Easements	2,147	-	-	2,147
Construction in progress	42,956	63,752	(27,091)	79,617
Total capital assets not being depreciated or amortized	96,402	63,752	(27,091)	133,063
Capital assets being depreciated or amortized:				
Water supply	181,206	1,820	-	183,026
Water treatment	747,894	1,776	-	749,670
Transmission	440,388	11,548	440	452,376
Distribution	739,914	31,686	2,235	773,835
General plant	649,869	36,557	17,156	703,582
Intangible right-to-use subscription asset	960	1,425	-	2,385
Total capital assets being depreciated or amortized	2,760,231	84,812	19,831	2,864,874
Less accumulated depreciation or amortization for:				
Water supply	67,083	4,269	-	71,352
Water treatment	306,470	15,383	-	321,853
Transmission	125,654	7,852	(2,465)	131,041
Distribution	183,673	11,763	(4,144)	191,292
General plant	281,818	24,951	(632)	306,137
Intangible right-to-use subscription asset	-	403	-	403
Total accumulated depreciation or amortization	964,698	64,621	(7,241)	1,022,078
Capital assets being depreciated or amortized, net	1,795,533	20,191	27,072	1,842,796
Total capital assets, net	\$ 1,891,935	\$ 83,943	\$ (19)	\$ 1,975,859

\* Fairfax Water implemented GASB Statement 96 in fiscal year 2023 changing the reporting of certain items. Data shown for fiscal year 2023 and following is reported in accordance with GASB 96. Prior years were not changed.

**5. Capital Contributions**

Capital contributions for the year ended December 31, 2023, are as follows:

Donated capital assets	\$ 3,473,641
Contributions from developers	2,588,444
Expired construction advances	305,945
Total	<u>\$ 6,368,030</u>

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

**6. Other Long-Term Liabilities**

Other long-term liabilities activity for the year ended December 31, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated absences	\$ 5,623	\$ 5,767	\$ (5,623)	\$ 5,767	\$ 2,818
Refundable construction advances	2,518	432	(399)	2,551	-
Subscription liabilities	960	1,425	(386)	1,999	590
Total other long-term liabilities	\$ 9,101	\$ 7,624	\$ (6,408)	\$ 10,317	\$ 3,408

**7. Bonds Payable**

Bonds payable activity for the year ended December 31, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds payable:					
Series 2005 Bonds	\$ 23,990	\$ -	\$ (5,865)	\$ 18,125	\$ 6,175
Series 2010 Bonds	64,860	-	-	64,860	-
Series 2013 Bonds	21,965	-	(3,775)	18,190	2,380
Series 2017 Bonds	156,490	-	(5,260)	151,230	5,530
Series 2019 Bonds	91,230	-	(7,475)	83,755	12,965
Series 2020 Bonds	18,765	-	-	18,765	-
Series 2021 Bonds	81,145	-	(1,455)	79,690	1,525
	458,445	-	(23,830)	434,615	28,575
Plus unamortized premiums (net)	45,455	-	(3,325)	42,130	3,220
Total bonds payable, net	\$ 503,900	\$ -	\$ (27,155)	\$ 476,745	\$ 31,795

On March 30, 2005, Fairfax Water issued water refunding revenue bonds dated March 30, 2005 in the aggregate principal amount of \$113,440,000 (the Series 2005 Bonds). Interest on the Series 2005 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2005 Bonds bear interest rates at 5.25 percent per annum. No amount of the refunded bonds is outstanding at December 31, 2023.

On November 10, 2010, Fairfax Water issued water revenue and refunding revenue bonds dated November 10, 2010 in the aggregate principal amount of \$88,860,000 (the Series 2010 Bonds). Interest on the Series 2010 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2010 Bonds bear interest rates at 5.00 percent per annum. The Series 2010 Bonds with stated maturities after April 2020 are subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2023.

On February 25, 2013, Fairfax Water issued water refunding revenue bonds dated February 25, 2013 in the aggregate principal amount of \$93,870,000 (the Series 2013 Bonds). Interest on the Series 2013 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2013 Bonds bear



interest at rates ranging from 2.705 to 4.00 percent per annum. The Series 2013 Bonds with stated maturities on or before April 2023 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2023.

On March 1, 2017, Fairfax Water issued water revenue and refunding revenue bonds dated March 1, 2017 in the aggregate principal amount of \$201,590,000 (the Series 2017 Bonds). Interest on the Series 2017 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2017 Bonds bear interest at rates ranging from 3.00 to 5.00 percent per annum. The Series 2017 Bonds with stated maturities on or before April 2027 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2023.

On December 10, 2019, Fairfax Water issued water refunding revenue bonds dated December 10, 2019 in the aggregate principal amount of \$91,230,000 (the Series 2019 Bonds). Interest on the Series 2019 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2019 Bonds bear interest at rates ranging from 1.965 to 2.629 percent per annum. The Series 2019 Bonds with stated maturities on or after April 2023 are subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2023.

On January 7, 2020, Fairfax Water issued water refunding revenue bonds dated January 7, 2020 in the aggregate principal amount of \$18,765,000 (the Series 2020 Bonds). Interest on the Series 2020 Bonds is payable semiannually on each April 1 and October 1. The outstanding Series 2020 Bonds bear interest at rates ranging from 3.50 to 5.00 percent per annum. The Series 2020 Bonds with stated maturities on or before April 2029 are not subject to call and redemption prior to maturity. No amount of the refunded bonds is outstanding at December 31, 2023.

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

At December 31, Fairfax Water is required to have an account balance with the Trustee sufficient to pay principal and interest due on the outstanding bonds issued under the 1992 General Trust Indenture on the following April 1. At December 31, 2023, this amount consisted of cash equivalents of \$7,525 and investments in U.S. Government securities of \$36,689,381 with a market value of approximately \$37,259,130 meeting the requirements of the 1992 General Trust Indenture. In addition, Fairfax Water is required to maintain with the Trustee an amount equal to the maximum amount of interest accruing on all outstanding bonds in the current or any future bond year. At December 31, 2023, this amount consisted of cash equivalents of \$29,094, investments in U.S. Government securities of \$9,637,587 with a market value of approximately \$9,586,497, and an AMBAC surety bond for \$15,649,348.

Under the terms of the 1992 General Trust Indenture, before the commencement of each fiscal year, Fairfax Water is required to fix, establish, or maintain or cause to be fixed, established, and maintained such rates, fees, and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each fiscal year, as necessary, as will produce net revenues, in the opinion of the Consulting Engineer, at least equal in such fiscal year to the total of 110 percent of the principal and interest requirements during that fiscal year. For 2023, Fairfax Water was in compliance with the terms of the 1992 General Trust Indenture.

Future debt payments under all debt agreements as of December 31, 2023 are as follows:

Year	Principal	Interest	Total
2024	\$ 28,575,000	\$ 17,752,336	\$ 46,327,336
2025	29,560,000	16,756,258	46,316,258
2026	30,605,000	15,696,406	46,301,406
2027	31,665,000	14,586,324	46,251,324
2028	32,485,000	13,489,735	45,974,735
2029 – 2033	81,930,000	53,497,413	135,427,413
2034 – 2038	62,860,000	40,801,975	103,661,975
2039 – 2043	64,995,000	25,150,100	90,145,100
2044 – 2048	58,510,000	10,085,150	68,595,150
2049 – 2051	13,430,000	1,088,600	14,518,600
Total	\$ 434,615,000	\$ 208,904,297	\$ 643,519,297

The 1986 Federal Tax Reform Act requires local jurisdictions to report any rebate arbitrage earnings on debt issues to the Federal Government every five years. As of December 31, 2023, Fairfax Water has obligations of \$664,596.

**8. Pension Plan**

**A. Plan Description and Provisions**

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

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

**Plan A**

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

### Plan B

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Plan C**

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

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

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

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

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

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

### **Plan D**

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

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

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

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

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

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

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

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

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

### **Modified Plan D**

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

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

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

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

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

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

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

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

### **Plan E**

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

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

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

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

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

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

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

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

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

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

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

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

**Plan Membership**

As of the January 1, 2023 actuarial valuation, pension plan membership consisted of the following:

	<b>Number</b>
Retired members or beneficiaries currently receiving benefits	405
Vested terminated members entitled to but not yet receiving benefits	44
Active employees	435
<b>Total plan membership</b>	<b>884</b>

**Contributions**

Fairfax Water’s actuarially determined contribution rate for the year ended December 31, 2023 was 32.04% of covered employee compensation, based on the actuarial valuation dated January 1, 2022. Fairfax Water’s current practice is to contribute the greater of the actuarially determined rate or 48% of covered employee compensation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Fairfax Water for 2023 and 2022 exceeded the actuarially determined requirements and amounted to \$18,837,381 and \$16,428,061, respectively. Employee contributions to the Plan for 2023 and 2022 amounted to \$647,613 and \$684,262, respectively.

**B. Net Pension Liability**

Fairfax Water’s net pension liability of \$87,669,572 was measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation performed as of January 1, 2023.

**Actuarial Methods and Assumptions**

The total pension liability as of January 1, 2023 was based on the following assumptions:

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



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

There were no assumptions or plan changes since the last valuation on January 1, 2022.

**Long-Term Expected Rate of Return**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30% - 70%	6.76%
International equity	0% - 10%	7.06%
Fixed income (core and high yield)	20% - 70%	1.46% (core) and 3.56% (high yield)
Real estate	0% - 10%	3.46%
Cash	0% - 50%	0.56%
Other	0% - 10%	N/A

**Discount Rate**

The discount rates used to measure the total pension liability was 7.0% for both December 31, 2022 and December 31, 2021 measurement dates. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Fairfax Water contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**C. Changes in the Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 372,541,298	\$ 362,896,180	\$ 9,645,118
Changes for the year:			
Service cost	6,246,386	-	6,246,386
Interest	25,753,015	-	25,753,015
Differences between expected and actual experience	5,292,146	-	5,292,146
Contributions - employer	-	16,428,061	(16,428,061)
Contributions - employee	-	684,262	(684,262)
Net investment income	-	(57,756,116)	57,756,116
Benefit payments, including refunds of employee contributions	(21,774,943)	(21,774,943)	-
Administrative expense	-	(89,114)	89,114
Net changes	15,516,604	(62,507,850)	78,024,454
Balance at December 31, 2022	\$ 388,057,902	\$ 300,388,330	\$ 87,669,572

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

The following presents the net pension liability of Fairfax Water as of December 31, 2022, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 135,431,717	\$ 87,669,572	\$ 48,050,951

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

For the year ended December 31, 2023, Fairfax Water recognized pension expense of \$8,277,590. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ 4,791,084	\$ (6,222,004)
Changes of assumptions	4,637,034	-
Net difference between projected and actual earnings on plan investments	25,779,282	-
Employer contributions subsequent to the measurement date	18,837,381	-
<b>Total</b>	<b>\$ 54,044,781</b>	<b>\$ (6,222,004)</b>

Deferred outflows of resources of \$18,837,381 relates to employer contributions subsequent to the measurement date of the pension plan and will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2024	\$ (2,995,217)
2025	5,536,491
2026	9,507,197
2027	16,280,369
2028	544,324
Thereafter	112,232
<b>Total</b>	<b>\$ 28,985,396</b>

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

## 9. Other Postemployment Benefits – Health Benefits

### A. Plan Description and Provisions

Fairfax Water administers a single-employer other postemployment benefit (OPEB) plan under the Plan for retiree health insurance benefits. Health insurance includes medical, vision, dental, and prescription drug benefits for retirees and their dependents. The Plan document assigns all responsibilities of maintaining the OPEB plan to the Fairfax Water Board of Directors, including the approval of OPEB plan changes, setting benefit and contribution levels, and ensuring the OPEB plan is funded sufficiently to meet its benefit obligations. Fairfax Water has established a Benefits Trust Committee to be responsible for the administration of the OPEB plan.

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

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

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

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

**Plan Membership**

As of the January 1, 2023 actuarial valuation, OPEB plan membership consisted of the following:

	<b>Number</b>
Retired members or beneficiaries currently receiving benefits	323
Active employees	435
<b>Total plan membership</b>	<b>758</b>

**Contributions**

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

Fairfax Water’s actuarially determined contribution rate for the year ended December 31, 2023 was 32.04% of covered employee compensation, based on the actuarial valuation dated January 1, 2022. Fairfax Water’s current practice is to contribute the greater of the actuarially determined rate or 48% of covered employee compensation. This rate was expected to finance the costs of

benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from Fairfax Water for 2023 and 2022 exceeded the actuarially determined requirements and amounted to \$3,272,221 and \$4,017,566, respectively.

### **B. Net OPEB Liability**

Fairfax Water's net OPEB liability of \$14,717,293 was measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2023.

#### **Actuarial Methods and Assumptions**

The total OPEB liability as of January 1, 2023 was based on the following assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation	2.50%
Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Aggregate payroll increases	3.00%
Cost-of-living adjustments	2.50% for Plans A, B, C, D, and Modified D; and 1.25% for Plan E
Healthcare cost trend rates:	
Medical and vision (under 65)	7.00% graded to 4.50% over 10 years
Medical and vision (over 65)	5.00% graded to 4.50% over 2 years
Prescription drug	8.50% graded to 4.50% over 16 years
Dental	3.50%
Administrative expenses	3.00%

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

The following assumptions were changed since the last valuation dated January 1, 2022:

- The assumed per-capita medical, prescription drug, dental, and vision costs were updated to reflect more recent experience. In addition, the actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated.
- The trends on base per-capita for medical and vision and prescription drug coverage were increased.
- The under age 65 administrative expense costs were updated to reflect the 2023 budget.

There were no plan changes since the last valuation on January 1, 2022.

### Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30% - 70%	6.76%
International equity	0% - 10%	7.06%
Fixed income (core and high yield)	20% - 70%	1.46% (core) and 3.56% (high yield)
Real estate	0% - 10%	3.46%
Cash	0% - 50%	0.56%
Other	0% - 10%	N/A

### Discount Rate

The discount rates used to measure the total OPEB liability was 7.00% as of December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed that Fairfax Water contributions would be made at rates equal to the actuarially determined contribution rates. Based on the assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rates of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. Changes in the Net OPEB Liability**

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2021	\$ 65,325,895	\$ 63,639,057	\$ 1,686,838
Changes for the year:			
Service cost	1,715,894	-	1,715,894
Interest	4,595,790	-	4,595,790
Differences between expected and actual experience	(1,750,219)	-	(1,750,219)
Changes of assumptions	(1,985,135)	-	(1,985,135)
Contributions - employer	-	4,017,566	(4,017,566)
Net investment income	-	(14,447,212)	14,447,212
Benefit payments, including refunds of employee contributions	(2,775,259)	(2,775,259)	-
Administrative expense	-	(24,479)	24,479
Net changes	(198,929)	(13,229,384)	13,030,455
Balance at December 31, 2022	\$ 65,126,966	\$ 50,409,673	\$ 14,717,293

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

The following presents the net OPEB liability of Fairfax Water as of December 31, 2022, calculated using the discount rate of 7.0%, as well as what the net OPEB liability would be if calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 23,122,954	\$ 14,717,293	\$ 7,798,361

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

The following presents the net OPEB liability of Fairfax Water as of December 31, 2022, calculated using current healthcare cost trend rates, as well as what the net OPEB liability would be if calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB liability	\$ 7,165,776	\$ 14,717,293	\$ 23,124,776

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

For the year ended December 31, 2023, Fairfax Water recognized OPEB expense of \$2,219,002. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ 941	\$ (2,914,719)
Changes of assumptions	-	(6,353,724)
Net difference between projected and actual earnings on plan investments	11,541,910	-
Employer contributions subsequent to the measurement date	3,272,221	-
<b>Total</b>	<b>\$ 14,815,072</b>	<b>\$ (9,268,443)</b>

Deferred outflows of resources of \$3,272,221 relates to employer contributions subsequent to the measurement date of the OPEB plan and will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2024	\$ (893,184)
2025	894,603
2026	1,594,383
2027	2,523,051
2028	(1,221,271)
Thereafter	(623,174)
<b>Total</b>	<b>\$ 2,274,408</b>



**10. Other Postemployment Benefits – Implicit Subsidy**

**A. Plan Description and Provisions**

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

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

**Plan Membership**

As of the January 1, 2023 actuarial valuation, OPEB plan membership consisted of the following:

	<b>Number</b>
Retired members or beneficiaries currently receiving benefits	323
Active employees	435
<b>Total plan membership</b>	<b>758</b>

**Contributions**

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

**B. Total OPEB Liability**

Fairfax Water’s total OPEB liability of \$0 was measured as of December 31, 2022. Based upon the recent positive claim experience and the premium rates in place for 2023, there continues to be no implicit subsidy in pre-Medicare retiree healthcare rates. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2023.

### Actuarial Methods and Assumptions

The total OPEB liability as of January 1, 2023 was based on the following assumptions:

Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Discount rate	3.72%
Healthcare cost trend rates:	
Medical and vision (under 65)	7.00% graded to 4.50% over 10 years
Medical and vision (over 65)	5.00% graded to 4.50% over 2 years
Prescription drug	8.50% graded to 4.50% over 16 years
Dental	3.50%
Administrative expenses	3.00%

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

The following assumptions were changed since the last valuation dated January 1, 2022:

- The discount rate was increased from 2.06% to 3.72%.
- The assumed per-capita medical, prescription drug, dental, and vision costs were updated to reflect more recent experience. In addition, the actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated.
- The trends on base per-capita for medical and vision and prescription drug coverage were increased.
- The under age 65 administrative expense costs were updated to reflect the 2023 budget.

### Discount Rate

The discount rate for OPEB benefits funded entirely on a pay-as-you-go basis is the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the index used is the Bond Buyer 20-Bond General Obligation Municipal Bond index. The index value of the current December 31, 2022 measurement date is 3.72%.

### C. Changes in the Total OPEB Liability

There was no implicit subsidy or OPEB liability as of the December 31, 2022 and December 31, 2021 measurement dates. If an implicit subsidy reemerges, the value will continue to be a liability

outside of the Plan. Similarly, any cost would be excluded from the recommended contribution rate calculation. Although there is no OPEB liability, there continues to be an OPEB expense for the implicit subsidy as previously established deferred inflows and outflows are recognized.

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

The total OPEB liability of Fairfax Water, if it were calculated using a discount rate of 3.72% as well as if it were calculated using a discount rate that is one percentage point lower (2.72%) or one percentage point higher (4.72%) than the current rate, would be zero.

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

The total OPEB liability of Fairfax Water, if it were calculated using current healthcare trend rates as well as if it were calculated using a rate that is one percentage point lower or one percentage point higher than the current rate, would be zero.

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

For the year ended December 31, 2023, Fairfax Water recognized OPEB expense of (\$123,689). Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ -	\$ (63,783)
Changes of assumptions	532,019	(3,698,408)
<b>Total</b>	<b>\$ 532,019</b>	<b>\$ (3,762,191)</b>

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

Year Ending December 31	Amount
2024	\$ (1,637,904)
2025	(1,340,232)
2026	(252,036)
<b>Total</b>	<b>\$ (3,230,172)</b>

**11. Other Postemployment Benefits – Life Insurance**

**A. Plan Description and Provisions**

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

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

**Plan Membership**

As of the January 1, 2023 actuarial valuation, OPEB Plan membership consisted of the following:

	<b>Number</b>
Retired members or beneficiaries currently receiving benefits	72
Active employees	435
<b>Total plan membership</b>	<b>507</b>

**Contributions**

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

**B. Total OPEB Liability**

Fairfax Water’s total OPEB liability of \$2,215,120 was measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation performed as of January 1, 2023.

**Actuarial Methods and Assumptions**

The total OPEB liability as of January 1, 2023 was based on the following assumptions:

Individual salary increases	Varying rates ranging from 10.25% for ages less than 25 to 3.75% at ages 60 and over
Discount rate	3.72%
Administrative expense load	10.00%

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

The following assumption was changed since the last valuation dated January 1, 2022:

- The discount rate was increased from 2.06% to 3.72%.

**Discount Rate**

The discount rate for OPEB benefits funded entirely on a pay-as-you-go basis is the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the index used is the Bond Buyer 20-Bond General Obligation Municipal Bond index. The index value of the current December 31, 2022 measurement date is 3.72%.

**C. Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at December 31, 2021	\$ 2,970,793
Changes for the year:	
Service cost	201,391
Interest	65,212
Differences between expected and actual experience	49,239
Changes of assumptions	(1,058,393)
Benefit payments, including refunds of employee contributions	(13,122)
Net changes	(755,673)
Balance at December 31, 2022	\$ 2,215,120

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

The following presents the total OPEB liability of Fairfax Water, calculated using the discount rate of 3.72%, as well as what the total OPEB liability would be if calculated using a discount rate that is one percentage point lower (2.72%) or one percentage point higher (4.72%) than the current rate:

	<b>1% Decrease (2.72%)</b>	<b>Current Discount Rate (3.72%)</b>	<b>1% Increase (4.72%)</b>
Total OPEB liability	\$ 2,789,349	\$ 2,215,120	\$ 1,784,265

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB liability	\$ 2,215,120	\$ 2,215,120	\$ 2,215,120

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

For the year ended December 31, 2023, Fairfax Water recognized OPEB expense of \$248,781. Fairfax Water also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	\$ 206,484	\$ (92,677)
Changes of assumptions	608,470	(1,089,468)
<b>Total</b>	<b>\$ 814,954</b>	<b>\$ (1,182,145)</b>

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

Year Ending December 31	Amount
2024	\$ (17,822)
2025	(17,822)
2026	(17,822)
2027	(17,822)
2028	(24,004)
Thereafter	(271,899)
<b>Total</b>	<b>\$ (367,191)</b>

**12. Leases**

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

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

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

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

Minimum Lease payment receivables on nonoperating leases are as follows:

Year	Principal	Interest	Total
2024	\$ 695,135	\$ 345,543	\$ 1,040,678
2025	595,264	318,960	914,224
2026	623,757	294,375	918,132
2027	616,724	268,483	885,207
2028	591,835	243,785	835,620
2029 – 2033	3,411,807	832,631	4,244,438
2034 – 2038	1,929,085	160,175	2,089,260
2039 – 2043	288,353	25,805	314,158
Total	\$ 8,751,960	\$ 2,489,757	\$ 11,241,717

The total amount of the deferred inflows of resources relating to nonoperating leases recognized in the current fiscal year was \$960,785.

**13. Subscription-Based Information Technology Arrangements (SBITA)**

Fairfax Water is a party to noncancellable contracts with SBITA vendors that are subject to GASB Statement No. 96. At the commencement of a SBITA, Fairfax Water initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments

made. The intangible right-to-use subscription asset is measured at the initial amount of the subscription liability, plus payments made to the vendor prior to the commencement of the subscription and any capitalizable costs incurred to implement the SBITA. Subsequently, the SBITA asset is amortized on a straight-line basis over the life of the subscription term.

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

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

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

The future principal and interest SBITA payments as of December 31, 2023 are as follows:

Year	Principal	Interest	Total
2024	\$ 590,334	\$ 68,641	\$ 658,975
2025	534,007	45,150	579,157
2026	214,909	30,621	245,530
2027	232,186	21,447	253,633
2028	250,459	11,544	262,003
2029	177,381	3,051	180,432
Total	\$ 1,999,276	\$ 180,454	\$ 2,179,730

The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$2,384,929 and had accumulated amortization of \$403,162.

#### 14. Commitments and Contingencies

In connection with its ongoing capital improvement program, Fairfax Water has entered into various construction contracts. As of December 31, 2023, the uncompleted cost of these and other contracts is approximately \$42.4 million.

Fairfax Water has also agreed, in principle, to pay certain portions of the capital and annual operation and maintenance costs relating to various water supply augmentation facilities constructed and proposed to be constructed by other parties for the use and benefit of Fairfax Water and other water supply agencies in the Washington, D.C., metropolitan area. Fairfax Water’s share of the capital costs is presently estimated at \$6.3 million which is to be paid with interest over the next 17 years. Fairfax Water’s share of annual operation and maintenance costs associated with these facilities for 2024 is estimated to be \$240,000.



On January 3, 2014 Fairfax Water entered into an agreement with the U.S. Army Corps of Engineers (the Army) to purchase water for customers. Fairfax Water also shares the costs of capital improvements to the Washington Aqueduct in accordance with the Approved Capital Improvement Plan. During 2023 Fairfax Water's costs for water and capital improvements was \$5.2 million and \$9.9 million, respectively. An escrow account has been established for the payments made from which the Army makes draws. The account is interest bearing and all earnings accrue to Fairfax Water. In addition to payments made to the Army, Fairfax Water maintains a balance of approximately three months of the cost of water purchased. The agreement will remain in effect until terminated by either the Army or Fairfax Water, and requires a five year notice. Fairfax Water's cost for water and capital improvements for 2024 is estimated to be \$8.9 million.

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

### **15. Deferred Compensation Plan**

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

### **16. Risk Management**

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

Fairfax Water is self-insured for health benefits coverage for employees up to \$225,000 per individual per year and is protected from catastrophic losses through a stop-loss insurance policy for losses in excess of such levels.

## Notes to Basic Financial Statements

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The changes in the Fairfax County Water Authority Welfare Benefit Trust Fund's health benefits claims liability in 2023 and 2022 are as follows:

	2023	2022
Balance, January 1	\$ 641,256	\$ 543,838
Claims incurred	10,161,083	8,249,332
Claims paid	<u>(9,995,787)</u>	<u>(8,151,914)</u>
Balance, December 31	<u>\$ 806,552</u>	<u>\$ 641,256</u>

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

### 17. Related Organizations

Based on an amended and restated agreement dated March 24, 2020 (original agreement dated July 1, 1978) between the County and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the County's sewer system. During 2023, Fairfax Water collected approximately \$235.1 million on behalf of the County. As of December 31, 2023, approximately \$3.6 million was owed to the County. The County has paid a fee of \$7.1 million for this service in 2023.

Based on a restated agreement dated July 20, 2023 (original agreement dated January 3, 2014) between the City of Fairfax and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the City's sewer system. During 2023, Fairfax Water collected approximately \$10.5 million on behalf of the City. As of December 31, 2023, approximately \$859,000 was owed to the City. The billing service also includes a utility tax for customers inside the City limits. The City has paid a fee of \$276,000 for this service in 2023.

Based on an agreement dated January 3, 2014 between the City of Falls Church and Fairfax Water, Fairfax Water bills and collects for the sales of sewer services on behalf of the City's sewer system. During 2023, Fairfax Water collected approximately \$4.4 million on behalf of the City. As of December 31, 2023, approximately \$142,000 was owed to the City. The billing service also includes a utility tax for customers inside the City limits. The City has paid a fee of \$111,000 for this service in 2023.

