

## NEW ISSUE/BOOK-ENTRY

Ratings: **Moody's**.....Aaa  
**S&P** .....AAA

**\$105,925,000\*****PRINCE WILLIAM WATER****Water and Sewer System Revenue and Refunding Bonds, Series 2025****Dated: Date of Delivery****Due: July 15, as shown on the inside cover**

This Official Statement, prepared by the Prince William County Service Authority d/b/a Prince William Water (the "Authority"), provides information on the Authority's \$105,925,000\* Water and Sewer System Revenue and Refunding Bonds, Series 2025 (the "2025 Bonds"), the capital improvements being financed and other information. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the 2025 Bonds, a prospective investor should read this Official Statement in its entirety.

**Tax Matters**

In the opinion of Bond Counsel, under existing law and subject to the conditions described in "TAX MATTERS" herein, interest on the 2025 Bonds (i) is excludable from the gross income of the owners of the 2025 Bonds for purposes of federal income taxation, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code.

Bond Counsel is further of the opinion that interest on the 2025 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia.

Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the 2025 Bonds.

See "TAX MATTERS" herein regarding other tax considerations.

**Security**

The 2025 Bonds are limited obligations of the Authority payable solely from Net Revenues derived from the Authority's water and sewer operations and other funds pledged for their payment under the terms of the Master Indenture (as defined herein). The 2025 Bonds shall not constitute a pledge of the faith and credit of the Commonwealth of Virginia or any of its political subdivisions, including the Authority. The issuance of the 2025 Bonds shall not directly or indirectly or contingently obligate the Commonwealth of Virginia or any of its political subdivisions, including the Authority, to levy any taxes or to make any appropriation for their payment except from the funds pledged under the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

**Redemption**

See inside cover of this Official Statement and the section entitled "DESCRIPTION OF THE 2025 BONDS - Redemption," for a description of the redemption provisions with respect to the 2025 Bonds.

**Issued Pursuant To**

The 2025 Bonds will be issued pursuant to a Master Indenture of Trust dated as of May 1, 1991, as previously supplemented and amended (the "Prior Master Indenture"), as amended and restated by an Amended and Restated Master Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Amended and Restated Master Indenture" and together with the Prior Master Indenture, the "Master Indenture"), and as supplemented by a Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_ 1, 2025, between the Authority and U.S. Bank Trust Company, National Association, as successor Trustee. **By purchasing the 2025 Bonds, the original purchasers of the 2025 Bonds will be deemed to have consented to the amendment and restatement of the Prior Master Indenture as described herein and as set forth in the Amended and Restated Master Indenture.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Amendments to Master Indenture" herein and "APPENDIX A – FORM OF THE INDENTURE."

**Registrar/Paying Agent**

U.S. Bank Trust Company, National Association.

**Purpose**

The proceeds of the 2025 Bonds, together with other available funds, will be used to (i) finance all or a portion of the projects in the Authority's capital improvement program, as it may be amended from time to time, (ii) refund certain outstanding water and sewer system revenue bonds of the Authority, and (iii) pay the underwriter's discount and costs of issuance of the 2025 Bonds.

**Interest Payment Dates**

January 15 and July 15, beginning January 15, 2026.

**Registration**

Book-Entry Only; The Depository Trust Company. See "DESCRIPTION OF THE 2025 BONDS - Book-Entry Only System" and **Appendix E – BOOK-ENTRY ONLY SYSTEM** herein.

**Closing/Delivery Date**

On or about \_\_\_\_\_, 2025.

**Bond Counsel**

McGuireWoods LLP, Richmond, Virginia.

**Authority Counsel**

Bean Kinney & Korman PC, Arlington, Virginia.

**Underwriters' Counsel**

Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.

**Financial Advisor**

PFM Financial Advisors, LLC, Arlington, Virginia.

**Issuer Contact**

Director of Finance of the Authority (703) 335-7900.

*The Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of their validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Bean Kinney & Korman PC, Arlington, Virginia; and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia. Delivery of the Bonds is expected on or about \_\_\_\_\_, 2025, through the facilities of DTC.*

**Raymond James****Blaylock Van, LLC****TD Securities**

Dated: \_\_\_\_\_, 2025

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The 2025 Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2025 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## PRINCE WILLIAM WATER

**\$105,925,000\***

### **Water and Sewer System Revenue and Refunding Bonds, Series 2025**

#### **MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS**

(Base CUSIP\*\* Number 741765)

<b>Year of Maturity (July 15)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP** Suffix</b>	<b>Year of Maturity (July 15)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP** Suffix</b>
2026	\$1,925,000					2041	\$2,985,000				
2027	3,715,000					2042	3,140,000				
2028	3,910,000					2043	3,300,000				
2029	4,105,000					2044	3,470,000				
2030	4,310,000					2045	3,645,000				
2031	1,810,000					2046	3,835,000				
2032	1,905,000					2047	4,030,000				
2033	2,000,000					2048	4,235,000				
2034	2,105,000					2049	4,455,000				
2035	2,210,000					2050	4,680,000				
2036	2,325,000					2051	4,925,000				
2037	2,445,000					2052	5,175,000				
2038	2,570,000					2053	5,440,000				
2039	2,700,000					2054	5,720,000				
2040	2,840,000					2055	6,015,000				

#### **OPTIONAL REDEMPTION**

The 2025 Bonds maturing on or prior to July 15, 2035\*, are not subject to optional redemption prior to maturity. The 2025 Bonds maturing on or after July 15, 2036\*, are subject to redemption prior to their respective maturities at the option of the Authority on or after July 15, 2035\*, in whole or in part (in increments of \$5,000) at any time, at par plus unpaid interest accrued on the principal amount to be redeemed to the date fixed for redemption.

#### **MANDATORY SINKING FUND REDEMPTION**

The 2025 Bonds maturing on July 15, 20\_\_, are subject to mandatory sinking fund redemption in part, on July 15 in the years and in amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2025 Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provide in Indenture:

<b>Year</b>	<b>Amount</b>
	\$

\* Preliminary, subject to change.

\*\* A registered trademark of the American Bankers Association ("ABA") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, and the Authority is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Authority has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

## **PRINCE WILLIAM WATER**

4 County Complex Court  
Woodbridge, Virginia 22195

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### **BOARD MEMBERS**

Paul Colangelo, Jr., Chair  
B. Paul O'Meara, Jr., Vice-Chair  
Marlo Thomas Watson, Secretary-Treasurer  
Jim Almond  
Dean E. Dickey  
Charles A. Grymes  
Dr. K. Jack Kooyoomjian

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### **SENIOR STAFF**

Calvin D. Farr, Jr., General Manager / Chief Executive Officer  
Astrid B. Nelson, Deputy General Manager / Chief Administrative Officer  
Don Pannell, Deputy General Manager / Chief Operating Officer  
Hari Kurup, Chief Information & Technology Officer  
Brian Sipes, Director of Finance  
Lyle G. Beefelt, Director of Management and Budget  
Doug Shoop, Director of Operations and Maintenance  
Glenn Pearson, Director of Environmental Services and Water Reclamation  
Jeanetta Williams, Director of Data Management  
Kathy Bentz, Director of Communications & Community Engagement  
Samer Beidas, Director of Engineering & Planning  
Shailaja Poluru, Director of People and Talent  
Shannon Spence, Director of Project Management Office  
Tony Piccione, Director of Information Technology

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### **GENERAL COUNSEL**

Bean Kinney & Korman PC  
Arlington, Virginia

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### **BOND COUNSEL**

McGuireWoods LLP  
Richmond, Virginia

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### **FINANCIAL ADVISOR**

PFM Financial Advisors, LLC  
Arlington, Virginia

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**The 2025 Bonds are exempt from registration under the Securities Act of 1933, as amended. The 2025 Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.**

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations 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 the Authority. 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 the 2025 Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2025 Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the respective dates as of which information is given herein. The Trustee has neither reviewed nor participated in the preparation of this Official Statement.

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All quotations from, and summaries and explanations of, provisions of law 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 the Authority's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The 2025 Bonds have not been registered under the Securities Act of 1933, as amended, and the Authority's Master Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in the acts. The registration or qualification of the 2025 Bonds in accordance with applicable provisions of laws of the states in which the 2025 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the 2025 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

"CUSIP" is a registered trademark of the American Bankers Association ("ABA"). CUSIP Global Services is managed on behalf of the ABA by FactSet Research Systems Inc. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, and the Authority is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Authority has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. References to web site 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 web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and which has the same meaning as "final official statement" in SEC Rule 15c2-12.

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## OFFICIAL STATEMENT

**\$105,925,000\***

### PRINCE WILLIAM WATER

### Water and Sewer System Revenue and Refunding Bonds, Series 2025

#### INTRODUCTION

The purpose of this Official Statement, which includes the cover and the attached appendices, is to set forth certain information in connection with the issuance of \$105,925,000\* Water and Sewer System Revenue and Refunding Bonds, Series 2025 (the "2025 Bonds"), by the Prince William County Service Authority d/b/a Prince William Water (the "Authority"), a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth").

The 2025 Bonds are being issued pursuant to the provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia of 1950, as amended (the "Enabling Act"), and under a Master Indenture of Trust dated as of May 1, 1991, as previously supplemented and amended (the "Prior Master Indenture"), as amended and restated by an Amended and Restated Master Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Amended and Restated Master Indenture" and together with the Prior Master Indenture, the "Master Indenture"), and as supplemented by a Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Ninth Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), between the Authority and U.S. Bank Trust Company, National Association, Richmond, Virginia, as successor trustee (the "Trustee").

For the definitions of terms used in this Official Statement and not otherwise defined, see **"Appendix A – FORM OF THE INDENTURE."**

The 2025 Bonds will be issued in authorized denominations of \$5,000 or integral multiples of \$5,000. The 2025 Bonds will be held in book-entry form by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the 2025 Bonds. The 2025 Bonds will be subject to optional redemption before maturity. See the section **"DESCRIPTION OF THE 2025 BONDS - Book-Entry Only System;" "- Redemption;" and Appendix E – BOOK-ENTRY ONLY SYSTEM.**

The 2025 Bonds will be limited obligations of the Authority payable solely from Net Revenues derived from the System and other funds pledged for their payment under the terms of the Master Indenture. The 2025 Bonds shall not constitute a pledge of the faith and credit of the Commonwealth or any of its political subdivisions, including the Authority or Prince William County (the "County"). The issuance of the 2025 Bonds shall not directly or indirectly or contingently obligate the Commonwealth or any of its political subdivisions, including the Authority or the County, to levy any taxes or to make any appropriation for this payment except from the funds pledged under the Master Indenture. The Authority does not have taxing power. See the section **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

Under the Master Indenture, the Authority covenants to fix, charge, collect and revise its rates, fees and other charges for the use of and for the services furnished by the System in each Fiscal Year, so as to produce revenues sufficient to pay the cost of operation and maintenance, the cost of necessary replacements and improvements, and debt service on the Bonds and on all other indebtedness of the Authority and to provide certain reserves therefor. See the section **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenue Covenant."**

**By purchasing the 2025 Bonds, the original purchasers of the 2025 Bonds will be deemed to have consented to the amendment and restatement of the Prior Master Indenture as described herein and as set forth in the Amended and Restated Master Indenture. See "APPENDIX A – FORM OF THE INDENTURE"**

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\* Preliminary, subject to change.

and the section **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Amendments to Master Indenture."**

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to the laws, reports or other documents referred to in this Official Statement, including the Indenture, in their entirety for more complete information regarding their contents.

### **Series of Bonds with Bonds Outstanding**

The 2025 Bonds are the ninth Series of Bonds issued under the Master Indenture only two of which remain outstanding. Set forth in the following chart are the issue dates, original principal amounts and outstanding principal amounts of the two prior Series of Bonds with Bonds currently outstanding (the "Outstanding Bonds"):

<b>Series of Bonds</b>	<b>Issue Date</b>	<b>Original Principal Amount</b>	<b>Outstanding Principal Amount as of April 1, 2025</b>
Water and Sewer System Refunding Revenue Bonds, Series 2013	April 24, 2013	\$43,875,000	\$28,595,000
Water and Sewer System Refunding Revenue Bond, Series 2015	April 3, 2015	20,955,000	6,995,000
		<u>\$64,830,000</u>	<u>\$35,590,000</u>

Note: <sup>(1)</sup> All or a portion of the Water and Sewer System Refunding Revenue Bonds, Series 2013, may be refunded by the 2025 Bonds. See "PLAN OF REFUNDING" below.

The 2025 Bonds, the Outstanding Bonds and all Additional Bonds subsequently issued under the Master Indenture are referred to as the "Bonds."

### **Outstanding Other Parity Debt**

In addition to the Outstanding Bonds set forth above, the 2025 Bonds will be secured on a parity basis with Parity Indebtedness issued under the Master Indenture. Set forth in the following chart are the issue dates, original principal amounts and outstanding principal amounts of the four outstanding issues of Parity Indebtedness (the "Outstanding Parity Debt"), all of which is held by Virginia Resources Authority on its own or as Administrator of the Virginia Water Facilities Revolving Fund:

<b>Outstanding Parity Debt</b>	<b>Issue Date</b>	<b>Original Principal Amount</b>	<b>Outstanding Principal Amount as of April 1, 2025</b>
Water and Sewer System Revenue Bonds, Series 2004	June 29, 2004	\$12,472,593	\$395,353
Water and Sewer System Revenue Bond, Series 2007	June 28, 2007	45,000,000	11,064,466
Water and Sewer System Revenue Bond, Taxable Series 2009	June 10, 2009	41,000,000	12,511,794
Water and Sewer System Revenue Bond, Series 2022	February 24, 2022	100,000,000	31,750,014 <sup>(1)</sup>
		<u>\$198,472,593</u>	<u>\$55,721,627</u>

Note: <sup>(1)</sup> Outstanding principal amount is based on the amount of the loan drawn as of April 1, 2025. The Authority has not started repaying amounts owed on this debt and is permitted to draw up to \$100,000,000 under it.

The Authority has also been approved for an up to \$70 million loan from the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund. This loan (like those listed above) is expected to be issued as Parity Indebtedness in Fiscal Year 2026. The Authority expects to use the proceeds of this loan to finance wastewater facilities improvements to its H.L. Mooney Advanced Wastewater Reclamation Facility (the "Mooney Facility").

### **Subordinate Obligations**

Substantial portions of the County lie in watersheds that flow naturally to other jurisdictions. Consequently, the Authority has contracted with the Upper Occoquan Service Authority ("UOSA") for wastewater treatment services (the "UOSA Contract"). The Authority is obligated for a portion of the debt service on bonds issued by UOSA for capital improvements to its wastewater treatment facilities. Such obligation is expressly made a Subordinate Obligation under the Master Indenture. However, under the UOSA Contract, the Authority has the option of providing a cash payment to UOSA to pay for its allocable percentage of the capital improvements to be financed through an UOSA bond issue as opposed to paying for a portion of the debt service on such UOSA bonds. If the Authority does make a cash payment under the UOSA Contract, the Authority still is required to make payment, subject to appropriation by the Board of Supervisors of the County for the purpose, for any debt service reserve deficiency for each applicable UOSA bond issue. As of June 30, 2025, the Authority's obligation for UOSA's outstanding debt will total approximately \$148 million in principal amount. The contract makes no provision for the acceleration of the Authority's obligations under the contract were the Authority to default thereon.

### **AUTHORIZATION AND PURPOSE**

The 2025 Bonds have been authorized by a resolution adopted by the board of the Authority (the "Board") on April 10, 2025. The Authority is issuing the 2025 Bonds and using the proceeds thereof, together with other available funds, to (i) finance all or a portion of the projects in the Authority's capital improvement program, as it may be amended from time to time, (ii) refund certain outstanding water and sewer system revenue bonds of the Authority, and (iii) pay the underwriter's discount and costs of issuance of the 2025 Bonds.

### **PLAN OF REFUNDING\***

Subject to market conditions and other considerations, including whether the Authority can achieve its refunding goals on the sale date, the Authority intends to use a portion of the proceeds of the 2025 Bonds, together with other available funds, if any, to refund, redeem and defease all or a portion of the Authority's outstanding Water and Sewer System Refunding Revenue Bonds, Series 2013 (the "Refunded Obligations"). The table below sets forth the anticipated Refunded Obligations, which are subject to change based on market conditions.

<b>Water and Sewer System Refunding Revenue Bonds, Series 2013</b>					
<b>Year of Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Number**</b>
2025	\$2,125,000	5.0%	July 1, 2025	100%	741765FP1
2026	2,230,000	4.0	August 19, 2025	100	741765FQ9
2027	2,315,000	4.0	August 19, 2025	100	741765FR7
2028	2,410,000	4.0	August 19, 2025	100	741765FS5
2029	2,505,000	4.0	August 19, 2025	100	741765FT3
2030	2,605,000	4.0	August 19, 2025	100	741765FV0

A portion of the proceeds of the 2025 Bonds will be deposited in an escrow fund (the "Escrow Fund") with U.S. Bank Trust Company, National Association (the "Escrow Agent"), under an Escrow Agreement, between the Authority and the Escrow Agent (the "Escrow Agreement"). The Escrow Agreement will provide for the purchase of direct, non-callable obligations of the United States Treasury (the "Escrow Securities") that will mature and bear interest at times and in amounts sufficient, together with other available funds, if any, to pay the principal of and the

\* Preliminary, subject to change.

\*\* See the last paragraph on page (ii) regarding the use of CUSIP information in this Official Statement.

premium, if any, and interest on the Refunded Obligations through their redemption date as shown above. The sufficient of such amounts to be deposited with the Escrow Agent will be verified by Bingham Arbitrage Rebate Services, Inc. ("Bingham"). See **"VERIFICATION OF MATHEMATICAL COMPUTATIONS."**

## DESCRIPTION OF THE 2025 BONDS

### General

The 2025 Bonds will be dated their date of delivery and will mature on July 15 in the years and amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the 2025 Bonds will be payable semi-annually on January 15 and July 15, commencing January 15, 2026. The Trustee will act as paying agent for the 2025 Bonds under the Indenture. The 2025 Bonds will be subject to optional prior to their stated maturities as described herein. The record dates for the payment of principal and interest on the 2025 Bonds are July 1 and January 1 in the years in which principal or interest, as applicable, is to be paid.

### Book-Entry Only System

DTC will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully-registered securities 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 bond certificate will be issued for each maturity of the 2025 Bonds in the aggregate principal amount of such issue and will be deposited with DTC. For a further description of DTC and its procedures, see **Appendix E – BOOK-ENTRY ONLY SYSTEM**.

### Redemption

*Optional Redemption.* The 2025 Bonds maturing prior to July 15, 2035\*, are not subject to optional redemption prior to maturity. The 2025 Bonds maturing on or after July 15, 2036\*, are subject to redemption prior to their respective maturities at the option of the Authority on or after July 15, 2035\*, in whole or in part (in increments of \$5,000) at any time, at par plus unpaid interest accrued on the principal amount to be redeemed to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The 2025 Bonds maturing on July 15, 20\_\_, are subject to mandatory sinking fund redemption in part, on July 15 in the years and in amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2025 Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provide in Indenture:

Year	Amount
	\$

*Notice of Redemption.* Any redemption of the 2025 Bonds is required by the Indenture to be made upon notice of redemption given by certified mail to DTC or, if the book-entry only system is discontinued as described above, by first class mail, postage prepaid, not less than thirty nor more than sixty days before the date fixed for redemption, to the registered owners of the 2025 Bonds to be redeemed and to the Municipal Securities Rulemaking Board (the "MSRB"), as set forth in the Indenture.

Each notice of redemption will contain, among other things, the CUSIP identification number and the number of the 2025 Bonds (or portions thereof) being called for redemption, the redemption date and price and the address at which the 2025 Bonds are to be surrendered for payment of the redemption price. Such notice may state that the redemption of the 2025 Bonds to be redeemed is conditioned upon the occurrence of certain future events, including,

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\* Preliminary, subject to change.

without limitation, the deposit with the Trustee of moneys sufficient to effect the redemption on or before the date fixed therefor.

Any defect in such notice or the failure to mail any such notice to the registered owner of any 2025 Bond called for redemption will not affect the validity of the proceedings for the redemption of any other 2025 Bond. Any defect in such notice or the failure to mail any such notice to the MSRB will not affect the validity of the proceedings for the redemption of the 2025 Bonds. As long as the book-entry only system is used for determining ownership of the 2025 Bonds, the Authority shall send notice to DTC or its nominee, or its successor. Any failure of DTC or its nominee or of a Direct Participant or Indirect Participant to notify a Direct Participant, Indirect Participant or Beneficial Owner of any 2025 Bond called for redemption will not affect the validity of the proceedings for the redemption of such 2025 Bond. If less than all of the 2025 Bonds are called for redemption, the maturities of such 2025 Bonds to be redeemed shall be selected by the Director of Finance of the Authority in such manner as he or she may determine. So long as a book-entry system is used for determining beneficial ownership of the 2025 Bonds, if less than all of the 2025 Bonds within a maturity are to be redeemed, DTC and its participants shall determine which of the 2025 Bonds within a maturity are to be redeemed.

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

The 2025 Bonds will be issued under the Master Indenture. Subject to the limitation affecting Parity Indebtedness described in the next paragraph, the 2025 Bonds will be equally and ratably secured by the Master Indenture with the Outstanding Bonds, the Outstanding Parity Debt, any Additional Bonds and additional Parity Indebtedness. The 2025 Bonds will be limited obligations of the Authority payable (except to the extent payable from the proceeds of the 2025 Bonds or the income, if any, derived from the investment thereof) solely from Net Revenues derived from the ownership or operation of the System, certain reserves, income from investments and proceeds of insurance pledged for their payment under the Master Indenture.

Under the Master Indenture, the Authority pledges to the Trustee for the payment of the principal of and premium, if any, and interest on the Bonds all Net Revenues derived from the operation of the System and all amounts held under the Master Indenture in the Debt Service Reserve Fund, the Project Fund and the Bond Fund, subject only to the right of the Authority to make application of such revenues to other purposes, including application to the payment of Operating Expenses, as set forth in the Master Indenture. The Authority will also pledge under the Master Indenture, on parity with the Bonds, all Net Revenues derived from the operation of the System to the payment of any Parity Indebtedness (including the Outstanding Parity Debt). Amounts held under the Master Indenture in the Debt Service Reserve Fund (if any), Project Fund and the Bond Fund do not secure any Parity Indebtedness.

The Master Indenture does not convey or mortgage the System. The Authority has covenanted not to place any liens on the System except those liens expressly permitted by the Master Indenture. See **"Appendix A – FORM OF THE INDENTURE."**

IN ACCORDANCE WITH THE ENABLING ACT, THE 2025 BONDS AND THE PREMIUM, IF ANY, AND THE INTEREST ON THEM SHALL NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY OR THE COUNTY. THE ISSUANCE OF THE 2025 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY OR THE COUNTY, TO LEVY ANY TAXES OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE 2025 BONDS EXCEPT FROM THE FUNDS PLEDGED UNDER THE MASTER INDENTURE. THE AUTHORITY HAS NO TAXING POWER.

### **Revenue Covenant**

The Master Indenture provides that the Authority will establish, fix, charge, collect and revise the rates, fees and charges for the use of and for the services furnished by the System, so that in each Fiscal Year (i) Net Revenues are not less than the sum of (a) 1.2 times Senior Debt Service for the Fiscal Year, (b) 1.0 times Subordinate Debt Service for the Fiscal Year, and (c) any amounts required to be deposited in the Repair and Replacement Fund during the Fiscal Year pursuant to the Master Indenture, and (ii) either (a) Net Revenues less 50% of Availability Fees are not less than 1.0 times Senior Debt Service or (b) Net Revenues less 50% of Availability Fees plus 50% of Unrestricted

Reserves is not less than 1.5 times Senior Debt Service (the "Revenue Covenant"). The Master Indenture requires the Authority to restore the balance in the Repair and Replacement Fund to its required level. See "**Appendix A – FORM OF THE INDENTURE.**"

### **Debt Service Reserve**

The Master Indenture permits the Authority to establish a Debt Service Reserve Fund, but for any given Series of Bonds, the Authority is permitted to establish a reserve requirement of \$0. Upon issuance of the 2025 Bonds, the reserve requirement for the 2025 Bonds will be \$0, and the Authority does not expect to have the 2025 Bonds secured by the Debt Service Reserve Fund.

The Outstanding Bonds are secured by the Debt Service Reserve Fund, and the Authority expects that they will remain secured by the Debt Service Reserve Fund during their respective terms. The Outstanding Parity Debt is not secured by the Debt Service Reserve Fund.

If the Authority elects to fund a Debt Service Reserve Fund for the 2025 Bonds or any other Bonds issued in the future, the Master Indenture requires the Authority to maintain in, or have credited to, the Debt Service Reserve Fund an amount (the "Debt Service Reserve Requirement") equal to the least of (i) the maximum principal and interest due on the Bonds then outstanding in the Authority's then current or any future Fiscal Year, (ii) 10% of the original proceeds (excluding accrued interest) of the Bonds, and (iii) 125% of the average annual principal and interest due on the Bonds then outstanding in the Authority's then current and each future Fiscal Year, plus any additional amount which may be specified by the Authority in accordance with the Master Indenture. See "**Appendix A – FORM OF THE INDENTURE.**"

### **Additional Bonds and Parity Indebtedness**

The Master Indenture permits the Authority to issue, subject to certain restrictions, one or more series of Additional Bonds, equally and ratably secured with the 2025 Bonds and the Outstanding Bonds, to pay the cost of (i) acquiring, renovating, equipping or constructing improvements, extensions, additions or replacements to the System or (ii) refunding any Bonds or other Authority obligations. In addition, the Authority may at any time issue one or more series of bonds having a lien on revenues of the System subordinate to the lien securing the 2025 Bonds, the Outstanding Bonds, any Additional Bonds and Parity Indebtedness. See "**Appendix A – FORM OF THE INDENTURE.**"

For Additional Bonds issued to pay the cost of acquiring, renovating, equipping or constructing improvements, extensions, additions or replacements to the System, the Additional Bonds may be issued only upon (i) receipt of the Consulting Engineer's written (a) estimate of the costs of the acquisition, renovation, equipping or construction (including all financing, reserves and related costs) and the completion date thereof and (b) opinion that the proceeds of the Additional Bonds, together with other money available or anticipated to be available for such purpose, will be sufficient to pay such costs; and (ii) receipt of either a written (a) certificate of the Consulting Engineer, the Director of Finance or the Authority, or an independent certified public accountant that states that based on the most recent audited financial statements of the Authority preceding the issuance of the proposed additional Series of Bonds the Authority would have been in compliance with the revenue covenant contained in the Indenture, taking into account the maximum Bond Debt Service due on the proposed additional Series of Bonds in the current or any future Fiscal Year and those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds, or (b) statement of the Consulting Engineer that projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the acquisition, renovation, equipping or construction, and demonstrates that, on the basis of such projection, the Authority can comply with the revenue covenant contained in the Master Indenture, taking into account those rates, fees and other charges that are in effect at the time of the delivery of the proposed Additional Bonds and future increases as may be required to continue to comply with such revenue covenant (but not taking into account in such projection Availability Fees exceeding (1) the actual average number of customers paying Availability Fees during the last three Fiscal Years, times (2) the amount of each Availability Fee expected to be assessed). See "**Appendix A – FORM OF THE INDENTURE.**"

For Additional Bonds issued to refund or redeem Outstanding Bonds or Parity Indebtedness, either (a) a written determination by the Trustee or by a nationally recognized verification agent that after the issuance of the Refunding Bonds and the provision for payment or redemption of all Bonds or other obligations of the Authority to be refunded, Senior Debt Service for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will not be more than Senior Debt Service for the Fiscal Year would have been on all Outstanding Bonds and Parity Indebtedness immediately before the issuance of the Refunding Bonds, including the Bonds and other obligations of the Authority to be refunded, or (b) the written certification required by the preceding paragraph, except that instead of projections based on the completion of the project being financed, the projections will be for the two full Fiscal Years following the date of the issuance of the Refunding Bonds. See "**Appendix A – FORM OF THE INDENTURE.**"

The Authority may also incur Parity Indebtedness under the Master Indenture. Parity Indebtedness is secured equally and ratably secured with the 2025 Bonds, the Outstanding Bonds, any Additional Bonds, except that Parity Indebtedness is not secured by the Debt Service Reserve Fund, the Project Fund or the Bond Fund. The Master Indenture permits the Authority to issue Parity Indebtedness on terms and conditions similar to those required for the issuance of Additional Bonds. As of April 1, 2025, the Authority has issued four series of Parity Indebtedness, which constitute the Outstanding Parity Debt. See "**INTRODUCTION - Outstanding Parity Debt,**" and "**Appendix A – FORM OF THE INDENTURE.**"

### **Flow of Funds**

The Master Indenture provides that the Authority will collect and deposit in the General Fund as received all Revenues derived from the ownership or operation of the System, except as otherwise provided for in the Master Indenture for investment income on certain funds and accounts created by the Master Indenture. After the payment of Operating Expenses, the Authority will make transfers from the General Fund of Net Revenues, as follows:

*Bond Fund.* The amount necessary to make the following deposits:

(a) *Interest Account.* To the credit of the Interest Account of the Bond Fund, on or before the fifth Business Day next preceding each Interest Payment Date, an amount equal to the interest payable on the Bonds on such Interest Payment Date.

(b) *Principal Account.* To the credit of the Principal Account of the Bond Fund, on or before the fifth Business Day next preceding each Principal Payment Date, an amount equal to the principal and Accreted Value of the Bonds due on such Principal Payment Date.

And any amount that may from time to time be required to enable the Authority to pay the principal of and interest due on the Bonds upon acceleration.

*Debt Service Reserve Fund.* Not later than the fifth Business Day before the end of each month, if the amount in the Debt Service Reserve Fund or any account therein is less than its respective Debt Service Reserve Requirement, the amount of money remaining in the General Fund necessary to restore the Debt Service Reserve Fund and the accounts therein to their respective Debt Service Reserve Requirements on a pro rata basis.

*Repair and Replacement Fund.* Not later than the fifth Business Day before the end of each month, the amounts necessary to bring the balance in the Repair and Replacement Fund to the Replacement Reserve Requirement in not more than 60 approximately equal monthly installments. The "Replacement Reserve Requirement" was initially established and remains at \$2,000,000. The Authority will review periodically the adequacy of the amount of the Requirement and may increase or reduce (which reduction may be to \$0) such amount. Balances in the Repair and Replacement Fund may be used to pay for major repairs, additions and other capital improvements to the System and to make deposits to the Bond Fund and Debt Service Reserve Fund.

In the event there are insufficient funds in the General Fund to make the transfers required by the Bond Fund and payments on Parity Indebtedness, the Authority will allocate the available funds between the Bond Fund and

payments on Parity Indebtedness in the proportion that the amount required to be deposited to each Fund bears to the total amount required to be deposited to both Funds.

See "**Appendix A – FORM OF THE INDENTURE**" hereto for a further description of the flow of funds.

### **Amendments to Master Indenture**

Subject to certain exceptions, the covenants and other security provisions of the Master Indenture may be amended with the consent of the holders of not less than a majority in aggregate principal amount of all Parity Indebtedness and Bonds (if any) then Outstanding (which may include debt issued in the future). These amendments may alter or eliminate the covenants and security provisions described in this Official Statement.

In addition to possible future amendments, the Prior Master Indenture is being amended and restated by the Amended and Restated Master Indenture. **By purchasing the 2025 Bonds, the original purchasers of the 2025 Bonds will (i) waive any notice of such amendments as required by the Prior Master Indenture, (ii) consent to the amendment and restatement of the Prior Master Indenture with the Amended and Restated Master Indenture, and (iii) appoint the Trustee as the original holders' agent with respect to the execution of any consent documents necessary in connection with the amendments. Upon the issuance of the 2025 Bonds, the Authority expects that (i) all necessary consents to the amendment and restatement of the Prior Master Indenture will have been provided, and (ii) the Amended and Restated Master Indenture will be in full force and effect.** The provisions of the Amended and Restated Master Indenture are those described in this Official Statement, and the form of the Amended and Restated Master Indenture is included herein as "**Appendix A – FORM OF THE INDENTURE.**"

The Authority's Prior Master Indenture was entered into in 1991. While the Amended and Restated Master Indenture is similar to the Prior Master Indenture in many respects (including the Revenue Covenant), the Authority is entering into the Amended and Restated Master Indenture to make changes to and modernize certain provisions, which include, but are not limited to:

- Streamlining the waterfall for the flow of Revenues once received by the Authority, including removing the requirement that the Authority make monthly deposits in various funds and accounts and matching the funds and accounts to the Authority's actual usage thereof.
- Directing the Authority to pay Operating Expenses as they become due from the Revenues on deposit in the General Fund.
- Directing the Authority to pay to the Trustee, for deposit into the Interest Account and Principal Account of the Bond Fund on or before the fifth business day next preceding each payment date, amounts equal to the interest and principal due on the Bonds on such interest and principal payment dates.
- Allowing the Authority to opt-in or opt-out of securing a Series of Bonds with a debt service reserve fund.
- Amending the definition of Operating Expenses to account for changes in accounting treatment of non-cash and extraordinary, one-time items and unrealized gains and losses, and allowing the Authority to phase-in future changes in accounting treatments to avoid unintentional reporting issues.
- Allowing the Authority to opt-in or opt-out of maintaining a Replacement Reserve with the Trustee.
- Amending the permitted investments definitions to account for changes in state law.
- Removing the requirement that the Authority's financial statements be provided to the Trustee (but financial statements will continue to be reported as part of the Authority's continuing disclosure).



## BONDHOLDERS' REMEDIES UPON AN EVENT OF DEFAULT

In case of an Event of Default under the Master Indenture (see "**Appendix A – FORM OF THE INDENTURE**"), the Trustee may, and upon the request of the holders of 25% in aggregate principal amount of Bonds then outstanding and upon indemnification as provided in the Master Indenture will, proceed to protect and enforce its rights and the rights of the holders of the Bonds by declaring the entire unpaid principal of and interest on the Bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity, including any action for specific performance of any agreement contained in the Master Indenture. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits "municipalities," if insolvent or otherwise unable to pay their debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor...." Bankruptcy Code, Section 109(c)(2). Current Virginia statutes do not expressly authorize the Authority or municipalities generally to file under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the Authority.

Bankruptcy proceedings by the Authority could have adverse effects on holders of Bonds, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the Authority after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (iii) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Bonds, such class of creditors will have the benefit of their original claim or its "indubitable equivalent", although such "equivalent" may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

## SOURCES AND USES OF FUNDS

The following table summarizes the anticipated application of the proceeds of the 2025 Bonds to finance the capital improvements as described above.

### Estimated Sources and Application of Funds

#### *Sources of Funds:*

Par Amount of the 2025 Bonds	\$
[Net] Original Issue [Premium/Discount] on the 2025 Bonds	_____
2013 Debt Service Fund Release	_____
2013 Debt Service Reserve Fund Release	_____
<i>Total Sources of Funds</i> .....	<u>          \$          </u>

#### *Uses of Funds:*

2025 Project Account	\$
Escrow Fund	
Costs of Issuance <sup>(1)</sup>	_____
<i>Total Uses of Funds</i> .....	<u>          \$          </u>

Note: <sup>(1)</sup> Includes underwriter's discount, legal, financial advisory, rating, printing and other costs of issuing the 2025 Bonds.

## ANNUAL DEBT SERVICE

The following table sets forth, for each Fiscal Year indicated below, the amount required in such Fiscal Year for the payment of principal (either at maturity or by mandatory sinking fund redemption) and interest on the Outstanding Bonds, Outstanding Parity Debt and the 2025 Bonds. Totals may not sum due to rounding.

Debt Service on Outstanding Bonds (as of 6/30/24) <sup>(1)</sup>				Debt Service on Outstanding Parity Debt (as of 6/30/24) <sup>(2)(3)</sup>			Debt Service on 2025 Bonds			Total Senior Debt Service			Subordinate UOSA Debt Service <sup>(4)</sup>	Total Debt Service
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total	Total
2024	\$3,705,000	\$1,305,148	\$5,010,148	\$5,711,366	\$584,732	\$6,296,098	\$	\$	\$	\$9,416,366	\$1,889,880	\$11,306,246	\$12,691,071	\$23,997,317
2025	3,465,000	1,168,595	4,633,595	5,811,852	484,247	6,296,099				9,276,852	1,652,842	10,929,694	13,011,539	23,941,233
2026	3,600,000	1,034,071	4,634,071	5,111,804	385,879	5,497,683				8,711,804	1,419,950	10,131,754	13,335,893	23,467,647
2027	3,715,000	915,964	4,630,964	7,821,648	797,535	8,619,183				11,536,648	1,713,499	13,250,147	13,263,176	26,513,323
2028	3,840,000	793,824	4,633,824	10,572,410	1,168,273	11,740,683				14,412,410	1,962,097	16,374,507	13,256,754	29,631,261
2029	3,960,000	667,250	4,627,250	10,716,796	1,023,888	11,740,684				14,676,796	1,691,138	16,367,934	13,261,789	29,629,723
2030	2,605,000	536,350	3,141,350	7,981,665	889,225	8,870,890				10,586,665	1,425,575	12,012,240	9,551,481	21,563,721
2031	2,715,000	432,150	3,147,150	5,442,854	800,146	6,243,000				8,157,854	1,232,296	9,390,150	9,568,719	18,958,869
2032	2,790,000	350,700	3,140,700	5,497,418	745,582	6,243,000				8,287,418	1,096,282	9,383,700	9,499,541	18,883,241
2033	2,880,000	267,000	3,147,000	5,552,530	690,470	6,243,000				8,432,530	957,470	9,390,000	9,434,421	18,824,421
2034	2,965,000	180,600	3,145,600	5,608,194	634,806	6,243,000				8,573,194	815,406	9,388,600	9,288,044	18,676,644
2035	3,055,000	91,650	3,146,650	5,664,416	578,584	6,243,000				8,719,416	670,234	9,389,650	9,219,886	18,609,536
2036	-	-	-	5,721,202	521,798	6,243,000				5,721,202	521,798	6,243,000	9,217,549	15,460,549
2037	-	-	-	5,778,557	464,443	6,243,000				5,778,557	464,443	6,243,000	9,213,716	15,456,716
2038	-	-	-	5,836,487	406,513	6,243,000				5,836,487	406,513	6,243,000	7,705,394	13,948,394
2039	-	-	-	5,894,998	348,002	6,243,000				5,894,998	348,002	6,243,000	9,266,254	15,509,254
2040	-	-	-	5,954,095	288,905	6,243,000				5,954,095	288,905	6,243,000	9,264,944	15,507,944
2041	-	-	-	6,013,785	229,215	6,243,000				6,013,785	229,215	6,243,000	4,611,159	10,854,159
2042	-	-	-	6,074,073	168,927	6,243,000				6,074,073	168,927	6,243,000	4,562,914	10,805,914
2043	-	-	-	6,134,966	108,034	6,243,000				6,134,966	108,034	6,243,000	2,673,289	8,916,289
2044	-	-	-	6,198,360	46,531	6,244,891				6,198,360	46,531	6,244,891	2,786,657	9,031,549
2045	-	-	-	-	-	-				-	-	-	2,785,184	2,785,184
2046	-	-	-	-	-	-				-	-	-	2,782,717	2,782,717
2047	-	-	-	-	-	-				-	-	-	2,782,594	2,782,594
2048	-	-	-	-	-	-				-	-	-	2,074,084	2,074,084
2049	-	-	-	-	-	-				-	-	-	2,075,077	2,075,077
2050	-	-	-	-	-	-				-	-	-	2,073,946	2,073,946
2051	-	-	-	-	-	-				-	-	-	2,072,660	2,072,660
2052	-	-	-	-	-	-				-	-	-	1,083,633	1,083,633
2053	-	-	-	-	-	-				-	-	-	1,082,656	1,082,656
2054	-	-	-	-	-	-				-	-	-	-	-
2055	-	-	-	-	-	-				-	-	-	-	-
2056	-	-	-	-	-	-				-	-	-	-	-
Total	<u>\$39,295,000</u>	<u>\$7,743,302</u>	<u>\$47,038,302</u>	<u>\$135,099,478</u>	<u>\$11,365,733</u>	<u>\$146,465,211</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$174,394,478</u>	<u>\$19,109,035</u>	<u>\$193,503,513</u>	<u>\$213,496,742</u>	<u>\$407,000,255</u>

Notes: <sup>(1)</sup> Outstanding Bonds debt service includes the Water and Sewer System Refunding Revenue Bonds, Series 2013 and Water and Sewer System Refunding Revenue Bond, Series 2015. Interest and principal shown reflects the Authority's prepayment of the July 1 interest and principal payments, due five days prior (per the Master Indenture). See the tables below titled "Revenue Bond Coverage - Test 1 (Master Indenture Calculation Method)" and "Revenue Bond Coverage - Test 1 (Gross of Permitted Prepayments)".

<sup>(2)</sup> Parity Indebtedness is secured equally and ratably with Bond debt service, except that Parity Indebtedness is not secured by the Debt Service Reserve Fund, the Project Fund or the Bond Fund. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds and Parity Indebtedness."**

<sup>(3)</sup> Parity Indebtedness includes estimated debt service on the Water and Sewer System Revenue Bond, Series 2022 (Parity Indebtedness) ("2022 Parity Debt") issued to the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund, with a principal amount up to \$100 million. Interest payments between March 1, 2024 and September 1, 2026 are not included in the estimates. Actual interest will be based upon the interest that accrues (at the loan rate of 1.0%) from loan draws. All debt service on this loan is subject to change if the Authority draws less than the \$100 million available.

<sup>(4)</sup> Reflects Subordinate Obligations with UOSA net of anticipated releases from the Debt Service Reserve Fund. UOSA debt service is adjusted to reflect a refunding that occurred in December 2024. The Authority budgets UOSA debt service payments as an operating expense.

## THE AUTHORITY

### General

The Authority is a public body politic and corporate organized pursuant to the provisions of the Enabling Act. The Authority was created by action of the Board of County Supervisors of Prince William County, Virginia, on January 11, 1983 and was chartered by the State Corporation Commission.

The Enabling Act provides that the Authority is authorized, subject to the restrictions of its articles of incorporation, among other things, to (i) acquire, construct, improve, extend, operate and maintain water systems, sewer systems or sewage disposal systems and garbage and refuse collection and disposal systems located within the County, (ii) issue bonds of the Authority, payable solely from revenues, to pay all or any part of the cost of a water system, sewer system, sewage disposal system, or garbage and refuse collection and disposal system, or any combination of such systems, (iii) fix, charge and collect rates, fees and charges for the use of and for the services furnished by any system operated by the Authority and (iv) enter into contracts with any unit, including counties, cities and authorities, relating to the furnishing of services and facilities of any water system, sewer system, sewage disposal system, or garbage and refuse collection and disposal system, or any combination of such systems of the Authority. The Enabling Act also provides that the Authority is subject in all respects to the jurisdiction of the Virginia State Water Control Board pursuant to the provisions of the State Water Control Law.

Unless specifically noted otherwise, all information and data contained in this section has been compiled by the various divisions of the Authority.

### Board Members

The Authority is governed by its Board consisting of eight members appointed by the County's Board of Supervisors for four-year terms. Board members with expired terms may serve until their successor is appointed. The following chart lists the current members of the Board, the occupation of each Director, the expiration date of each Director's term and the year in which each Director was appointed.