REQUIRED SUPPLEMENTARY INFORMATION

# FAIRFAX COUNTY WATER AUTHORITY

## Schedule of Changes in the Net Pension Liability and Related Ratios

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

Reporting as of December 31,	2022	2021	2020	2019	2018
<b>Total pension liability</b>					
Service cost	\$ 6,246,386	\$ 6,505,362	\$ 5,958,954	\$ 6,090,585	\$ 6,153,215
Interest	25,753,015	25,527,937	25,624,841	25,005,210	24,213,281
Differences between expected and actual experience	5,292,146	(7,407,743)	796,966	(3,659,028)	(1,971,866)
Changes of assumptions	-	-	10,201,473	-	-
Benefit payments, including refunds of employee contributions	(21,774,943)	(20,527,418)	(19,689,323)	(18,397,472)	(17,148,409)
Net change in total pension liability	15,516,604	4,098,138	22,892,911	9,039,295	11,246,221
Total pension liability – beginning	372,541,298	368,443,160	345,550,249	336,510,954	325,264,733
Total pension liability – ending (a)	\$ 388,057,902	\$ 372,541,298	\$ 368,443,160	\$ 345,550,249	\$ 336,510,954
<b>Plan fiduciary net position</b>					
Contributions – employer	\$ 16,428,061	\$ 15,693,346	\$ 16,005,478	\$ 14,853,657	\$ 14,661,995
Contributions – employee	684,262	748,007	840,998	892,871	978,931
Net investment income (loss)	(57,756,116)	60,200,960	43,086,740	56,009,300	(11,293,013)
Benefit payments, including refunds of employee contributions	(21,774,943)	(20,527,418)	(19,689,323)	(18,397,472)	(17,148,409)
Administrative expense	(89,114)	(117,968)	(121,859)	(86,916)	(107,085)
Net change in plan fiduciary net position	(62,507,850)	55,996,927	40,122,034	53,271,440	(12,907,581)
Plan fiduciary net position – beginning	362,896,180	306,899,253	266,777,219	213,505,779	226,413,360
Plan fiduciary net position – ending (b)	\$ 300,388,330	\$ 362,896,180	\$ 306,899,253	\$ 266,777,219	\$ 213,505,779
<b>Net pension liability – ending (a) – (b)</b>	\$ 87,669,572	\$ 9,645,118	\$ 61,543,907	\$ 78,773,030	\$ 123,005,175
Plan fiduciary net position as a percentage of the total pension liability	77.41%	97.41%	83.30%	77.20%	63.45%
Covered payroll	\$ 42,595,056	\$ 40,634,442	\$ 41,514,873	\$ 38,827,000	\$ 38,533,900
Net pension liability as a percentage of covered payroll	205.82%	23.74%	148.25%	202.88%	319.21%

**Notes:**

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

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

## FAIRFAX COUNTY WATER AUTHORITY

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

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

Reporting as of December 31,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 6,176,821	\$ 6,290,917	\$ 6,138,436	\$ 6,154,281
Interest	23,501,922	23,037,301	22,410,595	20,645,855
Differences between expected and actual experience	(3,448,611)	(7,094,162)	(5,057,514)	11,343,166
Changes of assumptions	-	-	54,126	-
Benefit payments, including refunds of employee contributions	(16,295,082)	(15,554,940)	(15,129,156)	(14,066,004)
Net change in total pension liability	9,935,050	6,679,116	8,416,487	24,077,298
Total pension liability – beginning	315,329,683	308,650,567	300,234,080	276,156,782
Total pension liability – ending (a)	<u>\$ 325,264,733</u>	<u>\$ 315,329,683</u>	<u>\$ 308,650,567</u>	<u>\$ 300,234,080</u>
<b>Plan fiduciary net position</b>				
Contributions – employer	\$ 14,500,637	\$ 14,140,723	\$ 14,362,903	\$ 14,197,131
Contributions – employee	1,023,739	1,076,246	1,128,898	1,192,841
Net investment income (loss)	32,630,497	10,955,546	(1,694,011)	9,411,421
Benefit payments, including refunds of employee contributions	(16,295,082)	(15,554,940)	(15,129,156)	(14,066,004)
Administrative expense	(109,368)	(125,641)	(152,439)	(108,171)
Net change in plan fiduciary net position	31,750,423	10,491,934	(1,483,805)	10,627,218
Plan fiduciary net position – beginning	194,662,937	184,171,003	185,654,808	175,027,590
Plan fiduciary net position – ending (b)	<u>\$ 226,413,360</u>	<u>\$ 194,662,937</u>	<u>\$ 184,171,003</u>	<u>\$ 185,654,808</u>
<b>Net pension liability – ending (a) – (b)</b>	<u>\$ 98,851,373</u>	<u>\$ 120,666,746</u>	<u>\$ 124,479,564</u>	<u>\$ 114,579,272</u>
Plan fiduciary net position as a percentage of the total pension liability	69.61%	61.73%	59.67%	61.84%
Covered payroll	\$ 37,236,115	\$ 36,387,442	\$ 36,374,344	\$ 35,701,952
Net pension liability as a percentage of covered payroll	265.47%	331.62%	342.22%	320.93%

# FAIRFAX COUNTY WATER AUTHORITY

## Schedule of Employer Contributions – Pension Plan (in thousands)

Year Ended December 31	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 12,925	\$ 14,197	\$ (1,272)	\$ 35,702	39.77%
2015	12,657	14,363	(1,706)	36,374	39.49%
2016	13,065	14,141	(1,075)	36,387	38.86%
2017	13,295	14,501	(1,205)	37,236	38.94%
2018	13,196	14,662	(1,466)	38,534	38.05%
2019	12,582	14,854	(2,271)	38,827	38.26%
2020	13,598	16,005	(2,407)	41,515	38.55%
2021	12,359	15,693	(3,335)	40,634	38.62%
2022	12,663	16,428	(3,765)	42,595	38.57%
2023	12,574	18,837	(6,263)	46,062	40.90%

**Notes:**

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

# FAIRFAX COUNTY WATER AUTHORITY

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

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

Reporting as of December 31,	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>						
Service cost	\$ 1,715,894	\$ 1,803,996	\$ 1,594,950	\$ 1,642,714	\$ 1,678,160	\$ 1,856,476
Interest	4,595,790	4,699,920	4,873,938	4,853,237	4,902,701	4,794,979
Change of benefit terms	-	-	-	(202,453)	-	(270,209)
Differences between expected and actual experience	(1,750,219)	(641,032)	(1,173,340)	(581,386)	(716,904)	22,661
Changes of assumptions	(1,985,135)	(4,264,340)	(87,482)	(2,108,218)	(3,313,079)	(3,647,763)
Benefit payments, including refunds of employee contributions	(2,775,259)	(3,220,738)	(3,301,733)	(3,258,507)	(3,091,378)	(2,904,683)
Net change in total OPEB liability	(198,929)	(1,622,194)	1,906,333	345,387	(540,500)	(148,539)
Total OPEB liability – beginning	65,325,895	66,948,089	65,041,756	64,696,369	65,236,869	65,385,408
Total OPEB liability – ending (a)	\$ 65,126,966	\$ 65,325,895	\$ 66,948,089	\$ 65,041,756	\$ 64,696,369	\$ 65,236,869
<b>Plan fiduciary net position</b>						
Contributions – employer	\$ 4,017,566	\$ 3,811,186	\$ 3,921,661	\$ 3,783,303	\$ 3,834,277	\$ 3,372,698
Net investment income (loss)	(14,447,212)	7,301,240	4,981,840	8,647,825	(5,075,979)	4,622,120
Benefit payments, including refunds of employee contributions	(2,775,259)	(3,220,738)	(3,301,733)	(3,258,507)	(3,091,378)	(2,904,683)
Administrative expense	(24,479)	(32,713)	(32,608)	(23,440)	(29,207)	(30,578)
Net change in plan fiduciary net position	(13,229,384)	7,858,975	5,569,160	9,149,181	(4,362,287)	5,059,557
Plan fiduciary net position – beginning	63,639,057	55,780,082	50,210,922	41,061,741	45,424,028	40,364,471
Plan fiduciary net position – ending (b)	\$ 50,409,673	\$ 63,639,057	\$ 55,780,082	\$ 50,210,922	\$ 41,061,741	\$ 45,424,028
<b>Net OPEB liability – ending (a) – (b)</b>	\$ 14,717,293	\$ 1,686,838	\$ 11,168,007	\$ 14,830,834	\$ 23,634,628	\$ 19,812,841
Plan fiduciary net position as a percentage of the total OPEB liability	77.40%	97.42%	83.32%	77.20%	63.47%	69.63%
Covered payroll	\$ 42,595,056	\$ 40,634,442	\$ 41,514,873	\$ 38,827,000	\$ 38,533,900	\$ 37,236,115
Net OPEB liability as a percentage of covered payroll	34.55%	4.15%	26.90%	38.20%	61.33%	53.21%

### Notes:

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

**FAIRFAX COUNTY WATER AUTHORITY**

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

<b>Year Ended December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Contribution in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2017	\$ 3,092	\$ 3,373	\$ (280)	\$ 37,236	9.06%
2018	3,451	3,834	(383)	38,534	9.95%
2019	3,205	3,783	(579)	38,827	9.74%
2020	3,332	3,922	(590)	41,515	9.45%
2021	3,001	3,811	(810)	40,634	9.38%
2022	3,097	4,018	(921)	42,595	9.43%
2023	2,184	3,272	(1,088)	46,062	7.10%

Notes:

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



# FAIRFAX COUNTY WATER AUTHORITY

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

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

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

**Notes:**

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

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

Based upon the recent positive claim experience and the premium rates in place for 2023, there continues to be no implicit subsidy in pre-Medicare retiree healthcare rates. As such, there is no liability for the fourth year in a row.

# FAIRFAX COUNTY WATER AUTHORITY

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

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

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

**Notes:**

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

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

**FAIRFAX COUNTY WATER AUTHORITY**

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

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

**Notes:**

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

## SUPPLEMENTARY INFORMATION

# FAIRFAX COUNTY WATER AUTHORITY

## Statement of Changes in Assets and Liabilities – Custodial Funds For the year ended December 31, 2023

### FAIRFAX COUNTY SEWER

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
<b>Assets</b>				
Cash	\$ <u>2,978,685</u>	\$ <u>235,106,073</u>	\$ <u>234,442,920</u>	\$ <u>3,641,838</u>
<b>Liabilities</b>				
Accounts payable	\$ <u>2,978,685</u>	\$ <u>235,106,073</u>	\$ <u>234,442,920</u>	\$ <u>3,641,838</u>

### CITY OF FAIRFAX SEWER AND UTILITY TAX

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
<b>Assets</b>				
Cash	\$ <u>870,506</u>	\$ <u>10,464,247</u>	\$ <u>10,475,758</u>	\$ <u>858,995</u>
<b>Liabilities</b>				
Accounts payable	\$ <u>870,506</u>	\$ <u>10,464,247</u>	\$ <u>10,475,758</u>	\$ <u>858,995</u>

### CITY OF FALLS CHURCH SEWER AND UTILITY TAX

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
<b>Assets</b>				
Cash	\$ <u>174,726</u>	\$ <u>4,394,944</u>	\$ <u>4,427,183</u>	\$ <u>142,487</u>
<b>Liabilities</b>				
Accounts payable	\$ <u>174,726</u>	\$ <u>4,394,944</u>	\$ <u>4,427,183</u>	\$ <u>142,487</u>

### TOTAL – ALL CUSTODIAL FUNDS

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
<b>Assets</b>				
Cash	\$ <u>4,023,917</u>	\$ <u>249,965,264</u>	\$ <u>249,345,861</u>	\$ <u>4,643,320</u>
<b>Liabilities</b>				
Accounts payable	\$ <u>4,023,917</u>	\$ <u>249,965,264</u>	\$ <u>249,345,861</u>	\$ <u>4,643,320</u>

# FAIRFAX COUNTY WATER AUTHORITY

## Schedule of Bonds Payable December 31, 2023

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2023	Retired During 2023	Outstanding December 31, 2023
			Rate	Dates				
Water Refunding Revenue Bonds, Series 2005	3/30/2005	4/1/2023	5.250	4/1 – 10/1	\$ 5,865,000	\$ 5,865,000	\$ 5,865,000	\$ -
	3/30/2005	4/1/2024	5.250	4/1 – 10/1	6,175,000	6,175,000	-	6,175,000
	3/30/2005	4/1/2025	5.250	4/1 – 10/1	6,500,000	6,500,000	-	6,500,000
	3/30/2005	4/1/2026	5.250	4/1 – 10/1	2,655,000	2,655,000	-	2,655,000
	3/30/2005	4/1/2027	5.250	4/1 – 10/1	2,795,000	2,795,000	-	2,795,000
						<u>23,990,000</u>	<u>5,865,000</u>	<u>18,125,000</u>
Water Revenue and Refunding Revenue Bonds, Series 2010	11/10/2010	4/1/2033	5.000	4/1 – 10/1	2,230,000	2,230,000	-	2,230,000
	11/10/2010	4/1/2034	5.000	4/1 – 10/1	2,305,000	2,305,000	-	2,305,000
	11/10/2010	4/1/2035	5.000	4/1 – 10/1	7,815,000	7,815,000	-	7,815,000
	11/10/2010	4/1/2036	5.000	4/1 – 10/1	8,065,000	8,065,000	-	8,065,000
	11/10/2010	4/1/2037	5.000	4/1 – 10/1	8,330,000	8,330,000	-	8,330,000
	11/10/2010	4/1/2038	5.000	4/1 – 10/1	11,655,000	11,655,000	-	11,655,000
	11/10/2010	4/1/2039	5.000	4/1 – 10/1	12,035,000	12,035,000	-	12,035,000
	11/10/2010	4/1/2040	5.000	4/1 – 10/1	12,425,000	12,425,000	-	12,425,000
					<u>64,860,000</u>	<u>-</u>	<u>64,860,000</u>	
Water Refunding Revenue Bonds, Series 2013A	2/25/2013	4/1/2023	4.000	4/1 – 10/1	1,450,000	1,450,000	1,450,000	-
						<u>1,450,000</u>	<u>1,450,000</u>	<u>-</u>