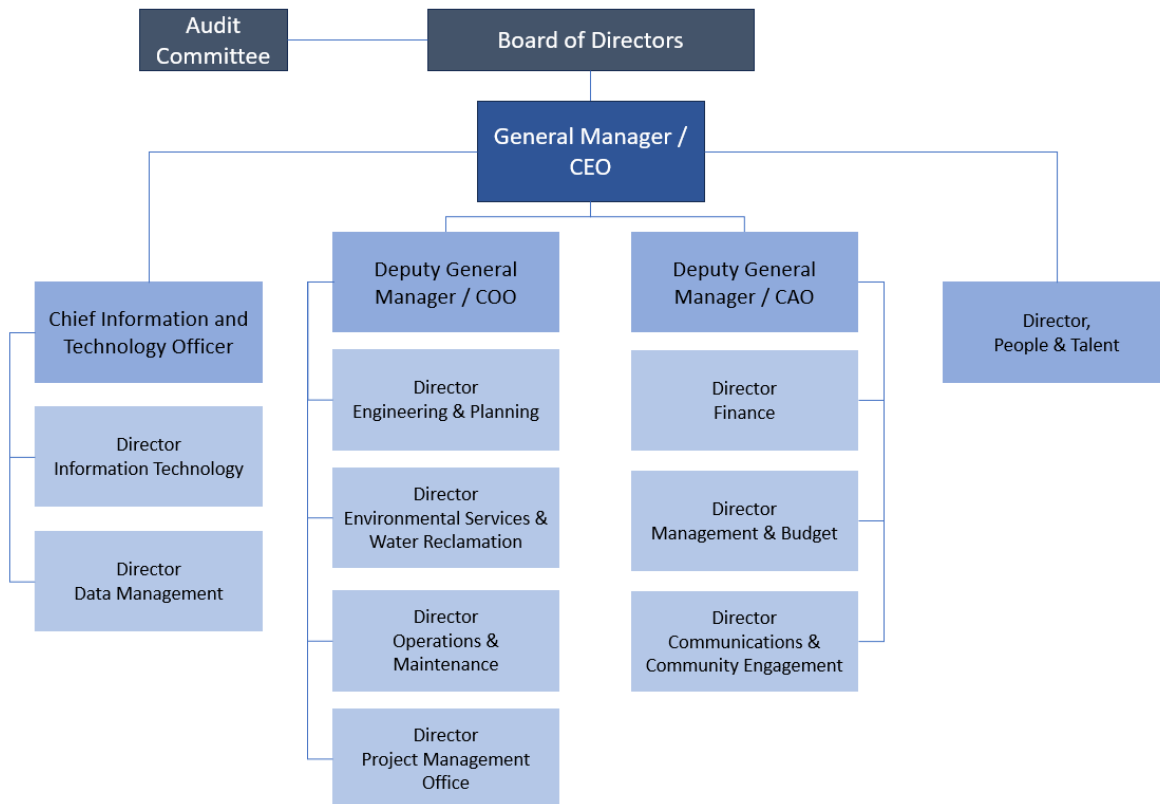
Member <sup>(1)</sup>	Occupation	Term Expires February	Year First Appointed
Paul Colangelo, Jr., <i>Chair</i>	Executive management for a technology company	2027	2021
B. Paul O'Meara, Jr., <i>Vice Chair</i>	Consultant	2027	2020
Marlo Thomas Watson, <i>Secretary-Treasurer</i>	President/Chief Engagement Officer, The Marlo Companies	2027	2019
Jim Almond	Sr VP, Operations, Boys & Girls Clubs of Greater Washington	2028	2021
Dean E. Dickey	Retired	2023 <sup>(2)</sup>	2021
Charles A. Grymes	Retired	2028	2024
Dr. K. Jack Kooyoomjian	Retired Supervisory Environmental Engineer, U.S. Environmental Protection Agency	2028	1995

Notes: <sup>(1)</sup> There is currently one vacancy on the Board.

<sup>(2)</sup> Mr. Dickey continues to serve as a Board member until his successor is appointed.

## Organization

The Authority is organized into eleven divisions/offices: (i) Finance, (ii) Management and Budget, (iii) Information Technology, (iv) Engineering and Planning, (v) Data Management, (vi) Operations and Maintenance, (vii) Environmental Services and Water Reclamation, (viii) Human Resources and Organizational Development, (ix) Communications and Community Engagement, (x) the Project Management Office, and (xi) the Executive Office. The Executive Office oversees the other divisions and has overall responsibility for the Authority's operations. Set forth below is an organizational chart of the Authority.



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## Principal Authority Staff and Outside Professionals

*Calvin D. Farr, Jr. - General Manager/Chief Executive Officer.* Mr. Farr has served as the General Manager/CEO of the Authority since May 2021. Prior to his employment with the Authority, Mr. Farr served as the Director of Public Utilities for the City of Richmond, and the Assistant Commissioner of the Department of Watershed Management for the City of Atlanta. Mr. Farr received his Executive Masters of Public Management from the University of Maryland, a Masters of Environmental Engineering from the Johns Hopkins University, and a Bachelor of Science in Civil Engineering from the Old Dominion University. He is a licensed Professional Engineer.

*Don Pannell - Deputy General Manager/Chief Operating Officer.* Mr. Pannell has served as the Deputy General Manager/Chief Operating Officer since July 2019. He began his employment with the Authority in 2005, serving as the Director of Operations & Maintenance prior to advancing to his current role. Prior to his employment with the Authority, Mr. Pannell helped manage the City of Manassas' water and wastewater utility. He has also worked as a consulting engineer, and as an engineer with the Virginia Department of Health. Mr. Pannell received his Bachelor of Science in Civil Engineering from Virginia Tech and a Master's of Environmental Engineering from Old Dominion University. He is a Registered Professional Engineer.

*Astrid B. Nelson – Deputy General Manager/Chief Administrative Officer.* Ms. Nelson has served as the Deputy General Manager/Chief Administrative Officer since September 2019. Since joining the Authority in 2003, she has served in roles of increasing responsibility including Chief of Strategic Business Initiatives, Director of Finance and Accounting Manager. Prior to joining the Authority, Ms. Nelson was an auditor for Deloitte & Touche, LLP. Ms. Nelson received a Bachelor of Science in Accounting from George Mason University and is a Certified Public Accountant.

*Hari Kurup – Chief Information & Technology Officer.* Mr. Kurup has served as the Chief Information & Technology Officer since March 2022. He has more than 20 years of experience in the software development, utility, manufacturing and service industries. Prior to joining the Authority, Mr. Kurup served as the Director of Enterprise Information Technology (IT) Systems for DC Water. He holds an undergraduate degree in Mechanical Engineering from Calicut University and a Master's in Finance from Johns Hopkins University. He also has received an Executive Program in General Management (EPGM) Advanced Certificate for Executives from MIT Sloan.

*Lyle G. Beefelt - Director of Management and Budget.* Mr. Beefelt has served as Director of Management and Budget since June 2006 and prior to that as a Financial Analyst and Senior Financial Analyst in the Division of Finance since 1987. Mr. Beefelt served on the 2022 volunteer Board of Examiners for the Malcolm Baldrige National Quality Award. Mr. Beefelt received a Bachelor of Arts in Economics from Brigham Young University in 1984.

*Brian Sipes – Director of Finance.* Mr. Sipes has served as the Director of Finance since March 2021 and prior to that as the Deputy Director of Finance since 2018. Before joining the Authority, Mr. Sipes was with the Public Company Accounting Oversight Board, where he advised the board on the establishment of auditing and related professional practice standards. Mr. Sipes also was an auditor with an international accounting firm for over a decade. He received a Bachelor of Science in Accounting from George Mason University and is a Certified Public Accountant.

*Doug Shoop - Director of Operations and Maintenance.* Mr. Shoop has been serving as the Director of Operations & Maintenance since September 2019. Prior to that, Mr. Shoop served as the Deputy Director of Engineering and Planning since June 2016, and as the Operations and Maintenance Collection and Distribution Manager since December 2011. Prior to his employment with the Authority, Mr. Shoop served as the Utility Systems Maintenance Supervisor and a Capital Project Manager for Loudoun Water. Mr. Shoop received his Bachelor of Science in Civil Engineering from The Pennsylvania State University and is an alum of Leadership Prince William. Mr. Shoop is a registered Professional Engineer, a Certified Construction Manager, and an Envision Sustainability Professional.

*Glenn D. Pearson - Director of Environmental Services and Water Reclamation.* Mr. Pearson has served in his current position since May 2023. Prior to that, Mr. Pearson served as a Senior Engineer and, later, as Deputy Director of Operations and Maintenance, since his initial employment with the Authority starting January 2017. Prior to his employment with the Authority, Mr. Pearson was employed over a period of 25 years by several respected private engineering consulting firms, including Dewberry Engineers LLC, HDR Engineering Inc., and Parsons Engineering-Science Inc. He earned his Bachelor of Science in Civil Engineering from Texas A&M University and

graduated with honors from the Corps of Cadets, thereafter, entering the U.S. Air Force as 2nd Lieutenant and prospective pilot. He has been a licensed professional engineer in several states, including Texas (now inactive), Pennsylvania (now inactive), and Virginia (active) since 1996.

*Jeanetta Williams, Director of Data Management.* Ms. Williams has served as the Director of Data Management (formerly Enterprise Asset Management) since 2018. Prior to that, Ms. Williams served as the Deputy Director of Data Management 2017-2018. Prior to joining the Authority, Ms. Williams was the Enterprise Programs Manager and Stormwater Utility Manager for the City of Suffolk, Virginia. Ms. Williams received her Bachelor of Science from Old Dominion University and a Master's in Public Administration from the Strome College of Business at Old Dominion University. She is a Certified Project Management Professional and Geographic Information System Professional.

*Kathy Bentz - Director of Communications & Community Development.* Kathy Bentz is the Director of Communications & Community Engagement for the Authority, where she manages the water and wastewater utility's education and outreach initiatives, customer communications, and employee messaging. She has worked for the Authority since September 2017. Previously, Ms. Bentz was the Executive Director of Leadership Prince William, a regional community leadership organization, and owned Bentz Communications, LLC. Ms. Bentz served as Communications Director for Prince William County Government and was named one of Prince William Living magazine's "Influential Women." She holds a Master of Public Communications from The American University and is a Certified Strategic Plan Facilitator.

*Samer Beidas – Director of Engineering and Planning.* Mr. Beidas has served as Director of Engineering & Planning since May 2013. Prior to joining the Authority, he was the Public Works Director for the Town of Purcellville and General Manager of the Department of Environmental Services for the City of Falls Church. Mr. Beidas received his Bachelor of Science in Civil Engineering with Construction Option in 1984 and Masters of Civil Engineering from North Carolina State University in 1986. He is a registered Professional Engineer in Virginia and is a Certified Construction Manager.

*Shailaja Poluru – Director of People and Talent.* Ms. Poluru joined the Authority as Director of People and Talent in March 2024, after having contracted with the organization as a human resources (HR) subject matter expert for several months. Prior to joining the Authority, Ms. Polurur managed HR operations for senior executives at Accenture. She earned a bachelor's degree in chemical engineering and a master's degree in human resources management from India. She is a Senior Certified Professional of the Society for Human Resources Management.

*Shannon Spence – Director of Project Management Office.* Ms. Spence has served as the Director of the Project Management Office since 2022. Prior to that, Ms. Spence served as the Acting Director of Environmental Services and Water Reclamation since 2020, and Deputy Director of Environmental Services and Water Reclamation since January of 2017. Prior to her employment with the Authority, Ms. Spence was a consulting engineer with expertise in construction, controls systems and security for public water and wastewater utilities. Ms. Spence received her Bachelor of Science in Civil Engineering from The Cooper Union for the Advancement of Science and Art in New York City in 1996. She is a licensed Professional Engineer.

*Tony Piccione – Director of Information Technology.* Mr. Piccione has served as Director of Information Technology since 2019. Prior to that, Mr. Piccione served as Deputy Director of Information Technology for 2 years, and the Network Services Manager for 7 years. Tony Piccione has more than 25 years of experience working in the field of Information Technology with prior work experience as a Network Engineer for a local technology company and a defense contractor. Mr. Piccione is a Cisco Certified Network Professional, Microsoft Certified Systems Engineer and VMware Certified Professional.

Bean Kinney & Korman PC, Arlington, Virginia, serves as counsel for the Authority. It has served in such capacity since 2014.

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## Authority Employees

The following chart lists the distribution of the Authority's 357 employees as of June 30, 2024.

### Employees by Division

Division	Employees
Operations and Maintenance	102
Finance	60
Environmental Services and Water Reclamation	67
Engineering	25
Information Technology	16
Data Management	19
Management and Budget	32
Human Resources and Organizational Development	8
Project Management Office	10
Communications and Community Engagement	10
Executive Office	8

## Financial and Budgetary Procedures

The Director of Finance manages the Authority's accounting, billing, collection, customer service, field service, rate setting and internal compliance programs. The Director of Management and Budget manages the Authority's budget, investment portfolio, performance analysis, procurement, contracts, and warehouse functions. The Deputy General Manager, Chief Administrative Officer, oversees the Divisions of Finance and Management and Budget.

When developing its budget and financial planning, the Authority uses a strategic plan developed with input from the Board, management, and staff, as a tool to ensure that financial planning will support the future needs and priorities of the Authority. Within the plan, a set of goals, both financial and operational, are created each year to prioritize future actions.

To facilitate long-term planning, the Authority prepares and updates a financing model that projects forward 20 years, with particular attention to the next-ensuing five-year period. This model includes projections of water and sewer capacity utilization, system growth and related availability fee revenue, operating revenues and expenses, debt service requirements, capital project spending, and cash flows.

The Authority also maintains and updates a Capital Improvement Program ("CIP") on an annual basis, which details capital projects designated for system expansion and rehabilitation. The CIP contains planned spending for the next-ensuing five-year period and estimated capital spending for identified projects in subsequent years. The Division of Engineering updates and prepares the CIP annually for presentation to the Board. The Board reviews the draft prepared and ultimately approves a CIP annually, which serves as a planning tool and not as an appropriation for expenditures.

The Authority uses the financing model, the CIP and strategic planning to project necessary rate increases and additional capacity requirements, to ensure proper debt coverage and to provide for adequate funding and budgeting of the Authority's ongoing activities and obligations. Each of the Authority's divisions provides input in the preparation of the annual capital and operating budget. The budget is typically submitted to the Board in April and approved in May of each year. All purchasing requests are subject to budget constraints, purchasing regulations and, depending on the dollar amount, are subject to the approval of the Board, General Manager, or Division Directors with oversight by the Division of Management and Budget. Payment of invoices are also subject to review and approval at the Division level with overall oversight by the Director of Finance.

The Authority's budgeting and financial planning is done in accordance with its Board-adopted financial policies. The Authority maintains Board-adopted policies that cover a range of financial topics, such as general financial matters, debt issuance, rate setting, risk management, and cash management. The General Financial Matters policies, which were last approved by the Board in May 2021, set forth a four fund structure that segregates funds for

increasing system capacity from funds for operation and renewal of the system for existing customers. These four funds, and their targets, are summarized below:

- Operating Fund: funding target of 6 months of budgeted operating expenses
- Expansion Fund: minimum funding of 1.5 years of planning expansion fund expenditures
- Commitment Fund: minimum funding of 5 years of debt service
- Replacement Fund: funding based on the replacement cost of assets exceeding their useful life, plus one to three years of the replacement value of assets reaching the end of their useful life in the next ten years

The Authority has a conservative approach to managing its cash. The Authority's investment portfolio is reviewed by an internal investment committee to ensure compliance with the Authority's investment policy and Virginia law. The primary goal is the preservation of invested capital. All funds are designated for specific purposes, ranging from meeting day-to-day expenses to funding the Authority's long-term water and sewer commitments. In making investments, the Authority considers cash flow requirements as well as the quality and return of potential investments.

The Authority's risk management program includes ongoing review of internal compliance and financial controls, insurance analysis, regulatory compliance and safety and loss control.

As of June 30, 2024, the Authority provided service to 98,128 accounts with water and sewer service, which are billed monthly. Bills are due and payable 24 days from the invoice date, with past due amounts noted on the next bill and assessed a 10% late payment charge if the balance remains unpaid. The Authority takes all appropriate steps to enforce collection of overdue charges to include collecting deposits from tenant accounts, disconnection of service for nonpayment at 32 days past the due date, filing a lien against the property if eligible to be liened and use of a collection agency when other collection methods are not successful. A \$35 delinquency fee is assessed to all accounts identified for further delinquent action, including, mail notification, door tag notification, telephone call or service disconnection. Accounts that are liened must be paid in full prior to opening a new account at that address and prior to the sale of the property. The Authority's losses from uncollected accounts have averaged less than 0.5% of amounts billed during the past five Fiscal Years.

### **Annual Budgets of the Authority**

The Authority uses a full accrual basis of accounting, which recognizes and records expenses when goods and services are received and revenues when earned. The budget follows the same accounting rules but does not include non-cash items such as depreciation. The Authority's Capital Improvement Program includes planned expenditures on capital projects that are in addition to the expenditures included in the budget. The Authority's adopted annual budgets for Fiscal Year 2024 and Fiscal Year 2025, and proposed annual budget for Fiscal Year 2026, are shown in the following table. The Authority's Board is scheduled to consider the proposed annual budget for Fiscal Year 2026 on May 8, 2025.

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### Annual Budgets for Fiscal Years 2024 and 2025

Revenue	2024 (Adopted)	2025 (Adopted)	2026 (Proposed)
User Charges & Fees	\$133,464,500	\$145,292,000	\$156,154,000
Availability Fees and Developer Charges	22,223,000	26,167,000	38,161,500
Interest Income	8,056,000	10,563,000	11,059,000
Other Revenue	950,000	950,000	988,000
Total Revenue	\$164,693,500	\$182,972,000	\$206,362,500
<b>Expenses</b>			
People & Talent	\$46,846,100	\$50,312,500	\$51,594,600
Purchased Resources	36,799,500	45,738,000	48,218,000
Contractual Services	16,050,500	16,493,100	17,413,200
Materials and Supplies	7,692,800	8,469,300	9,013,000
Utilities	6,080,000	6,090,000	6,300,000
Other Expenses	2,813,200	2,553,500	2,732,200
Contingency	300,000	300,000	350,000
Total Expenses	\$116,582,100	\$126,956,400	\$135,612,000
Debt Service	\$23,397,377	\$24,350,328	\$26,725,299
Cash Funded Capital <sup>(1)</sup>	\$69,963,000	\$69,590,000	\$38,903,550

Source: The Authority, Approved Operating Budgets, Fiscal Years 2024 and 2025 and Proposed Operating Budget, Fiscal Year 2026.

Note: <sup>(1)</sup> The Authority's Fiscal Year 2025 Annual Business Plan assumes a 75% execution rate for cash-funded projects.

Through the second quarter of Fiscal Year 2025, the Authority's revenues exceeded the budget by \$27.7 million (large industrial availability fee paid) and expenses were \$5.2 million under budget.

#### Summaries of Revenues and Expenses

The table that follows below summarizes the statements of revenues and expenses of the Authority for the last five Fiscal Years. This financial data has been compiled from the Authority's audited financial statements and accounting records of the Authority for such Fiscal Years. The financial data set forth below should be read in conjunction with the Authority's audited financial statements for Fiscal Year 2024, and the notes thereto which are included as Appendix B. See "**Appendix B - FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED 2024.**"

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**Statements of Revenues, Expenses and Changes in Net Assets**

**Fiscal Year Ended June 30,**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b><u>Operating Revenues:</u></b>					
Water and Sewer Service Charges	\$116,694,479	\$120,192,707	\$123,650,905	\$127,582,472	\$137,771,219
Development Charges	1,775,068	1,548,490	1,497,025	1,257,710	1,399,633
Other	684,730	794,785	775,640	842,073	1,078,269
Total Operating Revenues	<u>\$119,154,277</u>	<u>\$122,535,982</u>	<u>\$125,923,570</u>	<u>\$129,682,255</u>	<u>\$140,249,121</u>
<b><u>Operating Expenses:</u></b>					
Personnel Services	\$39,352,185	\$38,988,019	\$39,568,806	\$41,740,654	\$44,952,760
Purchased Resources	28,030,998	27,232,073	27,542,977	32,959,417	39,092,198
Contractual Services	9,561,195	11,322,160	11,438,105	13,942,372	13,152,419
Materials and Supplies	5,649,709	5,662,684	6,691,542	7,241,953	7,489,493
Utilities	4,644,166	5,073,423	4,878,155	5,876,176	6,386,191
Other	2,063,934	1,581,900	1,927,736	2,521,216	2,481,758
Total Operating Expenses	<u>\$89,302,187</u>	<u>\$89,860,259</u>	<u>\$92,047,321</u>	<u>\$104,281,788</u>	<u>\$113,554,819</u>
Operating Income Before Depreciation and Amortization	\$29,852,090	\$32,675,723	\$33,876,249	\$25,400,467	\$26,694,302
Depreciation and Amortization	42,260,795	43,261,866	44,260,700	45,362,784	47,084,831
Operating Income (Loss)	<u>\$(12,408,705)</u>	<u>\$(10,586,143)</u>	<u>\$(10,384,451)</u>	<u>\$(19,962,317)</u>	<u>\$(20,390,529)</u>
<b><u>Non-Operating Income (Expenses):</u></b>					
Availability Fees	\$28,996,478	\$36,390,288	\$21,225,247	\$27,231,803	\$52,873,404
Investment Income (loss)	10,426,352	722,348	(5,189,453)	7,219,921	16,672,255
Grant Revenue	5,000	1,502,167	1,483,020	164,421	13,625
Interest Expense	(3,151,552)	(2,891,220)	(2,511,491)	(2,102,225)	(1,996,495)
Payments for UOSA Debt Service	(10,686,076)	(11,099,831)	(11,467,146)	(11,652,837)	(11,839,011)
Equity Interest in UOSA	(4,042,609)	(4,835,657)	(7,919,751)	(5,856,627)	(3,764,827)
Purchased Capacity	(668,004)	(668,004)	(668,004)	(668,003)	(668,003)
Other	932,625	2,206,454	1,339,017	1,399,017	1,238,932
Total Non-Operating Income (expense), net	<u>\$21,812,214</u>	<u>\$21,326,545</u>	<u>\$(3,708,561)</u>	<u>\$15,735,470</u>	<u>\$52,529,880</u>
Income (loss) before contributions from developers and others	\$9,403,509	\$10,740,402	\$(14,093,012)	\$(4,226,847)	\$32,139,351
Contributions from developers and others	13,872,544	23,648,463	23,683,518	10,105,960	22,918,615
Change in net position	\$23,276,053	\$34,388,865	\$9,590,506	\$5,879,113	\$55,057,966
Net Position, Beginning of Year	1,329,116,414	1,352,392,467	1,386,781,332	1,396,371,838	1,402,250,951
Net Position, End of Year	<u>\$1,352,392,467</u>	<u>\$1,386,781,332</u>	<u>\$1,396,371,838</u>	<u>\$1,402,250,951</u>	<u>\$1,457,308,917</u>

Source: The Authority, Annual Comprehensive Financial Report, Fiscal Years 2020 through 2024.

The Authority is required under the terms of the Master Indenture to maintain revenues at levels necessary to meet certain revenue coverage tests. See the section **"SECURITY FOR THE 2025 BONDS - Revenue Covenant."** Set forth below are tables reflecting the Authority's compliance with such coverage tests for the Fiscal Years indicated. Under the Master Indenture, the Authority is permitted to exclude from its Senior Debt Service determination certain prepayments of debt service made before the start of the applicable Fiscal Year. The tables below show coverage first taking into account any prepayments permitted to be excluded from the determination of Senior Debt Service and second not taking into account any prepayments of debt service.

**Revenue Bond Coverage - Test 1 (Master Indenture Calculation Method)**  
(Dollars in Thousands)

<b>Fiscal Year</b>	<b>Gross Revenues<sup>(1)</sup></b>	<b>Operating Expenses<sup>(2)</sup></b>	<b>Net Revenues Available for Debt Service</b>	<b>Senior Debt Service Requirements<sup>(3)(4)</sup></b>	<b>Coverage Accounting for Debt Prepayments</b>
2015	\$141,305	\$78,965	\$62,340	\$8,256	7.55x
2016	140,209	82,677	57,532	7,927	7.26x
2017	152,595	87,158	65,437	7,927	8.26x
2018	145,173	93,178	51,995	7,927	6.56x
2019	145,924	97,344	48,590	7,885	6.16x
2020	159,510	100,656	58,854	7,899	7.45x
2021	161,855	101,629	60,226	7,885	7.64x
2022	143,298	104,182	39,116	7,885	4.96x
2023	165,533	116,803	48,930	6,296	7.77x
2024	211,034	126,062	84,972	6,317	13.45x

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> Gross revenues include all revenue categories except contributions from developers, funds received from grants and equity earnings of UOSA.

<sup>(2)</sup> Operating expenses include operating expenses plus principal and interest payments on UOSA debt and payments on capacity agreements with Fairfax Water.

<sup>(3)</sup> Includes debt service on Parity Indebtedness held by Virginia Resources Authority. In its past Annual Comprehensive Financial Reports, the Authority has historically shown its required Senior Debt Service in this table as 1.2x the actual Senior Debt Service and the required coverage ratio as 1.0x, instead of how it is shown here (with Senior Debt Service shown at 1.0x and the required coverage ratio as 1.2x). The Authority expects future Annual Comprehensive Financial Reports will continue to present 1.2x the actual Senior Debt Service (and the required coverage ratio as 1.0x) as it has historically shown.

<sup>(4)</sup> In each Fiscal Year, the Authority made advanced payments to the Trustee toward debt service on or before five Business Days prior to the subsequent Fiscal Year. Per the Master Indenture, such prepayments are excluded from the coverage calculation.

**Revenue Bond Coverage - Test 1 (Gross of Permitted Prepayments)**  
(Dollars in Thousands)

<b>Fiscal Year</b>	<b>Gross Revenues<sup>(1)</sup></b>	<b>Operating Expenses<sup>(2)</sup></b>	<b>Net Revenues Available for Debt Service</b>	<b>Senior Debt Service Requirements</b>	<b>Plus Debt Prepayments</b>	<b>Gross Senior Debt Service<sup>(3)</sup></b>	<b>Coverage of Gross Senior Debt Service</b>
2015	\$141,305	\$78,965	\$62,340	\$8,256	\$4,900	\$13,156	4.74x
2016	140,209	82,677	57,532	7,927	4,850	12,777	4.50x
2017	152,595	87,158	65,437	7,927	4,900	12,827	5.10x
2018	145,173	93,178	51,995	7,927	4,900	12,827	4.05x
2019	145,924	97,344	48,590	7,885	6,100	13,985	3.47x
2020	159,510	100,656	58,854	7,899	6,400	14,289	4.12x
2021	161,855	101,629	60,226	7,885	6,500	14,385	4.19x
2022	143,298	104,182	39,116	7,885	5,011	12,896	3.03x
2023	165,533	116,803	48,930	6,296	1,500	7,796	6.28x
2024	211,034	126,062	84,972	6,317	6,308	12,625	6.73x

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> Gross revenues include all revenue categories except contributions from developers, funds received from grants and equity earnings of UOSA.

<sup>(2)</sup> Operating expenses include operating expenses plus principal and interest payments on UOSA debt and payments on capacity agreements with Fairfax Water.

<sup>(3)</sup> Includes debt service on Parity Indebtedness held by Virginia Resources Authority.

**Revenue Bond Coverage - Test 2 (Master Indenture Calculation Method)**  
(Dollars in Thousands)

Fiscal Year	Net Revenues Available For Debt Service	Less 50% Developer Charges	Adjusted Net Revenues	Senior Debt Service Requirements <sup>(1)</sup>	Either/Or Coverage Requirement		
					Coverage (1.0 Req'd)	Adjusted Net Revenues Plus 50% Unrestricted Reserves <sup>(2)</sup>	Coverage (1.5 Req'd)
2015	\$62,340	\$16,592	\$45,748	\$8,256	5.54x	\$204,675	24.79x
2016	57,532	13,236	44,296	7,927	5.59x	213,779	26.97x
2017	65,437	18,309	47,128	7,927	5.95x	216,640	27.33x
2018	51,995	13,889	38,106	7,927	4.81x	213,518	26.94x
2019	48,590	10,937	37,653	7,885	4.78x	201,805	25.59x
2020	58,854	14,498	44,356	7,899	5.62x	212,528	26.90x
2021	60,226	18,195	42,031	7,885	5.33x	222,686	28.24x
2022	39,116	10,613	28,503	7,885	3.61x	196,247	24.89x
2023	48,930	13,616	35,314	6,296	5.61x	188,643	29.96x
2024	84,972	26,437	58,535	6,317	9.27x	210,163	33.27x

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> Includes debt service on Parity Indebtedness held by Virginia Resources Authority. In each year, the Authority made advanced payments to the Trustee toward debt service for the subsequent year. Per the Master Indenture, such prepayments are excluded from the coverage calculation.

<sup>(2)</sup> Unrestricted Reserves include fund balances, less one month's operating expense budget.

**Historical Days Cash on Hand**  
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Current, Unrestricted Cash & Cash Equivalents	\$68,748	\$66,477	\$43,645	\$46,840	\$37,636
Current, Unrestricted Investments	141,340	151,801	131,728	199,489	137,300
Non-current, Unrestricted Investments	134,553	150,720	167,801	68,020	137,757
Operating Expenses, Less Depreciation and Amortization <sup>(1)</sup>	100,656	101,628	104,182	116,603	126,062
Days Cash on Hand	1,250	1,325	1,202	984	905

Source: Prince William County Service Authority, Annual Comprehensive Financial Report, Fiscal Years 2020 through 2024.

Notes: <sup>(1)</sup> Operating expenses include principal and interest payments on UOSA debt and payments on capacity agreements with Fairfax Water.

**Management Discussion of Operations**

In Fiscal Year 2024, operating revenues increased by 8.1% or \$10.6 million over Fiscal Year 2023, to \$140.2 million. The increase is primarily due to rate increases in April 2023 and January 2024, and a 2.4% increase in the volume of water and sewer sold. Revenue from availability fees increased by \$25.6 million to \$52.9 million primarily due to availability fees paid by commercial customers with high water needs.

In Fiscal Year 2024, operating expenses increased by \$9.3 million over Fiscal Year 2023 to \$113.6 million, primarily due to higher prices from inflation and general economic conditions. Purchased resources increased by \$6.1 million as a result of higher operating and capital costs of the Authority's wholesale providers of water and water reclamation services.

The Authority continued to make infrastructure improvements, which were also impacted by rising costs. In Fiscal Year 2024, total capital assets increased by \$60.2 million, or 5.3% primarily due to \$107.5 million in additions

as the Authority continued to improve, replace, and expand its infrastructure. Significant projects included large capital investments in the Mooney Facility, improved water transmission capabilities across the Occoquan River, and wastewater collection system improvements.

### Service Area and Connection Policy

As of June 30, 2024, the Authority provided service to approximately 98,128 accounts. The Authority's service area boundaries are coterminous with the County's boundaries, which had a population of approximately 496,322 as of June 30, 2024. Under an agreement with the County, the Authority provides retail water and sewage service to County residents. The Authority does not provide service to those residents on well and septic systems or to residents in the County's unincorporated Dale City area, which residents receive their water and wastewater from the Virginia-American Water Company ("Virginia American"), a subsidiary of American Waterworks. According to the latest demographic information available from the United States Census Bureau (2020), the Dale City area has a population of approximately 72,088 residents. With the exception of the portion of the County comprising the former Yorkshire Sanitary District (encompassing a land area of approximately 2.4 square miles), neither the County nor the Authority has a mandatory connection policy. The current policy of the County's Department of Environmental Health, however, is not to issue permits for wells or septic systems without the Authority's concurrence. Moreover, new zoning applications are reviewed by the Authority, and the Authority presents its recommendations to the County's Planning Commission, which is the body that approves such applications. Generally, in areas where the Authority's utility service is available, residents and business connect to the System.

### Permits and Compliance

The Authority has obtained all governmental permits, licenses, registrations, certificates, authorizations and approvals currently required for the Authority's ownership and operation of the System and is aware of no reason why any such governmental permits, licenses, registrations, certificates, authorizations and approvals that might be required in the future cannot be obtained as needed.

### Existing Facilities and Capacity

The Authority has the following facilities and water and wastewater capacity:

<b>Facilities and Capacity</b>	
	<b><u>Fiscal Year 2024</u></b>
Miles of water lines	1,375
Miles of sewer lines	1,192
Wastewater pumping stations	67
Water tank storage capacity (MG)	24.9
Number of fire hydrants	13,383
Water capacity (mgd):	
Fairfax Water	62.4
City of Manassas	5.0
Authority wells	<u>0.4</u>
Total water capacity	<u>67.8</u>
Wastewater treatment capacity (mgd):	
at H.L. Mooney Advanced Water	24.0
Reclamation Facility	
at Upper Occoquan Service Authority	<u>19.8</u>
Total wastewater capacity	<u>43.8</u>

Source: The Authority.

The Authority purchases water pursuant to contractual agreements with Fairfax Water and the City of Manassas. Water is supplied by Fairfax Water through two 42-inch mains, from Fairfax Water's Griffith Water Treatment Plant to the eastern portion of the County, serving Lake Ridge, Woodbridge, Dumfries, and Triangle. For the western portion of the County, a 42-inch transmission main, owned by the Authority, supplies water along Route 28 to the Authority's Unity Reed Pumping Station near the City of Manassas, which pumps water purchased from Fairfax Water to customers in Bristow, Gainesville and Haymarket. The majority of water supplied by the City of Manassas is delivered at the City of Manassas' water treatment plant to the Authority's 24-inch transmission main in Gainesville. The Authority also has a small number of raw water wells representing less than 1% of total water purchased and produced. See the section **"THE AUTHORITY - Water Supply."**

The Mooney Facility provides wastewater treatment to the eastern portion of the County, whereas the Upper Occoquan Service Authority provides wastewater treatment to the western portion of the County. See the section **"THE AUTHORITY - Wastewater Treatment Agreement."**

The Authority is a member of the Virginia Mutual Aid Response Network for Virginia Water and Wastewater Systems ("WARN"). The mission of WARN is to provide a method whereby Virginia water and wastewater utilities that have sustained damages from natural or manmade events could obtain emergency assistance in the form of personnel, equipment, materials and other associated services as necessary from other water and wastewater utilities. The objective is to provide rapid, short-term deployment of emergency services to restore the critical operations of the impacted utility. The Authority also has emergency agreements for treated water with the City of Manassas and Virginia American.

## **Water Supply**

In Fiscal Year 2024, the Authority delivered 11,953 million gallons of water (an average of 32.7 million gallons per day) and purchased and produced approximately 39 million gallons of water. Most of the water was purchased by the Authority, with the less than 1% remainder produced by raw water wells.

The Authority purchases water pursuant to contractual agreements with Fairfax Water, and the City of Manassas (collectively, the "Water Supply Contracts"). Water for the Authority's eastern service area is purchased under contract with Fairfax Water. Water for its western service area is purchased under contracts with Fairfax Water and the City of Manassas. See Note 12 in **"Appendix B - FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024."**

The Authority has several agreements with Fairfax Water, which collectively reserve treated water capacity of 62.4 mgd for the Authority. The Authority's agreements allow for the purchase of additional capacity if available based on actual construction and administrative costs negotiated at the time of sale. The Authority also has agreements with Fairfax Water for the reservation of transmission main capacity. Under these agreements, the Authority is required to make equal monthly payments for varying terms that range up to 35 years from the date of the initial payment. Payments made in Fiscal Year 2024 were approximately \$700,000. The Authority pays a per thousand gallon water service charge based on Fairfax Water's operation, maintenance, and general and administrative costs divided by total consumption billed. In Fiscal Year 2024, purchased water expenditures related to Fairfax Water were approximately \$19.1 million.

The Authority has a water capacity and service agreement with the City of Manassas under which the City reserves 5.0 mgd of treated water capacity for the Authority at the City of Manassas water treatment facility at Lake Manassas. The agreement also allows for the use of an additional 2.0 mgd by either party if needed. The Authority is obligated to pay the City of Manassas' wholesale rate for purchases at the water treatment facility and is obligated to pay the City of Manassas' wholesale rate plus a wheeling charge for water taken at other delivery points. The City of Manassas' wholesale rate consists of fixed and variable costs per the agreement. The Authority also shares in the cost of certain capital improvements based on the Authority's reserved capacity as a percentage of the total permitted capacity at the City of Manassas' water treatment facility. In Fiscal Year 2024, water purchased by the Authority from the City was approximately \$1.9 million.

The table that follows summarizes the Authority's water supply capacity and Fiscal Year 2024 average and peak flow.

### Water Supply Capacity and Flows

	<b>Capacity Allocated to the Authority (mgd)</b>	<b>Fiscal Year 2024 Average Daily Flow (mgd)</b>	<b>Fiscal Year 2024 Peak Flow (mgd)</b>
Authority Wells	0.4	0.1	0.2
Purchases by Service Agreements			
Fairfax Water	62.4	27.4	42.3
City of Manassas <sup>(1)</sup>	5.0	5.3	5.7
VA-American <sup>(2)</sup>	N/A	0.2	0.2
Total	67.8	33.0	48.4

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> City of Manassas Water Supply Contract allows additional volume in the form of capacity exchange.

<sup>(2)</sup> Wheeling agreement only. Capacity counts as Fairfax Water.

### Wastewater Treatment

In Fiscal Year 2024, the Authority was responsible for the collection of an average of 28.5 mgd of wastewater of which 52% was treated by the Authority and 48% was treated by the Upper Occoquan Service Authority ("UOSA").

The Mooney Facility serves the eastern portion of the County and has a capacity of 24 mgd. Construction of the facility was completed in 1979. The first major upgrade was completed in 1997, which increased treatment capacity to 18 mgd. The Authority completed a \$131.7 million upgrade and expansion project at the Mooney Facility in 2010. To meet discharge requirements established by the Environmental Protection Agency and the Virginia Department of Environmental Quality to protect the Chesapeake Bay, the Authority improved the level of treatment by reducing the amount of nitrogen and phosphorus released in the effluent discharged to Neabsco Creek. Additionally, the expansion increased the capacity from 18 mgd to 24 mgd to satisfy projected growth in the Authority's service area. The Authority is currently undertaking another major upgrade of the Mooney Facility to improve operational resiliency and levels of service, provide additional odor control and continue to meet regulatory requirements. The project commenced in Fiscal Year 2022 and completion is expected in the spring of 2028.

The western portion of the Authority's service area is served by UOSA, which is a regional sewage treatment facility. UOSA was formed in 1971 by the governing bodies of the Cities (then Towns) of Manassas and Manassas Park and the Counties of Fairfax and Prince William. UOSA and its four member jurisdictions have entered into a service agreement (the "Service Agreement") which governs the capacity and use of the UOSA facilities. UOSA was created pursuant to the Enabling Act to be the single regional entity to construct, finance and operate the regional sewage treatment facility for the upper portion of the Occoquan Watershed.

The Service Agreement provides that each of the member jurisdictions will pay charges of UOSA billed to it; provided, however, that all such charges will be payable solely from revenues received by each member jurisdiction from the users of its sewage system and available to it for such purposes. The Service Agreement further provides that each of the member jurisdictions will fix and collect from the users of its sewage system charges sufficient to make the payments required by it.

Any member jurisdiction may reallocate any portion of its allocated plant capacity to any other member jurisdiction on such terms as may be mutually agreeable, subject to approval of the State Water Control Board, or, if the State Water Control Board should relinquish the responsibility for allocation of plant capacity, to approval of UOSA. In 2008, the Authority purchased with cash reserves an additional 2 mgd of capacity from Fairfax County for \$33.7 million. In 2011, the Authority purchased also with cash reserves an additional 2 mgd of capacity from Fairfax County for \$39.8 million.

UOSA completed the expansion of its wastewater treatment capacity from 32 mgd to 54 mgd in 2004 and was certified to operate at the expanded capacity on January 4, 2005. The Service Agreement entitles each jurisdiction to utilize UOSA's current capacity of 54 mgd as follows:

### UOSA Service Agreement Division of Wastewater Capacity

<b>Member Jurisdictions</b>	<b>Allocated Capacity (mgd)</b>	<b>% of Allocated Capacity</b>
Fairfax County	23.6	43.70%
Prince William County	19.8	36.66
City of Manassas	7.7	14.24
City of Manassas Park	2.9	5.40
<b>Total</b>	<b>54.0</b>	<b>100.00%</b>

Source: The Authority, Division of Finance.

The Service Agreement provides that charges for the operation and maintenance of UOSA's facilities, including reasonable reserves, will be paid by each member jurisdiction in proportion to the ratio which the member jurisdiction's annual sewage flow bears to the total annual sewage flow received at UOSA's treatment plant.

Debt service payments to finance plant expansions, including any amounts required to replenish a reserve fund, are required by the Service Agreement to be paid by each member jurisdiction generally in proportion to the member jurisdiction's allocation of capacity in UOSA's treatment plant; however, Fairfax County is responsible for the debt service associated with the 4 mgd of capacity purchased by the Authority from Fairfax County. Debt service to finance plant upgrades are paid by each jurisdiction in proportion to its allocation of total plant capacity.

Pursuant to agreements between the County and the Authority, the Authority pays directly to UOSA 100% of all charges due from the County to UOSA under the Service Agreement. The Authority also has agreed with the County for the benefit of UOSA to (i) deliver all sewage it collects in the UOSA service area to UOSA for treatment up to the County's maximum allocated capacity in the UOSA treatment plant, (ii) fix and collect rates and charges sufficient to make the payments required to be made by the County to UOSA under the Service Agreement, (iii) conduct its operations relating to sewage collected in the UOSA service area in accordance with the Service Agreement and (iv) neither commit or fail to perform any act which would constitute a breach of the Service Agreement if done by the County. See Note 5 in "**Appendix B - FINANCIAL STATEMENT OF THE AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2024.**"

The table below summarizes the Authority's wastewater treatment capacity and Fiscal Year 2024 average and peak flow.

#### Wastewater Treatment Capacity

	<b>Capacity Allocated to the Authority (mgd)</b>	<b>Fiscal Year 2024 Average Daily Flow (mgd)</b>	<b>Fiscal Year 2024 Peak Flow (mgd)</b>
Mooney Facility	24.0	14.9	17.7
Treatment by Service Agreements			
UOSA	19.8	13.6	17.2
<b>Total</b>	<b>43.8</b>	<b>28.5</b>	<b>34.9</b>

Source: The Authority, Division of Finance.



## Largest Customers

The following table provides data on the Authority's ten largest customers and the corresponding percentage of revenue from user charges for Fiscal Year 2024.

### Ten Largest Customers

Customer	Type	Amount Billed (in thousands)	Percentage of Revenue
Prince William County Schools	Schools	\$1,972	1.43%
City of Manassas Park	Utility	1,380	1.00
Amazon <sup>(1)</sup>	Data Centers	1,034	0.75
Potomac Club	Housing	845	0.61
Westgate Apartments	Housing	669	0.49
Wellington Apartments	Housing	644	0.47
CRS Triangle Apartments	Housing	612	0.44
Summerland Heights Apartments	Housing	597	0.43
Sentara Potomac Hospital	Hospital	502	0.36
Prince William Park Authority	Parks and Swimming Pools	489	0.35
Potomac Mills Mall	Shopping Mall	450	0.33

Source: The Authority, Division of Finance.

Note: <sup>(1)</sup> Includes both Amazon data centers and fulfillment services.

The ten largest customers together represent less than 7% of total water and sewer billing, and no single customer represents more than 1.43% of total water and sewer billing.

## Operating Summary

The following table sets forth data on the flows in millions of gallons attributable to the System and the number of customer accounts for each of the last five Fiscal Years.

### Customer Accounts and Gallons Attributable to the System

Fiscal Year	Customer Accounts	Millions of Gallons		
		Water Produced	Water Purchased	Wastewater Treated
2020	94,632	36	10,465	9,794
2021	95,805	38	10,912	10,644
2022	96,814	40	11,830	10,096
2023	97,772	33	11,354	9,874
2024	98,128	39	11,914	10,442

Source: The Authority, Division of Management & Budget; Financial and Operational Report.

## Rate Regulation

The Enabling Act provides that the Authority 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, sewer system, sewage disposal system or garbage and refuse collection and disposal system owned, operated or maintained by the Authority, or facilities incident thereto, and on account of which the Authority has issued revenue bonds. Such rates, fees and charges are, under the Enabling Act, required to be fixed and revised so as to provide funds, with other funds available for such purposes, sufficient at all times (i) to pay the cost of maintaining, repairing and operating the utility system, and facilities incident thereto, on account of which such bonds are issued, including reserves for such purposes and for replacement and depreciation and necessary extensions, (ii) to pay the principal of and the interest on the

revenue bonds when due and reserves therefor and (iii) to provide a margin of safety for making such payments. The Enabling Act requires the Authority to charge and collect the rates, fees and charges so fixed or revised.

The Enabling Act states that the rates, fees and charges of the Authority are subject to the jurisdiction of the State Corporation Commission and any applicable regulation. However, the State Corporation Commission, on November 15, 1963, in Case No. 16516, ruled that it had no jurisdiction to review or revise rates of authorities such as the Authority, except that, upon the application of a bondholder, the Commission may require that rates be sufficient to comply with the above statutory requirements. That decision was not appealed. Subject to the foregoing, the Authority's board has sole power to set rates, fees and charges, subject to a statutory requirement for a public hearing.

### **Rates, Fees and Charges**

In setting its user rate and availability fee structure, the Authority's general practice has been to cover projected operating costs and capital replacement costs with user rates and to cover certain projected expansion-related capital improvement costs and large capacity commitments funded through the issuance of debt with availability fees. That practice generally allows growth in use of the Authority's services to pay for the additional costs of expanding the System's capacity.