**FAIRFAX COUNTY WATER AUTHORITY**

**Schedule of Bonds Payable (continued)  
December 31, 2023**

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2023	Retired During 2023	Outstanding December 31, 2023
			Rate	Dates				
Water Refunding Revenue Bonds, Series 2013B	2/25/2013	4/1/2023	2.555	4/1 – 10/1	2,325,000	2,325,000	2,325,000	-
	2/25/2013	4/1/2024	2.705	4/1 – 10/1	2,380,000	2,380,000	-	2,380,000
	2/25/2013	4/1/2025	2.875	4/1 – 10/1	2,445,000	2,445,000	-	2,445,000
	2/25/2013	4/1/2026	3.005	4/1 – 10/1	2,515,000	2,515,000	-	2,515,000
	2/25/2013	4/1/2027	3.085	4/1 – 10/1	2,585,000	2,585,000	-	2,585,000
	2/25/2013	4/1/2028	3.185	4/1 – 10/1	2,670,000	2,670,000	-	2,670,000
	2/25/2013	4/1/2029	3.305	4/1 – 10/1	2,750,000	2,750,000	-	2,750,000
	2/25/2013	4/1/2030	3.405	4/1 – 10/1	2,845,000	2,845,000	-	2,845,000
					20,515,000	2,325,000	18,190,000	
					21,965,000	3,775,000	18,190,000	
Water Revenue and Refunding Revenue Bonds, Series 2017	3/1/2017	4/1/2023	5.000	4/1 – 10/1	5,260,000	5,260,000	5,260,000	-
	3/1/2017	4/1/2024	5.000	4/1 – 10/1	5,530,000	5,530,000	-	5,530,000
	3/1/2017	4/1/2025	5.000	4/1 – 10/1	5,795,000	5,795,000	-	5,795,000
	3/1/2017	4/1/2026	5.000	4/1 – 10/1	10,265,000	10,265,000	-	10,265,000
	3/1/2017	4/1/2027	5.000	4/1 – 10/1	10,780,000	10,780,000	-	10,780,000
	3/1/2017	4/1/2028	4.000	4/1 – 10/1	13,250,000	13,250,000	-	13,250,000
	3/1/2017	4/1/2029	5.000	4/1 – 10/1	9,030,000	9,030,000	-	9,030,000
	3/1/2017	4/1/2030	5.000	4/1 – 10/1	5,900,000	5,900,000	-	5,900,000
	3/1/2017	4/1/2031	3.000	4/1 – 10/1	6,185,000	6,185,000	-	6,185,000
	3/1/2017	4/1/2032	3.000	4/1 – 10/1	1,575,000	1,575,000	-	1,575,000
	3/1/2017	4/1/2033	3.125	4/1 – 10/1	6,710,000	6,710,000	-	6,710,000
	3/1/2017	4/1/2034	3.250	4/1 – 10/1	6,925,000	6,925,000	-	6,925,000

# FAIRFAX COUNTY WATER AUTHORITY

## Schedule of Bonds Payable (continued) December 31, 2023

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2023	Retired During 2023	Outstanding December 31, 2023
			Rate	Dates				
Water Revenue	3/1/2017	4/1/2035	3.250	4/1 – 10/1	1,600,000	1,600,000	-	1,600,000
and Refunding Revenue	3/1/2017	4/1/2036	3.250	4/1 – 10/1	1,655,000	1,655,000	-	1,655,000
Bonds, Series 2017	3/1/2017	4/1/2037	3.250	4/1 – 10/1	1,710,000	1,710,000	-	1,710,000
(continued)	3/1/2017	4/1/2041	5.000	4/1 – 10/1	7,900,000	7,900,000	-	7,900,000
	3/1/2017	4/1/2042	5.000	4/1 – 10/1	8,295,000	8,295,000	-	8,295,000
	3/1/2017	4/1/2043	5.000	4/1 – 10/1	8,710,000	8,710,000	-	8,710,000
	3/1/2017	4/1/2044	5.000	4/1 – 10/1	9,145,000	9,145,000	-	9,145,000
	3/1/2017	4/1/2045	5.000	4/1 – 10/1	9,605,000	9,605,000	-	9,605,000
	3/1/2017	4/1/2046	5.000	4/1 – 10/1	10,080,000	10,080,000	-	10,080,000
	3/1/2017	4/1/2047	5.000	4/1 – 10/1	10,585,000	10,585,000	-	10,585,000
						156,490,000	5,260,000	151,230,000
Water Refunding Revenue	12/10/2019	4/1/2023	1.885	4/1 – 10/1	7,475,000	7,475,000	7,475,000	-
Bonds, Series 2019	12/10/2019	4/1/2024	1.965	4/1 – 10/1	12,965,000	12,965,000	-	12,965,000
	12/10/2019	4/1/2025	2.106	4/1 – 10/1	13,215,000	13,215,000	-	13,215,000
	12/10/2019	4/1/2026	2.206	4/1 – 10/1	13,480,000	13,480,000	-	13,480,000
	12/10/2019	4/1/2027	2.279	4/1 – 10/1	13,765,000	13,765,000	-	13,765,000
	12/10/2019	4/1/2028	2.379	4/1 – 10/1	12,245,000	12,245,000	-	12,245,000
	12/10/2019	4/1/2029	2.429	4/1 – 10/1	12,520,000	12,520,000	-	12,520,000
	12/10/2019	4/1/2030	2.629	4/1 – 10/1	65,000	65,000	-	65,000
	12/10/2019	4/1/2031	2.629	4/1 – 10/1	70,000	70,000	-	70,000
	12/10/2019	4/1/2032	2.629	4/1 – 10/1	5,430,000	5,430,000	-	5,430,000
						91,230,000	7,475,000	83,755,000



# FAIRFAX COUNTY WATER AUTHORITY

## Schedule of Bonds Payable (continued) December 31, 2023

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2023	Retired During 2023	Outstanding December 31, 2023
			Rate	Dates				
Water Refunding Revenue Bonds, Series 2020	1/7/2020	4/1/2028	5.000	4/1 – 10/1	2,530,000	2,530,000	-	2,530,000
	1/7/2020	4/1/2029	3.500	4/1 – 10/1	2,000,000	2,000,000	-	2,000,000
	1/7/2020	4/1/2029	5.000	4/1 – 10/1	5,500,000	5,500,000	-	5,500,000
	1/7/2020	4/1/2030	5.000	4/1 – 10/1	2,770,000	2,770,000	-	2,770,000
	1/7/2020	4/1/2031	5.000	4/1 – 10/1	2,905,000	2,905,000	-	2,905,000
	1/7/2020	4/1/2032	5.000	4/1 – 10/1	3,060,000	3,060,000	-	3,060,000
						<u>18,765,000</u>	-	<u>18,765,000</u>
Water Revenue Bonds, Series 2021	7/29/2021	4/1/2023	5.000	4/1 – 10/1	1,455,000	1,455,000	1,455,000	-
	7/29/2021	4/1/2024	5.000	4/1 – 10/1	1,525,000	1,525,000	-	1,525,000
	7/29/2021	4/1/2025	5.000	4/1 – 10/1	1,605,000	1,605,000	-	1,605,000
	7/29/2021	4/1/2026	5.000	4/1 – 10/1	1,690,000	1,690,000	-	1,690,000
	7/29/2021	4/1/2027	1.000	4/1 – 10/1	1,740,000	1,740,000	-	1,740,000
	7/29/2021	4/1/2028	5.000	4/1 – 10/1	1,790,000	1,790,000	-	1,790,000
	7/29/2021	4/1/2029	5.000	4/1 – 10/1	1,885,000	1,885,000	-	1,885,000
	7/29/2021	4/1/2030	5.000	4/1 – 10/1	1,980,000	1,980,000	-	1,980,000
	7/29/2021	4/1/2031	5.000	4/1 – 10/1	2,080,000	2,080,000	-	2,080,000
	7/29/2021	4/1/2032	4.000	4/1 – 10/1	2,175,000	2,175,000	-	2,175,000
	7/29/2021	4/1/2033	4.000	4/1 – 10/1	2,265,000	2,265,000	-	2,265,000
	7/29/2021	4/1/2034	4.000	4/1 – 10/1	2,360,000	2,360,000	-	2,360,000
	7/29/2021	4/1/2035	4.000	4/1 – 10/1	2,455,000	2,455,000	-	2,455,000
	7/29/2021	4/1/2036	4.000	4/1 – 10/1	2,555,000	2,555,000	-	2,555,000
	7/29/2021	4/1/2037	4.000	4/1 – 10/1	2,660,000	2,660,000	-	2,660,000
	7/29/2021	4/1/2038	4.000	4/1 – 10/1	2,770,000	2,770,000	-	2,770,000

**FAIRFAX COUNTY WATER AUTHORITY**

**Schedule of Bonds Payable (continued)  
December 31, 2023**

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2023	Retired During 2023	Outstanding December 31, 2023
			Rate	Dates				
Water Revenue	7/29/2021	4/1/2039	4.000	4/1 – 10/1	2,880,000	2,880,000	-	2,880,000
Bonds, Series 2021	7/29/2021	4/1/2040	4.000	4/1 – 10/1	3,000,000	3,000,000	-	3,000,000
(continued)	7/29/2021	4/1/2041	4.000	4/1 – 10/1	3,120,000	3,120,000	-	3,120,000
	7/29/2021	4/1/2042	4.000	4/1 – 10/1	3,250,000	3,250,000	-	3,250,000
	7/29/2021	4/1/2043	4.000	4/1 – 10/1	3,380,000	3,380,000	-	3,380,000
	7/29/2021	4/1/2044	4.000	4/1 – 10/1	3,520,000	3,520,000	-	3,520,000
	7/29/2021	4/1/2045	4.000	4/1 – 10/1	3,665,000	3,665,000	-	3,665,000
	7/29/2021	4/1/2046	4.000	4/1 – 10/1	3,810,000	3,810,000	-	3,810,000
	7/29/2021	4/1/2047	4.000	4/1 – 10/1	3,970,000	3,970,000	-	3,970,000
	7/29/2021	4/1/2048	4.000	4/1 – 10/1	4,130,000	4,130,000	-	4,130,000
	7/29/2021	4/1/2049	4.000	4/1 – 10/1	4,300,000	4,300,000	-	4,300,000
	7/29/2021	4/1/2050	4.000	4/1 – 10/1	4,475,000	4,475,000	-	4,475,000
	7/29/2021	4/1/2051	4.000	4/1 – 10/1	4,655,000	4,655,000	-	4,655,000
Total Bonds – All Series						81,145,000	1,455,000	79,690,000
						\$ 458,445,000	\$ 23,830,000	\$ 434,615,000

APPENDIX B  
GLOSSARY OF DEFINED TERMS

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## APPENDIX B

### GLOSSARY OF DEFINED TERMS

The following terms have the following meanings when used in this Official Statement.

“*Account*” or “*Fund*” means one of the special funds or accounts created and established pursuant to the General Indenture.

“*Accountant*” means a firm of independent certified public accountants as may be selected by Fairfax Water and not unacceptable to the Trustee.

“*Annual Budget*” means the annual budget described in the General Indenture adopted by Fairfax Water concerning the operation of the Water System for the succeeding Fiscal Year.

“*Authorized Denomination*” means, with respect to the 2024 Bonds, \$5,000 or any integral multiple thereof.

“*Authorized Representative*” means the Chairman, Vice Chairman, Secretary, Treasurer or General Manager of Fairfax Water and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of Fairfax Water then authorized to perform such act or discharge such duty.

“*Bond Counsel*” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by Fairfax Water and not unacceptable to the Trustee.

“*Bond*” means one of the obligations delivered pursuant to the General Indenture, including all Series of Bonds issued pursuant to a Series Indenture.

“*Bond Year*” means the twelve-month period beginning on an April 2 and ending on the following April 1.

“*Business Day*” means any day other than (a) a day on which institutions in New York, New York, or in the Commonwealth or in the cities in which the Trustee or the Paying Agent have their respective offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

“*Capital Appreciation Bond*” means bonds which bear interest that is not payable currently but is compounded semiannually and paid together with principal at maturity.

“*General Manager*” means the person from time to time appointed by Fairfax Water as its chief executive officer.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto.

“*Commonwealth*” means the Commonwealth of Virginia.

“*Consulting Engineer*” means the firm of engineers or water consultants with recognized expertise for advising governmental entities with respect to the construction, maintenance and use of water systems from time to time employed by Fairfax Water.

“*Costs of Construction*” means the costs reasonably incurred in connection with the Water System or any portion thereof, including but not limited to the costs of (1) acquisition of all property, real or personal, tangible or intangible, and all interests in connection therewith including all rights of way and easements therefor, (2) physical construction, installation and testing, including the costs of labor, services, materials, supplies and utility services used in connection therewith, (3) architectural, engineering, legal, financial advisory and other professional services, (4) premiums for insurance policies taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation, (5) any taxes, assessments or other charges which become due during construction, (6) expenses incurred by Fairfax Water or on its behalf with its approval in seeking to enforce any remedy against any contractor or sub-contractor in respect of any default under a contract relating to construction, (7) principal of and premium, if any, and interest on any indebtedness of Fairfax Water, other than the Bonds, incurred for Costs of Construction, (8) Costs of Issuance, (9) any capitalized interest and (10) miscellaneous expenses incidental thereto.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable by or reimbursable to Fairfax Water, related to the authorization, sale and issuance of Bonds.

“*Current Expenses*” means the reasonable and necessary current expenses of maintenance, repair and operation of the Water System, as recognized on a cash basis, and includes, without limiting the generality of the foregoing: all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring; insurance premiums; any Rebate Deposit to the extent not paid as a transfer from the Improvement Fund to the Rebate Fund; fees and expenses of the Trustee and any Paying Agent; fees and expenses of any entity providing credit support or liquidity for any Series of Bonds to the extent not paid from the Improvement Fund or the General Fund; administrative and engineering expenses of Fairfax Water relating to maintenance, repair and operation; legal expenses; any taxes that may be lawfully imposed on the Water System; and any reasonable payments to pension, retirement, benefit or similar funds. “Current Expenses” will not include any allowance for depreciation or replacements of capital assets of the Water System or any amounts paid by Fairfax Water representing sales taxes or user fees excluded from the definition of Revenues.

“*Debt Service Fund*” means the Fund so designated and established by the General Indenture.

“*Enabling Act*” means the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia of 1950, and as the same may hereafter be amended.

“*Event of Default*” means any of the events specified as such in the General Indenture together with any other events specified as such in a Series Indenture.

“*Fairfax Water*” means the Fairfax County Water Authority.

“*Federal Securities*” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book-entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of the Trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the Owner; (c) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are

rated by Moody's, if the Bonds are rated by Moody's, and S&P, if the Bonds are rated by S&P, within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; or (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

*"Fiscal Year"* means a twelve month period commencing on the first day of January of any year, or such other twelve month period adopted as the Fiscal Year of Fairfax Water.

*"General Fund"* means the fund so designated and established by the General Indenture.

*"General Indenture"* means the General Trust Indenture dated as of October 1, 1992 between Fairfax Water and the Trustee, and any amendments and supplements thereto.

*"Improvement Fund"* means the Fund so designated and established by the General Indenture.

*"Independent Insurance Consultant"* means a person or firm, appointed by Fairfax Water and not unacceptable to the Trustee, qualified to survey risks and to recommend insurance coverage for facilities of the type operated by Fairfax Water and having a favorable reputation for skill and experience in such surveys and such recommendations, which insurance consultant, in the case of an individual, must not be an officer or employee of Fairfax Water and, in the case of a firm, must not have a partner, director, officer or employee who is an officer or employee of Fairfax Water.

*"Interest Payment Date"* means any date on which interest is due and payable in accordance with the terms set forth with respect to each Series of Bonds in the related Series Indenture or any other document executed and delivered by Fairfax Water in accordance with the General Indenture, and with respect to the 2024 Bonds, *"Interest Payment Date"* means each April 1 and October 1, beginning October 1, 2024.

*"Interest"* means (i) the interest on each Series of Bonds, computed in accordance with the related Series Indenture, and (ii) payments under any agreement through which Fairfax Water has exchanged payments on the basis of a notional amount equal to the principal of a Series of Bonds.

*"Investment Securities"* means (i) Federal Securities; (ii) bonds, notes and other evidences of indebtedness of the Commonwealth or any agency or any political subdivision thereof which are rated at least "Aa" by Moody's and "AA" by S&P; (iii) bonds, notes and other obligations of the Government National Mortgage Association, Farmers' Home Administration and the Export Import Bank of the United States; (iv) bond, notes, debentures, participations and other obligations issued by the Federal National Mortgage Association; (v) any other obligation of the United States of America or any federal agencies, except the Farm Credit System, that may then be purchased under Section 2.2-4500 of the Code of Virginia of 1950, as amended, with public sinking funds; (vi) interest bearing time deposits and certificates of deposit of national banks located within the Commonwealth and of banks organized pursuant to Chapter 8, Title 6.2 of the Code of Virginia of 1950, as amended, provided that such deposits are secured as provided by the Virginia Security for Public Deposits Act; and (vii) any other investments permitted by the law of the Commonwealth for the investment of public funds.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency designated by the Chairman or Vice Chairman of Fairfax Water by notice to the Trustee.

“*Net Revenues*” means the excess of Revenues over Current Expenses.

“*1992 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 1992, issued pursuant to the General Indenture and the Series Indenture, Number 1, dated as of October 1, 1992.

“*1994 Bonds*” means Fairfax Water’s Water Revenue Bonds, Series 1994, issued pursuant to the General Indenture and the Series Indenture, Number 2, dated as of February 1, 1994, none of which remain Outstanding.

“*1997 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 1997, issued pursuant to the General Indenture and the Series Indenture, Number 3, dated as of July 15, 1997.

“*Outstanding*” or “*outstanding*” means with respect to Bonds, all Bonds which have been authenticated and delivered by the Trustee under the General Indenture, except:

(a) Bonds cancelled after purchase in the open market or because of payment (it being understood that a payment to an Owner of the purchase price of a Bond, as prescribed in the related Series Indenture, is not payment of a Bond) at or redemption prior to maturity or upon acceleration;

(b) Bonds deemed paid under the General Indenture;

(c) Bonds for the payment of the principal of and interest on which Federal Securities have been set aside sufficient to pay the principal of and interest on the related Series of Bonds, as verified by an Accountant, until such time as the principal of and interest on such Series of Bonds will be payable from Net Revenues; and

(d) Bonds in lieu of which other Bonds have been authenticated under the General Indenture.

“*Owner*” means any person in whose name any Outstanding Bond is registered upon the books of the Registrar.

“*Paying Agent*” means any entity appointed in a Series Indenture to act as a paying agent for a Series of Bonds.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Principal and Interest Requirements*” means, with respect to any particular Fiscal Year, an amount equal to the sum of amounts required to be deposited by Fairfax Water in the Debt Service Fund during that Fiscal Year as to (i) all Interest on the Bonds, and (ii) any Principal Installments of the Bonds.

(a) For purposes of computing “*Principal and Interest Requirements*,” the rate of interest used to determine (i) above will be a rate per annum equal to (1) with respect to Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (2) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the rate which is equal to the greater of (A) the average of all the interest rates in effect on the Bonds (or as certified by the General Manager which



would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period or (B) the average of all the interest rates in effect on the Bonds (or as certified by the General Manager which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding one-month period. If Fairfax Water has entered into an agreement under which it will receive payments calculated on a notional amount equal to the principal amount of a Series of Bonds and will make payments calculated on the same notional amount, the interest used to calculate (i) above will be the amount to be paid by Fairfax Water, and the amount to be received will be deducted; payments on a variable or periodic basis under such an agreement will be calculated in accordance with clause (a)(2) above.

(b) For purposes of computing “Principal and Interest Requirements,” the method used to determine (ii) above (1) with respect to Bonds which bear interest at a fixed rate, the Principal Installments will be computed in accordance with the definition thereof, and (2) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the Principal Installments will be the actual planned Principal Installments, unless any such Principal Installment is at least 100% greater than any Principal Installment of such Bonds in any prior year and the General Manager certifies that it is the intent of Fairfax Water to refinance such Principal Installment on or prior to its due date, in which case the Principal Installments of such series of Bonds will, in each year, be: (1) for Bonds with a term in excess of one year, the result derived by dividing (A) the outstanding principal amount of such Bonds by (B) the number of full years in the remaining term of such Bonds, and (2) for notes or other obligations with a term of less than one year which are issued in anticipation of the issuance of Bonds described in (1) above (the “Take Out Obligations”), the result derived by dividing (A) the outstanding principal amount of such notes or other obligations by (B) the number of full years expected to be in the term of the Take Out Obligation as certified to the Trustee by the General Manager.

“*Principal Installment*” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the General Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments.

“*Principal Payment Date*” means any date upon which a Principal Installment is due and payable.

“*Qualified Reserve Fund Substitute*” means (i) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long term debt obligations are rated in the highest rating category by Moody’s and S&P or (ii) a surety bond issued by a financial institution whose long term rating is in the highest rating category of Moody’s and S&P or a policy of reserve fund insurance issued by an insurance company whose claims paying ability is rated in one of the two highest rating categories by Moody’s and S&P.

“*Rebate Deposit*” means the amount required to be deposited into the Rebate Fund as a result of the computation made pursuant to the General Indenture.

“*Rebate Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Redemption Date*” means the date upon which 2024 Bonds are to be called for redemption pursuant to the Series Indenture.

“*Redemption Price*” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, and accrued interest payable upon the redemption thereof.

“*Registrar*” means any entity appointed in a Series Indenture to act as the Registrar for a Series of Bonds or a portion thereof.

“*Reserve Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Reserve Requirement*” means as of any date of calculation an amount equal to the maximum interest accruing on the Bonds in the current or any future Bond Year; however, for any Bond Year in which a Capital Appreciation Bond matures, the maximum interest will be calculated as of the last preceding Bond Year in which no Capital Appreciation Bond matured.

“*Revenue Fund*” means the Fund so designated and established pursuant to the General Indenture.

“*Revenues*” means all rates, fees, rentals or other charges or other income received, as recognized on a cash basis, by Fairfax Water in connection with the ownership, management and operation of the Water System, and all parts thereof, including amounts received from the investment or deposit of moneys in any Fund or Account (but not including amounts received from interest or other investment income earned in the Improvement Fund and the Rebate Fund), but shall not include (i) net proceeds of insurance or condemnation awards or other extraordinary items, (ii) moneys deposited or transferred to the Revenue Fund pursuant to the General Indenture, or (iii) any amounts collected by Fairfax Water representing sales taxes or user fees which may be required by law or agreement to be paid to the Commonwealth or a governmental unit thereof.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Chairman or Vice Chairman of Fairfax Water by notice to the Trustee.

“*Series Indenture*” means any indenture or other document supplementing the Indenture, executed by Fairfax Water and effective in accordance with the General Indenture, providing for the issuance of a Series of Bonds, and with respect to the 2024 Bonds, “*Series Indenture*” means the Series Indenture, Number 17 dated as of July 1, 2024 between Fairfax Water and the Trustee, and any amendments or supplements adopted in accordance with the terms thereof.

“*Series of Bonds*” or “*Series*” means any series of Bonds issued under the General Indenture pursuant to a Series Indenture.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid by Fairfax Water on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by Fairfax Water by reason of the maturity of a Bond or by call for redemption at the election of Fairfax Water.

“*Supplemental Indenture*” means any indenture supplemental to the General Indenture delivered pursuant to the terms thereof, amending or supplementing the General Indenture.

“*Trust Estate*” means all property and rights conveyed by Fairfax Water under the Granting Clauses of the General Indenture.

“*Trustee*” means the Trustee with respect to the Bonds and any other person at any time substituted in its place as provided in the General Indenture.

“*2000 Bonds*” means Fairfax Water’s Water Revenue Bonds, Series 2000, issued pursuant to the General Indenture and Series Indenture, Number 4 dated as of June 1, 2000.

“*2002 Bonds*” means Fairfax Water’s Water Revenue and Refunding Revenue Bonds, Series 2002, issued pursuant to the General Indenture and Series Indenture, Number 5 dated as of March 1, 2002.

“*2003 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2003, issued pursuant to the General Indenture and Series Indenture, Number 6 dated as of December 1, 2003.

“*2004 Bonds*” means Fairfax Water’s Water Revenue Bonds, Series 2004, issued pursuant to the General Indenture and Series Indenture, Number 7 dated as of July 1, 2004.

“*2005 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2005, issued pursuant to the General Indenture and Series Indenture, Number 8 dated as of March 1, 2005.

“*2007 Bonds*” means Fairfax Water’s Water Revenue and Refunding Revenue Bonds, Series 2007, issued pursuant to the General Indenture and Series Indenture, Number 9 dated as of February 1, 2007.

“*2010A Bonds*” means the Fairfax Water’s Water Revenue Bonds, Series 2010A (Federally Taxable - Issuer Subsidy - Build America Bonds), issued pursuant to the General Indenture and Series Indenture, Number 10 dated as of November 1, 2010.

“*2010B Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2010B, issued pursuant to the General Indenture and Series Indenture, Number 10 dated as of November 1, 2010.

“*2012 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2012, issued pursuant to the General Indenture and Series Indenture, Number 11 dated as of January 1, 2012.

“*2013A Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2013A, issued pursuant to the General Indenture and Series Indenture, Number 12 dated as of February 1, 2013.

“*2013B Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2013B (Federally Taxable), issued pursuant to the General Indenture and Series Indenture, Number 12 dated as of February 1, 2013.

“*2017 Bonds*” means Fairfax Water’s Water Revenue and Refunding Revenue Bonds, Series 2017, issued pursuant to the General Indenture and Series Indenture, Number 13 dated as of March 1, 2017.

“*2019 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2019 (Federally Taxable), issued pursuant to the General Indenture and Series Indenture, Number 14 dated as of December 1, 2019.

“*2020 Bonds*” means Fairfax Water’s Water Refunding Revenue Bonds, Series 2020, issued pursuant to the General Indenture and Series Indenture, Number 15 dated as of January 1, 2020.

“*2021 Bonds*” means Fairfax Water’s Water Revenue Bonds, Series 2021, issued pursuant to the General Indenture and Series Indenture, Number 16 dated as of July 1, 2021.

“*2024 Bonds*” means Fairfax Water’s Water Revenue Bonds, Series 2024, issued pursuant to the General Indenture and Series Indenture, Number 17 dated as of July 1, 2024.

“*Water System*” means the complete water system of Fairfax Water, now existing or hereafter constructed or acquired either from the proceeds of the Bonds authorized by the General Indenture or from

any other sources and includes (a) all wells, reservoirs, intakes, dams, pumping stations, purification plants and other sources of supply of water and all pipes, mains and other parts of the facilities for the transmission and distribution of water and all equipment and property used in connection therewith, (b) all wastewater disposal and purification plants, and all equipment used in connection therewith, all facilities for the collection, treatment and disposal of waste matter, and (c) all other facilities of any nature or description, real or personal, now or hereafter owned or used by Fairfax Water in the supply, treatment, transmission, distribution and sale of water.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

In addition to summaries of the Indenture contained elsewhere in this Official Statement, the following is a summary of certain other provisions of the Indenture. Reference is hereby made to the actual Indenture for a complete recital of its terms.