*Current User Rate Structure.* The principal source of funds to pay operation and maintenance expenses is user fees for both water and sewer. The user fee, based upon metered water consumption, consists of a fixed monthly service charge, plus a commodity or gallonage charge for water and sewer use. The adopted monthly user fees for 3/4" meter customers, are as follows:

#### **Monthly User Fees**

	<b>Effective 1/1/2025</b>		<b>Effective 1/1/2026</b>		<b>Effective 1/1/2027</b>	
	<b>Water</b>	<b>Sewer</b>	<b>Water</b>	<b>Sewer</b>	<b>Water</b>	<b>Sewer</b>
Monthly service charge	\$8.05	\$14.25	\$8.80	\$15.55	\$9.50	\$16.80
Charge per 1,000 gallons - Residential	4.05	7.80	4.40	8.50	4.75	9.20
Charge per 1,000 gallons - Commercial	4.45	8.50	4.85	9.30	5.25	10.00

On average, a single-family residential customer of the Authority consumes approximately 5,000 gallons of water monthly and, based on the rates above, would be billed a monthly fee as follows:

#### **Average Residential Monthly Bill (based on 3/4" meter, five thousand gallons per month)**

	<b>2025</b>	<b>2026</b>	<b>2027</b>
Estimated Monthly Water and Sewer Bill	\$81.55	\$88.85	\$96.05

Residential accounts whose water usage patterns reach peak capacity demands on the System during the period May 1 to October 31 are subject to peak use I and II user rates of \$4.25 per thousand gallons (during calendar year 2025). Residential water consumption in excess of the greater of (i) 7,000 gallons, (ii) 2,000 gallons above winter average consumption or (iii) 130% of winter average consumption (January through March) is subject to the peak use I charge and water consumption exceeding the greater of (i) three times the preceding winter average consumption or (ii) 21,000 gallons is subject to peak use II charges. Monthly consumption of 7,000 gallons or less is never subject to peak use charges. Commercial customers are subject to high demand I and II charges year round at \$4.25 per thousand gallons, respectively, for water usage in excess of thresholds set by equivalent residential units (during calendar year 2025).

*Availability Fee Structure.* New customers are charged a one-time availability fee per 3/4" meter equivalent. Revenues derived from availability fees are used to fund: (i) long-term commitments associated with water and sewer treatment capacity at the plants and (ii) certain costs of expansion to the System. The present availability fees for 3/4" meter customers, which became effective on January 1, 2025, are as follows:

#### Availability Fees

Water	\$ 5,300
Sewer	12,000
Total	<u>\$17,300</u>

*Historical Rates and Fees.* The following table sets forth historical monthly water and sewer sales and availability fees for the past five Fiscal Years.

#### Monthly Water and Sewer Sales and Availability Fees

Fiscal Year	Monthly Service Charges <sup>(1)</sup>			Monthly Volume Charges <sup>(2)</sup>			Availability Fee <sup>(1)</sup>		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
2020	\$6.85	\$12.10	\$18.95	\$3.45	\$6.65	\$10.10	\$4,600	\$10,800	\$15,400
2021	6.85	12.10	18.95	3.45	6.65	10.10	4,600	10,800	15,400
2022	6.85	12.10	18.95	3.45	6.65	10.10	4,600	10,800	15,400
2023	7.10	12.55	19.65	3.60	6.85	10.45	4,700	11,200	15,900
2024	7.35	13.00	20.35	3.70	7.10	10.80	4,800	11,700	16,500

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> Based on residential 3/4" meter.

<sup>(2)</sup> Monthly residential volume charges are per 1,000 gallons.

*Comparative Rates and Fees.* The following table sets forth comparative monthly water and sewer rates based on 5,000 gallons a month and residential availability fees for the following jurisdictions as of April 1, 2025:

#### Comparative Average Residential Monthly Water and Sewer Bill (based on 3/4" meter, five thousand gallons per month)

User Charges:	Loudoun County	Authority	Fairfax County	City of Manassas	Stafford County
Combined Water and Sewer Bill	\$75.18	\$81.55	\$89.86	\$103.98	\$94.42

Source: The Authority, Fiscal Year 2025 adopted rates.

#### Capital Improvement Program

*Adopted Fiscal Year 2025 Capital Improvement Program.* The Authority has adopted a Fiscal Year 2025 Capital Improvement Program (the "Fiscal Year 2025 Capital Improvement Program") that contains a project schedule and associated expenditures of approximately \$637.5 million for both the water and wastewater facilities improvements over the next five-year period. The Fiscal Year 2025 Annual Business Plan assumes a 75% execution rate for cash-funded projects.

The Fiscal Year 2025 Capital Improvement Program is expected to be funded with cash from user rates and Availability Fees as well as funds from the proceeds from existing or future borrowings. The water facilities improvements consist primarily of large diameter transmission mains, water storage tanks and water pumping stations.

Wastewater facilities improvements consist primarily of the cost of water reclamation facility improvements, gravity sewer, pump station, force main and interceptor sewer improvements and associated wastewater system improvements. The largest project is improvements to the Mooney Facility. This project will improve the facility's operational resiliency and service levels, provide additional odor control, and allow the plant to continue to meet regulatory requirements. The Authority has secured and closed a \$100 million subsidized loan through Virginia's Clean Water Revolving Loan Fund ("VCWRLF") to finance this project, held by the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund. The Authority has been approved for an additional \$70 million VCWRLF loan for this project, which the Authority anticipates closing in Fiscal Year 2026.

The following table sets forth the Authority's adopted Fiscal Year 2025 Capital Improvement Program.

**Adopted Fiscal Year 2025 Capital Improvement Program**

<b>All Projects</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Water Supply Projects	\$7,800,000	\$10,300,000	\$10,364,000	\$5,050,000	\$5,321,000
Water Storage Projects	4,265,000	2,500,000	2,550,000	4,195,000	3,330,000
Water Transmission Projects	6,216,000	4,625,000	3,708,000	7,772,000	7,500,000
Sewage Pumping Station Projects	22,200,000	33,818,000	55,535,000	38,031,000	21,042,000
Sewer Collection Projects	4,466,000	2,427,000	1,000,000	1,000,000	1,000,000
Water Reclamation Facility Projects	85,017,000	65,575,000	31,900,000	8,159,000	2,900,000
Miscellaneous Projects	18,792,000	18,475,000	24,186,000	30,020,000	19,860,000
Information Technology Projects	9,286,000	10,131,000	7,233,000	2,375,000	150,000
Regional Utility Projects	3,000,000	1,500,000	1,500,000	8,000,000	24,400,000
<b>Total CIP Budget</b>	<b>\$161,042,000</b>	<b>\$149,351,000</b>	<b>\$137,976,000</b>	<b>\$104,602,000</b>	<b>\$85,503,000</b>
Total Cash Projects included above	\$69,590,000	\$66,981,000	\$68,638,000	\$68,162,000	\$56,812,000
Total Bonded Projects included above	\$91,452,000	\$82,370,000	\$69,338,000	\$36,440,000	\$28,691,000

*Proposed Fiscal Year 2026 Capital Improvement Program.* The Authority has proposed a Fiscal Year 2026 Capital Improvement Program (the "Fiscal Year 2026 Capital Improvement Program") that contains a proposed project schedule and associated expenditures of approximately \$815 million for both the water and wastewater facilities improvements over the next five-year period.

The Fiscal Year 2026 Capital Improvement Program is expected to be funded with cash from user rates and Availability Fees as well as funds from the proceeds from existing or future borrowings. The water facilities improvements consist primarily of large diameter transmission mains, water storage tanks and water pumping stations.

Wastewater facilities improvements consist primarily of the cost of water reclamation facility improvements, gravity sewer, pump station, force main and interceptor sewer improvements and associated wastewater system improvements.

The Authority's Board is scheduled to consider the proposed Fiscal Year 2026 Capital Improvement Program on May 8, 2025.

The following table sets forth the Authority's proposed Fiscal Year 2026 Capital Improvement Program.

**Proposed Fiscal Year 2026 Capital Improvement Program**

<b>All Projects</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Water Supply Projects	\$13,781,000	\$8,838,000	\$3,560,000	\$6,771,000	\$5,949,000
Water Storage Projects	3,989,000	4,125,000	5,012,000	5,024,000	3,967,000
Water Transmission Projects	2,442,000	3,673,000	11,544,000	9,722,000	10,981,000
Sewage Pumping Station Projects	34,896,000	60,906,000	79,779,000	76,785,000	69,692,000
Sewer Collection Projects	4,409,000	1,200,000	1,200,000	1,200,000	1,200,000
Water Reclamation Facility Projects	88,335,000	47,179,000	17,128,000	6,031,000	4,775,000
Miscellaneous Projects	20,969,000	12,885,000	18,389,000	24,614,000	23,778,000
Information Technology Projects	\$13,130,000	\$7,846,000	\$9,202,000	\$6,720,000	678,000
Regional Utility Projects	\$750,000	\$10,564,000	\$32,698,000	\$35,698,000	\$16,275,000
<b>Total CIP Budget</b>	<b>\$182,701,000</b>	<b>\$157,216,000</b>	<b>\$178,512,000</b>	<b>\$172,565,000</b>	<b>\$137,295,000</b>
Total Cash Projects included above	\$38,903,550	\$61,790,200	\$129,426,000	\$133,867,000	\$118,320,000
Total Bonded Projects included above	\$130,528,450	\$95,425,800	\$49,086,000	\$38,698,000	\$18,975,000

**Projected Financial Results**

The Authority takes a long-term, multi-year approach to capital and financial planning. The following table shows projected revenues and expenses for Fiscal Years ending June 30, 2025 through June 30, 2029. While the Authority believes the projections and assumptions in the table are reasonable, actual results may vary.

**Projected Financial Results**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Operating Revenue <sup>(1)</sup></b>	\$140,061	\$158,439	\$171,422	\$187,138	\$201,385
<b>Non-Operating Revenue</b>	59,804	46,948	47,050	48,928	50,901
<b>Less Operating Expenses <sup>(2)</sup></b>	138,292	147,136	153,753	160,772	168,153
<b>Net Revenues</b>	<u>61,573</u>	<u>58,251</u>	<u>64,718</u>	<u>75,294</u>	<u>84,133</u>
<b>Existing Senior Lien &amp; Parity Debt Service</b>	6,296	5,498	8,619	16,189	16,189
<b>Future Senior Lien &amp; Parity Debt Service <sup>(3)</sup></b>	-	3,056	6,053	6,052	6,052
<b>Total Debt Service</b>	<u>6,296</u>	<u>8,554</u>	<u>14,672</u>	<u>22,241</u>	<u>22,241</u>
<b>Total Debt Service Coverage <sup>(4)</sup></b>	9.8x	6.8x	4.4x	3.4x	3.8x

Source: The Authority, Division of Finance.

Notes: <sup>(1)</sup> Projected Operating Revenues assumes rate increases ranging from 9% in Fiscal Year 2026 to 7% in Fiscal Year 2029.

<sup>(2)</sup> Excludes depreciation. Includes debt service on the Authority's share of UOSA's debt service.

<sup>(3)</sup> Preliminary, subject to change. Includes the 2025 Bonds and the planned \$70 million issuance through the Virginia Resources Authority in Fiscal Year 2026.

<sup>(4)</sup> Total Debt Service Coverage is calculated using Net Revenues divided by Total Debt Service in the table above. Calculation differs from the Debt Service Coverage calculations set forth in the Master Indenture.

## Regulatory Compliance

In October 2023, the U.S. Environmental Protection Agency ("EPA") finalized the Lead & Copper Rule Improvements ("LCRI") mandating that drinking water systems nationwide identify and replace utility owned and maintained lead pipes and certain galvanized service lines within ten years or less. The LCRI also enforces stricter testing of drinking water and lowers the threshold for communities to take action against lead exposure.

This new rule enhances the EPA's Lead and Copper Rule Revision from December 2020, which required water systems to prepare and maintain an inventory of service line materials. These initial inventories were submitted to state agencies by October 2023. The Authority found that all water distribution systems and service lines owned and maintained by the Authority are non-lead. On the customer side where the Authority has no records, 81% of the lines have been identified of which 0.01% is galvanized or lead pipe. The Authority is working to 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, Prince William anticipates finding minimal lead service lines on the customer side and will continue efforts to identify service line materials.

On April 10, 2024, the EPA established new drinking water regulations for per- and polyfluoroalkyl substances ("PFAS"). The Authority has been collecting and testing samples from its water distribution system for PFAS compounds since 2021. Data collected to date shows that water purchased from the City of Manassas and water purchased from the Fairfax Water that enters the Authority from the western point of entry was below the new PFAS regulatory limits. Results for some tests for water purchased from Fairfax Water that enters the Authority from the eastern point of entry was slightly above the regulatory limit for perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonic acid ("PFOS"), which are contaminants limited under the new regulations. Fairfax Water is evaluating treatment processes to remove the contaminants from its system. Fairfax Water is also conducting watershed monitoring and working with state and regional partners to identify and mitigate potential PFAS sources in the watershed.

## Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases insurance coverage for these risks through the Virginia Risk Sharing Association, a group insurance pool. Settled claims have not exceeded insurance coverage for each of the last five Fiscal Years.

The Authority provides health benefits to employees under a self-insurance plan. Under an excess claims insurance policy, the Authority's liability is limited, on a calendar year basis, to aggregate claims per participant of \$110,000 and aggregate group claims of approximately \$4,000,000. A year-end accrual of potential outstanding claims as of the last day of the Fiscal Year was estimated at three times the average monthly claim. The table below reflects the liability for claims incurred but not reported for each of the last five Fiscal Years all of which is included in accounts payable and accrued expenses on the accompanying Statements of Net Assets.

	<b>Liability for Claims Incurred</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Estimated outstanding claims liability at beginning of fiscal year	\$1,138,207	\$1,260,807	\$1,206,878	\$1,263,038	\$1,292,165
Employee and employer contributions	4,288,599	4,399,510	4,808,217	4,375,117	5,035,450
Payments to Third Party Administrator	(4,325,492)	(4,522,110)	(4,754,288)	(4,431,277)	(5,064,577)
Estimated outstanding claims liability at end of fiscal year	<u>\$1,101,314</u>	<u>\$1,138,207</u>	<u>\$1,260,807</u>	<u>\$1,206,878</u>	<u>\$1,263,038</u>

Source: The Authority, Annual Comprehensive Financial Report, Fiscal Years 2020 through 2024.

For more information concerning the Authority's insurance liabilities, see Note 11 in "**APPENDIX B - FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024.**"

## Cybersecurity

The Authority, like many other public entities, relies on a large and complex 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 (collectively, "Systems Technology"). **As a recipient and provider of personal, private, or sensitive information, the Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Authority and its Systems Technology, requiring a response action to mitigate the consequences.**

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals, either state or non-state actors, attempting to gain access to the Authority's System Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority invests in multiple forms of cybersecurity and operational safeguards. The Authority's Chief Information Technology Officer maintains an Information Technology Security Policy in accordance with applicable standards and laws. The policy defines minimum security requirements for the Authority's assets including the managerial, operational, and technical protection requirement and controls to ensure the confidentiality, integrity, and availability of Authority's IT assets/information; and compliance with requirements of applicable federal, and state law and the Authority's policies and regulations. The Authority maintains a comprehensive cyber insurance coverage policy.

**While the Authority's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the Authority's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Authority to material litigation and other legal risks, which could cause the Authority to incur material costs related to such legal claims or proceedings.**

## Climate Change

Numerous scientific studies on global climate change demonstrate that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent because of increasing global temperatures attributable to atmospheric pollution. In the coming years, such extreme events and conditions are expected to increasingly disrupt and damage critical infrastructure and property as well as regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages, supply chain delays, and service disruptions.

In the most recent Northern Virginia Hazard Mitigation Plan published in 2022, flooding was identified as one of the highest risk hazards for Prince William County. The same report identified extreme temperatures, and drought impacts as medium risks for the County. The National Risk Index Community Report lists the County's risk as "very low" for earthquakes and strong winds and "relatively low" for tornadoes.

## Environmental Considerations

The Authority's vision is to be a trusted public steward and nationally recognized model for performance excellence. The Authority creates value for its community through its six Board-adopted Areas of Excellence. One of those areas of excellence is "Environmental Leadership and Community Engagement." This includes protecting precious natural resources by implementing environmentally sustainable practices, meeting or exceeding all regulatory requirements and informing regulatory and legislative processes.

## Retirement Plan and Other Postemployment Benefits

The Authority contributes to the Virginia Retirement System ("VRS"), a mixed agent and cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth. VRS is a defined benefit pension plan. Effective October 1, 2004, the

Authority established a separate employer account for its participation in VRS. Prior to this date, the Authority acted as a participant with the County. Under VRS guidelines, employees of the Authority who were participants as of September 30, 2004, are considered to have terminated service with the County, and initiated service with the Authority. Thus all plan assets and related liabilities for Authority employees prior to October 1, 2004, remain with the County, and the Authority is responsible for required contributions related to employee service after September 30, 2004. Since VRS views each employee's service that is eligible for benefits separately from the number of employers that have contributed on behalf of a particular employee, there is no effect to the employee's eventual benefits as a result of this change. The Authority's payroll for employees covered by VRS for the Fiscal Year 2024 was approximately \$34,574,862. Total employee compensation before benefits was approximately \$35,086,727 for Fiscal Year 2024.

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into VRS. Two defined benefit plans are administered by VRS for local government employees, Plan 1, Plan 2, as well as a Hybrid retirement plan that combines the features of a defined benefit plan and a defined contribution plan. Authority employees hired before July 1, 2010, and who have service credits prior to this date are covered under VRS Plan 1. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service credit or at age 50 with thirty years of service credit for participating employers. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Benefits are payable monthly for life in an amount equal to 1.7% of the employee's average final compensation ("AFC") for each year of credited service. Plan 1 AFC is defined as the highest consecutive 36 months of reported compensation during employment. In addition, Plan 1 retirees qualify for annual cost of living adjustments, limited to 5% per year, beginning in their second year of retirement.

Authority employees hired or rehired on or after July 1, 2010 but before January 1, 2014, and who have no service credits prior to this date are covered under VRS Plan 2. Employees are eligible for an unreduced retirement benefit at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Benefits are payable monthly for life in an amount equal to 1.7 % of the employee's AFC for each year of credited service prior to January 1, 2013 and 1.65% of the employee's AFC for each year of credited service after January 1, 2013. Plan 2 AFC is defined as the highest consecutive 60 months of reported compensation during employment. In addition, Plan 2 retirees qualify for annual cost of living adjustments, limited to 6% per year, beginning in their second year of retirement.

Authority employees hired or rehired on or after January 1, 2014, and members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014, are covered under the VRS Hybrid Retirement Plan. Employees are eligible for an unreduced retirement benefit of the defined benefit component at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. Members are eligible to receive distributions from the defined contribution component upon leaving employment, subject to restrictions. For the defined benefit portion of this plan, benefits are payable monthly for life in an amount equal to 1.0% of the employees AFC for each year of credited service. The defined contribution component is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. Hybrid plan retirees qualify for annual cost of living adjustments for the defined benefit component, limited to 3% per year, beginning in their second year of retirement. During years of no inflation or deflation, the cost of living adjustment is 0%, for Plan 1, Plan 2, and Hybrid Plan retirees.

VRS issues a publicly available annual report that includes financial statements and required supplementary information for the plans which it administers. A copy of that report may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500, or from their website at [www.varetire.org](http://www.varetire.org).

Plan 1 and Plan 2 members are required by Virginia law to contribute 5% of their annual base compensation as their obligation towards their VRS retirement benefit, which the Authority paid on their behalf through June 30, 2012. The Virginia Legislature passed new state-wide legislation effective July 1, 2012, for employees who participate in VRS prior to this date, requiring a phase-in of employee contributions of at least 1% per year, to the full 5% by July 1, 2016. The Authority implemented a 1% contribution rate for these employees for Fiscal Year 2013. Additionally, the legislation requires the full 5% contribution to be paid for by the employee for any new VRS



participants effective July 1, 2012. The Authority is required to contribute the remaining amounts necessary to fund its participation in VRS using the actuarial basis specified by state statute and approved by the VRS Board of Trustees. The Authority's employer contribution rate of annual covered payroll was 3.84% for Fiscal Year 2024, in addition to the 5% member contributions.

The Authority's contractually required contribution rate for Fiscal Year 2024 was 5.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2022. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. The total of employer and employee contributions to VRS were approximately \$2.8 million and \$2.7 million for each of Fiscal Years 2024 and 2023, respectively.

The required contributions for the Authority were determined as part of an actuarial valuation performed as of June 30, 2022, using the entry age actuarial cost method. The actuarial assumptions at June 30, 2022, included (a) a 6.75% investment rate of return (net of plan investment expense), (b) projected salary increases that range between 3.5% and 5.35% per year, depending on the member's service and classification, and (c) 2.5% per year inflation adjustments. Both (a) and (b) included an inflation component. The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

As of the actuarial valuation performed at June 30, 2023, the Authority's plan was 101.98% funded. The actuarial accrued liability was approximately \$67.9 million, and the actuarial value of the assets was approximately \$69.2 million, resulting in an actuarial accrued asset of approximately \$1.3 million. The ratio of the actuarial accrued asset to the covered payroll was (4.14)%.

The Authority provides post-retirement health, dental, and vision benefits as a single-employer plan to retirees who have ten or more years of service with the Authority. For health and dental insurance coverage, retirees are granted the option to pay 100% of their monthly health insurance premium less a contribution by the Authority that is based on their number of years of service. For Fiscal Years 2023 and 2024, the Authority paid approximately \$423,000 and \$427,000, respectively, toward these premiums. For vision and additional dental coverage, retirees are granted the option to pay 100% of their monthly premiums, with no contribution made by the Authority.

The Authority has not established a trust fund as of June 30, 2024, for the purpose of making the required actuarial contributions to fund the OPEB obligations and continues to fund the OPEB costs on a pay-as-you-go basis. As a result, in accordance with the provisions of GASB Statement 45, the Authority recognizes an OPEB liability in the amount of \$13.89 million and \$10.9 million, respectively, on the Statements of Net Assets as of June 30, 2023, and 2024. As the plan is funded on a pay-as-you-go basis, there is not a separate, audited GAAP-based postemployment benefit plan report available for the Authority's OPEB benefits.

The Authority's OPEB expense is calculated based on the annual required contribution, an amount actuarially determined in accordance with the provisions of GASB Statement 45, which was implemented by the Authority during Fiscal Year 2009. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortizes any unfunded actuarial liabilities over a period not to exceed 30 years. Contribution amounts are developed using the projected unit credit cost method. The most current actuarial accrued liability was determined as part of a biennial actuarial valuation as of July 1, 2023. The actuarial assumptions used in the July 1, 2023 valuation were based on the results of the most recent experience study performed for VRS, which examined actual VRS experience over the four-year period ending June 30, 2020.

For more information concerning the Authority's benefit programs, the assumptions underlying the calculations and other benefit liabilities of the Authority, see Note 10 in **"APPENDIX B - FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024."**

## PRINCE WILLIAM COUNTY

### Location and Transportation

The County is located in northern Virginia, less than 25 miles southwest of Washington, D.C. and encompasses a land area of approximately 348 square miles. The County encompasses a portion of the Quantico Marine Corps Base and the Towns of Dumfries, Occoquan and Quantico in the south and east, and the Cities of Manassas and Manassas Park and the Town of Haymarket in the north-central part of the County.

The County is served by Interstate Highway 95 and U.S. Highway 1, both connecting the County with Washington, D.C., to the north and Richmond, Virginia, to the south. Interstate Highway 66 connects the western portion of the County with Washington, D.C., to the east and Interstate Highway 81 to the west. Interstate Highway 81 connects the County with southwestern Virginia and eastern Tennessee to the south, and Pennsylvania and New York to the north. Railroad service is provided by the Norfolk Southern Railway and the Richmond, Fredericksburg and Potomac Railway. Amtrak passenger stations are located in the Town of Quantico, the City of Manassas and Woodbridge. Air transportation service is provided by Dulles International Airport, located approximately 12 miles north of the County; Washington National Airport, located approximately 17 miles northeast of the County; and by Manassas Municipal Airport, which is located in the County.

In conjunction with the Northern Virginia Transportation District Commission, the Potomac Rappahannock Transportation District Commission sponsors the Virginia Railway Express, which provides commuter rail service from the areas of Fredericksburg and Manassas, Virginia, to Union Station, Washington, D.C. Stations in the County are located at Broad Run, Manassas and Manassas Park in mid-County, and at Quantico, Rippon and Woodbridge in the east.

The Potomac and Rappahannock Transportation District Commission also sponsors the County's intra-County bus service, commuter bus service, and Ridesharing programs. The intra-County bus system, OmniLink, is a local weekday transportation service that serves the County's major roadway corridors. The COMMUTERIDE program operates daily commuter bus service between Prince William County and the Washington, D.C. area. The Ridesharing program encourages and coordinates carpooling efforts within the County.

### Population

According to the 2020 Census, the County is the second most populous county in the Commonwealth and is one of its most rapidly growing jurisdictions. The population is concentrated in two suburban areas, the eastern section and the north-central section, that are transected by Interstate Highways 95 and 66, respectively.

The following table provides population growth over the last five decades for the County and the Commonwealth:

**Historical Population Growth**

Year	Prince William County <sup>(1)</sup>	Percentage Increase	Commonwealth of Virginia	Percentage Increase
1980	144,703	30.2%	5,346,818	15.0%
1990	215,686	49.1	6,187,358	15.7
2000	280,813	30.2	7,078,515	14.4
2010	402,002	43.2	8,001,024	13.0
2020	482,204	20.0	8,631,393	7.9

Source: U.S. Department of Commerce, Bureau of the Census, 1980 – 2010; U.S. Census Population Estimates Program, 2020, Prince William County Demographer, 2020.

Note: <sup>(1)</sup> The geographic boundaries of the County changed due to cities becoming incorporated and independent in 1975. The population figures reflect the reported Decennial Census data and reflect the County boundary as defined at that point in time. 2020 data is from the Prince William County Demographer

The following table shows the population for the County for selected years with a projected estimate for 2030, as estimated by the County in cooperation with the Metropolitan Washington Council of Governments, and other population characteristics of the County:

### **Population Growth**

<u><b>Year</b></u>	<u><b>Population</b></u>	<u><b>% Annual Growth</b></u>
July 1, 2022 <sup>(1)</sup>	488,270	0.6%
July 1, 2023 <sup>(2)</sup>	491,693	0.7
July 1, 2024 <sup>(2)</sup>	496,322	0.9
July 1, 2030 <sup>(3)</sup>	536,600	1.3

**Sources and Notes:**

- <sup>(1)</sup> Prince William County Geospatial Technology Services. Population estimates were restated based on the 2020 Census population value.
- <sup>(2)</sup> Population estimates produced by the County Demographer.
- <sup>(3)</sup> Estimated Metropolitan Washington Council of Governments (MWCOG) 10.0 Cooperative Forecasts adopted by the COG Board of Directors of June 14, 2023.

### **Income**

According to the 2019-2023 American Community Survey 5-Year Estimates, as shown in the table that follows, the 2023 median household income in Prince William County was \$128,873, which is 164% of the national median household income and 142% of the Commonwealth's median household income.

### **Comparative Median Household Income Estimate**

	<u><b>Median Household Income<sup>(1)</sup></b></u>
Prince William County	\$128,873
Commonwealth of Virginia	90,974
United States	78,538

Source: U.S. Department of Commerce, Census Bureau, 2019-2023 American Community Survey, 5-Year Estimates.

Note: <sup>(1)</sup> A household includes related individuals, unrelated individuals and single persons living alone.

### **Employment**

Major business concentrations within the County are located along the Interstate 95 and Interstate 66 corridors. Sites near Interstate 66 are particularly well-suited for industrial, high technology, and service companies. Commerce and retail development are concentrated in the eastern half of the County along the Interstate 95 and Route 1 corridor and in the western portion of the County along the Sudley Road corridor between the City of Manassas and Interstate 66 as well as the Route 29 corridor south of the Route 66 and Route 29 interchange. The I-95 and Route 1 corridors are also choice locations for federal contractors servicing Fort Belvoir and federal agencies to the north, as well as Marine Corps Base Quantico to the south. Businesses and other establishments located in the County include Sentara and Novant Health Hospitals; Kaiser Permanente; American Type Culture Collection; Corning Life Sciences – Mediatech Inc.; NOVA Bioscience Center; Live Nation (Jiffy Lube Live Amphitheater); Farm Brew Live; Potomac Mills Mall; Cabela's; Federal Bureau of Investigation; Northern Virginia Community College; George Mason University Science and Technology Campus; New Horizon Security; FedEx Ground; Medlimal, LLC; Minnieland Private Day School; US Foods; Reinhart Foodservice; Mondelēz International, and various data centers, including Iron Mountain, CloudHQ, QTS, and COPT. Overall, the largest employment sectors are services, retail and government.

Major public and private employers located within the County as of June 30, 2024, include:

### Major Public and Private Employers

Employer <sup>(1)</sup>	Ownership	Est. Employment in the County <sup>(2)</sup>	Rank
Prince William County School Board	Local Government	1,000 and over	1
U.S. Department of Defense	Federal Government	1,000 and over	2
County of Prince William	Local Government	1,000 and over	3
Wal Mart	Private	1,000 and over	4
Sentara Healthcare	Private	1,000 and over	5
Morale Welfare and Recreation	Federal Government	1,000 and over	6
Wegmans Store #07	Private	500 to 999	7
Target Corporation	Private	500 to 999	8
The Fishel Company	Private	500 to 999	9
M J Morgan Group	Private	500 to 999	10

Source: Prince William County, Annual Comprehensive Financial Report, Fiscal Year 2024, Table 17.

Notes: <sup>(1)</sup> All data provided by the Virginia Employment Commission (1st Quarter 2024).

The County civilian labor force, as reported by the Bureau of Labor Statistics, was 256,074 in December 2024, which is a 7.3% increase over December 2020.

The number of jobs located in the County, or at-place employment, was estimated at 139,611 in 2023, an increase of 4.3 percent from 133,867 in 2022. At-place employment in the County has increased 57.2 percent over the 20-year period from 2003, when employment was estimated at 88,790, and 2023. Since hitting a low of 125,254 in 2020, at-place employment has recovered by 11.5 percent, climbing higher than the County's pre-pandemic high of 133,237 in 2019.

The following two tables provide information on at-place employment from 2014 to 2023, as well as jobs by employment sector.

### Prince William County Employment Growth

Calendar Year	At-Place Employment <sup>(1)</sup>	Percent Change
2014	119,463	
2015	122,607	2.6%
2016	126,283	3.0
2017	127,892	1.3
2018	130,335	1.9
2019	133,237	2.2
2020	125,254	(6.0)
2021	130,057	3.8
2022	133,867	2.9
2023 <sup>(2)</sup>	139,611	4.3

Source: Virginia Employment Commission/Bureau of Labor Statistics.

Notes: <sup>(1)</sup> For 2014-2023, the data reflects annual averages.

<sup>(2)</sup> For 2023, the values are preliminary.

**Prince William County Establishments of Employment and  
Average Employment by Industry**

	<u>Establishments of Employment</u>					<u>Average Employment</u>				
	<u>2021</u>		<u>2023</u>		<u>2021-2023</u>	<u>2021</u>		<u>2023</u>		<u>2021-2023</u>
	<u>2nd Qtr.</u>		<u>2nd Qtr.</u>		<u>Change</u>	<u>2nd Qtr.</u>		<u>2nd Qtr.</u>		<u>Change</u>
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>%</u>
Retail Trade	1,088	11.2	1,073	10.5	-1.4	21,443	16.5	21,328	15.2	-0.5
Educational Services	152	1.6	155	1.5	2.0	16,392	12.6	18,658	13.3	13.8
Health Care and Social Assistance	1,476	15.2	1,574	15.4	6.6	14,896	11.4	17,317	12.3	16.3
Construction	1,291	13.3	1,336	13.1	3.5	14,797	11.4	16,334	11.6	10.4
Accommodation and Food Services	711	7.3	736	7.2	3.5	13,231	10.2	14,468	10.3	9.3
Professional, Scientific, and Technical Services	1,416	14.6	1,613	15.8	13.9	10,384	8.0	10,646	7.6	2.5
Public Administration	54	0.6	73	0.7	35.2	8,327	6.4	8,363	6.0	0.4
Admin/Support and Waste Mgmt/Remediation Services	600	6.2	692	6.8	15.3	7,031	5.4	7,616	5.4	8.3
Arts, Entertainment, and Recreation	139	1.4	136	1.3	-2.2	3,824	2.9	4,934	3.5	29.0
Other Services (except Public Administration)	867	8.9	871	8.5	0.5	4,581	3.5	4,559	3.2	-0.5
Transportation and Warehousing	248	2.6	298	2.9	20.2	3,335	2.6	3,380	2.4	1.3
Wholesale Trade	260	2.7	263	2.6	1.2	2,745	2.1	3,070	2.2	11.8
Manufacturing	162	1.7	191	1.9	17.9	2,036	1.6	2,336	1.7	14.7
Real Estate and Rental and Leasing	406	4.2	447	4.4	10.1	1,787	1.4	1,840	1.3	3.0
Finance and Insurance	340	3.5	333	3.3	-2.1	1,810	1.4	1,723	1.2	-4.8
Information	110	1.1	115	1.1	4.5	1,340	1.0	1,559	1.1	16.3
Management of Companies and enterprises	58	0.6	60	0.6	3.4	711	0.5	852	0.6	19.8
Utilities	15	0.2	21	0.2	40.0	718	0.6	840	0.6	17.0
Unclassified	271	2.8	204	2.0	-24.7	625	0.5	438	0.3	-29.9
Agriculture, Forestry, Fishing and Hunting	17	0.2	14	0.1	-17.6	133	0.1	117	0.1	-12.0
Mining, quarrying, and Oil and Gas Extraction	7	0.1	5	0.1	-28.6	105	0.1	98	0.1	-6.7

Source: Virginia Employment Commission. Labor Market Information: Quarterly Census of Employment and Wages (QCEW). 2021 was chosen to replace 2020 due to large variations in data due to the pandemic.

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As shown in the following table, aside from a brief uptick during the COVID-19 pandemic, the unemployment rate in the County has been consistently below Commonwealth of Virginia and national averages. At the end of 2024, the County's unemployment rate was 2.7 percent, which was below the Commonwealth and national unemployment rates.

#### Historical Unemployment Rates

Calendar Year	Prince William County	Commonwealth of Virginia	United States
2015	4.1%	4.4%	5.0%
2016	3.6	4.0	4.7
2017	3.4	3.7	4.1
2018	2.8	3.0	3.9
2019	2.5	2.8	3.6
2020	6.7	6.5	6.7
2021	3.9	3.9	3.9
2022	2.6	2.8	3.5
2023	2.7	2.9	3.6
2024	2.7	2.9	4.0

Source: U.S. Department of Labor, Bureau of Labor Statistics.

#### Assessed Value of Locally Taxed Property

The Virginia Constitution and Code of Virginia provide that real estate and tangible personal property (except the rolling stock of public service corporations) are reserved for taxation by cities, counties, towns and other local government entities. Shown below is the assessed value and the estimated market value of all taxable real estate and personal property in the County for the last five Fiscal Years.

#### Assessed and Estimated Actual Value of Taxable Property (Dollars in Thousands)<sup>(1)</sup>

Fiscal Year	Total Real Property		Total Personal Property	
	Assessed Value	Estimated Market Value <sup>(2)</sup>	Assessed Value	Estimated Market Value
2020	\$63,940,345	\$71,962,896	\$70,811,690	\$78,834,241
2021	67,713,170	78,565,047	76,319,204	87,171,081
2022	72,729,751	78,448,222	82,833,973	98,706,768
2023	83,144,684	100,257,663	83,144,684	100,257,663
2024	94,521,794	106,358,610	94,521,794	106,358,610

Source: Prince William County, Department of Finance (2023 Real Estate Annual Report, Table 7 and Annual Comprehensive Financial Report, Fiscal Year 2024, Table 21). Fiscal Year 2024 values include estimates made by the County's Real Estate Assessments Office for Public Service Property until information is received from the Commonwealth. Fiscal Year 2024 Personal Property values include estimates provided by the County's Tax Administration Office.

Notes: <sup>(1)</sup> Assessed value data for any Fiscal Year are based on values as of January 1 of the previous calendar year (e.g. Fiscal Year 2024 represents January 1, 2023, values). Assessed values are calculated based on statutory authority equal to 100%.

<sup>(2)</sup> The Estimated Market Value of real property (including Public Service) is calculated by dividing the assessed value by the County's assessment-to-sales price ratio as determined annually by the Virginia Department of Taxation.

**Assessed Value of Real Property<sup>(1)</sup>**  
**(Dollars in Thousands)**

<b>Fiscal Year</b>	<b>Residential and Condos</b>	<b>Apartments</b>	<b>Public Service Property<sup>(2)</sup></b>	<b>Commercial and Industrial</b>	<b>All Other<sup>(3)</sup></b>	<b>Total Use Value Assessment<sup>(4,5)</sup></b>
2020	\$51,343,233	\$3,712,613	\$1,890,494	\$10,570,898	\$195,932	\$67,713,170
2021	55,749,465	3,946,600	1,993,711	10,848,981	190,994	72,729,751
2022	63,300,359	4,640,249	2,023,556	12,929,788	250,732	83,144,684
2023	68,105,611	4,994,233	2,323,492	18,833,034	265,422	94,521,794
2024	72,068,808	5,079,009	2,346,727	24,938,324	363,841	104,796,710

Source: Prince William County, Department of Finance County Real Estate Assessment Office.

Notes: <sup>(1)</sup> Assessed values include Landbook values plus all supplements.

<sup>(2)</sup> Public Service Property is valued by Commonwealth agencies and includes land and improvements owned by utilities, railroads, and natural gas and petroleum pipeline operators. Calendar year 2023 and 2024 values include estimates for Public Service Property until information is received from the Commonwealth.

<sup>(3)</sup> The All Other category consists mainly of agricultural land.

<sup>(4)</sup> Figures do not include assessed values of properties that were assessed rollback taxes.

<sup>(5)</sup> Totals may not add due to rounding.

The following table represents the top ten principal taxable property owners and their assessed values for January 1, 2023, which represents Fiscal Year 2024. The total assessed value of these taxpayers was \$8.3 million representing 7.8% of the total taxable assessed value of real property within the County.

**Top Ten Principal Real Property Taxpayers**  
**Assessed Value of Real Property**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>Assessed Value (in thousands)</b>
Virginia Electric & Power Company	Utility	\$2,180,001,014
Amazon Data Services Inc	Data Center	1,552,959,900
Northern Virginia Electric Co-Op	Utility	946,517,120
Manuchehr Ventures LLC	Data Center	762,809,100
Bourzou Ventures LLC	Data Center	619,638,100
Abteen Ventures LLC	Data Center	522,021,900
GCDC Purchaser LLC	Data Center	462,170,000
Stack Innovation Holdings LLC	Data Center	436,721,800
Washington Gas Light Company	Utility	422,566,838
9604 Hornbaker Road Prime LLC	Data Center	<u>375,339,200</u>
Total		<u>\$8,280,744,972</u>

Source: Prince William County, Department of Finance, the County Real Estate Office estimates.

**Commercial and Industrial Development**

As of December 31, 2023, as reported by CoStar Realty Information, Inc., the total inventory of existing commercial space was approximately 55.75 million square feet. This includes 8.09 million square feet of office space, 6.11 million square feet of flex space (office and/or retail), 18.59 million square feet of industrial space, and 22.96 million square feet of retail space.

A net total of 8.70 million square feet of commercial space has been added to the County's inventory in the last nine years. This includes 0.29 million square feet of office space, 1.46 million square feet of flex space, 5.81 million square feet of industrial space, and 1.12 million square feet of retail space. The increase in commercial space over the last nine years has a compound annual growth rate of 2.04 percent. This includes a compound annual growth rate of 0.42 percent in office space, 3.48 percent in flex space, 5.06 percent in industrial space and 0.57 percent in retail space.

In 2023 the County added a net of 1,772,324 (3.28 percent) square feet to its commercial inventory. This includes an increase of 230,000 square feet (3.91 percent) of flex space, 1,449,516 square feet (8.46 percent) of industrial space and an increase of 93,247 square feet (0.41 percent) of retail space. The current composition of the County's commercial inventory is 14.51 percent office, 11.0 percent of flex space, 33.34 percent industrial space and 41.18 percent retail space. Totals in each category in the fourth quarter of 2014 through 2023 years are shown in the following table.

**Commercial, Industrial and Retail Space<sup>(1)</sup>**  
**(In Square Feet)**

<b>Year</b>	<b>Office</b>	<b>Flex<sup>(2)</sup></b>	<b>Industrial</b>	<b>Retail</b>	<b>Total</b>
<b>2014</b>	7,798,257	4,655,552	12,770,496	21,831,584	47,055,889
<b>2015</b>	7,819,577	4,667,152	12,951,250	21,913,713	47,351,692
<b>2016</b>	7,816,676	5,002,312	13,011,948	22,050,520	47,881,456
<b>2017</b>	7,943,176	5,484,100	13,868,703	22,316,176	49,612,155
<b>2018</b>	7,938,625	5,496,048	14,675,893	22,353,049	50,463,615
<b>2019</b>	8,079,877	5,727,648	15,271,691	22,561,037	51,640,253
<b>2020</b>	8,089,620	5,727,648	16,526,660	22,610,492	52,954,420
<b>2021</b>	8,092,185	5,835,648	16,635,252	22,787,678	53,350,763
<b>2022</b>	8,092,185	5,882,448	17,139,861	22,864,067	53,978,561
<b>2023</b>	8,092,185	6,112,448	18,589,377	22,957,314	55,751,324

Source: CoStar Realty Information, Inc., August 2024.

Notes: <sup>(1)</sup> CoStar continually updates data regarding real estate space. The amounts are subject to revision based on supplemental review.

<sup>(2)</sup> Flex is defined by CoStar as a building designed to be versatile and may be used in combination with office, research and development, quasi-retail sales, industrial processing or high tech.

## Retail Sales

The following shows taxable retail sales in the County for calendar years 2014 through 2023.

**Taxable Retail Sales**

<b>Calendar Year</b>	<b>Taxable Retail Sales (\$000's)</b>	<b>Percentage Change</b>	<b>Retail Sales Per Capita<sup>(2)</sup></b>
2014	\$5,090,291	-	\$11,739
2015	5,251,291	3.2%	11,891
2016	5,409,151	3.0	12,024
2017	5,540,356	2.4	12,147
2018	5,671,609	2.4	12,330
2019	5,806,143	2.4	12,517
2020	5,658,661	(2.5)	12,093
2021	6,391,056	12.9	13,080
2022	6,901,867	8.0	14,246
2023 <sup>(1)</sup>	7,026,686	1.8	14,290

Sources: Virginia Department of Taxation via Weldon Cooper Center for Public Service reported on calendar year basis. Figures may be subject to revision.

Notes: <sup>(1)</sup> Calendar year 2023 from Weldon Cooper Center is the latest full year data available. U.S. Department of Commerce Census Bureau population reported as of July 1 included in the Prince William County, Annual Comprehensive Financial Report, Fiscal Year 2023, Table 16.

<sup>(2)</sup> Taxable retail sales per capita were calculated using County population statistics provided by County demographer.

The County is served by three regional shopping areas: Potomac Mills Mall (1.9 million square feet), Virginia Gateway (1.1 million square feet), and Stonebridge at Potomac Town Center (0.5 million square feet). The County is also served by many other community and neighborhood shopping centers.



## Housing

The following table illustrates the change in residential housing in the County from 1980 to 2024. Over one out of every three houses in the County has been built since 2000.

### Housing Units by Type of Structure

	1980		1990		2000		2010		2024	
	No.	%	No.	%	No.	%	No.	%	No.	%
Single family houses <sup>(1)</sup>	33,912	73.1%	43,959	58.8%	54,632	55.7%	79,574	57.8%	87,221	53.7%
Townhouses	7,141	15.4	17,932	24.0	26,288	26.8	36,343	26.4	41,145	25.3
Multi-Family	5,335	11.5	12,868	17.2	17,132	17.5	21,668	15.8	<u>34,194</u>	<u>21.0</u>
Total	46,388	100%	74,759	100%	98,052	100%	137,585	100%	162,560	100%

Sources: 1980-2000: U.S. Department of Commerce, Census Bureau 10-Year Censuses. 2010: U.S. Census Bureau and 2010 American Community Survey. 2024: Prince William County GIS Services, as of June 30, 2024.

Note: <sup>(1)</sup> Single-family data includes mobile homes, boats, recreation vehicles, and vans used as permanent residences.

## New Construction

The following tables illustrate the County's permit activity from 2014 through 2023 in the County.

### Building Permits for New Residential Construction<sup>(1)</sup>

Calendar Year	Single Family	Townhouse	Condo	Apartment	Total
2014	656	368	185	0	1,209
2015	698	450	234	24	1,406
2016	664	451	116	28	1,259
2017	730	633	127	4	1,494
2018	729	451	32	4	1,216
2019	638	480	54	5	1,177
2020	729	630	10	8	1,377
2021	531	603	181	2	1,317
2022	370	508	38	14	930
2023	357	390	66	23	836

Source: Prince William County, Department of Development Services.

Note: <sup>(1)</sup> Permits are New Residential Construction only and do not include additions and alterations.

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### Number and Dollar Value of Building Permits<sup>(1)</sup>

Calendar Year	Residential Properties <sup>(2)</sup>		Industrial and Commercial Properties <sup>(3)</sup>		Totals <sup>(4)</sup>	
	# Permits	Value (\$000's)	# Permits	Value (\$000's)	# Permits	Value (\$000's)
2014	2,601	\$206,137	1,757	\$290,614	4,358	\$496,751
2015	2,765	299,465	1,752	262,011	4,517	561,476
2016	2,724	281,816	1,637	657,904	4,361	939,720
2017	2,837	296,804	1,382	260,711	4,219	557,515
2018	2,560	228,037	1,556	426,909	4,116	654,946
2019	2,348	242,445	1,395	974,797	3,743	1,217,242
2020	2,736	250,062	1,184	496,257	3,920	746,319
2021	2,502	304,582	1,261	458,926	3,763	763,509
2022	2,186	309,974	1,349	903,385	3,535	1,213,359
2023	1,727	243,744	1,443	1,444,056	3,170	1,687,780

Source: Prince William County, Department of Development Services.

Notes: <sup>(1)</sup> Permits include new construction and occupancy permits.

<sup>(2)</sup> Residential values for new construction only.

<sup>(3)</sup> Industrial and Commercial values include additions to existing properties.

<sup>(4)</sup> Totals may not add due to rounding.

### LITIGATION

No litigation is pending or, to the best of the Authority's knowledge, threatened against the Authority (i) to restrain or enjoin the issuance and delivery of the 2025 Bonds or the collection and application of revenues of the System and other property pledged under the Master Indenture, (ii) in any way contesting or affecting any authority for the issuance or validity of the 2025 Bonds, or the validity of the Master Indenture or (iii) in any way contesting the existence or powers of the Authority.

### LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the 2025 Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which will be in substantially the form of Appendix C. Such opinion will be furnished at the expense of the Authority upon delivery of the 2025 Bonds. Bond Counsel has not verified the accuracy, completeness or fairness of the Official Statement, and its opinion will make no statement of any kind as to the Official Statement and will be limited to matters relating to the authorization and validity of the 2025 Bonds and to the exemption of interest thereon under present federal and Virginia income tax laws as described therein. See "**Appendix C - PROPOSED FORM OF BOND COUNSEL OPINION.**"

Certain legal matters will be passed on for the Authority by its counsel Bean Kinney & Korman PC, Arlington, Virginia; and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.

### TAX MATTERS

#### Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the federal income tax status of the interest on the 2025 Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the 2025 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the

Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Form of Bond Counsel Opinion Letter" in Appendix D hereto.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the 2025 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the 2025 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2025 Bonds may otherwise affect the federal tax liability of an owner of the 2025 Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the 2025 Bonds should consult their own tax advisors with respect thereto.

### **Reliance and Assumptions; Effect of Certain Changes**

In delivering its opinion regarding the federal income tax treatment of interest on the 2025 Bonds, Bond Counsel is relying upon certifications of representatives of the Authority, the Underwriters, as hereinafter defined, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the Authority. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2025 Bonds in order for interest on the 2025 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2025 Bonds and the use of the property financed or refinanced by the 2025 Bonds, limitations on the source of the payment of and the security for the 2025 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2025 Bonds to the United States Treasury. The tax compliance agreement for the 2025 Bonds contains covenants (the "Covenants") under which the Authority has agreed to comply with such requirements. Failure by the Authority to comply with the Covenants could cause interest on the 2025 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2025 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2025 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2025 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2025 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the 2025 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2025 Bonds.

Prospective purchasers of the 2025 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

### **Original Issue Discount**

Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the 2025 Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

### **Original Issue Premium**

Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "bond premium." Each such Bond is referred to below as an "OIP Bond." The excess of (i) the owner's basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner's yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

### **Information Reporting and Backup Withholding**

Prospective purchasers should be aware that the interest on the 2025 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2025 Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the 2025 Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

### **Internal Revenue Service Audits**

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2025 Bonds, the IRS will, under its current procedures, treat the Authority as the taxpayer. As such, the beneficial owners of the 2025 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2025 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2025 Bonds.

### **Opinion of Bond Counsel – Virginia Income Tax Consequences**

Bond Counsel will also opine that, under current law, interest on the 2025 Bonds is exempt from income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2025 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2025 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2025 Bonds should consult their own tax advisors regarding such other Virginia tax consequences or the tax status of interest on the 2025 Bonds in a particular state or local jurisdiction other than the Commonwealth.

### **Changes in Federal and State Tax Law and Regulations**

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the 2025 Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the 2025 Bonds or other tax-exempt obligations will not have an adverse effect on the 2025 Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2025 Bonds.

Prospective purchasers of the 2025 Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **LEGALITY FOR INVESTMENT**

The Enabling Act provides that the 2025 Bonds are legal investments in which all public officers and public bodies of the Commonwealth and its political subdivisions, 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. No representation is made as to the legality of the 2025 Bonds for investment or any other purpose under any laws of any other state.

### **BOND RATINGS**

The 2025 Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P").

Explanations of the significance of such ratings may be obtained from Moody's and S&P. The ratings are not a recommendation to buy, sell or hold the 2025 Bonds and should be evaluated independently.

There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Such action may have an adverse effect on the market price of the 2025 Bonds. The Authority has not undertaken any responsibility after the issuance of the 2025 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

### **INDEPENDENT AUDITORS**

The Authority's financial statement for the Fiscal Year 2024, included herein as Appendix B, have been audited by PBMares LLP, Harrisonburg, Virginia, independent auditors, as stated in their report. The Authority's auditors have not reviewed this Official Statement or any other matters related to the issuance of the 2025 Bonds. See **"Appendix B - FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024."**

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC ("PFM") Arlington, Virginia, serves as financial advisor to the Authority with respect to the sale of the 2025 Bonds. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. 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 this Official Statement.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the Authority relating to computations of forecasted receipts of principal and interest on the investments deposited in the Escrow Fund, and the forecasted payments of principal and interest to redeem the Refunded Obligations, will be examined by Bingham. Such computations will be based solely upon assumptions and information supplied by PFM on behalf of the Authority. Bingham has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## UNDERWRITING

The 2025 Bonds are being purchased by the Underwriters named on the front cover of this Official Statement pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the Authority and Raymond James & Associates, Inc. ("Raymond James"), as representatives of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the 2025 Bonds at an aggregate purchase price of \$\_\_\_\_\_ (representing the sum of the \$\_\_\_\_\_ par amount of the 2025 Bonds [plus original issue premium of \$[\_\_\_\_\_] or less original issue discount of \$[\_\_\_\_\_] ], less an underwriting discount of \$\_\_\_\_\_ on such 2025 Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2025 Bonds if any are purchased. The Underwriters may offer and sell the 2025 Bonds to certain dealers (including dealers depositing the 2025 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

TD Securities (USA) LLC ("TD Securities"), one of the Underwriters of the 2025 Bonds, has entered into two negotiated dealer agreements (the "TD Dealer Agreements") with Charles Schwab & Co., Inc. ("CS&Co.") and InvestorLink Capital Markets, LLC ("ICM"). These agreements allow CS&Co. and ICM to provide for the retail distribution of certain securities offerings, including the offered 2025 Bonds at the original issue prices. Pursuant to the TD Dealer Agreements, CS&Co. and ICM may purchase offered 2025 Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the offered 2025 Bonds ICM or CS&Co. sells.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

## CONTINUING DISCLOSURE

The offering of the 2025 Bonds is subject to the continuing disclosure requirements of the Rule. Pursuant to the Rule, the Authority has undertaken for the benefit of the Bondholders to make public certain annual financial information and notice of certain material events by furnishing such information to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA").

A failure by the Authority to comply with its continuing disclosure undertaking will not constitute an Event of Default under the Master Indenture (although the Bondholders will have any available remedy at law or in equity to enforce the undertaking). However, a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2025 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2025 Bonds and their market price.

As a condition to issuance of various series of revenue bonds by UOSA (the "UOSA Bonds"), the Authority, on behalf of the County, undertook to provide annual financial information and operating data with respect to the

Authority. While the Authority timely filed with EMMA its required annual financial information and operating data for Fiscal Years 2019 through 2021 and Fiscal Year 2024, such information was not cross-referenced to the CUSIP numbers for the UOSA Bonds. Corrective filings have been made to include that information for the UOSA Bonds. While the Authority timely filed with EMMA its required annual financial information and operating data for Fiscal Year 2022 to CUSIP numbers for the UOSA Bonds, such information was not cross-referenced to CUSIP numbers for its Outstanding Bonds. Corrective filings have been made to incorporate and link the filings to the appropriate CUSIP numbers. The Authority has otherwise complied in all material respects with its prior continuing disclosure undertakings under Rule 15c2-12 during the last five years.

**See "Appendix D - FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto for the form of continuing disclosure agreement.**

## **RELATIONSHIP OF PARTIES**

Bond Counsel also represents each Underwriter and the Trustee in matters unrelated to the 2025 Bonds.

Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, counsel to the Underwriters, also represents the Trustee from time to time in matters unrelated to the 2025 Bonds.

## **MISCELLANEOUS**

The Authority has furnished all information in this Preliminary Official Statement relating to the Authority, including audited financial information for the Fiscal Year 2024.

The summaries or descriptions included in this Preliminary Official Statement, including the provisions of the Enabling Act, the 2025 Bonds, the Indenture, the Water Supply Contracts and the Service Agreement are brief outlines of certain provisions of such documents and do not purport to be complete statements of such provisions. Reference is made to the Enabling Act, the 2025 Bonds, the Indenture, the Water Supply Contracts, the Service Agreement and such other agreements for complete information. Copies of the Indenture are on file with the Trustee, and copies of the Indenture and such other agreements are on file at the office of the Authority.

The Authority does not expect to provide more frequent information on its finances and operations and has no obligation to provide any such information to bondholders or any other party.

Any statements in this Preliminary Official Statement involving matters of opinion regardless of whether expressly so stated are intended as such and not as representations of fact, and no representation is made that any of such estimates will be realized.

The execution of this Official Statement has been duly authorized by the Authority which has deemed this Preliminary Official Statement final within the meaning of the Rule except for except for the omission of certain pricing and other information permitted to be omitted by the Rule.

## **PRINCE WILLIAM COUNTY SERVICE AUTHORITY**

By: \_\_\_\_\_  
Calvin D. Farr, Jr., General Manager



## **APPENDIX A**

### **FORM OF THE INDENTURE**

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**AMENDED AND RESTATED MASTER INDENTURE OF TRUST**

**BETWEEN**

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**

**AND**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
AS TRUSTEE**

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**PRINCE WILLIAM COUNTY SERVICE AUTHORITY  
REVENUE BONDS**

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\_\_\_\_\_ 1, 2025

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## AMENDED AND RESTATED MASTER INDENTURE OF TRUST

**THIS AMENDED AND RESTATED MASTER INDENTURE OF TRUST** (this "Master Indenture") is made as of \_\_\_\_\_ 1, 2025, between the **PRINCE WILLIAM COUNTY SERVICE AUTHORITY**, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, as trustee (the "Trustee").

**WHEREAS**, the Authority is a public body politic and corporate of the Commonwealth of Virginia duly created pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act"), by the Board of County Supervisors of Prince William County, Virginia (the "County") and is authorized to acquire, finance, construct, operate and maintain water, sewer and other facilities and to borrow money and to issue its revenue bonds and refunding bonds to pay all or part of the cost of such facilities and related financing costs;

**WHEREAS**, pursuant to the Act, the Authority and the Trustee (as successor to Crestar Bank) are parties to a Master Trust Indenture dated as of May 1, 1991 (as previously supplemented and amended, the "Original Indenture"), which Original Indenture provides for the issuance of its revenue bonds from time to time on behalf of the Authority to pay the costs of water and sewer facilities as permitted by the Act, to pay related financing costs and to refund indebtedness and obligations previously incurred for such purposes;

**WHEREAS**, the Authority desires to supplement, amend and restate the Original Indenture by this Master Indenture; and

**NOW, THEREFORE**, the Authority and the Trustee hereby amend and restate the Original Indenture, as follows:

### ARTICLE I

#### DEFINITIONS AND RULES OF CONSTRUCTION

**Section 1.1 Definitions.** The terms set forth below will have the following meanings in this Master Indenture unless the context clearly requires otherwise:

"Accreted Value" will have the meaning set forth in the Supplemental Indenture authorizing any Capital Appreciation Bonds.

"Act" means the Virginia Water and Sewer Authorities Act, Chapter 28, Title 15.1 of the Code of Virginia of 1950, as amended.

"Annual Budget" means the budget referred to in Section 9.3.

"Authority" means the Prince William County Service Authority, a public body corporate and politic of the Commonwealth of Virginia, duly created pursuant to the Act.



"Authorized Authority Representative" means any person or persons designated to act on behalf of the Authority by a certificate signed by its Chairman and filed with the Trustee.

"Availability Fees" mean non-recurring charges assessed and collected upon issuance of permits to connect to the System which represent in whole or in part the customer's proportionate share of the capital costs of the System.

"Balloon Indebtedness" means a Series of Bonds, 25% or more of the original principal amount of which matures during any consecutive twelve-month period, if the maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment before the twelve-month period.

"Bond" or "Bonds" mean any bond or all of the bonds, as the case may be, issued pursuant to this Master Indenture and any Supplemental Indenture, but will not include any Subordinate Debt or any bonds or other evidence of indebtedness of the Authority issued from time to time under any other indenture, trust agreement, resolution or similar instrument.

"Bond Counsel" means an attorney or a firm of attorneys (designated by the Authority) of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Debt Service" means for any period of twelve consecutive months the sum of the amounts required to pay principal of and interest on the Bonds then Outstanding.

"Bond Fund" means the fund established by Section 7.1(b).

"Bond Year" means the period from and including July 2 of one calendar year to and including July 1 of the following calendar year.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the Commonwealth, or the city in which the designated corporate trust office of the Trustee or the Paying Agent is located, are authorized by law to close, (iii) a day on which the New York Stock Exchange is closed, or (iv) such other days as may be specified in a Supplemental Indenture.

"Capital Appreciation Bonds" mean the Bonds in any Series designated as Capital Appreciation Bonds in the Supplemental Indenture authorizing the issuance of the Series.

"Chairman" means the Chairman or Vice Chairman of the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings, and any successor codification.

"Commonwealth" means the Commonwealth of Virginia.

"Compounding Date" for Bonds of any Series will have the meaning set forth in the Supplemental Indenture authorizing the issuance of such Series.

"Consulting Engineer" means the independent engineering firm or individual engineer employed or retained by the Authority as Consulting Engineer in accordance with Section 9.14.

"Contracted Services" mean services rendered or facilities provided to the Authority in respect of the System or for the performance for or on behalf of the Authority of functions• similar to those performed by the System, from a specific project, projects or systems, pursuant to a contract, whether a financing lease, a service agreement or another arrangement.

"Cost" or "Cost of the Project" means all costs incurred by the Authority in connection with the acquisition, expansion, construction, improvement, renovation and equipping of the System or any Project comprising a portion of the System, as permitted by the Act, including, without limitation, the payment of costs of issuance of the Bonds and the funding of such funds and accounts as provided in this Master Indenture or any Supplemental Indenture, the cost of all lands, properties, rights, easements, franchises and permits acquired, the cost of all machinery and equipment, amounts paid to purchase water or sewage treatment capacity or services from other entities which are required to be capitalized or which the Authority makes an election to capitalize, financing charges, initial credit enhancement charges, interest before and during construction and for up to one year after completion of construction, any amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code, any deposits to any bond interest and principal reserve accounts, the cost of engineering and legal services, plans, specifications, surveys, estimates of costs and of revenues, other expenses necessary or incident to determining the feasibility or practicability of any acquisition, improvement or construction, administrative expenses, working capital, the retirement of notes or other interim financing the proceeds of which were used to pay Costs, and such other expenses as may be necessary or incidental to-the improvement of the System and placing it in operation.

"Cost of Contracted Services" means the payments to be made by the Authority for Contracted Services which may be allocated by the Authority among three components: (i) a Debt Service Component, (ii) an Operating Component, and (iii) a Remaining Component. No designation or characterization of payments under a Service Contract will affect the Authority's right to make some other allocation of the payments for the purpose of this Master Indenture.

"Counsel" means such attorney or firm of attorneys selected or approved by the Authority who are duly admitted to practice law before the highest court of any state of the United States of America, none of whom is a full-time employee, member, director or officer of the Authority or a full-time employee or officer of the Trustee.

"Defeasance Obligations" mean (i) noncallable Government Obligations, (ii) Government Certificates, (iii) Defeased Municipal Obligations, and (iv) Defeased Municipal Obligation Certificates.

"Defeased Municipal Obligations" mean obligations of state or local government municipal bond issuers, which are rated in the highest rating category by one or more Rating Agencies, provision for the payment of the principal of and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will provide sufficient

money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"De Minimis Amount" means:

(a) In reference to original issue discount (as defined in Section 1273(a)(1) of the Code) or premium on an obligation (i) an amount that does not exceed 2% multiplied by the stated redemption price at maturity; plus (ii) any original issue premium that is attributable exclusively to reasonable underwriter's compensation; and

(b) In reference to market discount (as defined in Section 1278(a)(2)(A) of the Code) or premium on an obligation, an amount that does not exceed 2% multiplied by the stated redemption price at maturity.

"Debt Service Component" means the portion of the Cost of Contracted Services that an Authorized Authority Representative determines, in a certificate delivered to the Trustee, to be for the purpose of paying a fixed charge or the principal of or interest on the obligations, directly or indirectly associated with rendering the Contracted Services, of the person providing the Contracted Services.

"Debt Service Reserve Fund" means the fund established in Section 7.1(c).

"Debt Service Reserve Requirement" means an amount equal to the sum of (i) the Prior DSR Requirement, and (ii) for any Series of Bonds (other than the Prior Series), an amount equal to the least of (x) the maximum principal and interest due on the then-Outstanding Bonds of such Series in the then current or any future Fiscal Year, (y) 125% of the average annual principal and interest due on the then-Outstanding Bonds of such Series in the then current and each future Fiscal Year and (z) 10% of the proceeds of such Series of Bonds (within the meaning of Section 148(d) the Code); provided that the Supplemental Indenture corresponding to any Series of Bonds (other than the Prior Series) may provide for the establishment of a separate account in the Debt Service Reserve Fund to secure only such Series of Bonds (and any Bonds issued to refund such Series in part), with such Series of Bonds having no claim on the other moneys deposited to the credit of the Debt Service Reserve Fund or any other account therein, and may provide for a separate Debt Service Reserve Requirement for such Series of Bonds to be calculated as set forth in the corresponding Supplemental Indenture. For any Series of Bonds, the Debt Service Reserve Requirement may be increased by the Authority, if there is delivered to the Trustee an opinion of Bond Counsel to the effect that the increase will not adversely affect the excludability of interest on the applicable Bonds from gross income for purposes of federal income taxation. In determining the amount of principal and interest due on any Bonds which are Variable Rate Indebtedness, interest will be calculated at a rate equal to the greater of (i) the actual interest rate on the Bonds in effect on the date of their issuance or (ii) the current average yield on municipal revenue bonds maturing in thirty years, according to the weekly index published by *The Bond Buyer* for the week immediately preceding the week in which the Bonds are issued. In the event *The Bond Buyer* is not published as the date of any determination, or if published, does not publish an index of the current yield on municipal revenue bonds maturing in thirty years, an alternative index or other source of current bond yields may be selected by the Authority. In determining the amount of principal and interest due on any Bonds which are Balloon Indebtedness due in any year

will be calculated by assuming that the original principal amount of the Balloon Indebtedness, together with interest at the rate applicable to such Balloon Indebtedness, will be amortized in equal annual installments over a period of thirty years from the date the Balloon Indebtedness was incurred.

"Defeased Municipal Obligation Certificate" means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any of its states acceptable to the Trustee in the capacity of custodian.

"Digital Signature" means a signature provided via DocuSign or such other digital signature provider as specified in writing to the Trustee by an Authorized Authority Representative, in English.

"Director of Finance" means the Director of Finance of the Authority or, if the Authority no longer has a person with the title of Director of Finance, the person filling the office with similar duties as the Director of Finance.

"Electronic Means" means the following communication methods: e-mail, facsimile transmission, portable data format (.pdf), secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee available for use in connection with its services hereunder.

"Event of Default" means any Event of Default specified in Section 10.1.

"Fiscal Year" means the period of twelve months established by the Authority as its annual accounting period.

"Fitch " means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized statistical rating organization designated by the Authority by notice to the Trustee.

"Fixed Rate Investment" means any obligation the yield on which is fixed and determinable on the issue date thereof.

"General Fund" means a fund or account, or multiple funds or accounts, controlled by and in the name of the Authority and into which the Authority deposits its Revenues.

"Government Certificates" mean evidences of ownership of a proportionate interest in specified Government Obligations which are held by a bank or trust company organized and existing under the laws of the United States of America or any of its states acceptable to the Trustee in the capacity of custodian.

"Government Obligations" mean bonds, notes and other direct obligations of the United States of America and securities unconditionally guaranteed as to timely payment by the United States of America.

"Interest Account" means the Interest Account of the Bond Fund established by Section 7.1(b).

"Interest Payment Date" means any date on which a payment of interest on the Bonds or any Parity Indebtedness is due.

"Interest Period" means the period from and including an Interest Payment Date to and including the day before the next Interest Payment Date, except the first Interest Period for each Series of Bonds and Parity Indebtedness will be the period from and including the date specified in the Supplemental Indenture authorizing the Series of Bonds or the document authorizing the Parity Indebtedness for the Bonds or Parity Indebtedness to begin to bear interest to and including the day before the first Interest Payment Date.

"Master Indenture" means this Amended and Restated Master Indenture of Trust, between the Authority and the Trustee, as it may be modified, altered, amended and supplemented from time to time in accordance with its terms.

"Net Proceeds" mean the proceeds from any insurance recovery fees, fees and expenses of other expenses incurred in remaining after payment of attorneys' the Authority and the Trustee and all collection of the gross proceeds.

"Net Revenues" mean Revenues less Operating Expenses.

"Operating Component" means the portion of the Cost of Contracted Services (excluding any Debt Service Component) reasonably determined by an Authorized Authority Representative, in a certificate delivered to the Trustee from time to time, to be directly or indirectly attributable to the ownership or operation of the System without regard to its treatment under generally accepted accounting principles; provided, however, if no such determination is made, all of the Cost of Contracted Services (excluding any Debt Service Component) will be treated as Operating Component.

"Operating Expenses" mean all expenses which may reasonably be determined by the Authority to be attributable directly or indirectly to the ownership or operation of the System and payable as Operating Expenses without regard to the treatment of such expenses under generally accepted accounting principles, including, without limitation, reasonable and usual expenses of administration, operation, maintenance and repair, which may include expenses not annually recurring, costs of billing and collecting the rates, fees and charges for the use of or the services furnished by the System, the Operating Component of the Cost of Contracted Services, insurance and surety bond premiums and reserves, other charges and fees necessary for the maintenance of adequate insurance coverage for the Authority and the System, fees of any credit enhancement facility, legal, engineering and auditing expenses, expenses and compensation of the Trustee, and other expenses of the Authority required to be paid by law or under this Master Indenture or any Supplemental Indenture, but will not include any allowance for (i) amortization or depreciation, (ii) non-cash items, (iii) nonrecurring items of an extraordinary nature that do not involve the

receipt, expenditure or transfer of assets, (iv) unrealized gains or losses, (v) deposits or transfers to the Bond Fund, the Debt Service Reserve Fund, or the Repair and Replacement Fund, or expenditures which the Authority makes an election to capitalize.

"Opinion of Counsel" means a written opinion or, if the subject matter being addressed is not of a nature as to which Counsel may opine under applicable legal opinion standards, an advisory letter, of any Counsel in form and substance acceptable to the Trustee.

"Outstanding" means, at any date, the aggregate of all Bonds authorized, issued, authenticated and delivered under this Master Indenture, except:

- (a) Bonds cancelled or surrendered to the Paying Agent for cancellation;
- (b) Bonds deemed to have been paid as provided in Section 14.1 or 14.2; and
- (c) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to this Master Indenture and any Supplemental Indenture unless proof satisfactory to the Paying Agent is presented that any such Bond is held by a bona fide Owner.

In determining whether Owners of a requisite aggregate principal amount of the Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under this Master Indenture or any Supplemental Indenture, the principal amount of Capital Appreciation Bonds will be their Accreted Value (as of the immediately preceding Compounding Date). Bonds which are owned by the Authority will be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, that for the purpose of determining whether the Trustee will be protected in relying upon any request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned will be disregarded.

"Owner" means the Person in whose name a particular Bond is registered on the records of the Paying Agent.

"Parity Debt Service" means for any period of twelve consecutive months the sum of the amounts required to pay principal of and interest on the Parity Indebtedness then Outstanding.

"Parity Debt Service Component" means all or any portion of the Debt Service Component of the Cost of Contracted Services under Service Contracts meeting the requirements of Section 5.5 that an Authorized Authority Representative determines, in a certificate delivered to the Trustee, will be payable on a parity with the Bonds.

"Parity Indebtedness" means (i) the Parity Debt Service Component of the Cost of Contracted Services and (ii) any other Parity Indebtedness incurred in accordance with Section 5.6 which is payable on a parity with Bonds. Parity Indebtedness does not include Bonds.

"Paying Agent" means any paying agent for the Bonds (and may include the Trustee) and its successor or successors appointed pursuant to the provisions of any Supplemental Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee will be the Paying Agent.

"Person" means an individual, a corporation, a partnership, a general partner of a partnership, an association, a joint stock company, a trust, any unincorporated organization, or a governmental unit or its political subdivision.

"Plain Par Investment" means a Fixed Rate Investment:

(a) Issued with not more than a De Minimis Amount of original issue discount or premium, or, if acquired on a date other than its issue date, acquired with not more than a De Minimis Amount of market discount or premium;

(b) Issued for a price that does not include accrued interest other than pre-issuance accrued interest;

(c) That bears interest from its issue date at a single, stated, fixed rate, with interest unconditionally payable at least annually; and

(d) That has a lowest stated redemption price that is not less than its outstanding stated principal amount.

"Present Value" means the present value computed under the economic accrual method (using the same compounding interval and financial conventions used to compute the yield on the relevant Series of Bonds under Section 148 of the Code), of all unconditionally payable receipts to be received from and payments to be paid for an investment after the valuation date, using the yield on the investment as the discount rate.

"Principal Account" means the Principal Account of the Bond Fund established by Section 7.1(b).

"Principal Payment Date" means any date on which a payment of principal or Accreted Value of the Bonds or any Parity Indebtedness is due.

"Principal Period" means the period from and including a Principal Payment Date to and including the day before the next Principal Payment Date, except the first Principal Period for each Series of Bonds or Parity Indebtedness will be the twelve months immediately preceding the first Principal Payment Date unless some other period is specified in the Supplemental Indenture authorizing the Series of Bonds or the Service Contract or other document authorizing the Parity Indebtedness.

"Prior DSR Requirement" means an amount equal to the least of (i) the greater of (x) the maximum principal and interest due on the Outstanding Bonds of the Prior Series in the current or any future Fiscal Year or (y) the maximum principal and interest due on the Outstanding Bonds of the Prior Series in the current or any future Bond Year, (ii) 10% of the original proceeds (excluding accrued interest) of the Bonds of the Prior Series, and (iii) 125% of the average annual principal and interest due on the Outstanding Bonds of the Prior Series in the then current and each future Fiscal Year. In determining the amount of principal and interest due on the Bonds which are Variable Rate Indebtedness, interest will be calculated at a rate equal to the greater of (i) the actual interest rate on the Bonds in effect on the date of their issuance or (ii) the current average yield on municipal revenue bonds maturing in thirty years, according to the weekly index published by *The*

*Bond Buyer* for the week immediately preceding the week in which the Bonds are issued. In the event *The Bond Buyer* is not published as of the date of determination, or if published, does not publish an index of the current yield on municipal revenue bonds maturing in thirty years, an alternative index or other source of current bond yields may be selected by the Authority with the consent of the Trustee. In determining the amount of principal and interest due on Bonds which are Balloon Indebtedness, the amount of principal and interest on the Balloon Indebtedness due in any year will be calculated by assuming that the original principal amount of the Balloon Indebtedness is amortized on a level annual debt service schedule for a period equal to thirty years from the date the Balloon Indebtedness was incurred.

"Prior Series" means the Authority's Water and Sewer System Refunding Revenue Bonds, Series 2013 and Water and Sewer System Refunding Revenue Bond, Series 2015.

"Project" means any water or sewer facilities of the Authority which are part of the System or any purchase of water or sewage treatment capacity or service from other entities which is required to be capitalized or which the Authority makes a proper election to capitalize.

"Project Fund" means the fund established in Section 7.1(a).

"Rating Agency" means Moody's Investors Service, Inc., S&P Global Inc. and Fitch Ratings Inc. or any of them and their successors and assigns. If any such corporation ceases to act as a securities rating agency, the Authority may appoint any nationally recognized securities rating agency as a replacement.

"Redemption Account" means the Redemption Account of the Bond Fund established by Section 7.1(b).

"Refunding Bonds" means a Series or portion of a Series of Bonds issued to retire or refund all or any portion of another Series of Bonds or other obligations of the Authority.

"Remaining Component" means the portion of the Cost of Contracted Services which is not embraced in the definition of Debt Service Component or Operating Component.

"Repair and Replacement Fund" means the fund established in Section 7.1(d).

"Replacement Reserve Requirement" means an amount to be determined by the Authority pursuant to Section 7.5(b).

"Revenues" mean all revenues, receipts and other income derived by the Authority from the ownership or operation of the System including, without limitation, Availability Fees and investment earnings.

"Secretary" means the Secretary or any Assistant Secretary of the Authority.

"Senior Debt Service" means for any period of twelve consecutive months the sum of Bond Debt Service and Parity Debt Service during the period.



"Series" or "Series of Bonds" mean a separate series of Bonds issued under this Master Indenture pursuant to a Supplemental Indenture.

"Service Contracts" mean any contracts or agreements for Contracted Services entered into by the Authority from time to time.

"Subordinate Debt" means bonds, notes or other evidences of indebtedness of the Authority, including the Debt Service Component of the Cost of Contracted Services which is not a Parity Debt Service Component, secured by a pledge of Net Revenues expressly made subordinate to the pledge of Net Revenues securing the Bonds and Parity Indebtedness or which is unsecured.

"Subordinate Debt Service" means for any period of twelve consecutive months the sum of the amounts required to pay principal of and interest on the Subordinate Debt then Outstanding and the Debt Service Component of the Cost of Contracted Services which is not a Parity Debt Service Component.

"Supplemental Indenture" means any indenture supplemental to or amendatory of this Master Indenture as originally executed, which is duly executed and delivered in accordance with the provisions of. this Master Indenture.

"System" means the water system, sewer system, and sewage disposal system, and the garbage and refuse collection and system operated by the Authority at the time of the execution of this Master Indenture, or any combination of such systems, owned or operated by or on behalf of the Authority, including but not limited to, any Project and all additions, extensions, improvements and replacements to the System, but excluding (i) any independent water or sewer systems hereafter owned or operated by the Authority and accounted for separately by the Authority unless made part of the System and (ii) any solid waste disposal facility operated by the Authority. Notwithstanding the foregoing, the Authority has the right at any time to elect to exclude the garbage and refuse collection system from the System for purposes of this Master Indenture upon delivery to the Trustee of the written certificate or statement required by Section 5.3(h)(2), except that the projections required by subsection (B) of Section 5.3(h)(2) will be for two full Fiscal Years following the date of the Authority's election to make the exclusion.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association, and its successor or successors under this Master Indenture.

"Unrestricted Reserves" means the sum of (i) the balance in the Repair and Replacement Fund and (ii) the balance in the General Fund in excess of one-twelfth of the Operating Expenses budgeted to be paid from such Fund in the then current Fiscal Year as set forth in the Annual Budget.

"Variable Rate Indebtedness" means any Bonds the interest on which is not established at the time of their issuance at a rate which is fixed until their maturity.

**Section 1.2 Rules of Construction.** (a) Except where the context otherwise requires, (i) singular words will connote the plural number as well as the singular and vice versa and (ii) pronouns inferring the masculine gender will include the feminine and neuter genders and vice

versa. All references to particular articles or sections are references to articles or sections of this Master Indenture unless otherwise indicated. The headings and Table of Contents in this Master Indenture are solely for convenience of reference and will not constitute a part of this Master Indenture, nor will they affect its meaning, construction or effect. All references to the payment of Bonds are references to the payment of the principal of and premium, if any, and interest on Bonds.

(b) In any case where the Trustee is required to determine the principal amount of Bonds under this Master Indenture, the Accreted Value of any Capital Appreciation Bonds at the time of the determination will be treated as the outstanding principal amount of such Capital Appreciation Bonds. All references to the payment of the principal amount of Bonds includes the payment of the Accreted Value of Capital Appreciation Bonds.

(c) Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles. If, after the date hereof, there shall occur any change in generally accepted accounting principles from those used in the preparation of the financial statements and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Master Indenture, the Authority may by written notice to the Trustee elect to have the financial statements (and related ratios and calculations) prepared in accordance with generally accepted accounting principles in effect prior to such change in accounting principles. The Authority may, by a subsequent written notice to the Trustee, elect to have the financial statements (and related ratios and calculations) prepared in accordance with generally accepted accounting principles as then in effect.

(d) Unless specifically provided otherwise in this Master Indenture or in a Supplemental Indenture, any requirement that an obligation be or remain in a particular rating category assigned by a Rating Agency will be applied without regard to any refinement or gradation of the rating category by numerical modifier or otherwise.

## ARTICLE II

### ESTABLISHMENT OF TRUST

**Section 2.1 Establishment of Trust.** In order to provide for the payment of the principal of and the premium, if any, and interest on the Bonds and any Parity Indebtedness, and to secure the performance of all of the obligations of the Authority under the Bonds and any Parity Indebtedness, this Master Indenture and the Supplemental Indentures, subject to the terms of this Master Indenture and the Supplemental Indentures, the Authority pledges, assigns and grants to the Trustee a security interest in the following:

(a) All of the Net Revenues;

(b) The funds, accounts, money and investments held by the Trustee and the Paying Agent pursuant to the terms of this Master Indenture and the Supplemental Indentures; provided, however, money and investments in the Project Fund, the Bond Fund and the Debt Service Reserve Fund do not secure Parity Indebtedness; and

(c) All other property of any kind mortgaged, pledged or hypothecated by the Authority or by anyone on its behalf and with its written consent at any time as and for additional security under this Master Indenture and any Supplemental Indentures in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Supplemental Indentures.

The property described above, which secures the payment of the principal of and premium, if any, and interest on the Bonds and any Parity Indebtedness in accordance with the provisions of this Master Indenture and the Supplemental Indentures, is to be held in trust for the equal and proportionate benefit and security of the Owners from time to time of the Bonds and any Parity Indebtedness, except as otherwise provided in, and subject to its application in accordance with the terms of, this Master Indenture and any Supplemental Indenture.

### ARTICLE III

#### GENERAL TERMS AND CONDITIONS OF BONDS

**Section 3.1 Authority for Indenture.** This Master Indenture has been executed and delivered pursuant to a resolution adopted by the Authority on April 25, 1991 and a resolution adopted by the Authority on April 10, 2025. The Authority has ascertained that the execution of and the transactions contemplated by this Master Indenture are necessary or convenient in order to carry out the purposes of the Authority and to exercise the powers granted to it by the Act and that each covenant or agreement in this Master Indenture is reasonable and proper for protecting and enforcing the rights and remedies of the Owners.

**Section 3.2 Indenture Constitutes Contract.** In consideration of the purchase and acceptance of the Bonds by the Owners of the Bonds, the provisions of this Master Indenture and the Supplemental Indentures will be a part of the contract of the Authority with the Owners of the Bonds and will constitute a contract among the Authority, the Trustee and the Owners from time to time of the Bonds.

**Section 3.3 Form and Details of Bonds.** The forms, details and terms of each Series of Bonds, the accounts to be created with respect to such Bonds within the funds established under this Master Indenture, and such other matters as the Authority may deem appropriate will be set forth in the Supplemental Indenture authorizing the issuance of the Series.

**Section 3.4 Payment of Bonds.** The principal of and premium, if any, and interest on the Bonds will be payable in lawful money of the United States of America, but only from the Net Revenues and other sources pledged to such payment pursuant to this Master Indenture. The principal of and premium, if any, and interest on the Bonds will be payable at such place or places and in such manner as specified in the Supplemental Indentures authorizing their issuance. If the date of maturity of the principal of any Bonds or the date fixed for the payment of interest on or the redemption of any Bonds is not a Business Day, then payment of the principal and premium, if any, and interest need not be made on such date, but may be made on the next succeeding date which is a Business Day, and if made on such next succeeding Business Day no additional interest will accrue for the period after such date of maturity or date fixed for redemption.

**Section 3.5 Execution of Bonds.** Except as may be otherwise provided in any Supplemental Indenture, all of the Bonds will, from time to time, be executed on behalf of the Authority by, or bear the facsimile signature of, the Chairman, and the corporate seal of the Authority (which may be a facsimile) will be affixed (or imprinted or engraved if a facsimile) and attested by the manual or facsimile signature of the Secretary.

If any of the officers who have signed or sealed any of the Bonds or whose facsimile signature is on the Bonds cease to be an officer of the Authority before the Bonds so signed and sealed have been actually authenticated by the Paying Agent or delivered by the Authority, the Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed or sealed the Bonds or whose facsimile signature is on the Bonds had not ceased to be an officer of the Authority. Any Bond may be signed and sealed on behalf of the Authority by those persons who, at the actual date of the execution of the Bond, are proper officers of the Authority, although at the date of the Bond they were not officers of the Authority.

**Section 3.6 Authentication of Bonds.** Except as may be otherwise provided in a Supplemental Indenture, no Bond will be secured by this Master Indenture and the Supplemental Indentures, entitled to their benefits or be valid for any purpose unless there is endorsed on the Bond the Paying Agent's certificate of authentication, substantially in the form provided for in the Supplemental Indenture authorizing the issuance of the Bond. The Paying Agent will authenticate each Bond with the signature of an authorized officer or employee of the Paying Agent, but it will not be necessary for the same person to authenticate all of the Bonds. The Paying Agent's certificate of authentication on any Bond issued by the Authority will be conclusive evidence and the only competent evidence that the Bond has been duly authenticated and delivered under this Master Indenture.

**Section 3.7 Registration, Transfer and Exchange.** Except as may be otherwise provided in a Supplemental Indenture, the Authority will cause books for the registration and registration of transfer or exchange of the Bonds to be kept at the designated corporate trust office of the Paying Agent. The Authority appoints the Paying Agent as its registrar and transfer agent to keep such books and to make registrations and registrations of transfer or exchange under such reasonable regulations as the Authority or the Paying Agent may prescribe.

Upon surrender for registration of transfer or exchange of any Bond at the designated corporate trust office of the Paying Agent, the Authority will execute and the Paying Agent will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of like date, tenor and of any authorized denomination for the aggregate principal amount which the Owner is entitled to receive, subject in each case to such reasonable regulations as the Authority or the Paying Agent may prescribe. All Bonds presented for registration of transfer, exchange, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the Authority and the Paying Agent, duly executed by the registered Owner or by the Owner's duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange will be valid obligations of the Authority evidencing the same debt as the Bonds surrendered and will be secured by this Master

Indenture and the applicable Supplemental Indentures and entitled to their benefits to the same extent as the Bonds surrendered. Registrations of transfers or exchange will be made by the Paying Agent within such time periods as are customary in the municipal securities industry.

**Section 3.8 Charges for Exchange or Transfer.** Except as provided in Section 3.10, no charge will be made for any registration of transfer or exchange of Bonds, but the Authority or the Paying Agent may require payment by the Owner of the Bonds of a sum sufficient to cover any applicable tax or other governmental charge that may be imposed.

**Section 3.9 Temporary Bonds.** Until Bonds in definitive form are ready for delivery, the Authority may execute, and upon its request in writing, the Paying Agent will authenticate and deliver in lieu of definitive Bonds and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, in substantially the form set forth in the Supplemental Indenture authorizing such Bond, with appropriate omissions, variations and insertions.

The Authority will, without unreasonable delay, prepare, execute and deliver to the Paying Agent, and, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent at its designated corporate trust office, the Paying Agent will authenticate and deliver in exchange, a Bond or Bonds of the same maturity and Series in definitive form, in the authorized denominations, and for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange will be made at the Authority's expense.

**Section 3.10 Mutilated, Lost, Stolen or Destroyed Bonds.** In the event any Outstanding Bond is mutilated, lost, stolen or destroyed, the Authority will execute, and, upon the Authority's request in writing, the Paying Agent will authenticate and deliver, a new Bond of the same Series, principal amount and maturity and of like tenor as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for a mutilated Bond, or in lieu of and substitution for a lost, stolen or destroyed Bond.

Application for exchange and substitution of mutilated, lost, stolen or destroyed Bonds will be made to the Paying Agent at its designated corporate trust office and the applicant will furnish to the Authority and the Paying Agent security or indemnification to their satisfaction. In every case of loss, theft or destruction of a Bond, the applicant will also furnish to the Authority and the Paying Agent evidence to their satisfaction of the loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of a Bond, the applicant will surrender the Bond so mutilated for cancellation.

Notwithstanding the foregoing provisions of this Section, in the event any Bond has matured and no default has occurred which is then continuing in the payment of the principal of or premium, if any, or interest on the Bond, the Authority may authorize the payment of the Bond (without surrender except in the case of a mutilated Bond) instead of issuing a substitute Bond, provided security or indemnification is furnished as provided in this Section.

The Authority and the Paying Agent may charge the Owner their reasonable fees and expenses in connection with the issuance of any substitute Bond. Every substitute Bond issued pursuant to the provisions of this Section will constitute a contractual obligation of the Authority,

whether or not the lost, stolen or destroyed Bond is found or delivered at any time, or is enforceable by anyone, and will be entitled to all of the benefits of this Master Indenture and the Supplemental Indentures equally and proportionally with any and all other Bonds duly issued under this Master Indenture to the same extent as the Bond in substitution for which such Bond was issued.

The provisions of this Section are exclusive and will preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen, or destroyed Bonds, including those granted by any law or statute now existing or hereafter enacted.

**Section 3.11 Cancellation of Bonds.** Any temporary or mutilated Bond surrendered to the Paying Agent, or any Bond redeemed or paid at maturity, or any Bond delivered for transfer, exchange or replacement, or purchased pursuant to instructions from the Authority, will be cancelled or destroyed, and the Paying Agent will deliver the cancelled Bonds or a certificate of destruction of such Bonds to the Authority.

## **ARTICLE IV**

### **REDEMPTION OF BONDS**

**Section 4.1 Redemption of Bonds.** The Bonds of each Series will be subject to redemption as specified in the Supplemental Indenture authorizing the issuance of such Series.

**Section 4.2 Selection of Bonds for Redemption.** Bonds of any Series to be called for redemption will be selected as provided in the Supplemental Indenture authorizing the issuance of the Series. The Paying Agent will treat each Bond of a denomination greater than the minimum denomination authorized in the related Supplemental Indenture as representing the number of separate Bonds that can be obtained by dividing the Bond's actual principal amount by such minimum denomination.

**Section 4.3 Notice of Redemption.** Except as otherwise provided in any Supplemental Indenture authorizing the issuance of any Series of Bonds, in the case of any redemption of Bonds, the Paying Agent will give in its own name or in the name of the Authority notice, as provided for in this Section, that Bonds of a particular Series identified by serial or CUSIP numbers have been called for redemption and, in the case of Bonds to be redeemed in part only, the principal amount of the Bonds that have been called for redemption (or if all the Outstanding Bonds of a Series are to be redeemed, so stating, in which event serial or CUSIP numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying the date) upon surrender of the Bonds at the designated corporate trust office of the Paying Agent, at the applicable redemption price (specifying the price) together with any accrued interest to such date, and that all interest on the Bonds to be redeemed will cease to accrue on and after such date.

Unless otherwise specified in any Supplemental Indenture, such notice will be mailed by first class mail, postage prepaid, not less than thirty nor more than sixty days before the date fixed for redemption, to the Owners of the Bonds called for redemption, at their respective addresses as they last appear on the registration books maintained by the Paying Agent. The receipt of notice will not be a condition precedent to the redemption and failure to mail any notice to an Owner will not affect the validity of the proceedings for the redemption of Bonds of any other Owner.

**Section 4.4 Payment of Redeemed Bonds.** Except as otherwise provided in any Supplemental Indenture authorizing the issuance of any Series of Bonds, if notice of redemption has been given as provided in Section 4.3, the Bonds called for redemption will be due and payable on the date fixed for redemption at a redemption price equal to the principal amount of and premium, if any, on the Bonds, together with accrued interest to the date fixed for redemption. Payment of the redemption price will be made by the Paying Agent upon surrender of the Bonds. If less than the full principal amount of a Bond is called for redemption, the Authority will execute and deliver and the Paying Agent will authenticate, upon surrender of the Bond, and without charge to the Owner, Bonds of the same Series for the unredeemed portion of the principal amount of the Bond so surrendered.

If any Bond has been duly called for redemption and payment of the principal of and premium, if any, and unpaid interest accrued to the date fixed for redemption on the Bond has been made or provided for, then, notwithstanding that the Bond called for redemption has not been surrendered for cancellation, interest on the Bond will cease to accrue from the redemption date, and, from and after the redemption date, the Bond will no longer be entitled to any lien, benefit or security under this Master Indenture and the Supplemental Indentures, and its Owner will have no rights in respect of the Bond except to receive payment of the principal of and premium, if any, and unpaid interest accrued to the date fixed for redemption on the Bond.