#### PLEDGE OF TRUST ESTATE

In the General Indenture, Fairfax Water pledges the Trust Estate, and grants a security interest therein, to the Trustee for the benefit of Owners, to secure the payment of Bonds in accordance with their terms and the provisions of the General Indenture. The Trust Estate includes:

- (1) All Net Revenues of the Water System;
- (2) All moneys and securities held by the Trustee, Fairfax Water or any other depositaries in any and all of the Funds and Accounts established under the General Indenture, except the Rebate Fund, the Extension and Replacement Account in the Improvement Fund and the General Fund; and
- (3) Any additional property that may, from time to time, by delivery or by writing of any kind, be subjected to the lien of the General Indenture, by Fairfax Water or by anyone on its behalf, and the Trustee is authorized by the General Indenture to receive the same at any time as additional security under the General Indenture.

The General Indenture does not convey, mortgage, pledge or create any lien upon any real estate or tangible personal property owned by Fairfax Water or upon any revenues of Fairfax Water other than the Net Revenues.

#### FUNDS AND ACCOUNTS

Pursuant to the General Indenture, Fairfax Water has established and created the following special Funds which for administrative convenience may be subdivided by an Authorized Representative or the Trustee into Accounts with appropriate identification:

- (1) the Revenue Fund;
- (2) the Debt Service Fund;
- (3) the General Fund;
- (4) the Improvement Fund, and within the Improvement Fund, an Improvement Account and an Extension and Replacement Account;
- (5) the Rebate Fund; and
- (6) the Reserve Fund.

The Trustee or Fairfax Water may also create such other Funds or Accounts as it deems necessary or desirable in the administration of the Indenture.

The Debt Service Fund, the Reserve Fund and the Rebate Fund will be held by the Trustee. The Revenue Fund, the Improvement Fund and the General Fund will be held by a financial institution from time to time determined by Fairfax Water.

There will be deposited into each Fund created under the Indenture all amounts required to be deposited therein pursuant to the terms of the Indenture, and any other amounts available therefor and determined by Fairfax Water to be deposited therein.

**Revenue Fund.** Fairfax Water will cause all Revenues to be deposited in the Revenue Fund. All amounts collected by Fairfax Water as sales taxes and user fees which have been deposited in the Revenue Fund may be paid out of the Revenue Fund in the amounts and at the times determined by an Authorized Representative.

Fairfax Water will apply amounts in the Revenue Fund to the payment of Current Expenses consistent with the Annual Budget. In no event will the aggregate disbursements from the Revenue Fund applied to the payment of Current Expenses in each Fiscal Year exceed the amount provided therefor in the Annual Budget.

Fairfax Water will cause disbursements to be made from the Revenue Fund, after reserving therein an amount up to 1/5th of the Current Expenses as shown in the Annual Budget for the current Fiscal Year, in the following order of priority:

FIRST: On or before the 15th day of each month or otherwise as needed, to the Trustee for deposit in the Debt Service Fund, the amount required, if any (or the entire sum available for transfer if less than the required amount) to make the aggregate amount paid into such fund during the Fiscal Year with respect to Interest on each Series (including subseries) of Outstanding Bonds equal to the amount of interest due on October 1 of the current Fiscal Year and on April 1 of the subsequent Fiscal Year, in each case taking into account any amounts (i) transferred pursuant to the Indenture or (ii) on deposit in such fund on the first day of the Fiscal Year in excess of the amount required to be paid with respect to interest on April 1 of such Fiscal Year; plus any amounts required to provide for payment of Additional Bonds;

SECOND: On or before the 15th day of each month or otherwise as needed, to the Trustee for deposit in the Debt Service Fund, the amount required, if any, (or the entire sum available for transfer if less than the required amount) to make the aggregate amount paid into such fund during the Fiscal Year with respect to Principal Installments on each Series (including subseries) of Outstanding Bonds equal to the amount of Principal Installments then or to become due on April 1 of the subsequent Fiscal Year, in each case taking into account any amounts (i) transferred pursuant to the Indenture and not credited under the provisions of the immediately preceding paragraph or (ii) on deposit in such fund on the first day of the Fiscal Year in excess of the amount required to be paid with respect to Principal Installments on April 1 of such Fiscal Year; plus any amounts required to provide for payment of Additional Bonds;

THIRD: On the date set for payment thereof, to the provider of any Qualified Reserve Fund Substitute in satisfaction of the then current obligations of Fairfax Water incurred in connection therewith;

FOURTH: On or before the 15th day of each month, to the Trustee for deposit in the Reserve Fund, the amount necessary for the balance therein to equal the Reserve Requirement;

FIFTH: On or before the 15th day of each month, for deposit in the Improvement Fund, an amount such that the amount deposited in the Improvement Fund in the current Fiscal Year is



equal to (i) the amount, if any, recommended by the Consulting Engineer as described below under “-Inspections,” to be deposited in the Improvement Fund during such Fiscal Year plus (ii) the amount, if any, necessary in such Fiscal Year to pay the principal of and premium, if any, and interest on any subordinate obligations of Fairfax Water; and

SIXTH: On or before the 15th day of each month, to the General Fund, the balance remaining after the transfers described in FIRST through FIFTH above.

The failure to make any transfer described above will not constitute an Event of Default (i) as to the transfers described in FIRST and SECOND, as long as the amounts on deposit in the Debt Service Fund on each Interest Payment Date are sufficient to pay the Interest due on such date, and the amounts on deposit in the Debt Service Fund on each Principal Payment Date are sufficient to pay the Principal Installment due on such date or (ii) as to the transfers described in THIRD through FIFTH, to the extent that Net Revenues are from time to time insufficient therefor and, as to the transfers described in the THIRD and FOURTH, as long as all such transfers are completed within two years of the requirement therefor.

***Debt Service Fund.*** The Trustee will disburse amounts deposited in the Debt Service Fund as follows:

- (a) On each Interest Payment Date, to the Persons entitled thereto, Interest due on such date.
- (b) Subject to the provisions of the Indenture requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, to the Owners, the amounts required for the payment of the Principal Installments due on such date.
- (c) On each Redemption Date, to the Owners, the amount required for redemption of Bonds called for redemption.

Except as otherwise specifically provided in the General Indenture or any Series Indenture, the Trustee has no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price, principal amount or at any other price, and any arms’ length purchase by the Trustee will conclusively be deemed fair and reasonable.

If on any Interest Payment Date or Principal Payment Date there is a deficiency in the Debt Service Fund, the amount of such deficiency will be made up from the following Funds and in the order of priority set forth below:

- (1) the Revenue Fund;
- (2) the Reserve Fund;
- (3) the General Fund; and
- (4) the Improvement Fund.

***Rebate Fund.*** The Rebate Fund is created in connection with certain federal tax requirements imposed by the Code as a fund into which moneys required to be paid to the federal government are deposited and held until the date on which they are paid to the federal government. There will be deposited in the Rebate Fund any amount required to be deposited therein pursuant to the General Indenture, and any other amounts available therefor and determined by Fairfax Water to be deposited therein will be deposited in the Rebate Fund. The Series Indenture for any Series of Bonds other than the 2024 Bonds will provide instructions for deposit to and disbursement from the Rebate Fund with respect thereto. The Trustee, at

Fairfax Water's direction and expense, will retain an Accountant or other qualified entity to make the annual computation of the Rebate Deposit.

**Improvement Fund.** Fairfax Water will apply funds on deposit in the Improvement Account of the Improvement Fund for any of the following purposes: (1) payment of Costs of Issuance; (2) payment of all other Costs of Construction; and (3) payment of any required Rebate Deposit.

Fairfax Water will apply funds on deposit in the Extension and Replacement Account of the Improvement Fund for any of the following purposes:

- (1) payment of the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchase and installation of new equipment for, the Water System, or payment of any extraordinary maintenance and repair, or any expenses which are not Current Expenses;
- (2) repayment of subordinate debt incurred in connection with capital improvements to the Water System or any portions thereof; and
- (3) transfer to the Debt Service Fund to make up any deficiency therein in accordance with the order of priorities established by the General Indenture and as described above under “-Debt Service Fund.”

**General Fund.** Moneys held in the General Fund will be applied for any purpose of Fairfax Water then authorized by the Enabling Act.

**Investments.** The Trustee will invest moneys held in the Debt Service Fund and the Reserve Fund, at the direction of Fairfax Water, in Investment Securities permitted for the investment of public sinking funds under the laws of the Commonwealth. The Trustee will invest moneys in the Rebate Fund, at the direction of Fairfax Water in Investment Securities. Fairfax Water will invest all Funds and Accounts held by it pursuant to the General Indenture in such Investment Securities as it determines in its sole discretion. The proceeds of any remarketing of a Series of Bonds will be held uninvested or will be invested in Federal Securities maturing not later than the earlier of 30 days or the date needed for payment. Fairfax Water will invest and, as to the Debt Service Fund, the Reserve Fund and the Rebate Fund, will direct the Trustee to invest all moneys held under the Indenture pursuant to the investment instructions as provided in connection with a Series of Bonds.

The Trustee will deposit earnings from investment of moneys in the Rebate Fund immediately on receipt thereof into the Rebate Fund. Investment of moneys in the Improvement Fund will be retained therein. All earnings from the investment of moneys held in any other fund and account under the Indenture will be credited to the Revenue Fund.

**Reserve Fund.** There will be deposited in the Reserve Fund, subject to the right of Fairfax Water to supply the Trustee with a Qualified Reserve Fund Substitute, all amounts required to be deposited therein pursuant to the General Indenture and any other amount available therefor and determined by Fairfax Water to be deposited therein. The Trustee will transfer amounts held in the Reserve Fund to the Debt Service Fund to make up any deficiency therein in accordance with the order of priorities set forth in the General Indenture and as described under “-Debt Service Fund” above, but if a Qualified Reserve Fund Substitute is in place, the Trustee will, not less than 10 days before the need therefor, cause appropriate notice to be given to the provider of such Qualified Reserve Fund Substitute of the need for funds to make up any deficiency in the Debt Service Fund.

The Trustee will value the Reserve Fund on or before June 25 and December 25 of each year and at any other time Fairfax Water directs, and provide written notice to Fairfax Water of any moneys which are on hand in the Reserve Fund in excess of the Reserve Requirement (taking into account any Qualified Reserve Fund Substitute that may be held by the Trustee), and the Trustee will transfer excess moneys to the Revenue Fund.

#### **BONDS NOT DELIVERED FOR PAYMENT**

If any Bond is not presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check is not cashed, if funds sufficient to pay such Bond have been made available by Fairfax Water to the Trustee or any Paying Agent for the benefit of the Owner thereof, all liability of Fairfax Water to the Owner thereof for the payment of such Bond will forthwith cease, terminate and be completely discharged, and it will then be the duty of the Trustee and any Paying Agent to hold such funds in trust, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond, who will thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. Any money deposited with the Trustee or any Paying Agent for the payment of any Bond and remaining unclaimed for five and one half years after such payment has become due and payable will be paid to Fairfax Water on its direction, and the Owner of such Bond or interest, as the case may be, will thereafter, as an unsecured general creditor, look only to Fairfax Water for payment thereof, and all liability of the Trustee or Paying Agent with respect to such trust money will then cease.

#### **ANNUAL BUDGET**

Fairfax Water has covenanted that it will adopt an Annual Budget covering the fiscal operations of Fairfax Water for each Fiscal Year not later than the first day of such Fiscal Year and will file the same with the Trustee. The Annual Budget for each Fiscal Year will set forth the estimated Revenues, the Principal and Interest Requirements on the Bonds due and payable or estimated to become due and payable during such Fiscal Year, and estimated Current Expenses. At any time, Fairfax Water may adopt an amended Annual Budget in the same manner provided for the adoption of the Annual Budget in the Indenture. Copies of the Annual Budget as then amended and in effect will be available for inspection by any Owner from the Trustee in its principal corporate trust office at normal business hours. If Fairfax Water does not adopt an Annual Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Annual Budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted as described above.

#### **RATE COVENANT**

Fairfax Water has covenanted that prior to the commencement of each Fiscal Year, commencing with the Fiscal Year beginning January 1, 1993, it will cause to be fixed, established and maintained such rates, fees and charges for the provision of water service (and revise or cause to be revised the same prior to the commencement of each Fiscal Year, as necessary) so as to produce Net Revenues, in the opinion of the Consulting Engineer, at least equal in such Fiscal Year to 110% of the Principal and Interest Requirements due during that Fiscal Year. Fairfax Water may not render free service; all users, including political subdivisions and public bodies (Commonwealth or federal) who receive water from the Water System must pay therefor at the established rates, fees and charges. The rates, fees and charges need not be uniform.

If Fairfax Water is unable to certify compliance with the rate covenant described in the preceding paragraph, it will, at least one month before the time fixed for the filing of the next Annual Budget, cause the Consulting Engineer to submit a report to Fairfax Water showing for the next succeeding Fiscal Year the projected Revenues, Principal and Interest Requirements and Current Expenses for the next succeeding

Fiscal Year and setting forth the recommendations of the Consulting Engineer for the revision of rates and charges, if necessary, in order to satisfy the rate covenant described above on the basis of projected Principal and Interest Requirements and projected Current Expenses for the next succeeding Fiscal Year.

#### **INSPECTIONS**

Fairfax Water will cause the Consulting Engineer to inspect the Water System at least once annually and, on or before December 1 of each Fiscal Year, submit a report setting forth whether the Water System has been maintained in good repair, working order and condition and their recommendations as to (a) the proper maintenance, repair and operation of the Water System during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes; (b) the additions, extensions, betterments, renewals and replacements which should be made during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes; (c) the amount that should be deposited during the ensuing Fiscal Year in the Improvement Fund for the purposes set forth herein under the caption "FUNDS AND ACCOUNTS -- Improvement Fund" in addition to the moneys to be deposited to the credit of the Improvement Fund to pay the principal of and interest on any subordinate obligations of Fairfax Water; and (d) any necessary or advisable revisions of the rates, fees and charges described under "-Rate Covenant" above. Fairfax Water will file such report with the Trustee, and will send such reports to the Owners who have filed their names and addresses with the Secretary or Treasurer of Fairfax Water for such purpose.

#### **CONSTRUCTION; MAINTENANCE OF SYSTEM**

Fairfax Water has covenanted that it will cause to be completed the additions, extensions and improvements of the Water System provided for in the Indenture in accordance with plans and specifications approved by a registered professional engineer and in an economical and efficient manner with all practicable dispatch, and that thereafter it will cause the Water System to be maintained in good condition and will continuously cause the Water System to be operated in an efficient manner and at a reasonable cost as a municipal revenue producing enterprise.

#### **INSURANCE; CONDEMNATION**

Fairfax Water has covenanted that it will cause insurance such as is maintained or carried by utilities similar to the Water System to be carried with a reputable insurance carrier or carriers, including public liability insurance against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks; said property loss and damage insurance must at all times be in an amount sufficient to indemnify for loss of the Water System and of the Revenues and other payments derived therefrom, to the extent that such insurance is obtainable.

Fairfax Water will deposit the proceeds of any insurance or condemnation in excess of \$100,000 in any given Fiscal Year, with respect to the Water System, (i) in the Extension and Replacement Account of the Improvement Fund, to rebuild or replace the Water System or the portion thereof giving rise to such referenced proceeds or (ii) in the Debt Service Fund, to redeem or pay Bonds pursuant to a Series Indenture.

Fairfax Water may insure by means of an adequate self insurance fund in lieu of the insurance described above. At the time such self insurance fund is substituted and within 30 days after the end of each Fiscal Year during which Fairfax Water continues to self insure, Fairfax Water must deliver a certificate from an Independent Insurance Consultant to the Trustee stating that the self insurance fund is adequate when measured against standards in the industry for the risks being assumed.

## SALE OF THE SYSTEM

The Water System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part, to another political subdivision or public agency of the Commonwealth authorized by law to own and operate such systems, but only if there is filed with the Trustee a report prepared by an independent consultant satisfactory to the Trustee showing that there is no material adverse effect on the ability of the Water System to produce Revenues to satisfy the rate covenant described under “-Rate Covenant” above and written evidence from any rating agency then rating the Outstanding Bonds that such sale will not adversely affect its rating of the Outstanding Bonds. Further, if such disposition is in whole, such political subdivision must assume all of the obligations of Fairfax Water under the General Indenture.

The Water System may be sold, mortgaged, leased or otherwise disposed of to a private utility only as a whole or substantially as a whole, and only if the net proceeds to be realized will be sufficient, together with other moneys available therefor, to discharge the lien of the Indenture as provided therein, and if the Trustee receives an opinion of Bond Counsel to the effect that such disposition will not adversely effect the federal income tax treatment of the interest on the Outstanding Bonds.

Fairfax Water has reserved the right to sell, lease or otherwise dispose of any of the property comprising a part of the Water System which it determines, in accordance with the provisions of the General Indenture, is no longer necessary, useful or profitable in the operation of the Water System. All proceeds derived from the sale, lease or other disposition of any property comprising a part of the Water System will be deposited in the Extension and Replacement Account.

Any part of the Water System constructed with funds provided by another governmental unit may be sold, leased or otherwise disposed of to that governmental unit if the Trustee receives a certificate from the Consulting Engineer which states that the projected Revenues of the Water System as it will exist after the proposed disposition for each of the two Fiscal Years subsequent to the year in which the disposition is expected to be completed are equal to the sum of the Current Expenses projected for such period plus 130% of the Principal and Interest Requirements for such Fiscal Year.

## LIENS OR CHARGES

Fairfax Water has covenanted that it will not create or permit to be created any lien or charge on the Water System or the Revenues other than the lien of the Bonds. Fairfax Water will pay or cause to be discharged or make provisions to satisfy and discharge, within 60 days after the same accrue, all claims and demands for labor, materials, supplies or other items which, if unpaid, might by law become a lien on the Water System or the Revenues. Fairfax Water is not obligated to pay or cause to be discharged or to make provision for any lien or charge as long as the validity thereof is being contested in good faith by appropriate legal proceedings.

## DEFAULTS AND REMEDIES

***Events of Default.*** Each of the following events constitutes an “Event of Default” under the General Indenture:

- (a) A failure to pay the principal of or premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption, including sinking fund redemptions;
- (b) A failure to pay any installment of Interest when the same becomes due and payable;

(c) A failure by Fairfax Water to observe and perform any covenant, condition, agreement or provisions (other than as described in subparagraphs (a) and (b) above) contained in the Bonds or in the Indenture on the part of Fairfax Water to be observed or performed, which failure continues for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, is given to Fairfax Water by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of principal amount of the Bonds, unless the Trustee, or the Trustee and Owners of a principal amount of Bonds not less than the principal amount of Bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Owners of such principal amount of Bonds, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by Fairfax Water within such period and is diligently pursued; and

(d) Any bankruptcy, insolvency or reorganization proceedings or similar litigation, are instituted by Fairfax Water, or a receiver, custodian or similar officer is appointed for Fairfax Water or any of its property, and such proceedings or appointments are not vacated or fully stayed within 90 days after the institution or occurrence thereof.

Further events which will constitute “Events of Default” under the General Indenture may be set forth in a Series Indenture.

***Remedies on Default.*** On the occurrence and continuance of an Event of Default, the Trustee may, or if required by a majority of the registered Owners of the Bonds, must, declare the Bonds to be immediately due and payable, whereupon they will, without further action, become due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding.

The provisions of the General Indenture described in the preceding paragraph are subject to the condition that if, after the principal of any of the Bonds has been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as provided in the General Indenture, Fairfax Water causes to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal of and interest on all Bonds which have become due otherwise than by reason of such declaration (with, to the extent permitted by the laws of the Commonwealth, interest on such overdue installments of interest, at the rate per annum borne by the respective Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default other than nonpayment of the principal of the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee will promptly give written notice of such waiver, rescission or annulment as provided in the General Indenture; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

On the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of registered owners of not less than a majority in principal amount of the Bonds and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require Fairfax Water to carry out any agreements with or for the benefit of the Owners and to perform its duties under the General Indenture;

(2) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against Fairfax Water.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy is cumulative and in addition to any other remedy given under the General Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested by the Owners of a majority in aggregate principal amount of Bonds and indemnified as provided in the General Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the General Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners.

***Priority of Payments After Default.*** If, on the happening and continuance of any Event of Default, the Trustee holds insufficient funds for the payment of the principal or Redemption Price then due of and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by redemption) and any other amounts received or collected by the Trustee acting pursuant to the General Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Indenture, will be applied, subject to the provisions of the General Indenture with respect to subordination of claims for interest, as follows:

(1) Unless the principal of all of the Bonds has become or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of Interest then due in the order of the maturity of such installments, and, if the amounts available are insufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due and, if the amounts available are insufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the persons entitled thereto, as the same become due, of the principal or Redemption Price of and interest on the Bonds which thereafter become due and, if the amounts available are insufficient to pay in full all the Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid on the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

***Owners' Right to Direct Proceedings.*** Anything in the General Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Outstanding Bonds have the right, at any time, to the extent permitted by law, by instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection

with the enforcement of the terms and conditions of the General Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such direction may not be otherwise than in accordance with the provisions thereof. The Trustee will not be required to act on any direction given to it as described herein, however, until the indemnity provided for in the General Indenture is furnished to it by such Owners.

***Limitation on Rights of Owners.*** No Owner has any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Indenture, for the protection or enforcement of any right under the General Indenture unless such Owner has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the General Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there has been offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are in every case, at the option of the Trustee, conditions precedent to the execution of the powers under the General Indenture or for any other remedy thereunder or by law. It is understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Indenture, or to enforce any right thereunder or under law with respect to the Bonds or the General Indenture, except in the manner therein provided, and that all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the General Indenture and for the benefit of all Owners. Nothing contained in the General Indenture will affect or impair the right of any Owner to enforce the payment of the principal of and interest on its Bonds at the time and place expressed in said Bond.

***Remedies Not Exclusive.*** No remedy conferred on or reserved to the Trustee or to the Owners in the General Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative and will be in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

***Subordination of Claims for Interest.*** No claim for interest appertaining to any of the Bonds which in any way at or after maturity has been transferred or pledged separate and apart from the Bond to which it appertains will, unless accompanied by such Bond, be entitled, in case of an Event of Default, to any benefit by or from the General Indenture, except after the prior payment in full of the principal of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

#### **SUPPLEMENTAL INDENTURES**

***Supplemental Indentures Effective on Filing With and Execution by Trustee.*** At any time or from time to time, a Supplemental Indenture may be executed and delivered by Fairfax Water which, (i) on filing with the Trustee of a copy thereof certified by an Authorized Representative and (ii) execution by the Trustee, will be fully effective in accordance with its terms, for any one or more of the following purposes:

- (a) to close the General Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness;
- (b) to add to the covenants and agreements of and the limitations and restrictions on Fairfax Water in the General Indenture other covenants and agreements or limitations and



restrictions to be observed by Fairfax Water which are not contrary to or inconsistent with the General Indenture as theretofore in effect;

(c) to surrender any right, power or privilege reserved to or conferred on Fairfax Water by the terms of the General Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of Fairfax Water contained in the General Indenture;

(d) to confirm as further assurance any pledge under, and the subjection to any lien or pledge created or to be created by, the General Indenture of the Trust Estate, including the Net Revenues or any other revenues or assets;

(e) to modify any of the provisions of the General Indenture in any respect whatsoever, but only if (i) such modification will be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture cease to be Outstanding and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; and

(f) to provide for the delivery of a Qualified Reserve Fund Substitute;

provided that any changes do not, in the opinion of Bond Counsel, adversely affect the interests of the owners of the Bonds.

***Supplemental Indentures Effective on Consent of Trustee.*** At any time or from time to time, a Supplemental Indenture may be executed and delivered which, on (i) filing with the Trustee of a copy thereof certified by an Authorized Representative and (ii) filing with the Trustee and Fairfax Water of an instrument in writing, made by the Trustee consenting thereto, will be fully effective in accordance with its terms, for any one or more of the following purposes:

(1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the General Indenture;

(2) to insert such provisions clarifying matters or questions arising under the General Indenture as are necessary or desirable and are not contrary to or inconsistent with the General Indenture as theretofore in effect; or

(3) to effectuate such changes in the General Indenture which do not adversely affect the interests of the Owners.

Any such Supplemental Indenture may also contain one or more of the purposes described above under "-- Supplemental Indentures Effective on Filing With and Execution by Trustee" and, in that event, the consent of the Trustee described above will be applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in subparagraphs (1) through (3) above.

***Supplemental Indentures Effective on Consent of Owners.*** Except for Supplemental Indentures as described under "Supplemental Indentures Effective on Filing With and Execution by Trustee" and "Supplemental Indentures Effective on Consent of Trustee" above, the written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding is required for the execution by Fairfax Water and the Trustee of any indenture or indentures supplemental to the General Indenture; provided, however, that without the consent of the Owners of all the Bonds Outstanding, nothing contained in the General Indenture will permit, or be construed as permitting:

- (a) A change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Bond, or a reduction in the principal amount of or premium payable on any redemption of any Outstanding Bond or the rate of interest thereon;
- (b) The deprivation of the Owner of any Bond Outstanding of the lien created by the General Indenture (other than as originally permitted thereby);
- (c) A privilege or priority of any Bond over any other Bond; or
- (d) A reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

If at any time Fairfax Water requests the Trustee to enter into a Supplemental Indenture for any of the purposes described above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given as provided in the General Indenture. If, within 60 days (or such longer period prescribed by Fairfax Water) following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture have consented to and approved the execution thereof as herein provided, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or Fairfax Water from executing the same or from taking any action pursuant to the provisions thereof.

**General Provisions.** As a condition to the effectiveness of any Supplemental Indenture, an opinion of Bond Counsel must be delivered to the Trustee stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the General Indenture, is authorized or permitted thereby, is valid and binding on Fairfax Water and does not adversely affect the tax treatment of interest on the Outstanding Bonds.

#### **DEFEASANCE**

If Fairfax Water pays or causes to be paid or is deemed to have paid to the Owner of any Bond the principal of, premium, if any, and interest due and payable, and thereafter to become due and payable on such Bond, or any portion of such Bond in any integral multiple of the Authorized Denomination thereof, such Bond or portion thereof will cease to be entitled to any lien, benefit or security under the General Indenture. If Fairfax Water pays or causes to be paid the principal of, premium, if any, and interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by Fairfax Water, including all fees, expenses and other amounts payable to the Trustee and any Paying Agent, then the right, title and interest of the Trustee in and to the Trust Estate will thereupon cease, terminate and become void.

Any Bond will be deemed to be paid within the meaning of the General Indenture when (a) payment of the principal of and premium, if any, on such Bond plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided therein) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) non-callable Federal Securities maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the General Indenture, as described above, such Bond will no longer be secured by or entitled to the benefits

of the General Indenture, except for the purposes of any such payment from such moneys or Federal Securities.

#### **CONSENT OF SURETY BOND PROVIDERS**

While any surety bond deposited into the Reserve Fund in connection with the 1992 Bonds is in effect, the consent of the provider of such surety bond is required in addition to the consent of the Owners of the Bonds, when required, for execution and delivery of any Supplemental Indenture and for other purposes set forth in the Series Indenture.