## **ARTICLE V**

### **ISSUANCE OF BONDS AND PARITY INDEBTEDNESS AND APPLICATION OF BOND PROCEEDS**

**Section 5.1 Issuance of Bonds.** (a) Bonds may be issued under this Master Indenture for any lawful purpose authorized by the Act, including, without limitation, providing funds to pay the Cost of any Project and to refund bonds or other obligations previously issued or incurred by the Authority for such purposes.

(b) The Authority will not issue any bonds, notes or other evidences of indebtedness or incur any obligation or indebtedness which will be secured by a pledge of Net Revenues or other funds pledged by this Master Indenture to the payment of the Bonds except for Bonds issued under and in accordance with this Master Indenture, Parity Indebtedness and Subordinate Debt; provided, however, that nothing contained in this Master Indenture will prevent the Authority from issuing or incurring indebtedness payable out of or secured by a pledge of Net Revenues to be derived on and after the date the pledge of Net Revenues provided in this Master Indenture is discharged and satisfied as provided in Section 14.1.

(a) Subject to the restrictions set forth in subsection (b) of this Section, the Authority reserves the right in its sole discretion and without the consent of the Trustee or any Owner to issue from time to time bonds, notes and other evidences of indebtedness for any lawful purpose authorized by the Act.

**Section 5.2 Parity of Bonds and Parity Indebtedness.** This Master Indenture constitutes a continuing, irrevocable pledge of the Net Revenues and other funds of the Authority pledged in Article II to secure payment of the principal of and premium, if any, and interest on all

Bonds and Parity Indebtedness which may, from time to time, be executed, authenticated and delivered under this Master Indenture and any Parity Indebtedness. Except as otherwise provided in this Master Indenture, all Bonds and any Parity Indebtedness will in all respects be equally and ratably secured under this Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity, so that all Bonds and any Parity Indebtedness at any time outstanding under this Master Indenture will have the same right, lien and preference under this Master Indenture with like effect as if they had all been executed, authenticated and delivered simultaneously. Nothing in this Master Indenture will be construed, however, as (i) requiring that any Bonds or Parity Indebtedness bear interest at the same rate or in the same manner as any other Bonds or Parity Indebtedness, have the same or an earlier or later maturity, have the same Principal or Interest Payment Dates as other Bonds or Parity Indebtedness, or be subject to mandatory or optional redemption before maturity on the same basis as any other Bonds or Parity Indebtedness, (ii) prohibiting the Authority from entering into financial arrangements designed to assure that funds will be available for the payment of certain Bonds or Parity Indebtedness at their maturity or tender for purchase, or (iii) prohibiting the Authority from pledging funds or assets of the Authority other than those pledged under this Master Indenture or any Supplemental Indenture for the benefit of the Bonds or Parity Indebtedness.

**Section 5.3 Conditions of Issuing Bonds.** Before the issuance and authentication of any Series of Bonds by the Paying Agent, the Authority will deliver or cause to be delivered to the Trustee:

(a) In the case of the initial Series of Bonds issued under this Master Indenture only:

- (1) An original executed counterpart of this Master Indenture;
- (2) A certified copy of a resolution of the Authority authorizing the execution and delivery of this Master Indenture; and
- (3) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, to the effect that this Master Indenture has been duly authorized, executed and delivered by the Authority.

(b) An original executed counterpart of a Supplemental Indenture which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the Bonds, including the interest rate or rates and the manner in which the Bonds are to bear interest, the Principal and Interest Payment Dates of the Bonds, the purposes for which the Bonds are being issued, the date and the manner of numbering the Bonds, the series designation, the denominations, the maturity dates and amounts, the principal amounts required to be redeemed pursuant to any mandatory redemption provisions or the manner for determining such principal amounts, and any provisions for optional redemption before maturity; (ii) for credit facilities and for reserve and other accounts to be established with respect to the Bonds within the funds established under this Master Indenture; (iii) for the amount, if any, to be deposited into the Debt Service Reserve Fund, which will be an amount at least sufficient to cause an amount equal to the Debt Service Reserve Requirement with respect to all Outstanding Bonds, including the Bonds proposed to be issued, to be on deposit in the Debt Service Reserve Fund; (iv) for the application



of the proceeds of the Bonds; (v) necessary or expedient for the issuance of Bonds constituting Variable Rate Indebtedness, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes; and (vi) for such other matters as the Authority may deem appropriate.

(c) A certified copy of a resolution or resolutions of the Authority authorizing the execution and delivery of the Supplemental Indenture and the issuance, award, execution and delivery of Bonds and, in the case of Refunding Bonds, calling for redemption or providing for payment of the Bonds or other obligations of the Authority to be refunded, fixing any redemption date and authorizing any required notice of redemption in accordance with the provisions of this Master Indenture and the Supplemental Indentures.

(d) A certificate signed by the Chairman of the Authority and dated the date of issuance, to the effect that to the best of the Chairman's knowledge, upon and immediately following the issuance, no Event of Default under this Master Indenture, and no event or condition which, with the giving of notice or lapse of time or both, would become an Event of Default under this Master Indenture, will have occurred and be continuing, or, if such Event of Default or event or condition has occurred and is continuing, it will be cured upon the issuance of the Bonds or upon completion of the Project to be financed with the Bonds.

(e) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, to the effect that:

(1) The Authority has been duly created and is vested with all the rights and powers conferred by the Act; and

(2) The Supplemental Indenture delivered pursuant to this Section has been duly authorized, executed and delivered by the Authority and complies in all respects with the requirements of this Master Indenture.

(f) An opinion of Bond Counsel, subject to customary exceptions and qualifications, to the effect that the issuance of the Bonds has been duly authorized, that the Bonds are valid and binding obligations of the Authority entitled to the benefits and security of this Master Indenture and that the interest on the Bonds is excludable from gross income for purposes of federal income taxation or, if the interest is not excludable, that the issuance and the intended use of the proceeds of the Bonds will have no adverse effect on the tax-exempt status of the interest on any other Bonds the interest on which was excludable from gross income when issued.

(g) A request and authorization of the Authority, signed by its Chairman or Secretary, to the Paying Agent to authenticate and deliver the Bonds as directed in the request upon payment to the Trustee for the account of the Authority of the amount specified in the request.

(h) If the Bonds (other than the initial Series of Bonds issued under this Master Indenture) are issued to pay the cost of acquiring, renovating, equipping or constructing improvements, extensions, additions or replacements to the System:

(1) A written statement of the Consulting Engineer setting forth the Consulting Engineer's (i) estimate of the cost of the acquisition, renovation, equipping or

construction (including all financing, reserves and related costs) and the date on which such acquisition, renovation, equipping or construction is expected to be completed and (ii) opinion that the proceeds of the Bonds, together with any other money available or anticipated to be available for such purpose, will be sufficient to pay the cost of the acquisition, renovation, equipping or construction; and

(2) Either (A) a written certificate of the Consulting Engineer, the Director of Finance or an independent nationally-recognized verification agent which states that based on the most recent audited financial statements of the Authority preceding the issuance of the proposed additional Series of Bonds the Authority would have been in compliance with the revenue covenant contained in Section 9.4, taking into account the maximum Bond Debt Service due on the proposed additional Series of Bonds in the current or any future Fiscal Year and those rates, fees and other changes which are in effect at the time of the delivery of the proposed additional Series of Bonds or (B) a written statement of the Consulting Engineer that projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the acquisition, renovation, equipping or construction, and which demonstrates that, on the basis of such projection, the Authority can comply with the revenue covenant contained in Section 9.4, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and future increases in such rates, fees and other charges as may be required to continue to comply with the revenue covenant contained in. Section 9.4; provided, however, the Consulting Engineer may not take into account for the purposes of such projection Availability Fees which exceed an amount determined by multiplying (y) the actual average number of customers paying Availability Fees to the Authority during its last three full Fiscal Years, times (z) the amount of each Availability Fees expected to be assessed.

(i) If the Bonds (other than the initial Series of Bonds issued under this Master Indenture) are Refunding Bonds:

(1) Evidence satisfactory to the Trustee that the Authority has made provision as required by this Master Indenture for the payment or redemption of all Bonds or other obligations of the Authority to be refunded;

(2) A written determination by the Trustee or by a nationally recognized verification agent that the proceeds (excluding accrued interest) of the Refunding Bonds, together with any other money to be deposited with the Trustee upon the issuance of the Refunding Bonds for such purpose and the investment income to be earned on funds held by the Trustee for the payment or redemption of Bonds or other obligations of the Authority, will be sufficient to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Bonds or other obligations of the Authority to be refunded and the estimated expenses incident to the refunding; and

(3) Either (A) a written determination by the Trustee or by a nationally recognized verification agent that after the issuance of the Refunding Bonds and the provision for payment or redemption of all Bonds or other obligations of the Authority to be refunded, Senior Debt Service for each Fiscal Year in which there will be Outstanding

Bonds of any Series not to be refunded will not be more than Senior Debt Service for the Fiscal Year would have been on all Outstanding Bonds and Parity Indebtedness immediately before the issuance of the Refunding Bonds, including the Bonds and other obligations of the Authority to be refunded, or (B) the written certification required by subsection (h)(2) of this Section, except that the projections required by clause (B) of subsection (h)(2) will be for the two full Fiscal Years following the date of the issuance of the Refunding Bonds.

Except for the requirements of subparagraph (d) (which may be waived by the purchaser of Bonds by an instrument or concurrent instruments in writing signed by the purchaser), none of the requirements in this Section may be waived without the consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

**Section 5.4 Application of Bond Proceeds.** The Trustee will apply the proceeds of any Series of Bonds as provided in the Supplemental Indenture authorizing the issuance of such Series.

**Section 5.5 Service Contracts.** (a) The Authority may designate the Debt Service Component of Cost of Contracted Services as Parity Indebtedness provided the requirements of clauses (1) and (2) of Section 5.3(h) or of Section 5.3(i), as appropriate, are met as if the Service Contract was an additional Series of Bonds.

(b) The Authority agrees that it will fulfill its obligations under all Service Contracts as they may exist from time to time.

(c) Anything in this Master Indenture to the contrary notwithstanding, the Authority's covenants in this Master Indenture which are applicable to the System will be applicable to the facilities, products and services to which the Authority is entitled under Service Contracts only to the extent that the Authority may reasonably and practicably fulfill the covenants as a matter of contract or that the Authority can legally enforce the covenants of other parties.

(d) The Authority will not enter into any Service Contract that provides for the acceleration of amounts payable under it by the Authority upon a default by the Authority unless payment of the Bonds is also accelerated.

(e) An Authorized Authority Representative will deliver to the Trustee a certificate setting forth the annual amounts and due dates of the Parity Debt Service Component payable by the Authority under the Service Contract and the interest and principal portions of such component.

**Section 5.6 Other Parity Indebtedness.** (a) The Authority may incur or refinance Parity Indebtedness provided (i) the documents providing for the Parity Indebtedness specify the amounts and due dates of Parity Debt Service of the Parity Indebtedness and the principal and interest components of Parity Debt Service and (ii) the requirements of clauses (1) and (2) of Section 5.3(h) or of Section 5.3(i), as appropriate, have been met as if the Parity Indebtedness was an additional Series of Bonds.

(b) Parity Indebtedness may include the interest, but not the principal, on notes issued in anticipation of the issuance of Bonds.

(a) The Authority agrees that it will fulfill its obligations under all contracts or agreements creating Parity Indebtedness as they may exist from time to time.

## ARTICLE VI

### PROJECT FUND

**Section 6.1 Project Fund.** The Trustee will deposit in the Project Fund (i) the portion of the proceeds of any Series of Bonds specified in the Supplemental Indenture authorizing their issuance and (ii) any Net Proceeds to be used to repair, reconstruct or restore any portion of the System. The Trustee will maintain within the Project Fund a special account for each separate Project (including Projects to be repaired, reconstructed or restored with Net Proceeds) and such other special accounts as may be provided for in any Supplemental Indenture. Deposits will be made to the credit of the Project Fund and any special accounts as provided in the Supplemental Indentures.

**Section 6.2 Payments from Project Fund.** The Trustee will use money in each special account of the Project Fund solely to pay Costs of the Project for which the special account was created, as evidenced by the requisitions and certificates provided for in this Section. As conditions precedent to each disbursement from the Project Fund (except as provided otherwise in a Supplemental Indenture), the Authority will file or cause to be filed with the Trustee:

(a) A requisition, signed by an Authorized Authority Representative, stating the name of the Person to whom the payment is to be made, the amount of the payment and the purpose in reasonable detail for which the obligation to be paid was. incurred.

(b) A statement signed by an Authorized Authority Representative, representing that the obligation set forth in the requisition has been incurred by the Authority to pay Costs of the Project, is a proper charge against the Project Fund and has not been the basis for a prior requisition which has been paid from the Project Fund.

Upon receipt of each requisition and statement the Trustee will make payment from the Project Fund in accordance with the requisition.

**Section 6.3 Disposition of Balance in Project Fund.** Upon the completion of any Project and upon the Trustee's receipt of a certificate, signed by an Authorized Authority Representative, stating the date of completion and which items of the Cost of the Project, if any, have not been paid and for the payment of which money should be reserved in the special account created in the Project Fund for such Project, the balance of any money remaining in such special account in excess of the amount to be reserved for payment of unpaid items of the Cost of the Project will, at the option and written direction of the Authority, be applied as follows:

(a) Transferred to any other special account or accounts in the Project Fund, to the extent money is needed to pay Costs of any other Project or Projects; provided that, before any such transfer, the Authority will cause to be delivered to the Trustee an opinion of Bond Counsel to the effect that the transfer will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds on which interest was excludable from gross income on the date of their issuance; or

(b) Deposited in the Redemption Account of the Bond Fund to be used to purchase or redeem Bonds of the Series of Bonds issued to provide such Project or Projects in accordance with Section 7.3 or, if the Authority delivers to the Trustee an opinion of Bond Counsel that it will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds the interest on which was excludable from gross income on the date of their issuance, to pay scheduled installments of principal on such Series of Bonds.

Any excess money will either be used before the expiration of the applicable temporary period under Section 148 of the Code during which it may be invested at an unrestricted yield or will be invested in order to comply with any limitations imposed by the Code.

## ARTICLE VII

### FUNDS AND ACCOUNTS

**Section 7.1 Establishment of Funds.** The following funds are established under this Indenture:

(a) Prince William County Service Authority Bond Fund, in which there is established an Interest Account, a Principal Account and a Redemption Account, to be held by the Trustee;

(b) Prince William County Service Authority Debt Service Reserve Fund, to be held by the Trustee; and

(c) Prince William County Service Authority Repair and Replacement Fund, to be held by the Authority.

**Section 7.2 Receipt and Use of Revenues.** (a) The Authority shall deposit all Revenues in its General Fund.

(b) The Authority shall pay, from the Revenues on deposit in the General Fund, Operating Expenses as they become due and in accordance with the purposes and amounts consistent with the Annual Budget.

(c) The Authority shall make payments of Net Revenues directly to the Trustee for deposit in the Bond Fund in amounts sufficient to pay in full, when due (whether by maturity, acceleration or otherwise), all Bonds issued under this Master Indenture, together with the interest thereon. Each month that Bonds are Outstanding, such payments shall be due and payable as follows:

(1) to the credit of the Interest Account of the Bond Fund, on or before the fifth Business Day next preceding each Interest Payment Date, an amount equal to the interest payable on the Bonds on such Interest Payment Date;

(2) to the credit of the Principal Account of the Bond Fund, on or before the fifth Business Day next preceding each Principal Payment Date, an amount equal to the principal and Accreted Value of the Bonds due on such Principal Payment Date; and

(3) any amount that may from time to time be required to enable the Authority to pay the principal of and interest due on the Bonds upon acceleration.

(d) On the Principal or Interest Payment Date following a date on which the Authority shall have failed to pay to the Trustee the sum of the amounts specified in paragraphs (1) to (3) above, the Authority shall pay, in addition to the payment then due, an amount equal to the deficiency in payment, unless such deficiency or loss shall have been remedied.

(e) Not later than the fifth Business Day before the end of each month, there shall be due and payable directly to the Trustee as required payments from the Authority, the amounts necessary to make the following deposits:

(1) to the credit of the Debt Service Reserve Fund, the amount necessary, if any, to make the amount then on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement; and

(2) to the credit of the Repair and Replacement Fund, the amount necessary to make the following deposits:

(A) if, after the issuance of any Series of Bonds, an amount equal to the Replacement Reserve Requirement is not on deposit in the Repair and Replacement Fund, an amount sufficient to accumulate the Replacement Reserve Requirement in the Repair and Replacement Fund in not more than sixty approximately equal monthly installments as determined by the Authority;

(B) if the Replacement Reserve Requirement is increased pursuant to Section 7.5(b), an amount sufficient to accumulate the Replacement Reserve Requirement in the Repair and Replacement Fund in not more than sixty approximately equal monthly installments as determined by the Authority commencing the month following the date of the filing of the notice of the increase with the Trustee; and

(C) if money has been paid out of the Repair and Replacement Fund for any reason, and an amount equal to the Replacement Reserve Requirement is not on deposit in the Repair and Replacement Fund, an amount sufficient to accumulate the Replacement Reserve Requirement in the Repair and Replacement Fund in not more than sixty approximately equal monthly installments as determined by the Authority commencing the month following the date money was paid out of the Repair and Replacement Fund; and

(3) to the credit of the Repair and Replacement Fund, such other amounts as may be determined by the Authority.

(f) If any installment of payments made by the Authority should be insufficient to enable the Trustee to make the deposits required above, the Trustee shall give the Authority telephonic notice thereof, promptly confirmed in writing, and request that each future installment of payments due from the Authority be increased as may be necessary to make up any previous

deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned funds.

(g) In the event there are insufficient funds in the General Fund to make the transfers required by the Bond Fund and payments on Parity Indebtedness, the Authority will allocate the available funds between the Bond Fund and payments on Parity Indebtedness in the proportion that the amount required to be paid to each bears to the total amount required to be paid to each.

**Section 7.3 Bond Fund.** (a) The Trustee will pay from the Principal Account the principal and Accreted Value of the Bonds when due whether at maturity or upon redemption pursuant to any mandatory redemption requirement. The Trustee will pay from the Interest Account the interest on the Bonds when due. The Trustee will use money in the Redemption Account to redeem Bonds pursuant to any optional redemption provision exercised by the Authority or, if directed by an Authorized Authority Representative, to purchase Bonds on the open market; provided, however, (i) no money will be used to purchase Bonds to the extent it is required to pay the redemption price of any Bonds for which notice of redemption has been given as provided in Section 4.3 and (ii) Bonds will not be purchased at a price in excess of the applicable optional redemption price plus accrued interest.

(b) The Authority will receive a credit against payments required to be made with respect to any Series of Bonds on any mandatory redemption date in an amount equal to the principal amount of any Bonds of such Series subject to mandatory redemption on such date that have been redeemed (other than by mandatory redemption) before such mandatory redemption date or that have been purchased by the Authority or the Trustee on behalf of the Authority and delivered to the Trustee for cancellation at least seventy days before such mandatory redemption date, provided the Bonds have not previously been applied as a credit against any mandatory redemption payment. The credit will be applied in chronological order against payments required to be made on mandatory redemption dates, unless the Trustee receives written instructions from the Authority at least seventy days before such dates to apply the credit in some other order.

(c) In the event the balance in the Bond Fund on the Business Day next preceding a Principal or Interest Payment Date for a Series of Bonds is insufficient to pay the principal, Accreted Value and/or interest due and payable on the Principal or Interest Payment Date, the Trustee shall immediately notify the Authority of the amount of the deficiency. Upon notification, the Authority shall immediately deliver to the Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Bond Fund, the Trustee shall transfer to the appropriate account in the Bond Fund such amount as may be necessary to remedy the deficiency therein from the Debt Service Reserve Fund.

(d) Interest received on and any profit realized from the investment of money in the Bond Fund (unless provided otherwise in a Supplemental Indenture) will become a part of the account and subaccount in which the investment is held.

**Section 7.4 Debt Service Reserve Fund.** (a) In the event that amounts on deposit in the Bond Fund are insufficient to make payments of principal of or interest on the Bonds when due, the Trustee will transfer money from the Debt Service Reserve Fund to the Bond Fund to the

extent necessary to pay principal of and interest on the Bonds when due. If the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the Authority will transfer funds to the Debt Service Reserve Fund to restore the Debt Service Reserve Requirement, to the extent and in the manner provided in Section 7.2(e)(1). The Authority will notify the Trustee in writing any time there is a change in the Debt Service Reserve Requirement.

(b) Within five days after each Principal and Interest Payment Date and at such other times as the Authority may request, the Trustee will determine if the balance on deposit in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Requirement. In making such determination, securities in which money in the Debt Service Reserve Fund are invested will be valued in the manner set forth in Section 8.2. If a deficit exists in the Debt Service Reserve Fund, the Trustee will immediately notify the Authority of the deficit. If the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee will transfer the excess to the Bond Fund within five Business Days after such determination, unless otherwise specified in any Supplemental Indenture.

(c) If the balance on deposit in the Debt Service Reserve Fund equals or exceeds the Debt Service Reserve Requirement based on the most recent valuation made by the Trustee, interest received on and any profit realized from the investment of money in the Debt Service Reserve Fund will be held in the Fund and, except as otherwise provided in any Supplemental Indenture, transferred not less frequently than monthly to the Interest Account of the Bond Fund.

In lieu of maintaining and depositing money or securities in the Debt Service Reserve Fund, the Authority may deposit with the Trustee a letter of credit or a bond insurance policy in the amount equal to all or a portion of the Debt Service Reserve Requirement if the Authority furnishes to the Trustee written evidence from any Rating Agency rating the Bonds that the Rating Agency has reviewed the proposed letter of credit or bond insurance policy and that its substitution for the money or securities on deposit in the Debt Service Reserve Fund will, not in and of itself result in a withdrawal or reduction of the Rating Agency's then current rating of the Bonds. Any letter of credit or bond insurance policy will permit the Trustee to draw or obtain amounts under it for deposit in the Debt Service Reserve Fund that, together with any money already on deposit in the Debt Service Reserve Fund, are not less than the Debt Service Reserve Requirement.

The Trustee will make a drawing on the letter of credit or obtain funds under the bond insurance policy before its expiration or termination (i) whenever money is required for the purposes for which Debt Service Reserve Fund money may be applied and (ii) unless such letter of credit or bond insurance policy has been extended or a qualified replacement for it delivered to the Trustee, in the event the Authority has not deposited money in immediately available funds equal to the Debt Service Reserve Requirement at least two Business Days preceding the expiration or termination of the letter of credit or bond insurance policy.

If the Authority provides the Trustee with a letter of credit or bond insurance policy as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Debt Service Reserve Fund to the Authority, provided the Authority delivers to the Trustee (i) an opinion of Bond Counsel that such transfer of funds will not adversely affect the excludability from gross income for purposes of federal income taxation of interest on any Bonds



the interest on which was excludable on the date of their issuance and (ii) the Authority covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

**Section 7.5 Repair and Replacement Fund.** (a) The Authority may use amounts in the Repair and Replacement Fund for any of the following purposes:

- (1) Reasonable and necessary expenses with respect to the System for major repairs, replacements or maintenance items of a type not recurring annually or at shorter intervals;
- (2) To pay costs of reconstruction of parts of the System;
- (3) To pay costs of construction of additions to, or extensions of, the System;
- (4) To pay any capital costs with respect to the System;
- (5) To make payments on Service Contracts; or
- (6) To make deposits to the Bond Fund or the Debt Service Reserve Fund.

(b) For as long as the Prior Series are Outstanding, the Replacement Reserve Requirement shall not be less than \$2,000,000. After the Prior Series are no longer Outstanding, the Authority shall establish a Replacement Reserve Requirement in accordance with this subsection and which may be \$0. When preparing the Annual Budget for each Fiscal Year, the Authority shall review the adequacy of the amount of the Replacement Reserve Requirement under then current operating conditions, and in light of then applicable operating, replacement and maintenance costs of the major components of comparable, systems as well as its other available funds on hand. In conducting such review, the Authority shall consult with and obtain the recommendations of the Consulting Engineer. If the Authority determines, in its judgment, that the amount of the Replacement Reserve Requirement should be increased or decreased, it will notify the Trustee of such determination setting forth the amount of the new Replacement Reserve Requirement. The new Replacement Reserve Requirement will take effect on the date of the receipt of the notice by the Trustee unless some other effective date is specified in the notice in which case the date specified in the notice will control.

(c) If the amount on deposit in the Repair and Replacement Fund exceeds the Replacement Reserve Requirement, the Authority may transfer the excess to the General Fund.

**Section 7.6 Disposition of Balances in Funds.** When the balances on deposit in the Bond Fund and the Debt Service Reserve Fund are sufficient to pay or redeem all the Bonds then Outstanding, the Authority may direct the Trustee to transfer the balances in such Funds to a special account in the Bond Fund to be held by the Trustee for the payment or redemption of Bonds at the earliest practicable date and for no other purpose.

## ARTICLE VIII

### INVESTMENT OF FUNDS

**Section 8.1 Investment of Funds.** (a) Subject to the provisions of any Supplemental Indenture, any amounts held in any funds and accounts established by this Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed by an Authorized Authority Representative, or by the Authority, as the case may be, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Virginia Code or any subsequent provision of law and the Government Non-Arbitrage Investment Act, Chapter 47 of Title 2.2 of the Virginia Code or any successor provision of law.

(b) Any money held by the Trustee in the Bond Fund or the Debt Service Reserve Fund will be separately invested and reinvested by the Trustee, at the request of and as directed by an Authorized Authority Representative, only in investments that are at the time legal investments for public sinking funds under applicable law.

(c) Subject to the provisions of any Supplemental Indenture, all investments will be held by or under the control of the Trustee or the Authority, as the case may be, and while so held will be deemed a part of the fund or account in which the money was originally held. Except as otherwise specifically provided in this Master Indenture or any Supplemental Indenture, the interest received on and any profit realized from investments will be transferred not less frequently than monthly to the Authority for deposit in the General Fund. The Trustee and the Authority will sell and reduce to cash a sufficient amount of investments whenever the cash balance in any fund or account is insufficient for its purposes.

(d) Investments of money in the Debt Service Reserve Fund must mature or be payable at the option of the Trustee not more than ten years after the date of their purchase.

(e) Money in funds and accounts held by the Authority and money held by the Trustee in the Project Fund may be pooled and commingled for purposes of investment.

(f) Notwithstanding the foregoing provisions, investments permitted in this Section 8.1, including investments in the Bond Fund and the Debt Service Reserve Fund, are subject to change to the extent, and in the manner permitted by subsequent modification or amendment to applicable law.

**Section 8.2 Valuation of Investments.** (a) In computing the amount in any fund created by this Indenture (except the Debt Service Reserve Fund), obligations purchased as an investment of money will be valued at their cost or market value, whichever is lower, plus any accrued interest.

(b) Fixed Rate Investments in or credited to the Debt Service Reserve Fund will be valued at their Present Value or, if such Fixed Rate Investments qualify as Plain Par Investments, at their outstanding stated principal amount, plus any accrued but unpaid interest as

of the valuation date. All other investments in or credited to the Debt Service Reserve Fund will be valued at their fair market value as of the valuation date.

**Section 8.3 Security for Deposits.** All money held in the funds created by this Indenture which are on deposit with any bank will be continuously secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law.

**Section 8.4 Investments through Trustee's Bond Department.** The Trustee may make investments permitted by Section 8.1 through its own bond department or commercial banking department or those of its affiliates.

## ARTICLE IX

### GENERAL COVENANTS OF THE AUTHORITY

**Section 9.1 Payment of Bonds.** The Authority will promptly pay the principal of and premium, if any, and interest on every Bond issued under and secured by this Master Indenture and the Supplemental Indentures at the places, on the dates and in the manner specified in this Master Indenture, the Supplemental Indentures and the Bonds; provided, however, that such obligations are limited obligations of the Authority and are payable solely from the Net Revenues and other property pledged and assigned by this Master Indenture and the Supplemental Indentures to secure payment of the Bonds. Neither the faith and credit nor the taxing power of the Commonwealth or any county, city, town or other subdivision of the Commonwealth are pledged to the payment of the principal of or premium, if any, or interest on the Bonds. The issuance of the Bonds does not directly, indirectly or contingently obligate the Commonwealth or any county, city, town or other subdivision of the Commonwealth to levy any taxes or to make any appropriation for the payment of the Bonds.

**Section 9.2 Covenants and Representations.** The Authority will faithfully observe and perform all of its covenants, conditions and agreements contained in this Master Indenture and the Supplemental Indentures and in every Bond executed, authenticated and delivered under this Master Indenture; provided that the pecuniary liability of the Authority under any such covenant, condition or agreement for any default or breach by the Authority will be limited solely to and satisfied solely from the sources of payment described in Section 9.1. The Authority represents that (i) it is duly authorized under the Constitution and laws of the Commonwealth, including particularly and without limitation the Act, to issue the Bonds and to execute this Master Indenture and to pledge the Net Revenues and funds in the manner and to the extent set forth in this Master Indenture; (ii) all action on its part necessary for the execution and delivery of this Master Indenture has been duly and effectively taken; and (iii) the Bonds in the hands, of the Owners are and will be valid and enforceable obligations of the Authority.

**Section 9.3 Annual Budget.** (a) Before the beginning of each Fiscal Year, the Authority will adopt a budget for the System for the ensuing Fiscal Year which will be referred to as the Annual Budget.

(b) The Annual Budget will be prepared in such manner as to show in reasonable detail (i) all Revenues estimated to be received, (ii) the Operating Expenses estimated

to be incurred, (iii) any amount to be paid into the Repair and Replacement Fund, (iv) any amount necessary to be paid into the Debt Service Reserve Fund to restore the balance in it to the Debt Service Reserve Requirement, (v) the amount of Bond Debt Service, Parity Debt Service and Subordinate Debt Service that will become due, (vi) any other lawful costs and expenses related to the System that the Authority deems necessary or desirable, and (vii) the amount of Net Revenues available to meet the revenue covenant contained in Section 9.4. Copies of the Annual Budget will be provided to the Trustee promptly upon written request.

(c) If for any reason an Annual Budget has not been adopted within the time required by subsection (a) of this Section, the last previously adopted Annual Budget will be deemed to provide for and regulate and control expenditures during such Fiscal Year until an Annual Budget for such Fiscal Year has been adopted.

(d) The Authority may amend the Annual Budget at any time during the Fiscal Year. Copies of all amendments will be filed promptly with the Trustee, if the initial budget was previously requested by the Trustee.

**Section 9.4 Revenue Covenant.** The Authority will establish, fix, charge and collect the rates, fees and other charges for the use of and for the services furnished by the System, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year Net Revenues are not less than the sum of (A) 1.2 times Senior Debt Service for the Fiscal Year, (B) 1.0 times Subordinate Debt Service for the Fiscal Year, and (C) any amounts required to be deposited in the Repair and Replacement Fund during the Fiscal Year as provided in Section 7.2(f), and (ii) either (A) Net Revenues less 50% of Availability Fees are not less than 1.0 times Senior Debt Service or (B) Net Revenues less 50% of Availability Fees plus 50% of Unrestricted Reserves are not less than 1.5 times Senior Debt Service.

**Section 9.5 Billing; Enforcement of Charges; Free Service.** The Authority will bill the users of the services of the System no less frequently than quarterly, except in the case of wholesale customers who will be billed as provided in the contract between the Authority and the wholesale customer. The Authority will take all appropriate steps to enforce collection of any overdue charges by any remedy available at law or in equity. The Authority will not permit connections with or the use of the System, or furnish any services of the System, without making a charge based on the Authority's schedule of rates, fees and charges, except for connections and service for fire protection purposes.

**Section 9.6 Consulting Engineer's Report Required.** (a) If as of the end of any Fiscal Year the Authority is not in compliance with the revenue covenant in Section 9.4, the Authority will request the Consulting Engineer to submit a written report and recommendations with respect to increases in the Authority's rates, fees and charges and improvements in the operations of and the services rendered by the System and the Authority's accounting and billing procedures necessary to bring the Authority into compliance with the revenue covenant in Section 9.4. The report and recommendations will be filed with the Trustee and the Authority within 120 days from the date of discovery of noncompliance with the revenue covenant in Section 9.4. The Authority agrees that it will promptly revise its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consulting Engineer to the extent permitted by law.

(b) If money is required to be transferred from the Debt Service Reserve Fund to the Bond Fund because amounts on deposit in the Bond Fund are insufficient to make payments of principal of or interest on the Bonds when due and the amount so transferred is not replenished to the Debt Service Reserve Fund from any available source within thirty days of the date of the transfer, the Authority will immediately request the Consulting Engineer to submit a written report and recommendations with respect to increases in the Authority's rates, fees and charges and improvements in the operations of and the services rendered by the System and the Authority's accounting and billing procedures necessary to bring the Authority into compliance with Section 9.4. The Authority agrees to deliver a copy of the report of the Consulting Engineer to the Trustee and to implement its recommendations within 180 days after the date of the transfer from the Debt Service Reserve Fund.

(c) If the Authority promptly revises its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consulting Engineer and otherwise follows such recommendations to the extent permitted by law so that the Authority will when its actions become fully effective be in compliance with the revenue covenant in Section 9.4, then any failure to meet the revenue covenant in Section 9.4 will not constitute an Event of Default under this Indenture so long as no other Event of Default has occurred and is continuing.

**Section 9.7 Trustee May Enforce Authority's Rights to Revenues.** The Trustee, subject to the provisions of this Master Indenture and any Supplemental Indenture reserving certain rights to the Authority and respecting actions by the Trustee in its name or in the name of the Authority, may enforce for and on behalf of the Owners all rights of the Authority providing for the delivery and receipt of Revenues whether or not the Authority is in default under this Master Indenture.

**Section 9.8 Further Assurances.** Subject to the provisions of Section 9.1, the Authority will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require to further assure the effective transfer, conveyance, pledge and assignment to the Trustee of all the rights and funds assigned by this Master Indenture to secure the payment of the principal of and premium, if any, and interest on the Bonds and Parity Indebtedness. The Authority will cause any necessary financing statements relating to the Net Revenues to be executed and filed in all appropriate offices from time to time in the manner and places as will be required by law in order to preserve and protect the rights and security of the Owners. The Authority will fully cooperate with the Trustee and the Owners in protecting the rights and security of the Owners. The Trustee is authorized to enter into agreements for the purpose of disclaiming any interest of the Owners in other assets of the Authority not pledged in this Master Indenture or any Supplemental Indenture.

**Section 9.9 Sale or Encumbrance.** The Authority may grant easements, licenses or permits across, over and under parts of the System for streets, roads and utilities so long as they will not adversely affect the use of the System. The Authority may sell or otherwise dispose of any property constituting a part of the System which is either no longer needed or useful or which will be replaced from the proceeds of the disposition and any other necessary money with property serving the same or similar function. Any proceeds received from a sale or disposition not used to replace property will at the option of the Authority be (i) applied ratably to the payment or

redemption of Outstanding Bonds and Parity Indebtedness in a manner which in the opinion of Bond Counsel will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable from gross income on the date of their issuance or (ii) deposited in the General Fund and applied solely to pay the costs of capital improvements to the System.

**Section 9.10 Financial Records and Statements.** The Authority will maintain proper books and records in which full and correct entries will be made in accordance with generally accepted accounting principles of all of its business and affairs. The Authority will have an annual audit made by independent certified public accountants of recognized standing chosen by the Authority and upon written request, will furnish the Trustee copies of the balance sheet of the Authority as of the end of such Fiscal Year, statements of revenues, expenses, and changes in equity of the Authority for such Fiscal Year, and statements of cash flows of the Authority for such Fiscal Year, all in reasonable detail and certified by the accountants. In addition, upon written request, the Authority will deliver to the Trustee with the annual audit a statement, which is consistent with then current accounting practice, of the accountants to the effect that in making the examination necessary for their audit they have obtained no knowledge of the occurrence of any condition or event which constitutes, or which, with notice or lapse of time, or both, would constitute, an Event of Default, or if the accountants have obtained knowledge of any such condition or event, they will specify in the statement all such conditions and events and their nature and status.

**Section 9.11 Compliance with Laws.** The Authority will at all times comply with all laws of the United States of America and of the Commonwealth applicable to it, particularly the provisions of the Act.

**Section 9.12 Arbitrage and Tax Covenants.** The Authority will not take any action, or direct the Trustee to make any investment or use of the proceeds of any Bonds, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. The Authority will not engage in any activities or take any action which might result in the income of the Authority becoming taxable by any governmental entity or in the interest on the Bonds of any Series becoming includable in gross income of the recipients for purposes of federal income taxation if an opinion of Bond Counsel to the effect that the interest on any such Series was excludable from gross income was delivered pursuant to Section 5.3(f).

**Section 9.13 Operation and Maintenance.** The Authority will (i) establish, maintain and enforce reasonable rules and regulations governing the use of and the services furnished by the System, (ii) maintain and operate the major portions of the System in an efficient and economical manner pursuant to the Annual Budget, (iii) maintain the material portions of the System in good repair and sound operating condition, and (iv) make all reasonably necessary repairs, replacements and renewals. The Authority will at all times operate the System in accordance with generally accepted business practices. The Authority will observe and perform all of the terms and conditions contained in the Act and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System or the Authority.

**Section 9.14 Consulting Engineer.** The Authority will at all times employ or retain a Consulting Engineer, whose duties will include inspection of the System and providing advice as to proper operation, maintenance and repair of the System.

**Section 9.15 Creation of Liens.** Except as provided in Section 9.9, the Authority will not create or suffer to be created any lien or charge on the System. The Authority will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials and supplies within sixty days after they become due and all governmental charges when they become due which, if unpaid, might by law become a lien on the System or the Revenues. Anything in this Master Indenture or any Supplemental Indenture to the contrary notwithstanding, the Authority may contest in good faith any such lien or charge, in which event it may permit the lien or charge to remain unsatisfied and undischarged during the period of the contest and any appeal unless by such action in the opinion of the Trustee (which may be based on an Opinion of Counsel) the lien on any part of the Revenues pledged in this Master Indenture or any Supplemental Indenture will be endangered or any part of the System will be subject to loss or forfeiture, in either of which events the lien or charge will be promptly satisfied or secured by posting with the Trustee or an appropriate court of record a bond in form satisfactory to the Trustee.

**Section 9.16 Insurance.** To the extent it is available at reasonable costs, the Authority will continuously maintain insurance substantially as is customarily maintained by other authorities owning and operating similar systems, paying when due all premiums with respect to such insurance.

All such insurance will be taken out and maintained with responsible insurers or group self-insurance pools selected by the Authority and may be written with deductible amounts substantially comparable to those on similar policies carried by other public bodies owning and operating similar facilities. If any such insurance is not maintained with an insurer licensed to do business in Virginia, a group self-insurance pool licensed by the Virginia State Corporation Commission, or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Code of Virginia of 1950, as amended) or any successor provision of law, the Authority will provide evidence reasonably satisfactory to the Trustee that the insurance is enforceable under the laws of Virginia.

If requested, the Authority will furnish the Trustee with evidence that the insurance required by this Section is in force. In lieu of separate policies the Authority may maintain blanket or umbrella policies having the same coverage as required by this Section. To the extent losses for any damage to the System, however caused, are paid from the Net Proceeds of any insurance required by this Section, no claim will be made and no suit will be brought against the Authority by the Trustee or anyone else claiming by, through or under it.

**Section 9.17 Notice in Event of Damage, Destruction, Condemnation and Loss of Title.** In case of any material damage to or destruction of any part of the System, the Authority will give prompt written notice to the Trustee. In case of a taking of all or any part of the System or any right in it under the exercise of the power of eminent domain or any loss of it because of failure of title or the commencement of any proceedings or negotiations which might result in such a taking or loss, the Authority will give prompt written notice to the Trustee. Each such notice will

describe generally the nature and extent of the damage, destruction, taking, loss, proceedings or negotiations.

**Section 9.18 Damage, Destruction, Condemnation and Loss of Title.** If all or any part of the System is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the Authority will restore promptly the property damaged or destroyed to substantially the same condition as before such damage, destruction, condemnation or loss of title with such alterations and additions as the Authority may determine and which will not impair the capacity or character of the System for the purpose for which it then is being used or is intended to be used. The Authority will apply so much as may be necessary of the Net Proceeds received on account of any damage, destruction, condemnation or loss of title to payment of the cost of the restoration, either on completion or as the work progresses. If the Net Proceeds are not sufficient to pay in full the cost of the restoration, the Authority will pay from the General Fund so much of the cost as may be in excess of the Net Proceeds. The Authority will be under no obligation to restore property if it is no longer needed or useful in the operation of the System and, if the Net Proceeds received for the property exceed \$1 million, there is filed with the Authority and the Trustee a certificate of the Consulting Engineer stating that the property is no longer needed or useful in the operation of the System. Any balance of the Net Proceeds remaining after payment of the cost of the restoration will be deposited in the General Fund.

## **ARTICLE X**

### **DEFAULTS AND REMEDIES**

**Section 10.1 Events of Default.** Subject to Section 10.11, each of the following will be an Event of Default:

- (a) Payment of interest on any Bond is not made when due and payable;
- (b) Payment of the principal of or premium, if any, on any Bond is not made when due and payable;
- (c) Subject to Section 10.11, default in the observance or performance of any other covenant, condition or agreement on the part of the Authority under this Master Indenture, any Supplemental Indenture, or in the Bonds; or
- (d) Appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues and other funds of the Authority pledged pursuant to this Master Indenture, or the filing by the Authority of any petition for reorganization of the Authority or rearrangement or readjustment of the obligations of the Authority under provisions of any applicable bankruptcy or insolvency law.

**Section 10.2 Acceleration.** Upon the occurrence and continuation of an Event of Default, the Trustee shall, if requested by the Owners of not less than twenty-five percent in aggregate principal amount of the Bonds then Outstanding, by notice to the Authority, declare the entire unpaid principal of and interest on the Bonds due and payable. Upon any such declaration, the Authority will pay to the Owners of the Bonds the entire unpaid principal of and accrued



interest on the Bonds, but only from the Net Revenues and other funds of the Authority pledged to such payment.

**Section 10.3 Other Remedies; Rights of Owners.** Upon the occurrence and continuation of an Event of Default, the Trustee may (which determination may be based on an Opinion of Counsel), with or without action under Section 10.2, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and premium, if any, and interest on the Bonds, to enforce any covenant or condition under this Master Indenture or any Supplemental Indenture, or to remedy any Event of Default, which includes requiring the Authority to transfer the General Fund to the control of the Trustee through a control agreement or otherwise.

Upon the occurrence and continuation of an Event of Default, and if requested so to do by the Owners of at least twenty-five percent in aggregate principal amount of Bonds then Outstanding and having been indemnified as provided in Section 11.7, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 10.2 as the Trustee, being advised by Counsel, deems most effective to enforce and protect the interests of the Owners.

**Section 10.4 Effect of Discontinuance or Abandonment.** If any proceeding taken by the Trustee on account of any default has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then the Authority, the Trustee and the Owners will be restored to their former positions and rights under this Master Indenture and the Supplemental Indentures and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

**Section 10.5 Rights of Owners.** Anything in this Master Indenture to the contrary notwithstanding, upon the occurrence and continuation of any Event of Default, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture and any Supplemental Indenture.

**Section 10.6 Restriction on Owner's Action.** In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article, no Owner of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Master Indenture or any Supplemental Indenture or any remedy under this Master Indenture, any Supplemental Indenture or the Bonds, unless (i) the Owner has given to the Trustee written notice of an Event of Default; (ii) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding also have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in this Master Indenture and the Supplemental Indentures, or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred; and (iv) the Trustee has not complied with such request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of

the trusts of this Master Indenture and the Supplemental Indentures or for any other remedy under this Master Indenture and the Supplemental Indentures. It is intended that no one or more Owner(s) of the Bonds secured by this Master Indenture and the Supplemental Indentures will have any right to affect, disturb or prejudice the security of this Master Indenture and the Supplemental Indentures, or to enforce any right under this Master Indenture, any Supplemental Indenture or the Bonds, except in the manner provided for in this Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in this Master Indenture and for the benefit of all Owners of Outstanding Bonds. Nothing in this Master Indenture will affect or impair the right of the Owners to enforce payment of the Bonds in accordance with their terms.

**Section 10.7 Power of Trustee to Enforce.** All rights of action under this Master Indenture or under any of the Bonds secured by it which are enforceable by the Trustee may be enforced without the possession of any of the Bonds, or their production at the trial or other related proceedings. Any suit, action or proceedings instituted by the Trustee may be brought in its own name, as trustee, for the equal and ratable benefit of the owners of the Bonds subject to the provisions of this Master Indenture.

**Section 10.8 Remedies Not Exclusive.** No remedy in this Master Indenture and the Supplemental Indentures conferred on or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and each remedy is cumulative, and is in addition to every other remedy given under this Master Indenture and the Supplemental Indentures or now or hereafter existing at law, in equity or by statute.