#### **UNDERTAKING TO PROVIDE ONGOING DISCLOSURE**

Article VII of the Series Indenture constitutes the written undertaking for the benefit of the holders of the 2024 Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the “Rule”). Fairfax Water agrees that the provisions contained in the Series Indenture shall be and are provided for the benefit of Holders of the 2024 Bonds, and Holders may enforce such provisions as provided in the Series Indenture. Capitalized terms used in this Section and not otherwise defined shall have the meanings assigned such terms below.

Fairfax Water, as an “obligated person” within the meaning of the Rule, undertakes to provide the following information in accordance with the terms of the Series Indenture:

(1) by not later than July 1 of each Fiscal Year, beginning July 1, 2025, to the MSRB in an electronic format prescribed by the MSRB, the audited financial statements of Fairfax Water for the preceding Fiscal Year, if available, prepared in accordance with generally accepted accounting principles for governmental units as prescribed by GASB, or if such audited financial statements are not then available, unaudited financial statements of Fairfax Water for such Fiscal Year to be replaced subsequently by audited financial statements of Fairfax Water to be delivered if and when available;

(2) by not later than July 1 of each Fiscal Year, beginning July 1, 2025, to the MSRB in an electronic format prescribed by the MSRB, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included in Appendix A to the Official Statement and for the type of information included (x) in the Official Statement under the caption “WATER SYSTEM” in the tables designated “Statistical Data”, “Summary of Revenues, Expenses and Changes in Net Position”, “Summary of Revenues and Current Expenses on a Cash Basis” and “Sources of Water Supply Water Provided to Fairfax Water” and in the section designated “Employees of Fairfax Water” (but only information in such section specifying the number of employees) and (y) in the Official Statement under the caption “RATES, FEES AND CHARGES” in the tables designated “Ten Largest Retail Water Customers”, “Ten Largest Wholesale Water Customers”, “Rate History” and “Collection Activity”, but only to the extent such items are not included in the audited financial statements referred to in paragraph (1) above;

(3) in a timely manner not in excess of ten business days to the MSRB in an electronic format prescribed by the MSRB, notice of (i) any amendment of the definition of “Revenues” as set forth in the General Indenture, and (ii) the occurrence of any of the Material Events; and

(4) in a timely manner, to the MSRB in an electronic format prescribed by the MSRB, notice of a failure of Fairfax Water to provide required annual financial information described in (1) or (2) above on or before the date specified.

Fairfax Water will, while any 2024 Bonds are Outstanding, provide the Annual Financial Information on or before July 1 of each year (the “Report Date”), beginning July 1, 2025, to the Trustee and to the MSRB in an electronic format prescribed by the MSRB. Fairfax Water will include with each submission of Annual Financial Information to the Trustee a written representation addressed to the Trustee to the effect that the Annual Financial Information is the Annual Financial Information required by the Series Indenture and that it complies with the applicable requirements of the Series Indenture. Fairfax Water may adjust the Report Date if Fairfax Water changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to the Trustee and to the MSRB in an electronic format prescribed by the MSRB; provided that the new Report Date shall be the first day of the seventh calendar month after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if Fairfax Water provides to the MSRB and the Trustee the Annual Financial Information by specific reference to documents previously provided to the MSRB, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

Fairfax Water will, while any 2024 bonds are Outstanding, provide the Audited Financial Statements when and if available to the Trustee and to the MSRB in an electronic format prescribed by the MSRB; provided, however, that if in any year Audited Financial Statements are not available by the Report Date, Fairfax Water will include as part of the Annual Financial Information unaudited financial statements and submit the Audited Financial Statements when available.

If the definition of Revenues is amended or if a Material Event occurs while any 2024 Bonds are Outstanding, Fairfax Water will provide a Material Event Notice in a timely manner not in excess of ten days to the Trustee and to the MSRB in an electronic format prescribed by the MSRB. Each Material Event Notice will be so captioned and shall prominently state the date, title and CUSIP numbers of the 2024 Bonds.

The Trustee will promptly advise Fairfax Water whenever, in the course of performing its duties as Trustee hereunder, the Trustee identifies an occurrence which would require Fairfax Water to provide a Material Event Notice pursuant to the above paragraph; provided that the failure of the Trustee so to advise Fairfax Water shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Series Indenture.

The Trustee will, without further direction or instruction from Fairfax Water, provide, in a timely manner, to the MSRB in an electronic format prescribed by the MSRB, notice of any failure by Fairfax Water while any 2024 Bonds are Outstanding to provide to the Trustee Annual Financial Information on or before the Report Date. For the purposes of determining whether information received from Fairfax Water is Annual Financial Information, the Trustee will be entitled conclusively to rely on Fairfax Water’s written representation made pursuant to the Series Indenture.

If Fairfax Water provides to the Trustee information relating to Fairfax Water or the 2024 Bonds, which information is not designated as a Material Event Notice, and directs the Trustee to provide such information to information repositories, the Trustee will provide such information in a timely manner to the MSRB in an electronic format prescribed by the MSRB.

The following are the definitions of the capitalized terms used in this Section and not otherwise defined:

- (1) “Annual Financial Information” means the financial and statistical data described above and the unaudited financial statements of Fairfax Water if Audited Financial Statements are not available.

(2) “Audited Financial Statements” means Fairfax Water’s annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”).

(3) “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2024 Bonds (including persons holding 2024 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2024 Bonds for federal income tax purposes.

(4) “Holder” means any Owner of the 2024 Bonds and any person who is a Beneficial Owner of the 2024 Bonds.

(5) “Material Event” means any of the following events with respect to the 2024 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds, or other material events affecting the tax status of the 2024 Bonds;
- (vii) Modifications to rights of Holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the 2024 Bonds, if material;
- (xi) Rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of Fairfax Water;

[Note: for the purposes of the event identified in the above clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the

supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person.]

(xiii) the consummation of a merger, consolidation or acquisition involving Fairfax Water or the sale of all or substantially all of the assets of Fairfax Water, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) the incurrence of a financial obligation of Fairfax Water, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Fairfax Water, any of which affect holders of the 2024 Bonds, if material; or

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of Fairfax Water, any of which reflect financial difficulties.

[Note: for the purposes of the events identified in clauses (xv) and (xvi) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.]

(6) “Material Event Notice” means written or electronic notice of (i) a Material Event, (ii) an amendment to the definition of “Revenues” or (iii) a failure of Fairfax Water to provide required current financial information described in above. The calling of any 2024 Bond for mandatory sinking fund redemption, if applicable, shall not require the sending of a Material Event Notice.

(7) “MSRB” means the Municipal Securities Rule Making Board.

(8) “Official Statement” means the final Official Statement of Fairfax Water dated as of the date set forth on the cover hereof and relating to the 2024 Bonds.

The continuing obligation under the Series Indenture of Fairfax Water to provide Annual Financial Information, Audited Financial Statements, if any, and Material Event Notices with respect to the 2024 Bonds will terminate immediately once all the 2024 Bonds no longer are Outstanding. Fairfax Water’s continuing disclosure obligations contained in the Series Indenture will be null and void in the event that Fairfax Water delivers to the Trustee an opinion of Bond Counsel to the effect that those portions of the Rule have been repealed retroactively or otherwise do not apply to the 2024 Bonds; provided that Fairfax Water shall have provided notice of such delivery and the cancellation of such obligations to the MSRB in an electronic format prescribed by the MSRB. Fairfax Water’s continuing disclosure obligations contained in the Series Indenture may be amended without the consent of the Holders, but only upon the filing by Fairfax Water with the Trustee of the proposed amendment and an opinion of Bond Counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance by Fairfax Water

with the Rule, which amendment shall be effective upon filing; provided that Fairfax Water shall have provided notice of such delivery and of the amendment to the MSRB in an electronic format prescribed by the MSRB.

Any failure by Fairfax Water to perform in accordance with Fairfax Water's continuing disclosure obligations contained in the Series Indenture will not constitute an "Event of Default" under the General Indenture, and the rights and remedies provided by the General Indenture upon the occurrence of an "Event of Default" will not apply to any such failure. Except as provided below, the Trustee will not have any power or duty to enforce the applicable Section of the Series Indenture.

If Fairfax Water fails to comply with the terms of Article VII of the Series Indenture, any Holder of any 2024 Bonds may take such actions as may be available to third party beneficiaries of contracts in Virginia to enforce such contracts including seeking specific performance by court order to cause Fairfax Water to comply with the terms of Article VII of the Series Indenture. Holders may act separately or two or more Holders may act jointly in seeking Fairfax Water's compliance with Article VII of the Series Indenture and any Holder or group of Holders, upon providing evidence satisfactory to the Trustee of their status as Holders, may request that the Trustee take action against Fairfax Water to enforce the provisions of Article VII of the Series Indenture, on behalf of the Holders, provided, however, the Trustee shall have no obligation to act as a result of such request. If the Trustee elects to act at the request of one or more Holders, the Trustee's action shall be deemed to be on behalf of all Holders and any information obtained as a result of such action on the part of the Trustee shall be made available to the Owners and to the Beneficial Owners, to the extent such Beneficial Owners can demonstrate their status to the satisfaction of the Trustee. If the Trustee elects to act at the request of one or more Holders, it shall be entitled to the rights and protections afforded under the General Indenture.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

July 30 2024

Fairfax County Water Authority  
Fairfax, Virginia

\$60,345,000  
FAIRFAX COUNTY WATER AUTHORITY  
WATER REVENUE BONDS, SERIES 2024

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and delivery by the Fairfax County Water Authority (“Fairfax Water”) of \$60,345,000 aggregate principal amount of its Water Revenue Bonds, Series 2024 (the “Bonds”). Fairfax Water is a public body corporate and politic and a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) exercising public and essential governmental functions and is empowered to issue the Bonds pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (the “Act”).

The Bonds are issuable only as fully registered bonds and will be numbered, will bear interest payable at the rates and at the times, and will be subject to redemption, all as provided in the General Trust Indenture dated as of October 1, 1992 (the “General Indenture”) between Fairfax Water and Crestar Bank, the successor to which is U.S. Bank Trust Company, National Association, a national banking association, as trustee (the “Trustee”), and Series Indenture, Number 17 dated as of July 1, 2024 (the “Series Indenture”) and collectively with the General Indenture, the “Indenture”) between Fairfax Water and the Trustee. The Bonds will be on a parity with all bonds previously issued and remaining Outstanding under the General Indenture. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Indenture.

The Bonds are being issued to (i) provide funds for Fairfax Water’s Capital Improvement Program, (ii) make a deposit to the Reserve Fund and (iii) pay the costs of issuing the Bonds.

In connection with the issuance of the Bonds, we have examined: (a) the Act; (b) executed copies of the General Indenture and the Series Indenture; (c) a resolution of Fairfax Water adopted on June 6, 2024, and (d) such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering this opinion. We have also examined a specimen Bond.

From such examination, we are of the opinion that:

1. Fairfax Water is a public body corporate and politic and a political subdivision of the Commonwealth exercising public and essential governmental functions. Pursuant to the Act, Fairfax Water is empowered to issue the Bonds for the purposes set forth in the Indenture and to execute, deliver and perform its obligations under the General Indenture and the Series Indenture.
2. The General Indenture and the Series Indenture have been duly authorized, executed and delivered by Fairfax Water, and are valid, binding and enforceable obligations, respectively, of Fairfax Water, except to the extent enforcement may be limited by bankruptcy, insolvency or similar laws affecting creditors’ rights generally, now or hereafter in effect, or by

application of equitable principles. Fairfax Water has validly pledged the Net Revenues of the Water System.

3. The Bonds have been duly authorized, executed and issued in accordance with applicable law, including the Act, and represent valid, binding and enforceable limited obligations of Fairfax Water, except to the extent enforcement may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, now or hereafter in effect, or by application of equitable principles. The Bonds are entitled to the benefits and security of the General Indenture and the Series Indenture for the payment thereof in accordance with the terms of the General Indenture and the Series Indenture.

4. The principal of and interest on the Bonds are limited obligations, payable by Fairfax Water solely from the sources described in the General Indenture. The principal of, premium, if any, and interest on the Bonds are not payable from the general funds of Fairfax Water, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues except the funds which are pledged under the General Indenture. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged for the payment of the principal of or interest on the Bonds, and no Owner of the Bonds has the right to compel the levy of any taxes whatever therefor or any appropriation for payment by the Commonwealth or of any political subdivision thereof or the forfeiture of any of its property in connection with any default thereon.

5. Under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance by Fairfax Water with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (including any original issue discount allocable to an owner of the Bonds) (a) is excludable from gross income for purposes of federal income tax and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations, as provided in the Code, for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

6. Under existing laws, regulations and judicial decisions, the Bonds, their transfer and the income therefrom (including any profit from the sale thereof) are exempt from taxation within the Commonwealth. We express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdictions other than the Commonwealth of Virginia.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. Fairfax Water has agreed in the Indenture and tax regulatory documents to comply with certain covenants designed to assure that interest on the Bonds will not become includable in the gross income of the recipient thereof for federal tax purposes. Failure to comply with these covenants may result in interest on the Bonds being included in gross income from the date of issue of the Bonds or as of some later date. The opinion set forth in paragraph 5 above assumes continuing compliance by Fairfax Water with such covenants.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Very truly yours,

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APPENDIX E

AMBAC ASSURANCE CORPORATION

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## **APPENDIX E**

### **AMBAC ASSURANCE CORPORATION**

Ambac Assurance has not provided any current information for inclusion in this Official Statement. Information regarding Ambac Assurance may be found at the following website, [www.ambac.com](http://www.ambac.com), and at [www.sec.gov](http://www.sec.gov). Such information is not included by reference in this Official Statement. Fairfax Water assumes no responsibility for the accuracy or completeness of any such information.

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**Fairfax Water**