**Section 10.9 Waiver of Events of Default; Effect of Waiver.** The Trustee will waive any Event of Default and its consequences and rescind any declaration of acceleration at the written request of the Owners of a majority in aggregate principal amount of all Outstanding Bonds. If any Event of Default with respect to the Bonds has been waived as provided in this Master Indenture, the Trustee will promptly give written notice of the waiver to the Authority and by first class mail, postage prepaid, to all Owners of Outstanding Bonds if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under this Master Indenture.

No delay or omission of the Trustee or of any Owner to exercise any right, power or remedy accruing upon any default or Event of Default will impair any such right, power or remedy or will be construed to be a waiver of or acquiescence in any such default or Event of Default. Every right, power and remedy given by this Article to the Trustee and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Section 10.10 Application of Money.** Any money received by the Trustee pursuant to this Article will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal of all of the Outstanding Bonds is due and payable, all money will be applied,

First - To the payment of the persons entitled to it of all installments of interest then due on the Bonds and Parity Indebtedness, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

Second - To the payment of the persons entitled to it of the unpaid principal of and premium, if any, on any of the Bonds and Parity Indebtedness which has become due (other than Bonds and Parity Indebtedness matured or called for redemption for the payment of which money is held pursuant to the provisions of this Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Bonds and Parity Indebtedness and the premium, if any, due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege; and

Third - To be held for the payment of the persons entitled to it when due of the principal of and premium, if any, and interest on the Bonds and Parity Indebtedness which may thereafter become due either at maturity or upon call for redemption before maturity and, if the amount available is not sufficient to pay in full the Bonds and Parity Indebtedness due on any particular date, together with interest and premium, if any, then due and owing, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege.

(b) If the principal of all of the Outstanding Bonds and any Parity Indebtedness is due and payable, to the payment of the principal of and interest then due and unpaid on the Outstanding Bonds and Parity Indebtedness without preference or priority of any principal over interest or interest over principal or of any installment of interest over any other installment of interest, or of any such Outstanding Bond or Parity Indebtedness over any other such Outstanding Bond or Parity Indebtedness, ratably, according to the amounts due respectively for principal and interest, to the persons entitled, to it without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds and Parity Indebtedness.

(c) Whenever money is to be applied pursuant to the provisions of this Section, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. If subsection (b) of this Section is applicable, the Trustee will apply promptly to the payment of the Bonds and Parity Indebtedness any money it receives under this Article. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will give, by mailing by first class mail as it may deem appropriate, notice of the deposit with it of any such money and of the fixing of any such date.

**Section 10.11 Notice of Certain Defaults; Opportunity to Cure Such Defaults.**

Anything in this Master Indenture to the contrary notwithstanding, no default under subsection (c) of Section 10.1 will constitute an Event of Default until actual notice of the default is given to the Authority by the Trustee or by the Owners of not less than twenty-five percent in aggregate principal amount of all Outstanding Bonds, and the Authority has had ninety days after receipt of the notice to correct the default or to cause the default to be corrected; provided, however, that if the default cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

**ARTICLE XI**

**TRUSTEE AND PAYING AGENT**

**Section 11.1 Appointment and Acceptance of Duties.** The Trustee accepts and agrees to the trusts created by this Master Indenture, but only upon the additional terms set forth in this Article, to all of which the Authority, and the Owners, by their purchase and acceptance of the Bonds, agree.

**Section 11.2 Responsibilities.** The recitals, statements and representations contained in this Master Indenture, the Supplemental Indentures and the Bonds will be taken and construed as made by and on the part of the Authority, and not by the Trustee, and the Trustee does not assume, and will not have, any responsibility or obligation for (i) the correctness of any such recitals, statements and representations, (ii) the validity of the execution by the Authority of this Master Indenture, the Supplemental Indentures or the Bonds, or (iii) the sufficiency of the security for the Bonds. The Trustee will have no responsibility for any funds other than those funds actually paid to or received or held by it under this Master Indenture and the Supplemental Indentures. The Trustee need perform only those duties that are specifically set forth in this Master Indenture and the Supplemental Indentures and no implied covenants or obligations will be read into this Master Indenture or any Supplemental Indenture against the Trustee. No provision of this Master Indenture and the Supplemental Indentures will require the Trustee to expend or risk the Trustee's own funds or otherwise incur any financial liability in the performance of any of the Trustee's duties or in the exercise of any of the Trustee's rights or powers, if the Trustee has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to the Trustee. The Trustee will not be responsible or liable for any loss suffered in connection with any investments made in accordance with this Master Indenture or any Supplemental Indenture. Except during the existence of an Event of Default as set forth in Section 11.19, the Trustee will use the same degree of skill and care in performing its duties under this Master Indenture and any Supplemental Indentures as a corporate trustee operating under a corporate trust indenture. The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation acts of God, earthquakes, fire, flood, hurricanes or other storms, wars, terrorism or similar military or quasi-military disturbances, sabotage, epidemic, pandemic, riots, interruptions, loss or malfunction of utilities or communications services, accidents, labor disputes, or acts of civil disobedience, acts of civil or military authority or governmental action, it being understood that the Trustee shall use

commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under any such circumstances.

**Section 11.3 Powers.** The Trustee may execute any of the trusts or powers of, and perform the duties required of it under, this Master Indenture by or through attorneys, agents, receivers, or employees, and will be entitled to obtain and rely on advice of counsel concerning all matters of trust and the Trustee's duty under this Master Indenture and the Supplemental Indentures. As a condition to the taking, omission or suffering of any action under this Master Indenture and any Supplemental Indentures, the Trustee may demand and act on an Opinion of Counsel and will not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance on such Opinion of Counsel.

**Section 11.4 Compensation.** The Authority will pay to the Trustee compensation for all services rendered by the Trustee under this Master Indenture and the Supplemental Indentures, including extraordinary fees and expenses relating to performance of services by the Trustee upon the occurrence or continuation of an Event of Default or the occurrence of any condition or event which with notice or lapse of time, or both, would constitute an Event of Default.

**Section 11.5 No Duty to Maintain Insurance.** The Trustee will have no obligation to effect or renew any policies of insurance and will have no liability for the failure of the Authority to effect or renew insurance or to report or file claims or proofs of loss for any loss or damage insured against or which may occur.

**Section 11.6 Notice of Event of Default.** The Trustee will not be required to take notice, or be deemed to have notice, of any default or Event of Default other than a default or Event of Default under subsections (a) or (b) of Section 10.1, or unless specifically notified in writing of the default or Event of Default by the Authority or the Owners of at least twenty-five percent in aggregate principal amount of the Outstanding Bonds. The Trustee may, however, require of the Authority full information and advice at any time as to the performance of any of the covenants, conditions and agreements contained in this Master Indenture and the Supplemental Indentures.

**Section 11.7 Action Upon Default.** The Trustee will be under no obligation to take any action in respect of any default or Event of Default, or toward the execution or enforcement of any of the trusts created by this Master Indenture and any Supplemental Indentures or to institute, appear in or defend any related suit or other proceeding, unless requested in writing to do so by the Authority or the Owners of at least twenty-five percent in aggregate principal amount of the Outstanding Bonds, and if in the Trustee's opinion the action may tend to involve the Trustee in expense or liability, unless furnished, from time to time as often as the Trustee may require, with reasonable security and indemnity satisfactory to the Trustee.

**Section 11.8 Limitation of Liability.** The Trustee will be protected and will incur no liability in acting, refraining from acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which the Trustee in good faith believes to be genuine and to have been authorized or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Master Indenture or any Supplemental Indentures, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters

referred to in any such instrument, but may accept and rely upon them as conclusive evidence of the truth and accuracy of the statements set forth therein. The Trustee will not be bound to recognize any Person as an Owner of any Bond or to take any action at an Owner's request unless the Bond is deposited with the Trustee or evidence satisfactory to the Trustee of the ownership of the Bond is furnished to the Trustee. Before the Trustee acts or refrains from acting, the Trustee may require a certificate of an appropriate officer or officers of the Authority or an Opinion of Counsel or an opinion of Bond Counsel, as appropriate. The permissive right of the Trustee to do things enumerated in this Master Indenture will not be construed as a duty, and the Trustee will not be answerable for other than its gross negligence or willful default.

**Section 11.9 Ownership of Bonds.** The Trustee and any bank or trust company under common control with the Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued under this Master Indenture, and may join in or take any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to this Master Indenture. The Trustee and any bank or trust company under common control with the Trustee, as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority and may act as depository, trustee, or agent for any committee or body of Owners of the Bonds or other obligations of the Authority as freely as if it were not Trustee under this Master Indenture.

**Section 11.10 No Duty to Invest.** Absent specific instructions of the Authority pursuant to Article VIII, the Trustee will be under no duty to invest money held by it pursuant to this Master Indenture and any Supplemental Indentures. The Trustee will be under no liability for interest on any money which the Trustee may at any time receive under any of the provisions of this Master Indenture and any Supplemental Indentures, except such as the Trustee may agree with the Authority to pay.

**Section 11.11 Reports by Trustee.** Unless otherwise provided in any Supplemental Indenture, the Trustee will provide written reports to the Authority at least monthly of (i) the balances in all funds held by the Trustee under this Master Indenture and any Supplemental Indentures, (ii) all money received and expended by it under the terms of this Master Indenture and any Supplemental Indentures, and (iii) such information as may be reasonably requested by the Authority to enable it to calculate any amounts required to be related to the United States of America pursuant to, and otherwise to maintain compliance with, Section 148 of the Code and any other federal or Commonwealth law or regulation applicable to the Authority or its affairs.

**Section 11.12 Resignation.** The Trustee may at any time and for any reason resign and be discharged of the trusts created by this Master Indenture and any Supplemental Indentures by executing an instrument in writing resigning the trust and specifying the date when the resignation will take effect, and filing the instrument with the Secretary not less than sixty days before the effective date of the resignation. The resignation will take effect on the day specified in the instrument, unless a successor Trustee has not been appointed and accepted such appointment by that date as provided for in this Article, in which event the resignation will take effect immediately on the appointment of and acceptance by a successor Trustee of the trusts under this Master Indenture and any Supplemental Indentures.

**Section 11.13 Removal.** The Trustee at any time and for any reason may be removed by an instrument in writing, filed with the Authority and the Trustee so removed and executed by the

Owners of a majority in aggregate principal amount of the Bonds then Outstanding. In addition, provided no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default has occurred and is continuing, the Authority at any time may remove the Trustee by an instrument in writing filed with the Trustee so removed and the Owners, if the Authority also files with the written instrument a certified resolution in which the governing body of the Authority determines either that (i) the Trustee so removed has not been satisfactorily performing its duties and obligations under this Master Indenture and any Supplemental Indentures or (ii) the fees and expenses charged by the Trustee so removed are higher than the fees and expenses generally charged by banks or trust companies which would qualify as successor trustees under Section 11.15 to perform the duties and obligations of a trustee under indentures or trust agreements similar to this Master Indenture and any Supplemental Indentures.

**Section 11.14 Appointment of Successor Trustee.** If at any time the Trustee resigns, is removed, or is dissolved, or if the Trustee's property or affairs are taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason a vacancy exists in the office of the Trustee, then unless an Event of Default has occurred and is continuing, a successor may be appointed by the Authority by an instrument in writing filed with the Secretary, signed by an Authorized Authority Representative. Copies of the instrument will be promptly delivered by the Authority to the predecessor Trustee and to the Trustee so appointed and notice given to the Owners. If an Event of Default has occurred and is continuing, a successor may be appointed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Secretary, signed by such Owners or their attorneys-in-fact duly authorized in writing. Copies of each instrument will be promptly delivered by the Authority to the predecessor Trustee and to the Trustee so appointed and written notice given to the Owners.

**Section 11.15 Successor to be Bank or Trust Company.** Any successor to the Trustee under this Master Indenture appointed pursuant to Section 11.14 must be (i) a bank or trust company organized and doing business under the laws of the Commonwealth or the United States of America with trust powers, in good standing and having a reported capital, surplus and undivided profits of not less than \$50,000,000, or (ii) a subsidiary trust company under the provisions of Section 6.2-1048 of the Code of Virginia of 1950, as amended, or any successor provision of law, and whose capital, surplus and undivided profits, together with that of its parent bank or bank holding company, as the case may be, is not less than \$50,000,000, if such a bank, trust company or subsidiary trust company, willing and able to accept the trust on reasonable or customary terms can, with reasonable effort, may be located.

**Section 11.16 Failure to Appoint a Successor Trustee.** If at any time the Trustee resigns and no appointment of a successor Trustee is made pursuant to the provisions of this Article before the effective date of the resignation specified in the notice, then the Trustee or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may, after such notice, if any, as the court may deem proper and prescribe, appoint a successor Trustee.

**Section 11.17 Acceptance by Successor Trustee.** Any successor Trustee appointed under this Article will execute, acknowledge and deliver to the Authority an instrument accepting the appointment under this Master Indenture, and thereupon the successor Trustee, without any further act, deed or conveyance, will become duly vested with all the estates, property, rights,

powers, trusts, duties and obligations of the successor Trustee's predecessor in trust under this Master Indenture and any Supplemental Indentures, with like effect as if originally named Trustee. Upon request of the successor Trustee, the Trustee ceasing to act and the Authority will execute and deliver an instrument transferring to the successor Trustee all of the property, rights, powers and trusts under this Master Indenture and any Supplemental Indentures of the Trustee so ceasing to act, and the Trustee so ceasing to act will pay over to the successor Trustee all money and other assets held by the Trustee under this Master Indenture and any Supplemental Indentures.

**Section 11.18 Merger or Consolidation.** Any corporation or association into which any Trustee is merged or with which the Trustee is consolidated, or any corporation or association resulting from any merger or consolidation to which any Trustee is a party, or any corporation or association to which any Trustee transfers all or substantially all of the Trustee's assets, will be the successor Trustee under this Master Indenture, without the execution or filing of any paper or any further act on the part of the parties to this Master Indenture, anything in this Master Indenture to the contrary notwithstanding.

**Section 11.19 Action Upon Event of Default.** The Trustee will, provided the Trustee is indemnified to its satisfaction, during the existence of an Event of Default known to the Trustee in accordance with Section 11.6, exercise such of the rights and powers vested in the Trustee by this Master Indenture and any Supplemental Indentures and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

**Section 11.20 Notice of Occurrence of Event of Default.** Upon the occurrence of an Event of Default known to the Trustee in accordance with Section 11.6, the Trustee will, within thirty days of the Event of Default becoming known to the Trustee, give written notice of it by first class mail to each Owner of the Bonds then Outstanding, unless the Event of Default has been cured before then.

**Section 11.21 Intervention by Trustee.** In any judicial proceeding to which the Authority is a party and which in the opinion of the Trustee (which may be based on an Opinion of Counsel) has a substantial bearing on the interests of the Owners of the Bonds, the Trustee may, in the Trustee's own name, intervene on behalf of the Owners and will, upon receipt of indemnity satisfactory to it, do so if requested in writing by the Owners of at least twenty-five percent in aggregate principal amount of Bonds then Outstanding, if permitted by the court having jurisdiction.

**Section 11.22 Appointment of and Acceptance of Paying Agent.** The Authority may at any time or from time to time appoint one or more Paying Agents for each Series of Bonds, in the manner and subject to the conditions set forth in Section 11.23 for the appointment of a successor Paying Agent. Unless another Paying Agent is appointed for a Series of Bonds in the Supplemental Indenture for the Series, the Trustee will serve as Paying Agent. Each Paying Agent (other than the Trustee) will signify its acceptance of the duties and obligations imposed on it under this Master Indenture and any Supplemental Indenture by written instrument of acceptance deposited with the Authority and the Trustee.



**Section 11.23 Resignation or Removal of Paying Agent; Appointment of Successor.**

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Master Indenture by giving at least sixty days written notice to the Authority and the Trustee. Any Paying Agent may be removed at any time by an instrument signed by the Authority and filed with the Paying Agent and the Trustee. Any successor Paying Agent will be appointed by the Authority, with the approval of the Trustee, and will be a bank or trust company duly organized under the laws of the United States or any of its states or territories, having a capital stock and surplus aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon the Paying Agent by this Master Indenture and any Supplemental Indenture.

In the event of the resignation or removal of any Paying Agent, the Paying Agent will pay over, assign and deliver any money held by it as Paying Agent to its successor or to the Trustee. In the event that for any reason there is a vacancy in the office of any Paying Agent, the Trustee will act as such until a new Paying Agent is appointed.

**Section 11.24 U.S.A. Patriot and Freedom Act.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity, verifying its formation as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

**ARTICLE XII**

**EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF  
OF OWNERSHIP OF BONDS**

**Section 12.1 Execution of Consents, Etc.** Any request, direction, consent or other instrument required or permitted by this Master Indenture and any Supplemental Indentures to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by the Owners in person or by an agent appointed by an instrument in writing. Proof of the execution of any instrument and of the ownership of Bonds will be sufficient for any purpose of this Master Indenture and any Supplemental Indenture and will be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken, suffered or omitted by any of them under the instrument if made in the following manner:

(a) The fact and date of the execution by any Person of any instrument may be proved by the certificate of any officer in any jurisdiction who, by its laws, has power to take acknowledgments within the jurisdiction, to the effect that the Person signing the instrument acknowledged before such officer its execution, or by an affidavit of a witness to such execution.

(b) The fact of the ownership of Bonds by any Owner and the serial numbers of the Bonds and the date of ownership will be proved by the bond register maintained by the Paying Agent.

**Section 12.2 Other Evidence.** Nothing contained in this Article will be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters stated in this Article which the Trustee may deem sufficient. Any request or consent of the Owner of any Bond will bind every future Owner of the same Bond and any Bond or Bonds issued in exchange or substitution for it or upon the registration of transfer of it in respect of anything done by the Trustee in pursuit of such request or consent.

## **ARTICLE XIII**

### **MODIFICATION OF MASTER INDENTURE AND SUPPLEMENTAL INDENTURES**

**Section 13.1 Supplemental Indentures Without Consent of Owners.** Subject to Sections 13.2 and 13.4, the Authority and the Trustee may, without the consent of the Owners, enter into a Supplemental Indenture or Supplemental Indentures which thereafter will form a part of this Master Indenture, for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority contained in this Master Indenture and any Supplemental Indentures other covenants and agreements, and to surrender any right or power in this Master Indenture and any Supplemental Indentures reserved to or conferred upon the Authority;

(b) To cure any ambiguity, to supply any omission or to cure, correct or supplement any defect in the Master Indenture or any Supplemental Indenture;

(c) To grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(d) To subject to this Master Indenture and the Supplemental Indentures additional collateral;

(e) To modify this Master Indenture, any Supplemental Indenture, or the Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(f) To provide for uncertificated Bonds;

(g) To evidence the succession of a new Trustee or Paying Agent or the appointment by the Trustee or the Authority of a Co-Trustee or a Co-Paying Agent and to specify the rights and obligations of such Co-Trustee or Co-Paying Agent;

(h) To make any change (including but not limited to a change to comply with the Code or interpretations of it by the Treasury Department or the Internal Revenue Service) that in the opinion of the Trustee (which may be based on an Opinion of Counsel) does not materially adversely affect the rights of any Owner of any Bonds or Parity Indebtedness then Outstanding;

(i) To make any modifications or changes necessary or appropriate to issue an additional Series of Bonds or any Parity Indebtedness; or

(j) To make any modifications or changes necessary or appropriate to permit Bonds of any Series to be secured by a credit or liquidity facility or to accommodate the issuance of Bonds bearing variable interest rates, including the addition of provisions for the appointment of tender agents and similar parties and the specification of the duties and powers of such parties.

In making any decision regarding whether any modification of or change to this Master Indenture or any Supplemental Indenture will materially adversely affect the rights of the Owners of any Bonds or Parity Indebtedness then Outstanding, the Trustee may obtain and rely on an Opinion of Counsel or an opinion or report of an independent financial advisor or consultant to be selected by the Trustee subject to the approval of the Authority. The cost of any such financial advisor or consultant will be paid by the Authority.

The Authority covenants that it will perform or cause to be performed all the requirements of any Supplemental Indenture which may be in effect from time to time. Nothing in this Article will affect or limit the right or obligation of the Authority to execute and deliver or cause to be delivered to the Trustee any instrument of further assurance or other instrument provided for in this Master Indenture.

**Section 13.2 Supplemental Indentures With Consent of Owners.** Any modification or alteration of this Master Indenture and any Supplemental Indentures or of the rights and obligations of the Authority or of the Owners of the Bonds may be made by the Authority and the Trustee with the consent of (i) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (ii) in case less than all of the Bonds then Outstanding are affected by the modifications or amendments, the Owners of a majority in aggregate principal amount of the Bonds so affected then Outstanding. However, without the consent of each Owner affected, no modification or alteration may (a) extend the maturity of the principal of or interest on any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such modification or alteration, (e) if applicable, impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation, (f) eliminate or extend the mandatory redemption date of any Bonds or reduce the redemption price of Bonds, (g) create a lien ranking prior to or on a parity with the lien of this Master Indenture on the property described in Article II, or (h) deprive any Owner of the lien created by this Master Indenture on such property. In addition, if money has been deposited or set aside with the Trustee pursuant to Article XIV for the payment of Bonds and those Bonds will not have in fact actually been paid in full, no amendment to the provisions of that Article will be made without the consent of the Owner of each of those Bonds affected.

If at any time the Authority requests the Trustee to enter into a Supplemental Indenture for any of the purposes of this Section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of Bonds then Outstanding by first-class mail to the address of Owner as it appears on the registration books; provided, however, any failure to give the notice by mailing, or any defect, in it, will not affect the validity of any proceedings pursuant to this Section. The notice

will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies of it are on file at the designated corporate trust office of the Trustee for inspection by all Owners. If, within six months or such longer period as is prescribed by the Authority at or following the giving of the notice, the Owners of a majority in aggregate principal amount of Bonds then Outstanding have consented to and approved in writing the execution of the Supplemental Indenture, no Owner will have any right to object to any of the terms and provisions contained in the Supplemental Indenture, or the operation of it, or in any manner to question the propriety of its execution, or to enjoin or restrain the Trustee or the Authority from executing the Supplemental Indenture or from taking any action pursuant to its provisions.

**Section 13.3 Trustee Authorized to Enter Into Supplemental Indenture.** The Trustee is authorized to enter into with the Authority any Supplemental Indenture authorized or permitted by the terms of this Master Indenture. Upon the execution of any Supplemental Indenture as permitted by this Article, this Master Indenture will be deemed to be modified and amended in accordance with it, and the Trustee is authorized to carry out the agreements and stipulations contained in the Supplemental Indenture. The Trustee will not unreasonably refuse to enter into any Supplemental Indenture permitted by this Article unless the Trustee believes in good faith that the Supplemental Indenture will materially adversely affect the rights of the Owners of the Bonds or Parity Indebtedness then Outstanding or adversely affect the rights and immunities of or increase the duties of the Trustee.

**Section 13.4 Opinion of Counsel.** The Trustee will not execute any Supplemental Indenture amending this Master Indenture or any Supplemental Indenture unless there has been filed with it an Opinion of Counsel stating that the proposed Supplemental Indenture is authorized or permitted by this Master Indenture and complies with its terms and that upon execution it will be a valid and binding obligation of the party or parties executing it.

## ARTICLE XIV

### DISCHARGE OF INDENTURE

**Section 14.1 Discharge of Indenture.** If (i) all Bonds secured by this Master Indenture have become due and payable or irrevocable instructions to redeem the Bonds or pay them at maturity have been given by the Authority to the Trustee, and (ii) the Trustee holds cash or noncallable Defeasance Obligations the principal of and interest on which at maturity will be sufficient (A) if Bonds have been called for redemption, to redeem in accordance with the relevant Sections of this Master Indenture and the applicable Supplemental Indenture all such Bonds on the date set for such redemption, (B) to pay at maturity all Outstanding Bonds not called for redemption, (C) to pay interest accruing on all Bonds until their redemption or payment at maturity, (D) to pay the Trustee its reasonable fees and expenses, including the costs and expenses of cancelling and discharging this Master Indenture, and (E) the Trustee has been provided with written verification of such matters from an independent accountant or firm of accountants or an independent nationally-recognized verification agent acceptable to the Authority and the Trustee, the Trustee will cancel and discharge the lien of this Master Indenture and execute and deliver to the Authority such instruments in writing as will be required to release such lien, and assign and deliver to the Authority any property subject to this Master Indenture which may then be in its

possession, except funds or securities in which such funds are invested which are held by the Trustee for the payment of the principal of and premium, if any, and interest on the Bonds.

In the event that all of the Bonds secured by this Master Indenture are paid or deemed paid in accordance with the terms of this Master Indenture, then the right and interest of the Trustee in and to the trust estate created by this Master Indenture and all covenants, agreements and other obligations of the Authority to the Owners will cease and be discharged and satisfied. In the event any Bonds are paid or deemed paid in accordance with the terms of this Master Indenture, then such Bonds will cease to be entitled to any lien, benefit or security under this Master Indenture (other than the right to receive payment and certain rights regarding registration and transfer) and all covenants, agreements and other obligations of the Authority to the Owners of such Bonds will cease and be discharged and satisfied.

**Section 14.2 Bonds Deemed to be Paid.** Bonds will be deemed paid and no longer outstanding for the purposes of this Indenture when there has been deposited with the Trustee cash or noncallable Defeasance Obligations the principal of and interest on which will be sufficient to pay or redeem such Bonds and to pay interest accruing on such Bonds to their payment or redemption date (whether on or before their maturity or redemption date); provided, however, that if such Bonds are to be redeemed before their maturity, notice of the redemption must have been duly given or irrevocable instructions to redeem such Bonds must have been given by the Authority to the Trustee.

## ARTICLE XV

### MISCELLANEOUS

**Section 15.1 Limitation of Liability of Directors, Officers, etc. of Authority and the Trustee.** No covenant, agreement or obligation contained in this Master Indenture or in any Supplemental Indenture will be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Authority or the Trustee in his or her individual capacity, and neither the directors of the Authority or the Trustee nor any of their officers, employees or agents executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of their issuance. No director, officer, employee, agent or adviser of the Authority or the Trustee will incur any personal liability with respect to any action taken by him or her pursuant to this Master Indenture, any Supplemental Indenture, or the Act, provided such director, officer, employee, agent or adviser acts in good faith.

**Section 15.2 Dissolution of Authority.** In the event of the dissolution of the Authority, all of the covenants, stipulations, promises and agreements contained in this Master Indenture and any Supplemental Indentures by or on behalf of, or for the benefit of, the Authority will bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority will be transferred.

**Section 15.3 Interested Parties.** Nothing in this Master Indenture expressed or implied is intended or will be construed to confer upon any Person other than the Authority, the Trustee, the Owners of the Bonds and the holders of any Parity Indebtedness issued under this Master

Indenture, any right, remedy or claim under or by reason of this Master Indenture, this Master Indenture being intended to be for the sole and exclusive benefit of the Authority, the Trustee, the Owners of the Bonds and the holders of any Parity Indebtedness.

**Section 15.4 Severability of Invalid Provisions.** If any clause, provision or section of this Master Indenture or any Supplemental Indenture is held to be illegal or invalid by any court, the invalidity of the clause, provision or section will not affect any of the remaining clauses, provisions or sections, and this Master Indenture or the Supplemental Indenture will be construed and enforced as if the illegal or invalid clause, provision or section had not been contained in it.

**Section 15.5 Notice.** All notices, certificates, requests or other communications under this Master Indenture will be in writing and will be deemed given, unless otherwise required, when mailed by first-class mail, postage prepaid, to the addresses set forth below:

If to the Authority:

Prince William County Service Authority  
4 County Complex Court  
P.O. Box 2266  
Prince William, Virginia 22192  
Attention: General Manager

If to the Trustee:

U.S. Bank Trust Company, National Association  
Three James Center  
1051 East Cary Street, Suite 600  
Richmond, Virginia 23219  
Attention: Global Corporate Trust

The Authority and the Trustee may, by notice given under this Section, designate any further or different addresses to which subsequent notices, certificates, requests or other communications will be sent.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Master Indenture and any Supplemental Indenture by Electronic Means, provided however that (1) the Authorized Authority Representative shall have previously provided an incumbency or other certificate listing designated persons with the authority to provide such instructions, which certificate shall be amended whenever a person is to be added or deleted from the listing, and (2) such instruction or direction is in the form of a document signed manually or by way of a Digital Signature. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instruction or direction from an Authorized Authority Representative, notwithstanding such instruction or direction may conflict or be inconsistent with a subsequent written instruction or direction. The Authority hereby assumes all risks arising out of the use of Electronic Means or Digital Signatures for communication of instructions or directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions or directions, and the risk of interception and/or misuse by third parties. The Trustee shall perform callbacks or other measures designed to provide separate confirmation of the instruction or direction that are consistent with the Trustee's internal procedures. The Authority may, by notice given under this Agreement, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications are to be sent or persons to whose attention they are to be directed.

If, by reason of the suspension of or irregularities in regular mail service, it is impractical to mail to the Owners of Bonds notice of any event when notice is required to be given pursuant to any provision of this Master Indenture or any Supplemental Indenture, then any manner of giving notice satisfactory to the Trustee will be deemed to be sufficient.

**Section 15.6 Counterparts.** This Master Indenture may be executed in any number of counterparts, each of which, when executed and delivered, will be an original, and the counterparts will together constitute one and the same instrument.

**Section 15.7 Governing Law.** This Master Indenture and each Supplemental Indenture will be governed by the laws of the Commonwealth.

**Section 15.8 Successors and Assigns.** This Indenture will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**[Signature Page Follows]**

**IN WITNESS WHEREOF**, the parties have caused this Master Indenture to be executed on their behalf by their duly authorized officers.

**PRINCE WILLIAM COUNTY SERVICE  
AUTHORITY**

By: \_\_\_\_\_  
Name: Paul Colangelo, Jr.  
Title: Chair

(SEAL)

By: \_\_\_\_\_  
Name: Marlo Thomas Watson  
Title: Secretary/Treasurer

**U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



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**NINTH SUPPLEMENTAL INDENTURE OF TRUST**

**Between**

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY  
D/B/A PRINCE WILLIAM WATER**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
AS TRUSTEE**

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**\$\_[ ]**  
**PRINCE WILLIAM WATER**  
**WATER AND SEWER SYSTEM REVENUE [AND REFUNDING] BONDS,**  
**SERIES 2025**

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**\_\_\_\_\_ 1, 2025**

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## NINTH SUPPLEMENTAL INDENTURE OF TRUST

**THIS NINTH SUPPLEMENTAL INDENTURE OF TRUST** is made as of \_\_\_\_\_, 2025, between the **PRINCE WILLIAM COUNTY SERVICE AUTHORITY**, d/b/a Prince William Water, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION** (as successor trustee to SunTrust Bank), a national banking corporation, as trustee, and its successors (the "Trustee").

The Authority has executed and delivered to the Trustee an Amended and Restated Master Indenture of Trust dated as of \_\_\_\_\_, 2025 (the "Amended and Restated Master Indenture"), which amends and restates the Master Indenture of Trust dated as of May 1, 1991, as previously supplemented and amended (the "Prior Master Indenture" and as amended and restated by the Amended and Restated Master Indenture and as altered, amended, modified or supplemented from time to time, the "Master Indenture"), under which the Authority has provided for the issuance of its revenue bonds from time to time (the "Bonds") to provide funds for the acquisition, financing, construction, operation and maintenance of its facilities and to refund bonds previously issued by it.

On April 24, 2013, the Authority issued its \$43,875,000 Water and Sewer System Refunding Revenue Bonds, Series 2013 (the "2013 Bonds"). The Authority issued the 2013 Bonds pursuant to a Seventh Supplemental Indenture of Trust dated as of April 1, 2013, between the Authority and the Trustee, and used the proceeds of the 2013 Bonds to (i) refund a portion of the outstanding balance of the Authority's \$82,105,000 Water and Sewer System Refunding and Revenue Bonds, Series 2005, (ii) provide funds to the debt service reserve under the Master Indenture and (iii) pay the costs of issuance of the 2013 Bonds.

The Authority now desires to issue a Series of Bonds under the Master Indenture in an aggregate principal amount of \$[\_\_\_\_\_], and to use the proceeds of the sale thereof, along with other available funds, if any, to (i) refund a portion of the outstanding balance of the 2013 Bonds, (ii) pay the costs of its Capital Improvement Program, as it may be amended from time to time, and (iii) pay the underwriter's discount and costs of issuance of the 2025 Bonds.

The Master Indenture provides that, in connection with the issuance of a Series of Bonds, the Authority must execute and deliver to the Trustee a Supplemental Indenture authorizing the Series of Bonds and setting forth their terms and provisions.

All things necessary to make 2025 Bonds valid and binding limited obligations of the Authority, when authenticated by the Trustee and issued as provided in this Ninth Supplemental Indenture, and to constitute this Ninth Supplemental Indenture a valid and binding agreement securing the payment of the principal of and premium, if any, and interest on the 2025 Bonds have been done and performed. The execution and delivery of this Ninth Supplemental Indenture and the execution and issuance of the 2025 Bonds have in all respects been duly authorized by the Authority.

The Authority covenants and agrees with the Trustee and with the Owners, from time to time, of the 2025 Bonds, as follows:

## **ARTICLE I NINTH SUPPLEMENTAL INDENTURE**

**Section 1.1 Ninth Supplemental Indenture.** This Ninth Supplemental Indenture is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Article V of the Master Indenture. All terms, covenants, conditions and agreements of the Master Indenture apply with full force and effect to the 2025 Bonds, except as otherwise provided in this Ninth Supplemental Indenture.

**Section 1.2 Definitions.** All capitalized words and terms used in this Ninth Supplemental Indenture have the meanings set forth in Article I of the Master Indenture. In addition, the following words and terms have the following meanings in this Ninth Supplemental Indenture unless the context clearly requires otherwise:

"2013 Bonds" has the meaning set forth in the recitals to this Ninth Supplemental Indenture.

"2025 Bonds" means the Bonds of the Authority issued pursuant to Article II of this Ninth Supplemental Indenture.

"Closing Date" means \_\_\_\_\_, 2025.

"DTC" has the meaning set forth in Section 2.3.

"Escrow Agreement" has the meaning set forth in Section 2.5(a).

"Escrow Fund" has the meaning set forth in Section 2.5(a).

"Letter of Representations" means the Blanket Issuer Letter of Representations, dated December 15, 1997, from the Authority to DTC, as it may be modified, altered, amended or supplemented from time to time.

"Non-Arbitrage Certificate" means the certificate by that name to be executed and delivered by the Authority regarding the amount and use of the proceeds of the 2025 Bonds.

"Refunded 2013 Bonds" has the meaning set forth in Section 2.5(a).

"Ninth Supplemental Indenture" means this Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_, 2025, between the Authority and the Trustee, as it may be modified, altered, amended or supplemented from time to time.

"Verification Report" means the Verification Report dated [\_\_\_\_\_] , 2025, by Bingham Arbitrage Rebate Services, Inc., relating to the issuance of the 2025 Bonds and the refunding, redemption and defeasance of the Refunded 2013 Bonds.

**Section 1.3    Representations of Authority.** The Authority represents that (i) it is duly authorized under the Constitution and laws of the Commonwealth, including particularly and without limitation the Act, to issue the 2025 Bonds, to execute this Ninth Supplemental Indenture, and to pledge the Net Revenues and funds in the manner and to the extent set forth in the Master Indenture, (ii) all action on its part necessary for the execution and delivery of this Ninth Supplemental Indenture has been taken, (iii) the 2025 Bonds in the hands of the Owners are and will be valid and enforceable limited obligations of the Authority and (iv) there is no Outstanding Subordinate Debt of the Authority.

## **ARTICLE II AUTHORIZATION AND DETAILS OF 2025 BONDS**

**Section 2.1    Authorization of 2025 Bonds.** There are authorized to be issued Bonds of the Authority in the aggregate principal amount of \$[\_\_\_\_\_].

**Section 2.2    Details of 2025 Bonds.** The Bonds authorized in Section 2.1 are designated "Prince William Water, Water and Sewer System Revenue [and Refunding] Bonds, Series 2025," and will be issued as fully registered bonds, without coupons.

The 2025 Bonds will (i) be dated as of the Closing Date, (ii) be issued in denominations of \$5,000 or any integral multiple of \$5,000, (iii) be numbered from R-1 upwards, sequentially, (iv) bear interest at the rates set forth below, payable on each January 15 and July 15, commencing January 15, 2026, and (v) mature, subject to prior redemption, on July 15 of the years and in the amounts set forth below:

<u>Year of Maturity</u>	<u>Principal Amount</u> \$	<u>Interest Rate</u> %
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Each 2025 Bond will bear interest (i) from the Closing Date, if it is authenticated before January 15, 2026, or (ii) otherwise, from the January 15 or July 15 that is, or immediately precedes, the date on which the 2025 Bond is authenticated (unless the payment of interest on the 2025 Bond is in default, in which case the 2025 Bond will bear interest from the date to which interest has been paid). Interest on the 2025 Bonds will be computed on the basis of a year of 360 days and twelve 30-day months.

The principal of and premium, if any, and interest on the 2025 Bonds are payable in lawful money of the United States of America, but only from the Net Revenues and other sources pledged for such purpose under the Master Indenture. The principal of and premium, if any, on the 2025 Bonds will be payable upon presentation and surrender of the 2025 Bonds at the designated corporate trust office of the Paying Agent except that, for so long as Cede & Co. or other nominee of DTC is the sole registered Owner of the 2025 Bonds, principal of and premium, if any, on the 2025 Bonds will be paid as provided in the Letter of Representations.

Interest on the 2025 Bonds will be paid by check or draft mailed by the Paying Agent on each interest payment date to the Owners of the 2025 Bonds at their addresses as they appear on the registration books of the Authority maintained by the Paying Agent. The registered owners will be determined on the January 1 or July 1, as appropriate, which next precedes each interest payment date. Notwithstanding the foregoing, but subject to the paragraph above if the Owner of any 2025 Bond (i) owns at least \$1,000,000 in aggregate principal amount of 2025 Bonds and (ii) has provided satisfactory notice regarding payment via wire transfer to the Trustee, then interest will be paid to such Owner by wire transfer.

**Section 2.3 Book Entry Provisions.** (a) The 2025 Bonds will be registered in the name of Cede & Co., a nominee of The Depository Trust Company ("DTC"), and immobilized in the custody of DTC, or the Trustee as an authorized FAST agent of DTC. One fully registered 2025 Bond for the original principal amount of each maturity will be registered to Cede & Co. Beneficial owners of the 2025 Bonds will not receive physical delivery of the 2025 Bonds. Individual purchases of the 2025 Bonds may be made in book-entry form only in original principal amounts of \$5,000 or integral multiples of \$5,000. Payments of the principal of and premium, if any, and interest on the 2025 Bonds will be made to DTC or its nominee as the registered Owner of the 2025 Bonds on the applicable payment date.

DTC is responsible for the transfer of the payments of the principal of and premium, if any, and interest on the 2025 Bonds to the participants of DTC, which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (the "Participants"). Transfer of the payments of the principal of and premium, if any, and interest on the 2025 Bonds to beneficial owners of the 2025 Bonds is the responsibility of the Participants and other nominees of such beneficial owners.

Transfer of ownership interests in the 2025 Bonds will be made by DTC and its Participants, acting as nominees of the beneficial owners of the 2025 Bonds, in accordance with rules specified by DTC and its Participants. Neither the Authority nor the Trustee makes any assurances that DTC, its Participants or other nominees of the beneficial owners of the 2025 Bonds will act in accordance with those rules or on a timely basis. For every transfer and exchange of beneficial ownership interest in the 2025 Bonds, the beneficial owner may be charged sums sufficient to cover any tax, fee or other governmental charge that may be imposed in relation to it.

THE AUTHORITY AND THE TRUSTEE DISCLAIM ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND

PREMIUM, IF ANY, AND INTEREST ON THE 2025 BONDS, (III) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE MASTER INDENTURE OR THIS NINTH SUPPLEMENTAL INDENTURE TO BE GIVEN TO OWNERS OF THE 2025 BONDS, (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN ANY PARTIAL REDEMPTION OF THE 2025 BONDS OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE 2025 BONDS.

So long as Cede & Co., as nominee of DTC, is the sole registered Owner of the 2025 Bonds, references in the Master Indenture or this Ninth Supplemental Indenture to the Owners, holders or registered owners of the 2025 Bonds means Cede & Co. and not beneficial owners of the 2025 Bonds. Any notice to or consent requested from Owners under the Master Indenture or this Ninth Supplemental Indenture shall be given to or requested from Cede & Co.

(b) Replacement 2025 Bonds (the "Replacement Bonds") will be issued directly to beneficial owners of 2025 Bonds rather than to DTC, or its nominee, but only in the event that:

(1) DTC determines not to continue to act as securities depository for the 2025 Bonds;

(2) The Trustee or the Authority has advised DTC of its determination that DTC is incapable of discharging its duties; or

(3) The Trustee or the Authority has determined that it is in the best interests of the beneficial owners of the 2025 Bonds not to continue the book-entry system of transfer.

Upon occurrence of the events described in clauses (1) or (2), the Trustee will attempt to locate another qualified securities depository. If DTC makes the determination described in clause (1) and the Trustee or the Authority fails to locate another qualified securities depository to replace DTC, the Authority will execute and the Trustee will authenticate and deliver to the Participants the Replacement Bonds (substantially in the form set forth in Exhibit A to this Ninth Supplemental Indenture) to which the Participants are entitled. In the event the Trustee or the Authority makes the determination described in clauses (2) or (3) (the Trustee and the Authority undertake no obligation to make any investigation to determine the occurrence of any events that would permit the Trustee or the Authority to make any such determination) and, in the case of the determination under clause (2), the Trustee or the Authority has failed to locate another qualified securities depository and has made provisions to notify the beneficial owners of 2025 Bonds by mailing an appropriate notice to DTC, the Authority will execute and the Trustee will authenticate and deliver to the Participants the appropriate Replacement Bonds (substantially in the form set forth in Exhibit A to this Ninth Supplemental Indenture) to which the Participants are entitled. The Trustee is entitled to rely on the records provided by DTC as to the Participants entitled to receive Replacement Bonds. The principal of and premium, if any, and interest on the Replacement Bonds will be payable as provided in Section 2.2, and the Replacement Bonds will be transferable and exchangeable in accordance with Section 3.7 of the Master Indenture.

**Section 2.4 Form of 2025 Bonds.** The 2025 Bonds will be issued substantially in the form set forth in Exhibit A to this Ninth Supplemental Indenture, with appropriate variations, omissions and insertions as permitted or required by the Master Indenture and this Ninth Supplemental Indenture. There may be endorsed on the 2025 Bonds such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law.

**Section 2.5 Application of 2025 Bond Proceeds.** The Trustee will apply the proceeds (net of any underwriter's discount and including net original issue premium) from the sale of the 2025 Bonds (\$[ ]) as follows:

(a) The sum of \$[ ] will be irrevocably deposited with the Trustee, as escrow agent, into the escrow fund (the "Escrow Fund") established under the Escrow Agreement dated as of the Closing Date (the "Escrow Agreement") between the Authority and the Trustee, as Escrow Agent, and applied in accordance with such agreement to refund, defease and optionally redeem those 2013 Bonds described in the Escrow Agreement (the "Refunded 2013 Bonds");

(b) The sum of \$[ ] will be deposited in the 2025 Project Account hereby established;

(c) The sum of \$[ ] will be deposited in the 2025 Cost of Issuance Account hereby established.

**Section 2.6 Transfer of Certain Amounts.** (a) The sum of \$[ ], consisting of amounts on deposit in the Interest Account of the Bond Fund allocable to the Refunded 2013 Bonds, shall be transferred to the Escrow Fund and applied in accordance with the Escrow Agreement.

(b) The sum of \$[ ], consisting of amounts on deposit in the Debt Service Reserve Fund, shall be transferred to the Escrow Fund and applied in accordance with the Escrow Agreement.

### **ARTICLE III REDEMPTION OF 2025 BONDS**

**Section 3.1 Redemption of the 2025 Bonds.** The 2025 Bonds may not be called for redemption except as provided in this Article.

**Section 3.2 Optional Redemption.** The 2025 Bonds maturing prior to [July 15, 2035], are not subject to optional redemption. The 2025 Bonds maturing on or after [July 15, 2036], are subject to redemption prior to their respective maturities at the option of the Authority on or after [July 15, 2035], in whole or in part (in increments of \$5,000), at any time, at par plus unpaid interest accrued on the principal amount to be redeemed to the date fixed for redemption.

(a) The amount of 2025 Bonds to be redeemed pursuant to this Section may be reduced in accordance with the provisions of Section 7.4(b) of the Master Indenture.



**Section 3.3    Selection of 2025 Bonds for Redemption; Notices.** If less than all of the 2025 Bonds are to be called for optional redemption, the maturities to be called will be as directed by the Authority in such manner as the Authority may determine to be in its best interests. If less than all bonds of any maturity of 2025 Bonds are to be called for optional redemption, the 2025 Bonds within each maturity to be called will be selected by the Paying Agent or, if the 2025 Bonds are held in book-entry form, by DTC, in a manner which the Paying Agent determines to be appropriate and fair or in accordance with DTC's procedure, as appropriate. No notice of redemption of any of the 2025 Bonds (other than the redemption required by Section 3.3 or a redemption of 2025 Bonds to be effected pursuant to an advance refunding) will be given by the Trustee unless either (i) there has been deposited with the Trustee the cash or permissible securities maturing not later than the redemption date and necessary to pay in full when due any 2025 Bonds to be redeemed, or (ii) the notice of redemption states that such call for redemption is conditioned upon the Trustee receiving sufficient funds to redeem the 2025 Bonds on the date selected for redemption. So long as DTC's book-entry system is being used for determining beneficial ownership of the 2025 Bonds, the Trustee and Paying Agent will send such notice with respect to the redemption of the 2025 Bonds to DTC (or its nominee) as registered Owner of the 2025 Bonds.

#### **ARTICLE IV FUNDS AND ACCOUNTS**

**Section 4.1    2025 Project Account.** There is established with the Trustee an account in the Project Fund to be designated the 2025 Project Account. The money in the 2025 Project Account will be requisitioned by the Authority to pay Costs of the Projects in accordance with the written instructions of an Authorized Authority Representative substantially in the form of Exhibit B hereto using procedures similar to those described in Section 6.2 of the Master Indenture.

**Section 4.2    2025 Cost of Issuance Account.** There is established with the Trustee an account in the Project Fund to be designated the 2025 Cost of Issuance Account. The money in the 2025 Cost of Issuance Account will be requisitioned by the Authority to pay costs of issuance of the 2025 Bonds in accordance with the written instructions of an Authorized Authority Representative substantially in the form of Exhibit B hereto using procedures similar to those described in Section 6.2 of the Master Indenture. Any amounts remaining in the 2025 Cost of Issuance Account on [\_\_\_\_\_, 2025], will be transferred to the Interest Account and used to pay interest on the 2025 Bonds.

#### **ARTICLE V SPECIAL COVENANTS**

**Section 5.1    Arbitrage Covenants.** (a) The Authority will not take or approve or fail to take or approve any action, investment or use of the proceeds of the 2025 Bonds which would cause the 2025 Bonds or the 2013 Bonds (including the Refunded 2013 Bonds) to be "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder. The Authority will not request or approve the use or investment of the proceeds of the 2025 Bonds other than in accordance with the Non-Arbitrage Certificate.

(b) The Trustee will be fully protected in acting on any rebate determination made by the Authority at any time or contained in any certificate of the Authority and will not be liable or

responsible in any manner to any person for so acting, notwithstanding any error in any such determination. The Trustee will not be responsible or liable to the Authority or any other party for the failure of the Authority to comply with the provisions of this Section.

**Section 5.2 Opinion of Bond Counsel.** If the Authority shall provide to Trustee an opinion of nationally-recognized Bond Counsel addressed to the Authority and the Trustee and acceptable to the Trustee to the effect that any action required under this Article by incorporation or otherwise is not or is no longer required to maintain the exclusion from gross income of the interest on the 2025 Bonds under Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions of this Article.

## **ARTICLE VI [RESERVED].**

### **Section 6.1 [Reserved].**

## **ARTICLE VII MISCELLANEOUS**

**Section 7.1 Determinations of the Trustee.** Based solely upon its review of the Verification Report and the calculations set forth in Exhibit D, the Trustee hereby determines the following:

(a) The proceeds of the 2025 Bonds to be deposited in the Escrow Fund for the refunding, redeeming and defeasing of the Refunded 2013 Bonds, together with the other available funds deposited in the Escrow Fund and otherwise with the Trustee for such purpose and the investment income to be earned thereon, will be sufficient to pay to and including the date on which the Refunded 2013 Bonds are to be called for redemption the principal of and premium and interest on the Refunded 2013 Bonds and the estimated expenses incident to the refunding.

(b) After the issuance of the 2025 Bonds and the refunding, redemption and defeasance of the Refunded 2013 Bonds as set forth in the Escrow Agreement, the Senior Debt Service for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will not be more than Senior Debt Service for the Fiscal Year would have been on all Outstanding Bonds and Parity Indebtedness immediately before the issuance of the 2025 Bonds, including the Refunded 2013 Bonds.

(c) After the issuance of the 2025 Bonds and the refunding, redemption and defeasance, as applicable, of the Refunded 2013 Bonds as set forth in the Escrow Agreement, the Senior Debt Service and Subordinate Debt Service for each Fiscal Year in which there will be Outstanding Bonds of any Series, Parity Indebtedness or Subordinate Debt not to be refunded will not be more than the sum of Senior Debt Service and Subordinate Debt Service for the Fiscal Year would have been on all Outstanding Bonds, Parity Indebtedness and Subordinate Debt immediately before the issuance of the 2025 Bonds, including the Refunded 2013 Bonds.

(d) The requirements of Section 14.2 of the Master Indenture have been satisfied and the Refunded 2013 Bonds are hereby deemed paid and are no longer Outstanding for purposes of the Master Indenture.

**Section 7.2 Successors and Assigns.** This Ninth Supplemental Indenture is binding upon, inures to the benefit of and is enforceable by its parties and their respective successors and assigns.

**Section 7.3 Severability.** If any provision of this Ninth Supplemental Indenture is held invalid by any court of competent jurisdiction, such holding will not invalidate any other provision.

**Section 7.4 Governing Law.** This Ninth Supplemental Indenture will be governed by and construed under the applicable laws of the Commonwealth.

**Section 7.5 Counterparts.** This Ninth Supplemental Indenture may be executed in several counterparts, each of which will be an original, and the counterparts will together constitute one and the same instrument.

**Section 7.6 Parties Interested.** Nothing in this Ninth Supplemental Indenture expressed or implied is intended or will be construed to confer upon any Person, other than the Authority, the Trustee and the Owners of the 2025 Bonds, any right, remedy or claim under or by reason of this Ninth Supplemental Indenture, this Ninth Supplemental Indenture being intended for the sole and exclusive benefit of the Authority, the Trustee and the Owners of the 2025 Bonds, except that Virginia Resources Authority is entitled to rely upon the Trustee's determination in Section 6.1(c).

**Section 7.7 USA Patriot and Freedom Act Requirements of the Trustee.** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity verifying its formation as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Ninth Supplemental Indenture to be executed on their behalf by their duly authorized officers.

**PRINCE WILLIAM COUNTY SERVICE  
AUTHORITY D/B/A PRINCE WILLIAM  
WATER**

By: \_\_\_\_\_  
Name: Calvin D. Farr, Jr.  
Title: General Manager

(SEAL)

Attest:

By: \_\_\_\_\_  
Name: Marlo Thomas Watson  
Title: Secretary/Treasurer

**U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Trustee**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**FORM OF 2025 BOND**

R-\_\_\_\_\_

**UNITED STATES OF AMERICA  
COMMONWEALTH OF VIRGINIA**

**PRINCE WILLIAM WATER  
WATER AND SEWER SYSTEM REVENUE [AND REFUNDING] BONDS,  
SERIES 2025**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
%	July 15, 20_____	[____] __, 2025	

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_ )**

PRINCE WILLIAM COUNTY SERVICE AUTHORITY d/b/a Prince William Water, a public body politic and corporate of the Commonwealth of Virginia (the "Authority") for value received, promises to pay, solely from the revenues and other property pledged to the payment of this Bond, to the registered owner of this Bond or legal representative, the principal sum stated above on the maturity date stated above, and to pay solely from such source, interest on the principal amount of this Bond at the annual rate stated above, payable semi-annually on each January 15 and July 15, commencing on January 15, 2026, all subject to prior redemption as described in this Bond. This Bond will bear interest (i) from [\_\_\_\_\_, 20\_\_], if this Bond is authenticated before January 15, 2026, or (ii) otherwise, from the January 15 or July 15 that is, or immediately precedes, the date on which this Bond is authenticated (unless the payment of interest on this Bond is in default, in which case this Bond will bear interest from the date to which interest has been paid). The principal of and premium, if any, on this Bond is payable upon presentation and surrender of this Bond at the designated corporate trust office of U.S. Bank Trust Company, National Association (as successor trustee to SunTrust Bank), Richmond, Virginia, as Trustee (the "Trustee") under the Amended and Restated Master Indenture dated as of \_\_\_\_\_, 2025 (as previously supplemented and amended and as altered, amended, modified or supplemented from time to time, the "Master Indenture"). Capitalized terms used but not defined have the meaning set forth in the Master Indenture. Interest on this Bond will be paid by check or draft mailed to the person registered on the July 1 or January 1, as appropriate, next preceding the interest payment date as the registered owner of this Bond at the address of such person as it appears on the registration books of the Authority maintained by the Trustee. Interest on this Bond will be computed on the basis of a year of 360 days and twelve 30-day months. Notwithstanding the foregoing, if (i) the registered owner of this Bond owns at least \$1,000,000 in aggregate principal amount of Bonds and (ii) such owner has provided satisfactory prior notice of a wire address to the Trustee, then interest on this Bond will be paid by wire transfer. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. In case the date of maturity of the principal of this Bond or the date fixed for the

payment of interest on or the redemption of this Bond is not a Business Day, as defined in the Master Indenture, then payment of the principal and premium, if any, and interest need not be made on such date, but may be made on the next succeeding date which is a Business Day, and if made on such next succeeding Business Day no additional interest will accrue for the period after such date of maturity or date fixed for redemption.

This Bond and the issue of which it is a part and the premium, if any, and interest on this Bond are limited obligations of the Authority and payable solely from the revenues and other property pledged and assigned to the Trustee under the terms of the Master Indenture to secure payment of this Bond. IN ACCORDANCE WITH THE ACT, THE 2025 BONDS AND THE PREMIUM, IF ANY, AND THE INTEREST ON THEM SHALL NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY. THE ISSUANCE OF THE 2025 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE 2025 BONDS EXCEPT FROM THE FUNDS PLEDGED UNDER THE MASTER INDENTURE. THE AUTHORITY HAS NO TAXING POWER.

This 2025 Bond is one of an issue of \$[\_\_\_\_\_] Water and Sewer System Revenue [and Refunding] Bonds, Series 2025 (the "2025 Bonds"), of like tenor, except as to number, denomination, interest rate, privilege of redemption and maturity, authorized and issued by the Authority, pursuant to the Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, for the purpose of using the proceeds thereof, along with other available funds, if any, to (i) refund a portion of the outstanding balance of the Authority's \$43,875,000 Water and Sewer System Refunding Revenue Bonds, Series 2013, (ii) pay the costs of its Capital Improvement Program, as it may be amended from time to time, and (iii) pay the costs of issuance of the Bonds. The 2025 Bonds are issued under the Master Indenture as further supplemented by a Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_, 2025 (the "Ninth Supplemental Indenture"), between the Authority and the Trustee. The Master Indenture and the Ninth Supplemental Indenture are referred to collectively in this Bond as the "Indenture." Reference is made to the Indenture for a description of the revenues and property pledged and assigned and the provisions, among other things, with respect to the nature and extent of the security for the 2025 Bonds, the rights and obligations of the Authority and the Trustee, the terms on which the 2025 Bonds are issued, the rights of the registered owners of the 2025 Bonds and the provisions for defeasance of such rights. The 2025 Bonds are secured equally and ratably under the Master Indenture with the other Outstanding Bonds of the Authority and the Authority's Parity Indebtedness issued under the Master Indenture and will be secured equally and ratably under the Master Indenture with future Bonds or Priority Indebtedness of the Authority issued in accordance with the terms of the Master Indenture.

The 2025 Bonds may not be called for redemption except as provided in the Ninth Supplemental Indenture and described in the succeeding paragraphs.

The 2025 Bonds maturing prior to [July 15, 2035], are not subject to optional redemption prior to maturity. The 2025 Bonds maturing on or after [July 15, 2036], are subject to redemption prior to their respective maturities at the option of the Authority on or after [July 15, 2035], in

whole or in part (in increments of \$5,000), at any time, at par plus unpaid interest accrued on the principal amount to be redeemed to the date fixed for redemption.

The 2025 Bonds stated to mature July 15, 20\_\_, are subject to mandatory redemption, in part, on July 15 in the years and at the principal amounts set forth below at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the date fixed for redemption:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
\$		\$	
(Final Maturity)			

The 2025 Bonds stated to mature July 15, 20\_\_, are subject to mandatory redemption, in part, on July 15 in the years and at the principal amounts set forth below at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the date fixed for redemption:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
\$		\$	
(Final Maturity)			

The amount of 2025 Bonds to be redeemed pursuant to the two preceding paragraphs may be reduced in accordance with the provisions of Section 7.4(b) of the Master Indenture.

If any of the 2025 Bonds are called for redemption, the Trustee will cause a notice of redemption to be sent by first class mail, postage prepaid, not less than thirty nor more than sixty days before the date fixed for redemption, to the registered owners of the 2025 Bonds called for redemption, at their respective addresses as they appear on the registration books maintained by the Trustee. The receipt of notice is not a condition precedent to the redemption and failure to mail a notice to a registered owner will not affect the validity of the proceedings for the redemption of the 2025 Bonds. If this 2025 Bond is duly called for redemption and payment of the principal of and premium, if any, and unpaid interest accrued to the date fixed for redemption has been made or provided for, then, notwithstanding that this 2025 Bond has not been surrendered for cancellation, interest on this 2025 Bond will cease to accrue from the date fixed for redemption, and, from and after the date fixed for redemption, this 2025 Bond will no longer be entitled to any lien, benefit or security under the Indenture, and the registered owner of this 2025 Bond will have no rights in respect of this 2025 Bond except to receive payment of the principal of and premium, if any, and unpaid interest accrued to the date fixed for redemption on this 2025 Bond. Any notice of optional redemption may state that such notice is conditioned upon the receipt by the Trustee of sufficient funds to redeem the 2025 Bonds called for redemption.

The registered owner of this Bond has no right to enforce the provisions of the Indenture or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, except as provided in the Indenture. Upon the occurrence of certain events or upon certain conditions, in the manner and

with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding, together with any accrued interest on them, may become or may be declared due and payable before their stated maturities. Modifications or alterations in the Indenture, or any supplements to it, may be made to the extent and under the circumstances provided by the Master Indenture.

The 2025 Bonds are issued as registered bonds without coupons in denominations of \$5,000 or any integral multiple of \$5,000. Upon surrender of this Bond at the designated corporate trust office of the Trustee, in the manner and subject to the limitations and conditions provided for in the Indenture, this Bond may be exchanged for an equal aggregate principal amount of 2025 Bonds of like date and tenor and of authorized denominations and bearing interest at the same rate.

The transfer of this Bond may be registered by the registered owner in person or by his or her duly authorized attorney or legal representative at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations and conditions provided for in the Indenture and upon surrender and cancellation of this Bond. Upon the registration of any transfer, the Authority will execute and the Trustee will authenticate and deliver in exchange for this Bond a new Bond or Bonds, registered in the name of the transferee, of like date and tenor and of authorized denominations for the aggregate principal amount which the registered owner is entitled to receive. Before due registration of any transfer of this Bond, the Trustee will treat the registered owner shown on the registration books maintained by the Trustee as the person exclusively entitled to the payment of principal of and premium, if any, and interest on this Bond, and the exercise of all other rights and powers of the owner, except that interest will be paid to the registered owner as of the July 1 or January 1 preceding the interest payment date.

All acts and conditions required to happen, exist or be performed precedent to and in connection with the issuance of this Bond have happened, exist and have been performed.

This Bond will not become obligatory for any purpose or be entitled to any security or benefit under the Indenture or be valid until the Trustee has executed the Certificate of Authentication appearing on this Bond.

[Signature Page Follows]



IN WITNESS WHEREOF, the Prince William County Service Authority d/b/a Prince William Water has caused this Bond to be executed by the manual signature of its General Manager, its seal to be affixed to this Bond and attested by the manual signature of its Secretary/Treasurer.

**PRINCE WILLIAM COUNTY SERVICE  
AUTHORITY D/B/A PRINCE WILLIAM  
WATER**

By: \_\_\_\_\_  
Name: Calvin D. Farr, Jr.  
Title: General Manager

[SEAL]

ATTEST:

By: \_\_\_\_\_  
Name: Marlo Thomas Watson  
Title: Secretary/Treasurer

## **CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds described in the within-mentioned Master Indenture and Ninth Supplemental Indenture.

**AUTHENTICATION DATE:** [\_\_\_\_ \_], 2025

**U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION**, as Trustee and Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Vice President

ASSIGNMENT  
FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

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(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE: \_\_\_\_\_

this Bond and does irrevocably constitute and appoint \_\_\_\_\_, attorney,  
to transfer this Bond on the books kept for registration of this Bond, with full power of substitution  
in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

(NOTE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association meeting the requirements of the Trustee which requirements will include membership in STAMP or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

(NOTE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Bond in every particular, without alteration or change.)

**EXHIBIT B**

**FORM OF REQUISITION**

**PRINCE WILLIAM WATER**

**REQUISITION NO. \_\_\_\_\_**

The Prince William County Service Authority d/b/a Prince William Water (the "Authority") hereby requests payment to the order of the person identified in the supporting documentation attached hereto from the Authority's \$[\_\_\_\_\_] Water and Sewer System Revenue [and Refunding] Bonds, Series 2025 (the "2025 Bonds"). In connection with this Requisition, the undersigned hereby represents and warrants to the Trustee as follows:

1. The undersigned is an Authorized Authority Representative, qualified to execute this Requisition for payment on behalf of the Authority and is knowledgeable as to the matters set forth herein.

2. The Authority has incurred the obligation set forth in this Requisition to pay costs of issuance relating to the 2025 Bonds.

3. The Authority certifies that the disbursement being requested herein is a proper charge against the Series 2025 Costs of Issuance Account or Series 2025 Project Account, as indicated below, in accordance with the terms of the Master Indenture as supplemented by the Ninth Supplemental Indenture.

4. No portion of the amount being requested has been the basis for a prior requisition which has been paid from the 2025 Costs of Issuance Account or Series 2025 Project Account.

5. Amounts disbursed pursuant to this Requisition shall be disbursed from the, check one:

\_\_\_\_\_

Costs of Issuance Account

\_\_\_\_\_

Project Account

6. The amount to be disbursed pursuant to this Requisition is \$\_\_\_\_\_.

Dated: \_\_\_\_\_, 2025

**PRINCE WILLIAM COUNTY SERVICE  
AUTHORITY D/B/A PRINCE WILLIAM  
WATER**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**  
**[RESERVED]**

**EXHIBIT D**  
**DEBT SERVICE CALCULATIONS**

(See Attached)

**APPENDIX B**

**FINANCIAL STATEMENT OF THE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Directors  
Prince William County Service Authority

### ***Opinion***

We have audited the accompanying financial statements of the Prince William County Service Authority (Authority), as of and for the years ended June 30, 2024 and 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 financial position of the Authority as of June 30, 2024 and 2023, and respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 that the Management's Discussion and Analysis on pages 16-30 and the required supplementary information on pages 87-97 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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  
December 9, 2024



# Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Prince William County Service Authority's ACFR presents management's analysis of the Authority's financial performance during the fiscal year ended June 30, 2024. This analysis should be read in conjunction with the basic financial statements, which are located in the next section of the ACFR.

### Financial Highlights

The Authority provides water and wastewater services in Prince William County, which is the second largest county in Virginia with an estimated population of 496,000 and a median household income of \$120,398. In fiscal year 2024, the Authority's financial condition remained very strong, highlighted by the following:

- The Authority's cash position and debt coverage remain strong. Cash and investments at June 30, 2024 increased \$0.2 million to \$328.2 million as cash flows from operating, capital, financing and investing activities offset each other. Investment income increased by \$9.4 million as a result of rising interest rates. The Authority maintained the highest bond ratings from Moody's and S&P and exceeded all debt coverage requirements.
- Operating revenues increased by \$10.6 million or 8.1% to \$140.2 million primarily due to rate increases in April 2023 and January 2024, and a 2.4% increase in the volume of water and sewer sold. The Authority's Board of Directors adopted rate increases for 2023, 2024 and 2025 to address projected increases in operating costs and capital replacement needs.
- Revenue from availability fees increased by \$25.6 million to \$52.9 million primarily due to availability fees paid by commercial customers with high water needs. Equivalent residential units (ERUs) of 3,303 were certified, resulting in a 0.5% increase in customer accounts. An ERU is the established average use of a single-family residence.
- Operating expenses increased \$9.3 million over the prior fiscal year to \$113.6 million primarily due to higher prices from inflation and general economic conditions. Purchased resources increased by \$6.1 million as a result of higher operating and capital costs of the Authority's wholesale providers of water and water reclamation services.
- The Authority continued to make infrastructure improvements, which were also impacted by rising costs. In fiscal year 2024, total capital assets increased by \$60.2 million, or 5.3% primarily due to \$107.5 million in additions as the Authority continued to improve, replace and expand its infrastructure in FY 2024, which was partially offset by depreciation and disposals. Significant projects included large capital investments in the H.L. Mooney Advanced Wastewater Reclamation Facility (HLM AWRP), improved water transmission capabilities across the Occoquan River, and wastewater collection system improvements.
- Net position increased in fiscal year 2024 by \$55.1 million to \$1.46 billion as the Authority continues to make investments in infrastructure.

Additional discussion of operating results is included in subsequent sections of Management's Discussion and Analysis.

The Authority's financial position and results from operations ensure the Authority will continue to have sufficient funds available to pay for operating costs and long-term debt, as well as to invest in infrastructure improvements needed to maintain and replace capital assets.

## Overview of the Financial Statements

The Authority operates as an enterprise fund. Enterprise funds are a type of proprietary fund and function similar to a private business in that user charges and fees are expected to cover costs. The Authority's basic financial statements are presented using the accrual basis of accounting, which provides for revenue recognition in the period in which water and water reclamation services are provided and expense recognition when goods and services are received. Additionally, the Authority's basic financial statements utilize the flow of economic resources measurement focus, in which all assets, deferred outflows of resources, liabilities and deferred inflows of resources are reflected on the Statements of Net Position. The Statements of Changes in Revenues, Expenses and Net Position include all transactions, such as revenues and expenses, that increase or decrease net position.

This ACFR is presented in three sections: introductory, financial and statistical. The introductory section includes a letter of transmittal submitted by the Authority's Director of Finance, a listing of the Authority's Board of Directors and organizational chart as of June 30, 2024, and a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting that has been awarded to the Authority for the fiscal year ended June 30, 2023.

The financial section consists of the Independent Auditor's Report, Management's Discussion and Analysis, and the Authority's basic financial statements which are discussed below, and are presented comparatively for the fiscal years ended June 30, 2024 and 2023.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Required Supplementary Information

The Statements of Net Position report the Authority'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 obligations to creditors (liabilities). These statements may be used to evaluate the capital structure, liquidity, and financial flexibility of the Authority. The Statements of Revenues, Expenses and Changes in Net Position reflect revenue and expense activity of the Authority for the fiscal years presented. These statements allow the user to measure the Authority's profitability and creditworthiness by the financial performance of the Authority's operations, and to determine whether the Authority has successfully recovered its operating costs through user fees and other charges. The Statements of Cash Flows present the Authority's inflows and outflows of cash during the financial reporting periods by reporting cash receipts, cash payments, and the net changes in cash. Cash flows are categorized by operating, non-capital financing, capital and related financing, and investing activities. The Notes to Financial Statements and the Required Supplementary Information provide necessary disclosures essential to a full understanding of the data provided in the aforementioned basic financial statements.

The statistical section includes selected financial, operational, and demographic information presented on a multi-year basis.

## Financial Analysis of the Authority

During fiscal year 2024, the Authority maintained its sound financial condition, as demonstrated by the Authority's continued AAA bond rating from S&P and Aaa rating from Moody's. These ratings reflect the Authority's continued growth in total net position and strong cash and investment portfolio, along with the strategic management of its debt borrowings. These are all outlined in the financial statements and schedules included in this report. While exercising prudent fiscal discipline, the Authority continues to ensure it is able to provide safe, reliable and environmentally compliant water and water reclamation services to its customers.

### Net Position

The Authority's net position increased by \$55.1 million during fiscal year 2024, which represented a 3.9% increase from the prior fiscal year net position. At June 30, 2024, total net position was \$1.46 billion as compared to \$1.40 billion the previous year.

The following table reflects the Authority's net position at June 30, 2024 and 2023:

#### Condensed Statements of Net Position

	2024	2023	Increase (Decrease)	% Change
Capital assets, net	\$ 1,193,488,230	\$ 1,133,266,359	\$ 60,221,871	5.3%
Cash & Investments	328,156,412	327,988,527	167,885	0.1
Other current and non-current assets	73,376,191	74,786,032	(1,409,841)	(1.9)
Total assets	1,595,020,833	1,536,040,918	58,979,915	3.8
Deferred outflows of resources	5,767,554	5,763,840	3,714	0.1
Total assets and deferred outflows of resources	\$ 1,600,788,387	\$ 1,541,804,758	\$ 58,983,629	3.8
Bonds and VRA loans payable	\$ 84,192,964	\$ 78,656,456	\$ 5,536,508	7.0
Lease liabilities	1,085,969	72,702	1,013,267	1,393.7
SBITA liabilities	43,935	73,030	(29,095)	(39.8)
Other liabilities	44,825,804	48,119,797	(3,293,993)	(6.8)
Total liabilities	130,148,672	126,921,985	3,226,687	2.5
Deferred inflows of resources	12,504,427	12,631,822	(127,395)	(1.0)
Total liabilities and deferred inflows of resources	142,653,099	139,553,807	3,099,292	2.2
Net position:				
Net investment in capital assets	1,094,885,632	1,040,793,401	54,092,231	5.2
Restricted	17,063,507	17,023,157	40,350	0.2
Unrestricted	345,359,778	344,434,393	925,385	0.3
Total net position	1,457,308,917	1,402,250,951	55,057,966	3.9
Total liabilities, deferred inflows of resources and net position	\$ 1,600,788,387	\$ 1,541,804,758	\$ 58,983,629	3.8%



At June 30, 2023, total net position was \$1.40 billion, which is an increase of \$5.9 million, or 0.4% from the prior year net position.

The following table reflects the Authority's net position at June 30, 2023 and 2022:

### Condensed Statements of Net Position

	2023	2022	Increase (Decrease)	% Change
Capital assets, net	\$ 1,133,266,359	\$ 1,095,176,910	\$ 38,089,449	3.5%
Cash & Investments	327,988,527	359,861,417	(31,872,890)	(8.9)
Other current and non-current assets	74,786,032	82,422,878	(7,636,846)	(9.3)
Total assets	1,536,040,918	1,537,461,205	(1,420,287)	(0.1)
Deferred outflows of resources	5,763,840	7,249,804	(1,485,964)	(20.5)
Total assets and deferred outflows of resources	\$ 1,541,804,758	\$ 1,544,711,009	\$ (2,906,251)	(0.2)
Bonds and VRA loans payable	\$ 78,656,456	\$ 88,040,075	\$ (9,383,619)	(10.7)
Lease liabilities	72,702	93,907	(21,205)	(22.6)
SBITA liabilities	73,030	-	73,030	100.0
Other liabilities	48,119,797	41,357,866	6,761,931	16.3
Total liabilities	126,921,985	129,491,848	(2,569,863)	(2.0)
Deferred inflows of resources	12,631,822	18,847,323	(6,215,501)	(33.0)
Total liabilities and deferred inflows of resources	139,553,807	148,339,171	(8,785,364)	(5.9)
Net position:				
Net investment in capital assets	1,040,793,401	1,000,621,917	40,171,484	4.0
Restricted	17,023,157	19,313,429	(2,290,272)	(11.9)
Unrestricted	344,434,393	376,436,492	(32,002,099)	(8.5)
Total net position	1,402,250,951	1,396,371,838	5,879,113	0.4
Total liabilities, deferred inflows of resources and net position	\$ 1,541,804,758	\$ 1,544,711,009	\$ (2,906,251)	(0.2)%

## Net Investment in Capital Assets

Investments in capital assets are essential to the Authority's infrastructure and the ability to provide quality services to its customers. Net investment in capital assets consists of property, plant, and equipment, leases, subscription-based information technology agreements, construction in progress and advance capacity payments, and is after the deduction of any related long-term debt outstanding.

### 2024-2023 Comparison

Net investment in capital assets was \$1.1 billion at June 30, 2024 and represented 75.1% of total net position. Net investment in capital assets increased by 5.2% or \$54.1 million over the prior year. The primary factors for this increase were \$107.5 million in capital asset additions, primarily consisting of \$78.9 million in construction in progress and \$20.0 million in lines and improvements. Additionally, loan draws on the Authority's VRA loan #5 totaling \$15.5 million were made during FY24. The additions were partially offset by a \$5.5 million reduction in bonds and VRA loans payable due to scheduled debt service payments. The Authority continued to progress on substantial critical infrastructure upgrade projects, which increased capital asset additions.

### 2023-2022 Comparison

Net investment in capital assets was \$1.0 billion at June 30, 2023 and represented 74.2% of total net position. Net investment in capital assets increased by 4.0% or \$40.2 million over the prior year. The principal factors for this increase were \$84.1 million in capital asset additions, primarily consisting of \$66.2 million in construction in progress and \$10.1 million in lines and improvements, partially offset by \$45.4 million in depreciation and amortization and a \$9.3 million reduction in bonds and VRA loans payable through scheduled debt service payments.

## Restricted Net Position

Restricted net position is comprised of restricted cash and investments and related interest receivable, and is generally subject to external restrictions on how it may be utilized. Restricted cash and investments consist principally of money market funds held by a trustee for debt service and capital project accounts, in addition to customer deposits and other project-related escrow funds.

### 2024-2023 Comparison

Restricted net position was \$17.1 million at June 30, 2024 and represented 1.2% of total net position. Restricted net position was largely unchanged from the prior fiscal year.

### 2023-2022 Comparison

Restricted net position was \$17.0 million at June 30, 2023 and represented 1.2% of total net position. The net decrease of \$2.3 million is primarily due to decreases in restricted cash and cash equivalents and investments.

## Unrestricted Net Position

Unrestricted net position is used to fund ongoing operating needs and the Authority's CIP. Unrestricted net position is comprised of the Authority's unrestricted cash and investments, receivables, equity interest in UOSA, and other non-capital assets, less other liabilities. Unrestricted cash and investments consist of government securities, bank deposits and other cash equivalents. These assets may be used to finance day-to-day operations without restrictions established by debt covenants or other requirements. When making investments, the Authority considers cash flow requirements as well as the quality and return of potential investments, with the primary goal of preservation of invested capital. The equity interest in UOSA represents the Authority's share of UOSA's net position and is not liquid.

### 2024-2023 Comparison

Unrestricted net position increased \$0.9 million during fiscal year 2024 to \$345.4 million, a 0.3% increase from the prior year. Unrestricted net position comprises 23.7% of total net position. The increase is primarily due to a \$1.7 million reduction in unrestricted cash and investments, a \$3.8 million reduction in the Authority's equity interest in UOSA and other normal fluctuations in unrestricted asset and liability accounts. At June 30, 2024, unrestricted cash and investments represented 90.5% of unrestricted net position.

### 2023-2022 Comparison

Unrestricted net position decreased \$32.0 million during fiscal year 2023 to \$344.4 million, an 8.5% decrease from the prior year. Unrestricted net position comprises 24.6% of total net position. The principal factor for this decrease was a \$28.8 million reduction in unrestricted cash and investments, which was partially offset by a \$5.9 million reduction in the Authority's equity interest in UOSA and other normal fluctuations in unrestricted asset and liability accounts. At June 30, 2023, unrestricted cash and investments represented 91.3% of unrestricted net position.

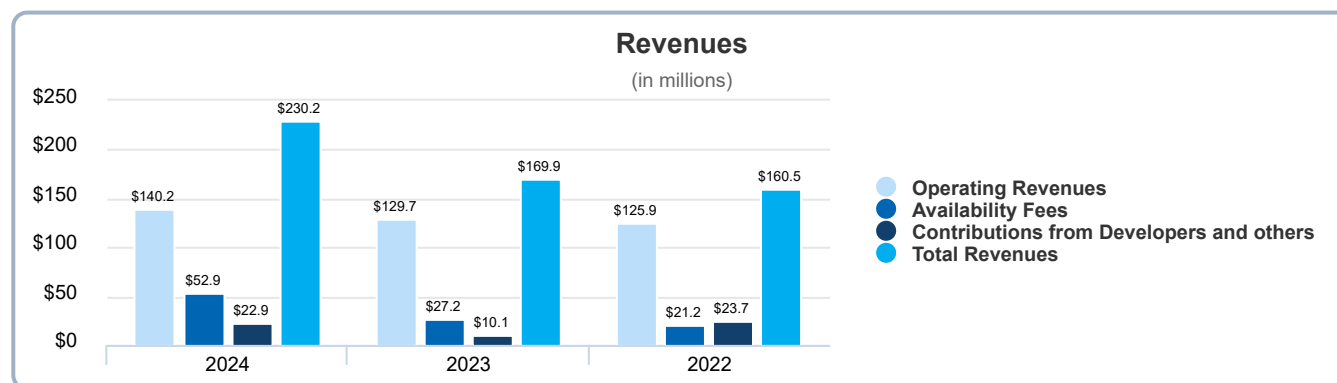
## Changes in Revenues, Expenses and Net Position

While the Statements of Net Position reflect the change in the Authority's financial position, the Statements of Revenues, Expenses and Changes in Net Position that follow provide insight as to the nature and source of those changes.

The following table summarizes changes in revenues and expenses between fiscal year 2024 and 2023:

### Condensed Statements of Revenues, Expenses and Changes in Net Position

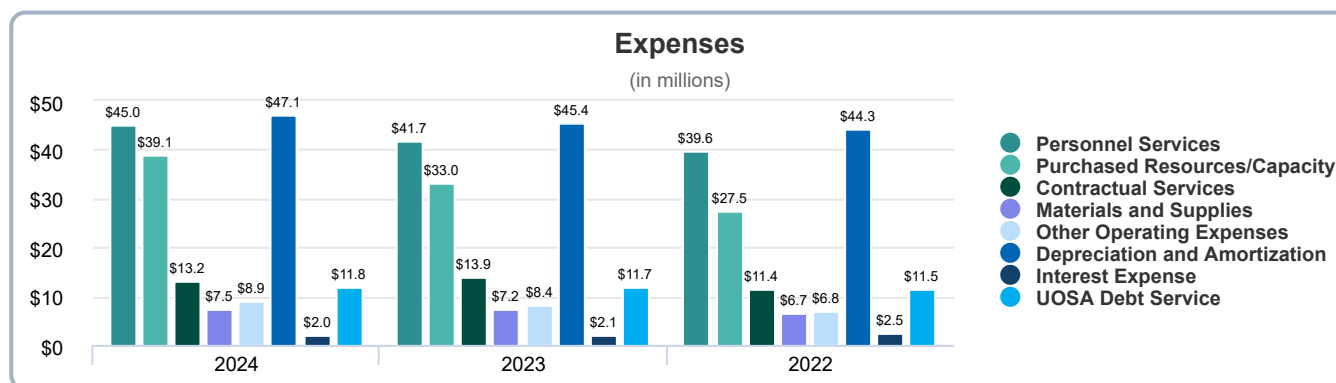
	2024	2023	Increase (Decrease)	% Change
Water and sewer user charges	\$ 137,771,219	\$ 127,582,472	\$ 10,188,747	8.0%
Development charges	1,399,633	1,257,710	141,923	11.3
Other	1,078,269	842,073	236,196	28.0
<b>Total operating revenues</b>	<b>140,249,121</b>	<b>129,682,255</b>	<b>10,566,866</b>	<b>8.1</b>
Availability fees	52,873,404	27,231,803	25,641,601	94.2
Investment income	16,672,255	7,219,921	9,452,334	130.9
Grant revenues	13,625	164,421	(150,796)	(91.7)
Equity interest in UOSA	(3,764,827)	(5,856,627)	2,091,800	35.7
Other	1,238,932	1,399,017	(160,085)	(11.4)
<b>Total non-operating revenues</b>	<b>67,033,389</b>	<b>30,158,535</b>	<b>36,874,854</b>	<b>122.3</b>
Contributions from developers and others	22,918,615	10,105,960	12,812,655	126.8
<b>Total revenues</b>	<b>230,201,125</b>	<b>169,946,750</b>	<b>60,254,375</b>	<b>35.5</b>
Personnel services	44,952,760	41,740,654	3,212,106	7.7
Purchased resources	39,092,198	32,959,417	6,132,781	18.6
Contractual services	13,152,419	13,942,372	(789,953)	(5.7)
Materials and supplies	7,489,493	7,241,953	247,540	3.4
Other	8,867,949	8,397,392	470,557	5.6
<b>Total operating expenses</b>	<b>113,554,819</b>	<b>104,281,788</b>	<b>9,273,031</b>	<b>8.9</b>
Depreciation and amortization	47,084,831	45,362,784	1,722,047	3.8
Interest expense	1,996,495	2,102,225	(105,730)	(5.0)
Payments for UOSA debt service	11,839,011	11,652,837	186,174	1.6
Purchased capacity	668,003	668,003	-	-
<b>Total expenses</b>	<b>175,143,159</b>	<b>164,067,637</b>	<b>11,075,522</b>	<b>6.8</b>
<b>Change in net position</b>	<b>55,057,966</b>	<b>5,879,113</b>	<b>49,178,853</b>	<b>836.5</b>
<b>Total net position, beginning of year</b>	<b>1,402,250,951</b>	<b>1,396,371,838</b>	<b>5,879,113</b>	<b>0.4</b>
<b>Total net position, end of year</b>	<b>\$ 1,457,308,917</b>	<b>\$ 1,402,250,951</b>	<b>\$ 55,057,966</b>	<b>3.9%</b>



The following table summarizes changes in revenues and expenses between fiscal year 2023 and 2022:

### Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	Increase (Decrease)	% Change
Water and sewer user charges	\$ 127,582,472	\$ 123,650,905	\$ 3,931,567	3.2%
Development charges	1,257,710	1,497,025	(239,315)	(16.0)
Other	842,073	775,640	66,433	8.6
<b>Total operating revenues</b>	<b>129,682,255</b>	<b>125,923,570</b>	<b>3,758,685</b>	<b>3.0</b>
Availability fees	27,231,803	21,225,247	6,006,556	28.3
Investment income	7,219,921	(5,189,453)	12,409,374	(239.1)
Grant revenue	164,421	1,483,020	(1,318,599)	(88.9)
Equity interest in UOSA	(5,856,627)	(7,919,751)	2,063,124	26.1
Other	1,399,017	1,339,017	60,000	4.5
<b>Total non-operating revenues</b>	<b>30,158,535</b>	<b>10,938,080</b>	<b>19,220,455</b>	<b>175.7</b>
Contributions from developers and others	10,105,960	23,683,518	(13,577,558)	(57.3)
<b>Total revenues</b>	<b>169,946,750</b>	<b>160,545,168</b>	<b>9,401,582</b>	<b>5.9</b>
Personnel services	41,740,654	39,568,806	2,171,848	5.5
Purchased resources	32,959,417	27,542,977	5,416,440	19.7
Contractual services	13,942,372	11,438,105	2,504,267	21.9
Materials and supplies	7,241,953	6,691,542	550,411	8.2
Other	8,397,392	6,805,891	1,591,501	23.4
<b>Total operating expenses</b>	<b>104,281,788</b>	<b>92,047,321</b>	<b>12,234,467</b>	<b>13.3</b>
Depreciation and amortization	45,362,784	44,260,700	1,102,084	2.5
Interest expense	2,102,225	2,511,491	(409,266)	(16.3)
Payments for UOSA debt service	11,652,837	11,467,146	185,691	1.6
Purchased capacity	668,003	668,004	(1)	-
<b>Total expenses</b>	<b>164,067,637</b>	<b>150,954,662</b>	<b>13,112,975</b>	<b>8.7</b>
<b>Change in net position</b>	<b>5,879,113</b>	<b>9,590,506</b>	<b>(3,711,393)</b>	<b>(38.7)</b>
<b>Total net position, beginning of year</b>	<b>1,396,371,838</b>	<b>1,386,781,332</b>	<b>9,590,506</b>	<b>0.7</b>
<b>Total net position, end of year</b>	<b>\$ 1,402,250,951</b>	<b>\$ 1,396,371,838</b>	<b>\$ 5,879,113</b>	<b>0.4%</b>



## Operating Revenues

Operating revenues consist of water and sewer user charges, development charges and other operating revenues, which primarily consist of refuse collection fees, lab testing fees, and grinder pump maintenance fees. Operating revenues are, in part, based on local environmental and economic factors. Demand for water is affected by climatological influences such as temperature, precipitation amounts, and precipitation frequency.

The Authority's Board of Directors adopts rates and fees to cover the cost of service provided. Water and sewer user charges consist of fixed and variable charges. Variable charges are based on the amount of water used. The amount of water used during the peak season of May through October for outdoor watering and commercial cooling is influenced by the weather. Development charges are impacted by development in the County during the year.

### 2024-2023 Comparison

Operating revenues increased \$10.6 million, or 8.1% over the prior fiscal year to \$140.2 million. The increase is primarily due to a \$10.2 million increase in water and sewer user charges, which is a result of adopted rate increases in April 2023 and January 2024, increased consumption due to account growth and warmer, drier summer weather as compared to the prior year. The Authority's customer base grew by 356 accounts to 98,128, or 0.4% higher than as of the end of fiscal year 2023. In addition, the Authority increased its trash collection and lab fees during fiscal year 2024, resulting in higher administrative fee revenue of \$376,000 as compared to the prior year.

### 2023-2022 Comparison

Operating revenues increased \$3.8 million, or 3.0% over the prior fiscal year to \$129.7 million. The increase is primarily due to a \$3.9 million increase in water and sewer user charges, which is a result of an adopted rate increase in April 2023 and increased consumption due to account growth and drier weather as compared to the prior year. The Authority's customer base grew by 958 accounts to 97,772, or 1.0% higher than as of the end of fiscal year 2022. In addition, the Authority resumed certain collection processes in early fiscal year 2022 after being paused during the pandemic, resulting in higher administrative fee revenue of \$330,000 as compared to the prior year.

## Non-Operating Revenues

Non-operating revenues consist of availability fees, investment income, grant revenues and other non-operating revenues, which consist of property rental income, proceeds from the sale of capital assets and other miscellaneous revenues. Availability fees cover the cost of a customer's pro-rata share of capacity and infrastructure. Availability fees are charged in ERUs at the time of certification, which authorizes a customer to establish service and physically connect to the Authority's system.

### 2024-2023 Comparison

Non-operating revenues increased by \$36.9 million or 122.3% in fiscal year 2024 mostly due to an increase of \$25.6 million in availability fees due to increased certifications, a 3.8% increase in availability fees in January 2024, a \$9.5 million increase in investment income due to rising interest rates, and a \$2.1 million increase in the equity interest in UOSA. Availability fees cover the cost of a customer's pro-rata share of capacity and infrastructure and are charged in ERUs at the time of certification, which authorizes a customer to establish service and physically connect to the Authority's system. Revenue from availability fees is directly related to economic development in the County and increased in fiscal year 2024 as the number of ERUs sold increased by 1,582 to 3,303. This increase is largely attributable to commercial development. The equity interest in UOSA is a function of UOSA's annual performance and is a formula-based calculation of the Authority's percentage of capacity rights in the joint venture, multiplied by the change in UOSA's net position for the latest audited fiscal year. See Note 5 to the financial statements, Equity in Upper Occoquan Service Authority, for additional detail.

### 2023-2022 Comparison

Non-operating revenues increased by \$19.2 million or 175.7% in fiscal year 2023 mostly due to an increase of \$6.0 million in availability fees due to increased certifications, a \$12.4 million increase in investment income due to rising interest rates, and a \$2.1 million increase in the equity interest in UOSA, offset by lower grant revenue of \$1.3 million. Availability fees cover the cost of a customer's pro-rata share of capacity and infrastructure and are charged in ERUs at the time of certification, which authorizes a customer to establish service and physically connect to the Authority's system. Revenue from availability fees is directly related to economic development in the County and increased in fiscal year 2023 as the number of ERUs sold increased by 329 to 1,721. The equity interest in UOSA is a function of UOSA's annual performance and is a formula-based calculation of the Authority's percentage of capacity

rights in the joint venture, multiplied by the change in UOSA's net position for the latest audited fiscal year. See Note 5 to the financial statements, Equity in Upper Occoquan Service Authority, for additional detail.

## Contributions from Developers and Others

Developer contributions may consist of cash, tangible property, including such items as water mains, sanitary sewer lines, pumping stations, fire hydrants, manholes and associated infrastructure received from developers and governmental entities. Fluctuations in the value of contributions from year to year are due to the number of development projects and the timing of when developers complete expansion projects and convey the related assets to the Authority.

### 2024-2023 Comparison

Revenue from developer contributions increased by \$12.8 million or 126.8% compared to fiscal year 2023. Assets contributed to the Authority are variable from year to year and are impacted by factors including development activities in the Authority's service area and the local and national economy. Assets deeded to the Authority in fiscal years 2024 and 2023 were approximately \$22.9 million and \$10.1 million, respectively.

### 2023-2022 Comparison

Revenue from developer contributions decreased by \$13.6 million or 57.3% compared to fiscal year 2022 due to the lingering effects of the slow down in development activity during the pandemic. Assets deeded to the Authority in fiscal years 2023 and 2022 were approximately \$10.1 million and \$23.7 million, respectively.

## Operating Expenses

Operating expenses consist of personnel services, purchased resources, contractual services, materials and supplies, utilities and other operating expenses, which consist of insurance, training, travel and rent expenses.

### 2024-2023 Comparison

Operating expenses increased by \$9.3 million, or 8.9% from fiscal year 2023. The Service Authority continues to experience increased costs due to inflation. The increase was primarily due to increases in purchased resources and personnel services expenses. Purchased resources increased \$6.1 million due to an increase in wholesale water costs associated with higher demand and higher treatment costs incurred by wholesale water providers that are charged to the Authority through increased wholesale rates. Personnel services increased \$3.2 million, or 7.7% from fiscal year 2023 primarily due to changes in staffing levels and annual merit increases.

### 2023-2022 Comparison

Operating expenses increased by \$12.2 million, or 13.3% from fiscal year 2022. The increase was primarily due to increases in purchased resources, contractual services and personnel services expenses. Purchased resources increased \$5.4 million due to an increase in wholesale water costs associated with higher demand and higher treatment costs incurred by wholesale water providers that are passed on to the Authority in increased wholesale rates. The Service Authority continues to experience increased costs due to inflation and supply chain challenges. Contractual services increased \$2.5 million due to increases in information technology software and maintenance agreements. Personnel services increased \$2.2 million, or 5.5% from fiscal year 2022 primarily due to changes in staffing levels and annual merit increases.

## Non-Operating Expenses

Non-operating expenses consist of interest expense, payments for UOSA debt service and purchased capacity costs. Interest expense reflects the interest paid or accrued on outstanding debt, plus or minus the amortization of bond premiums, discounts, and deferred amounts on refunding. Payments for UOSA debt service represent the Authority's share of the annual debt obligations of the joint venture, including both principal and interest. Purchased capacity is the Authority's purchase of rights to transmission main capacity from wholesale providers.

### 2024-2023 Comparison

Non-operating expenses increased by \$80,000 or 0.6% in fiscal year 2024 as compared to fiscal year 2023. An increase in payments for UOSA debt service, based on amortization schedules, was offset by lower interest expense resulting from decreased principal balances.



## 2023-2022 Comparison

Non-operating expenses decreased by approximately \$224,000 or 14.7% in fiscal year 2023 as compared to fiscal year 2022. An increase in payments for UOSA debt service, based on amortization schedules, was offset by higher interest expense resulting from decreased principal balances.

## Capital Assets and Debt Administration

The Authority maintains investments in a broad range of capital assets, which include land, buildings, water and sanitary sewer lines, water storage facilities (tanks), water reclamation plants, pumping stations, various machinery and equipment, computers, intangible right-to-use assets, advance capacity payments and vehicles.

At June 30, 2024, capital assets, net of accumulated depreciation and amortization, was \$1.19 billion, an increase of \$60.2 million or 5.3% over fiscal year 2023.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and amortization, and the changes, therein, for the years ended June 30, 2024 and 2023.

### Capital Assets, Net of Accumulated Depreciation and Amortization

	2024	2023	Increase (Decrease)	% Change
Lines and improvements	\$ 687,395,605	\$ 684,981,712	\$ 2,413,894	0.4%
Equipment	87,681,713	92,698,014	(5,016,301)	(5.4)
Buildings	82,937,170	85,007,295	(2,070,125)	(2.4)
Construction in progress	194,944,383	124,658,282	70,286,101	56.4
Land	9,765,989	9,765,989	-	-
Vehicles	1,907,887	2,119,253	(211,366)	(10.0)
Intangible right-to-use assets (leases)	1,075,266	70,378	1,004,888	1,427.8
Intangible right-to-use assets (SBITAs)	612,014	1,044,052	(432,038)	(41.4)
Advance capacity payments	127,168,203	132,921,384	(5,753,181)	(4.3)
Total capital assets	<u>\$ 1,193,488,230</u>	<u>\$ 1,133,266,359</u>	<u>\$ 60,221,872</u>	<u>5.3%</u>

At June 30, 2023, capital assets, net of accumulated depreciation and amortization, was \$1.13 billion, an increase of \$38.1 million or 3.5% over fiscal year 2022.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and amortization, and the changes, therein, for the years ended June 30, 2023 and 2022.

### Capital Assets, Net of Accumulated Depreciation and Amortization

	2023	2022	Increase (Decrease)	% Change
Lines and improvements	\$ 684,981,712	\$ 689,940,016	\$ (4,958,304)	(0.7)%
Equipment	92,698,014	92,585,054	112,960	0.1
Buildings	85,007,295	87,977,110	(2,969,815)	(3.4)
Construction in progress	124,658,282	74,110,233	50,548,049	68.2
Land	9,765,989	9,765,989	-	-
Vehicles	2,119,253	2,730,081	(610,828)	(22.4)
Intangible right-to-use assets (leases)	70,378	163,788	(93,410)	(57.0)
Intangible right-to-use assets (SBITAs)	1,044,052	-	1,044,052	100.0
Advance capacity payments	132,921,384	137,904,638	(4,983,254)	(3.6)
Total capital assets	<u>\$ 1,133,266,359</u>	<u>\$ 1,095,176,910</u>	<u>\$ 38,089,450</u>	<u>3.5%</u>

Additional information on the Authority's capital assets can be found in Note 1(g), Summary of Significant Accounting Policies, and Note 3, Property, Plant and Equipment, to the accompanying basic financial statements.



## Capital Assets, Net of Accumulated Depreciation and Amortization

Capital projects are planned and organized within the following functional project categories:

- **Water Supply** – Booster pumping stations and water source projects.
- **Water Storage** – Tank projects intended to maintain stable water system pressure, provide fire flow and reserve storage, and provide water during peak demands that exceed supply, transmission capacity or pumping capacity.  
The Authority also proactively manages and funds efforts to repair, rehabilitate and upgrade its water storage tanks. These efforts are designed to preserve and extend the asset life of each water tank, and also to upgrade other components as required, including lighting, fencing, mixing devices, control valves, back-up generators, walkway and safety and security features, and SCADA systems.
- **Water Transmission** – Water main projects (transmission and distribution mains).
- **Sewage Pumping Stations (SPS)** – Pump station projects (pump sewage from a low point in one gravity sewer shed to another gravity sewer shed for conveyance to a water reclamation facility). These projects often involve installation of a bypass connection on the force main, which enables the Authority to continue handling the wastewater flows while maintenance is performed on a pump station.
- **Sewage Collection System** – Sewer main projects (convey sewage from commercial and residential customers to sewage pumping stations or water reclamation facilities).

The Authority continues to proactively manage its wastewater collection system by funding a multi-year program to evaluate the condition of sewer mains and manholes, and by proactively performing rehabilitation and maintenance on those assets prior to their failure. In many instances, this approach extends asset life, reduces the frequency of failure events, and minimizes capital expenditures because cost-effective, trenchless rehabilitation methods can be used, as opposed to waiting for asset failure when costly, open-cut construction methods are required. These efforts also reduce infiltration and inflow of rain water from seeping into the wastewater collection system, thereby eliminating unnecessary costs for treatment and additional purchases of wastewater treatment capacity.

- **Water Reclamation Facilities** – Construction projects and facility modifications at the HLM AWRF.
- **Information Technology** – Projects that involve financial, accounting and other software upgrades, SCADA upgrades and modifications, geographic information system (GIS) improvements and hydraulic modeling studies.
- **Regional Utility** – Major expansion or upgrade projects to regional treatment facilities at which the Authority has purchased capacity rights.
- **Miscellaneous** – Projects not directly related to other categories.

The major capital projects completed during fiscal years 2024 and 2023 or, under planning, design and/or construction in each of the functional project categories are detailed as follows:

- **Water Supply**
  - Construction continued on the Route 1 transmission main in fiscal year 2024 and completion of phases 1 & 2 of the project is expected in fiscal year 2025.
  - Upgrades to the wells on Bull Run Mountain continued in fiscal year 2024. The modifications and improvements from this project will increase service reliability and will enhance system operations in the area.
  - Design/Build of the Montclair/Four Seasons Water System Improvements continued in fiscal year 2024. Construction of the design-build project began in 2023 and completion of the project is anticipated in fiscal year 2025.
  - Design and construction of the Unity Reed pumping station and discharge main continued in fiscal year 2024. Construction is anticipated to be completed in fiscal year 2027.
  - Design for an upgrade of the Hoadly booster pumping station began in fiscal year 2024. Construction activity is expected to begin in fiscal year 2025.
  - Construction of a segment of a new water transmission main along University Boulevard for the Dawkins Branch Water Main Extension continued in fiscal year 2024.
- **Water Storage**
  - Rehabilitation of the Airport water storage tank was completed in fiscal year 2024.

- **Sewage Pumping Stations**

- Construction of the Koon's, Belmont and Spinnaker Court SPSs began in fiscal year 2024. Project completion for all is expected in fiscal year 2027.
- Construction for Occoquan Forest and Nokesville SPS rehabilitations continued in fiscal year 2024 and completion of both projects is expected in fiscal year 2025.
- Construction of the Heritage Hunt SPS force main continued in fiscal year 2024 and is anticipated to be completed in fiscal year 2025.

- **Sewage Collection System**

- Construction for the Dumfries force main replacement continued in fiscal year 2024. Completion is anticipated in fiscal year 2025.
- Construction of the I-66 Rest Area force main replacement began in fiscal year 2024. Project completion is anticipated in fiscal year 2026.

- **Water Reclamation Facilities**

- Design-Build efforts for the HL Mooney Facility Wide Improvements project commenced in fiscal year 2022 and are anticipated to continue beyond fiscal year 2027. The scope of this project includes improvements to several areas of the plant, as well as headworks capacity improvements and refurbishment of facility freight elevators in the Control and Process and Solids Handling buildings.

- **Information Technology & Data Management**

- Upgrade of the JD Edwards Financial Management System (FMS) platform to improve security and functionality was completed in fiscal year 2024.
- Implementation and refinement of the Service Authority's Document Management System, which will create an organization-wide central document repository, continued in fiscal year 2024.
- Implementation of PMWeb Project Management Information System (PMIS) software continued in fiscal year 2024.
- Expansion of the deployment of the Cityworks asset management system integrations for the warehousing processes and work order management functionality for the H.L. Mooney AWRF began in fiscal year 2024. These efforts are anticipated to be completed in fiscal year 2027
- Installation of new Supervisory Control and Data Acquisition (SCADA) equipment and software continued in fiscal year 2024. This project replaces obsolete SCADA equipment with current technology and provides for improved system reliability, security, process automation, and real-time monitoring and reporting.
- Migration of the Service Authority's website content to an upgraded Web Content Management System continued in fiscal year 2024.

In addition to the capital projects mentioned, residential and commercial development activity continues throughout the County. Cooperative efforts with developers have led to the design and developer-funded construction of major interceptor sewers, sewage pumping stations, water transmission lines and associated infrastructure. In fiscal years 2024 and 2023, developers installed and conveyed to the Authority for ownership and operation approximately 28 miles and 15 miles, respectively, of additional water mains, sanitary sewers, and related infrastructure representing approximately \$22.9 million and \$10.1 million, respectively, in total value.

In fiscal year 2024, 444 development plans representing 748 residential units and 3.0 million square feet of commercial development were reviewed, and nearly 17 miles of water and sewer mains were inspected. In fiscal year 2023, 404 development plans representing 1,922 residential units and 9.3 million square feet of commercial development were reviewed, and over 36 miles of water and sewer mains were inspected.

## Long-Term Debt

At June 30, 2024, the Authority's outstanding long-term debt, net of deferred amounts, was \$84.2 million, compared to \$78.7 million at the end of fiscal year 2023.

### Outstanding Long-Term Debt

	2024	2023	Increase (Decrease)	% Change
VRA loans payable	\$ 44,544,115	\$ 35,229,809	\$ 9,314,306	26.4%
Revenue bonds	39,648,849	43,426,647	(3,777,797)	(8.7)
Total long-term debt	\$ 84,192,965	\$ 78,656,456	\$ 5,536,509	7.0%

At June 30, 2023, the Authority's outstanding long-term debt, net of deferred amounts, was \$78.7 million, compared to \$88.0 million at the end of fiscal year 2022.

### Outstanding Long-Term Debt

	2023	2022	Increase (Decrease)	% Change
VRA loans payable	\$ 35,229,809	\$ 40,915,137	\$ (5,685,328)	(13.9)%
Revenue bonds	43,426,647	47,124,938	(3,698,291)	(7.8)
Total long-term debt	\$ 78,656,456	\$ 88,040,075	\$ (9,383,619)	(10.7)%

## VRA Loans

The Authority has four outstanding financing agreements with VRA at June 30, 2024, with the proceeds of each being used to finance upgrades at the HLM AWRF in prior and future years.

### 2024-2023 Comparison

At June 30, 2024, approximately \$44.5 million of long-term debt was outstanding with the VRA. The net increase in VRA loans of approximately \$9.3 million was due to draws on VRA loan #5 during the fiscal year.

### 2023-2022 Comparison

At June 30, 2023, approximately \$35.2 million of long-term debt was outstanding with the VRA. The net decrease in VRA loans of approximately \$5.7 million was due to scheduled principal payments.

## Revenue Bonds

Revenue bonds are issued to fund capital projects or defease or refund older, higher interest debt in order to reduce the cost of borrowing.

### 2024-2023 Comparison

At June 30, 2024, the Authority had approximately \$39.6 million of outstanding revenue bonds, which were issued in 2013 and 2015. The 2015 bonds refunded the higher interest 2005 bonds effective July 1, 2015. The \$3.8 million decrease during fiscal year 2024 resulted from regularly scheduled debt service payments and the amortization of related premiums. In June 2024, the Authority made an advance payment from unrestricted funds toward fiscal year 2025 debt service in the amount of \$6.3 million.

### 2023-2022 Comparison

At June 30, 2023, the Authority had approximately \$43.4 million of outstanding revenue bonds, which were issued in 2013 and 2015. The 2015 bonds refunded the higher interest 2005 bonds effective July 1, 2015. The \$3.7 million decrease during fiscal year 2023 resulted from regularly scheduled debt service payments and the amortization of related premiums. In June 2023, the Authority made an advance payment from unrestricted funds toward fiscal year 2024 debt service in the amount of \$1.5 million.

## Compliance

The Authority was in compliance with all bond and loan covenants during fiscal years 2024 and 2023. Detailed information regarding the Authority's long-term debt outstanding is presented in Notes 4, 6, 7, 8 and 9 to the accompanying basic financial statements. Revenue bond coverage calculations are disclosed in Tables 8 and 9 in the Statistical Section of the accompanying basic financial statements.

## Economic Factors and Next Year's Budget and Rates

The Authority protects public health and the environment by reliably providing clean, safe and dependable water and wastewater reclamation services to our community. The operating and capital budgets are prepared in alignment with the Authority's mission and the Board of Director's vision. The fiscal year 2025 budget includes resources to:

- Protect public health and safety (including cyber security)
- Make significant investments in needed infrastructure
- Attract and retain staff, and continue to pursue performance excellence

Highlights of the Authority's fiscal year 2025 budget include:

- Total revenue is projected to increase by 11.1% to \$183.0 million. Revenue from User Charges & Fees is projected to be up based on consumption trends, 2.0% account growth, adopted rate increases, and proposed additional rate increases to meet higher capital and operating costs. Revenue from Developer Charges is projected to increase 17.7% based on higher growth of Equivalent Residential Units (ERUs), which are projected to be 1,500 ERUs in fiscal year 2025, and Board-adopted availability fee increases.
- Total expenses are projected to be \$127.0 million which represents a \$10.4 million or 8.9% increase from the prior budget. The budget reflects increases to most expense categories due to inflationary pressures and general economic conditions.
- Total debt service is projected at \$24.4 million. UOSA debt service is estimated at \$13.0 million and represents the Authority's share of UOSA's debt obligations. VRA debt service totals \$6.5 million and consists of loans to finance capital improvements to the H.L. Mooney AWRF, and debt service for Service Authority bonds is projected at \$4.9 million, which is debt issued to finance purchased water capacity from Fairfax Water and the construction of the Linton Hall sewage pumping station. The Authority plans to seek additional VCWRLF or private financing to complete the H.L. Mooney AWRF improvements and to finance a portion of the sewage pumping station capital improvement plan.
- The Authority's fiscal year 2025-2029 CIP budget details capital projects that are necessary for system expansion, rehabilitation and improved system reliability. For fiscal year 2025, capital spending is budgeted at \$161.0 million. Major CIP projects scheduled for fiscal year 2025 include improvements and replacements to elevated water storage tanks, sewer mains, pumping stations, water lines, H.L. Mooney Advanced Water Reclamation Facility, information technology and the SCADA system.

## Contacting the Authority's Financial Management

The ACFR is designed to provide the reader with a general overview of the Authority's financial position and demonstrate the Authority's accountability for revenues received and expenditures made. Questions concerning information provided in this report or requests for additional financial information should be directed to:

**Brian Sipes, CPA**

**Director of Finance**

Prince William County Service Authority

P.O. Box 2266

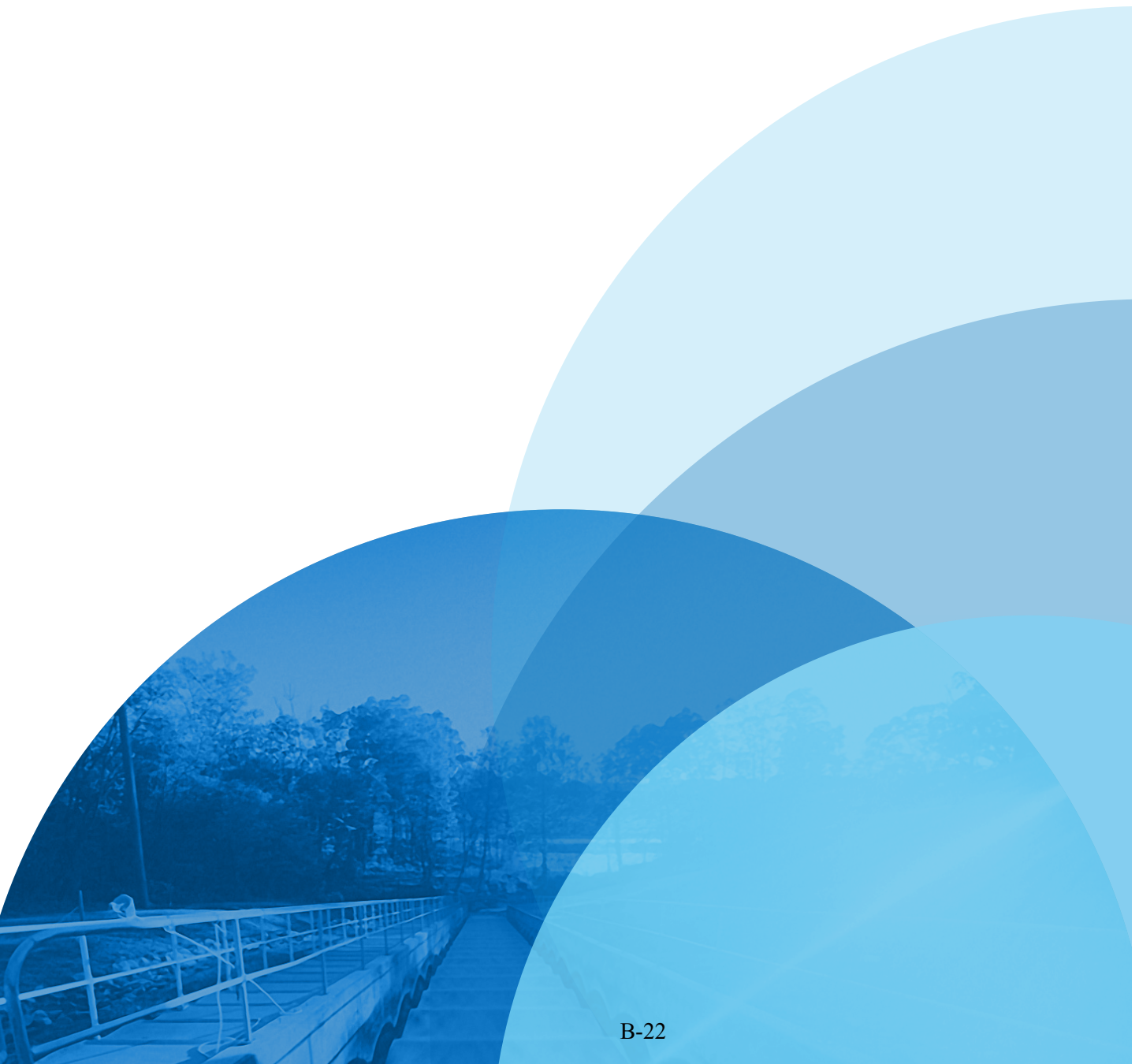
Woodbridge, VA 22195-2266

Telephone 703-335-8920

E-mail requests may be sent to: [finance@pwcsa.org](mailto:finance@pwcsa.org)



# Financial Statements



# PRINCE WILLIAM COUNTY SERVICE AUTHORITY

## Statements of Net Position

June 30, 2024 and 2023

Assets and Deferred Outflows of Resources	2024	2023
<b>Current assets:</b>		
Cash and cash equivalents (notes 1c and 2)		
Unrestricted	\$ 37,636,092	\$ 46,840,075
Restricted	15,462,098	13,642,686
Investments (notes 1d and 2)		
Unrestricted	137,300,847	199,485,527
Receivables		
User and development charges (net of allowance for uncollectibles of \$200,000)	9,218,781	8,748,401
Unbilled water and sewer service (note 1k)	7,978,945	6,767,917
Interest		
Unrestricted	2,302,986	1,140,092
Restricted	28,242	37,127
Lease Receivables (notes 1w and 4)	551,565	678,190
Other receivables	689,678	310,058
Materials and supplies inventory (note 1e)	11,557,261	9,794,398
Prepaid expenses (note 1f)	1,677,452	1,340,288
Total current assets	224,403,947	288,784,759
<b>Non-current assets:</b>		
Investments (notes 1d and 2)		
Unrestricted	137,757,375	68,020,240
Property, plant and equipment, net of accumulated depreciation and amortization (notes 1g and 3)	1,193,488,230	1,133,266,359
Lease receivables (notes 1w and 4)	6,800,239	7,800,074
Net pension asset (notes 9 and 10)	1,345,392	3,237,019
HIC other postemployment benefits asset (notes 9 and 10)	227,775	169,765
Equity in Upper Occoquan Service Authority (notes 1h and 5)	30,997,875	34,762,702
Total non-current assets	1,370,616,886	1,247,256,159
Total assets	1,595,020,833	1,536,040,918
<b>Deferred outflows of resources:</b>		
Deferred charges on refunding (note 6)	1,166,597	1,372,404
Deferred pension outflows (notes 1n and 10)	3,125,479	2,576,948
Deferred OPEB outflows (note 10)	995,194	1,337,963
Deferred GLI OPEB outflows (notes 1o and 10)	426,559	412,199
Deferred HIC OPEB outflows (notes 1p and 10)	53,725	64,326
Total deferred outflows of resources	5,767,554	5,763,840
Total assets and deferred outflows of resources	\$ 1,600,788,387	\$ 1,541,804,758

See accompanying notes to financial statements.



## Statements of Net Position (Continued)

June 30, 2024 and 2023

<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>2024</b>	<b>2023</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 18,547,807	\$ 20,428,267
Virginia Resources Authority (VRA) loans payable (notes 7 and 8)	5,811,852	5,711,366
Customer deposits	3,533,125	3,492,715
Leases (notes 1w and 4)	194,460	72,702
Subscription-Based Information Technology Agreements (note 14)	30,672	29,096
Bonds payable (notes 6 and 8)	3,705,000	3,575,000
Retainage payable	4,383,606	2,503,249
Accrued interest payable		
Bonds payable (note 6)	652,574	718,107
VRA loans payable (note 7)	214,376	197,370
Compensated absences (notes 1i and 9)	848,485	1,091,485
Other post employment benefits liability (notes 9 and 10)	826,371	880,614
Unearned revenue	23,663	22,884
Total current liabilities	38,771,991	38,722,855
<b>Long-term liabilities:</b>		
VRA loans payable (net of current portion of \$5,811,852 and \$5,711,366 at June 30, 2024 and 2023, respectively) (notes 7 and 8)	38,732,263	29,518,443
Bonds payable (net of current portion of \$3,705,000 and \$3,575,000 at June 30, 2024 and 2023, respectively) (notes 6 and 8)	35,943,849	39,851,647
Compensated absences (notes 1i and 9)	5,049,776	4,307,864
Leases (notes 1w, 9 and 10)	891,509	-
SBITAs (note 14)	13,263	43,934
Other postemployment benefits liability (notes 9 and 10)	10,027,436	12,962,609
GLI other postemployment benefits liability (notes 9 and 10)	1,544,956	1,514,633
Total long-term liabilities	92,203,052	88,199,130
Total liabilities	130,975,043	126,921,985
<b>Deferred inflows of resources:</b>		
Deferred lease rental income (notes 1w and 4)	6,724,730	7,954,486
Deferred pension plan inflows (notes 1n and 10)	1,336,501	2,470,623
Deferred OPEB inflows (note 10)	3,901,000	1,495,217
Deferred GLI OPEB inflows (notes 1o and 10)	268,424	375,747
Deferred HIC OPEB inflows (notes 1p and 10)	273,772	335,749
Total deferred inflows of resources	12,504,427	12,631,822
Total liabilities and deferred inflows of resources	143,479,470	139,553,807



**Net position:**

Net investment in capital assets	\$ 1,094,885,632	\$ 1,040,793,401
Restricted for:		
Debt service	12,842,286	11,146,676
Other purposes		
Customer deposits	2,617,706	2,507,236
Pension	1,345,392	3,237,019
HIC other post employment benefits	227,775	169,765
Other nonmajor purposes	30,348	25,901
Unrestricted	345,359,778	344,434,393
Total net position	1,457,308,917	1,402,250,951
Total liabilities, deferred inflows of resources and net position	\$ 1,600,788,387	\$ 1,541,804,758

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Operating revenues:</b>		
Water and sewer user charges	\$ 137,771,219	\$ 127,582,472
Development charges	1,399,633	1,257,710
Other	1,078,269	842,073
Total operating revenues	140,249,121	129,682,255
<b>Operating expenses:</b>		
Personnel services	44,952,760	41,740,654
Purchased resources (notes 1m and 5)	39,092,198	32,959,417
Contractual services	13,152,419	13,942,372
Materials and supplies	7,489,493	7,241,953
Utilities	6,386,191	5,876,176
Other	2,481,758	2,521,216
Total operating expenses	113,554,819	104,281,788
Operating income before depreciation and amortization	26,694,302	25,400,467
Depreciation and amortization (notes 1g and 3)	47,084,831	45,362,784
Operating loss	(20,390,529)	(19,962,317)
<b>Non-operating income (expense):</b>		
Availability fees (note 1l)	52,873,404	27,231,803
Investment income	16,672,255	7,219,921
Grant revenues	13,625	164,421
Payments for UOSA debt service (note 5)	(11,839,011)	(11,652,837)
Equity interest in UOSA (note 5)	(3,764,827)	(5,856,627)
Interest expense	(1,996,495)	(2,102,225)
Purchased capacity (note 12)	(668,003)	(668,003)
Other	1,238,932	1,399,017
Total non-operating income, net	52,529,880	15,735,470
Gain (Loss) before contributions from developers and others	32,139,351	(4,226,847)
Contributions from developers and others (note 13)	22,918,615	10,105,960
Change in net position	55,057,966	5,879,113
Net position, beginning of year	1,402,250,951	1,396,371,838
Net position, end of year	\$ 1,457,308,917	\$ 1,402,250,951

See accompanying notes to financial statements.



## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 137,370,811	\$ 128,507,478
Cash payments to suppliers for goods and services	(75,892,593)	(62,197,581)
Cash payments to employees for services	(44,269,632)	(43,486,811)
Miscellaneous income from other sources	784,711	475,559
Cash received from operating leases	234,973	901,027
Cash from other operating revenues	698,649	857,834
Net cash provided by operating activities	18,926,919	25,057,506
<b>Cash flows from non-capital financing activities:</b>		
Interest paid for UOSA debt service	(4,040,215)	(3,810,386)
Principal paid for UOSA debt service	(7,798,796)	(7,842,451)
Grants received	13,625	164,421
Net cash used in non-capital financing activities	(11,825,386)	(11,488,416)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(78,584,522)	(67,762,937)
Receipts from sale of property and equipment	286,714	49,085
Principal paid on lease & SBITA liabilities	(168,079)	(101,297)
Interest on lease & SBITA liabilities	(17,518)	(2,782)
Interest paid on bonds payable	(1,370,680)	(1,455,728)
Principal paid on bonds payable	(3,575,000)	(3,440,000)
Interest paid on VRA loans	(653,815)	(683,474)
Principal paid on VRA loans	(5,711,367)	(5,612,626)
VRA Loan Draw	15,025,672	-
Receipt of developer charges	52,984,704	27,271,803
Payments for future capacity	(668,003)	(668,003)
Net cash used in capital and related financing activities	(22,451,894)	(52,405,959)
<b>Cash flows from investing activities:</b>		
Purchase of investment securities	(196,259,335)	(99,441,357)
Interest received on cash and cash equivalents	2,917,450	982,233
Proceeds from sales and maturities of investments	194,565,000	132,585,000
Interest received from investment securities	6,742,675	4,861,662
Net cash provided by investing activities	7,965,790	38,987,538
Net change in cash and cash equivalents	(7,384,571)	150,669
Cash and cash equivalents at beginning of year	60,482,761	60,332,092
Cash and cash equivalents at end of year	\$ 53,098,190	\$ 60,482,761

See accompanying notes to financial statements.

## Statements of Cash Flows (Continued)

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (20,390,529)	\$ (19,962,317)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	47,084,831	45,362,784
Other non-cash operating expenses	639,574	1,519,603
Pension expense	639,750	570,605
Other postemployment benefits expense	659,918	1,071,680
Miscellaneous income from other sources	784,711	475,559
Change in assets and liabilities:		
(Increase) in water and sewer receivable	(629,421)	(58,676)
(Increase) in unbilled water and sewer receivable	(1,211,028)	(429,262)
(Increase) decrease in other receivables	(379,620)	15,761
(Increase) in materials and supplies inventory	(1,762,863)	(1,338,044)
(Increase) in prepaid expenses	(337,164)	(106,833)
Increase (decrease) in accounts payable and accrued expenses	(5,014,185)	85,249
(Increase) in pension contributions	(430,776)	(1,293,444)
(Increase) in other post employment benefits contributions	(1,265,602)	(1,265,602)
Increase in compensated absences	498,913	255,209
Increase in customer deposits	40,410	155,234
Total adjustments	39,317,448	45,019,823
Net cash provided by operating activities	\$ 18,926,919	\$ 25,057,506
<b>Supplemental schedule of non-cash investing, capital and financing activities:</b>		
Capital contributions		
Estimated acquisition cost of plant and equipment received	\$ 22,918,615	\$ 10,105,960
Change in fair value of investments		
Decrease in fair value of investments	\$ 5,666,545	\$ 3,279,794
Equity interest in earnings of UOSA	\$ (3,764,827)	\$ (5,856,627)
Capital asset additions purchased on account	\$ 12,226,559	\$ 13,502,751

# NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

## 1 Summary of Significant Accounting Policies

The Prince William County Service Authority (the Authority) was created by a resolution of the Board of County Supervisors (BOCS) of Prince William County, Virginia (the County) on January 11, 1983. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for providing a comprehensive county-wide water and sewer system, completely within the geographical boundaries of the County. The management of the Authority is vested in a Board of eight members appointed by the County's BOCS. The Authority also maintains an interest in the Upper Occoquan Service Authority (UOSA), a regional joint venture, which is included in the Authority's financial statements under the equity method of accounting, as further discussed in Note 5.

Effective July 1, 2024, the Authority will be doing business as Prince William Water. Our updated name and logo will help to clarify our mission as a water utility.

The following is a summary of the Authority's significant accounting policies:

### (a) Basis of Presentation and Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The Authority's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, management control and accountability.

The Authority has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements when they become effective, as the GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water consumption and wastewater treatment. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities, or result from non-exchange transactions and ancillary services.

When an expense is incurred for purposes in which both restricted and unrestricted net position are available, it is the Authority's policy to first apply restricted resources.

### (b) Reporting Entity

To determine the appropriate reporting entity for the Authority, its relationship with the County was considered. Although the members of the Authority's Board of Directors are appointed by the BOCS, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefits to, or impose specific financial burdens on, the County, and the Authority is not fiscally dependent on the County. Accordingly, based on these criteria, the Authority is not included as a component unit in the County's financial statements.

### (c) Cash and Cash Equivalents

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

### (d) Investments

All investments are stated at fair value. Four estimates of fair value are obtained from independent financial sources, with the median value chosen as the stated fair value. Interest income from investments is recorded in the year earned.

**(e) Materials and Supplies Inventory**

Materials and supplies inventory, consisting of items held for consumption, are stated at weighted average cost using the moving average method. In addition, the Authority performs a manual count at the end of the fiscal year of fuel, chemicals and certain field supplies that are not yet used in operations, and values them at cost.

**(f) Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods. These costs are recorded as prepaid expenses in the accompanying Statements of Net Position and are expensed in the period they are used.

**(g) Property, Plant and Equipment**

The Authority capitalizes all property, plant and equipment with a cost greater than \$5,000 if the asset will have an estimated useful life of five years or more.

Purchased property, plant and equipment are stated at historical cost. Contributed assets received from developers and others are recorded at acquisition cost on the date of donation. The acquisition cost is based on the Authority's estimated cost to construct or purchase similar assets. See Note 13, Contributions from Developers and Others, for additional details on contributed assets.

Property, plant and equipment includes construction in progress, which represents costs associated with the construction of assets that will be used in the Authority's operations when completed. Expenditures for repairs and upgrades which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If determined to be permanently impaired, capital assets are reported at the lower of carrying or fair value. The Authority did not maintain any impaired capital assets at year end.

Depreciation and amortization for purchased, contributed and leased assets is recorded as depreciation and amortization expense on a straight-line basis over the following estimated useful lives:

Lines and improvements	50 years
Buildings	35 - 40 years
Equipment	5 - 15 years
Meters	15 years
Vehicles	5 - 10 years
Intangible right-to-use asset (lease)	1+ years, depending on lease terms
Intangible right-to-use asset (SBITA)	1+ years, depending on SBITA contract terms

Advance Capacity Payments are capitalized as intangible assets in accordance with the provisions of GASB Statement No. 51. These payments are made to wholesale water suppliers as part of multi-year capacity agreements, and are amortized over the useful life of such agreements. From their inception, these agreements are amortized over estimated useful lives from 40-50 years.

**(h) Equity in Upper Occoquan Service Authority (UOSA)**

As further explained in Note 5, Equity in UOSA, the Authority participates in a joint venture with three other local jurisdictions. The Authority accounts for its investment in the joint venture using the equity method of accounting.

**(i) Compensated Absences**

Accrued leave balances that are eligible for pay out upon employee separation are presented as a liability in the accompanying Statements of Net Position. The Authority has a traditional leave plan in which employees hired before January 1, 2012 accrue annual leave in varying amounts based on years of service, and sick leave at a rate of four hours bi-weekly. The Authority also has a Paid Time Off (PTO) plan, in which employees hired as of January 1, 2012 and employees who made an irrevocable election to convert to the PTO plan accrue hours in varying amounts based on years of service. At the time of separation from service, employees are compensated for accumulated annual leave up to 300 hours and up to 50% of accumulated sick leave hours based on years of service, or PTO leave up to 450 hours.

**(j) Bond Premiums, Deferred Losses on Refundings and Issuance Costs**

Bond premiums and deferred losses on refundings are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Deferred losses on refundings, net of amortization, are presented as deferred outflows of resources on the accompanying Statements of Net Position. Deferred outflows of resources is a separate financial statement element which represents the consumption of net position that applies to a future period, and will not be recognized as an outflow of resources (expenditure) until then. Bond premiums, net of amortization, are presented as an increase to the face amount of bonds payable on the accompanying Statements of Net Position. Any balances for these items are presented in the schedules in Note 6, Bonds Payable and Note 8, Debt. Issuance costs are expensed in the year incurred.

**(k) Revenue Recognition**

Customers are charged for water consumption and wastewater treatment based on metered water usage. An estimated amount has been recorded for services rendered but not yet billed as of the close of the respective years presented. This unbilled receivable is calculated by prorating the billings sent to customers in July and August of the subsequent fiscal year.

**(l) Availability Fees**

All developers and customers making new connections to the Authority's water and/or wastewater treatment system are required to pay an availability fee prior to the installation of an Authority meter. Availability fees cover the cost of the customer's pro-rata share of water and/or wastewater treatment capacity as well as water transmission mains, sewer interceptors, storage tanks, reservoirs, pumping stations, infiltration and inflow, and engineering administration. Availability fees are not used to pay for operations, maintenance, repairs or capital improvements to benefit existing customers. The Authority classifies this revenue as non-operating income.

**(m) Purchased Resources**

Purchased resources consist of expenses relating to the purchase of clean water and the treatment of wastewater from wholesale providers under the terms and conditions of relevant agreements.

**(n) Pensions**

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

**(o) Group Life Insurance**

The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Authority provides post-retirement health, dental, and vision benefits to retirees who have ten or more years of service with the Authority. These benefits are provided for in a single-employer defined benefit healthcare plan administered by the Authority.

**(p) Health Insurance Credit**

The VRS Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired employees. The VRS Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political



Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **(q) Other Postemployment Benefits (OPEB)**

The Authority administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of July 1, 2023, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

#### **(r) Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority currently reports deferred amounts on bond refundings, deferred outflows related to pensions (see note 10) and deferred outflows related to OPEB (see note 10) as deferred outflows of resources.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority currently reports deferred inflows related to pensions and deferred inflows related to OPEB as deferred inflows of resources (see note 10), and deferred inflows related to leases as deferred inflows of resources (see note 4).

#### **(s) Estimates**

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

#### **(t) New Accounting Pronouncements Adopted**

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 improves financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition, which results in greater consistency and enhances the relevance and reliability of the financial statements. GASB 96 was effective for the Authority with its fiscal year ended June 30, 2024.

In May 2022, the Government Accounting Standards Board (GASB) issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of GASB Statements 53, 87, 94, 96 and 34, and (2) accounting and financial reporting for financial guarantees. GASB 99 was effective for the Authority with its fiscal year ended June 30, 2024.

In June 2022, the Government Accounting Standards Board (GASB) issued *Accounting Changes and Error Corrections* (GASB 100). GASB 100 enhances accounting and financial reporting for accounting changes and error corrections and provides more understandable, reliable, relevant, consistent, and comparable information for making decisions and assessing accountability. GASB 100 was effective for the Authority with its fiscal year ended June 30, 2024.

#### **(u) New Accounting Pronouncements**

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

In June 2022, the Government Accounting Standards Board (GASB) issued *Compensated Absences* (GASB 101). GASB 101 improves the information provided to financial statement users by updating the recognition and

measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB 101 will be effective for the Authority with its fiscal year ended June 30, 2025.

GASB Statement 102, *Certain Risk Disclosures* (Statement 102), will address the financial reporting regarding certain concentrations or constraints and related events that may have a substantial impact and negatively affect the level of service a government provides. Statement 102 will be effective for the Authority with its fiscal year ending June 30, 2025.

GASB Statement 103, *Financial Reporting Model Improvements* (Statement 103) improves the financial reporting model to assist with decision making and assessing a government's accountability. Statement 103 will be effective for the Authority with its fiscal year ending June 30, 2026.

GASB Statement 104, *Disclosure of Certain Capital Assets* (Statement 104) requires state and local governments to provide more detailed information about capital assets in their financial statements to improve transparency and make capital asset disclosures more useful. Statement 104 will be effective for the Authority with its fiscal year ending June 30, 2026.

### (v) Subsequent Events

The Authority has evaluated subsequent events through December 9, 2024, the date on which the financial statements were available to be issued.

### (w) Leases

**Lessee:** The Authority is a lessee for noncancellable leases of office space and warehouse space and realizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Payments due under the Authority's lease contracts for office space and warehouse space include variable payments, which include payments for the Authority's proportionate share of the leased space's property taxes, insurance, and common area maintenance.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the Authority under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of the Authority's leases. These are used to maximize operational flexibility in terms of managing the assets used in the Authority's operations.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the intangible right-to-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate as of the commencement of the lease term.

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

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

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

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

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

### (x) Subscription-Based Information Technology Agreements (SBITAs)

The Authority is a party to noncancellable contracts with SBITA vendors that convey control of the right to use a SBITA vendor's IT software (i.e, a subscription), 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. The Authority realizes a SBITA liability and an intangible right-to-use SBITA asset in its financial statements. At the commencement of a SBITA, the Authority initially measures the SBITA liability at the present value of SBITA subscription payments expected to be made during the contract term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA subscription liability, plus payments made to the vendor prior to the commencement of a subscription and any capitalizable costs incurred to implement a SBITA. Subsequently, the SBITA asset is amortized on a straight-line basis over the life of the contract.

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

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

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long- term debt on the Statement of Net Position.

Detailed balances and information for SBITAs are presented in Note 14.

## 2 Cash and Investments

### Cash and Cash Equivalents

At June 30, 2024 and 2023, all cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. seq. of the *Code of Virginia*, or is covered by federal depository insurance.

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Since the State Treasurer has the ability to make additional assessments of other solvent public depositories on behalf of the collateral pool, any deposit qualifying under the Act is considered entirely insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

The Authority also invests in an externally managed investment pool, the Virginia Local Government Investment Pool (LGIP) and the LGIP Extended Maturity (LGIP EM), which are not registered with the Securities and Exchange Commission (SEC). Pursuant to Sec. 2.2-4600 through 2.2-4606 of the *Code of Virginia*, the Virginia General Assembly created the LGIP and authorized the Treasury Board to administer the LGIP and LGIP EM. As permitted by law, the Treasury Board has delegated certain administrative functions to the State Treasurer. The Treasury Board reviews the LGIP investment portfolio on a monthly basis, and investments in the LGIP are stated at amortized cost per GASB Statement No. 79 requirements, while the LGIP EM are stated at fair value per GASB Statement No. 72 requirements.

The LGIP is managed similar to a money market fund and in compliance with the definition of “2a-7 like pools” in accordance with GASB Statement No. 31 and is managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB Statement No. 79.

Unrestricted cash and cash equivalents consist of bank deposits, petty cash funds, LGIP investments and other money market fund investments. Restricted cash and cash equivalents consist of customer deposits, employee withholdings for benefit programs, escrows and retainage held on contracts, and money market funds held by a Trustee for debt service.

At June 30, 2024 and 2023, the Authority had the following cash and cash equivalents:

	2024	2023
<b>Unrestricted Cash and Cash Equivalents</b>		
Cash	\$ 6,081,767	\$ (1,750,237)
Investments classified as cash equivalents	31,554,325	48,590,312
Total unrestricted cash and cash equivalents	37,636,092	46,840,075
<b>Restricted Cash and Cash Equivalents</b>		
Money market funds held by trustee	12,814,044	11,109,550
Customer deposits	2,617,706	2,507,236
Other funds	30,348	25,900
Total restricted cash and cash equivalents	15,462,098	13,642,686
Total cash and cash equivalents	\$ 53,098,190	\$ 60,482,761

The negative unrestricted cash balance reflected in the table above results from timing differences related to transfers between cash and a debt service prepayment made at June 30, 2023.

## Investments

The *Code of Virginia* Sec. 2.2-4501 et seq. authorizes the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia and political subdivisions thereof; obligations of other states and their political subdivisions; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, and the African Development Bank; “prime quality” commercial paper; negotiable certificates of deposits, bank notes, and corporate bonds rated AA or better by Standard & Poor’s Rating Services (S&P), and Aa or better by Moody’s Investors Services, Inc., and a maturity of no more than five years; bankers’ acceptances; overnight term and open repurchase agreements; money market mutual funds; and the LGIP. The Authority’s investment policy follows state law except where the Authority further limits allowable investments by excluding certain treasury strips and the International, Asian, and African Development Banks. Additionally, the investment policy establishes upper limits on the percentage of the total portfolio that may be invested in certain securities.

The Authority’s investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described herein.

**Interest rate risk:** Interest rate risk is the risk the fair value of the securities in the portfolio will decline due to rising interest rates. As a means of limiting this exposure, the Authority’s investment guidelines restrict average duration to 24 months and the maturity of any single investment to five years. Interest rate risk is also contained by avoiding mortgage-backed and callable securities. The risk of loss of fair value from rising interest rates is greater for those types of securities because the expected maturity of such securities increase as rates rise, compounding the impact on fair value. By comparison, the average maturity terms of US Treasury notes, non-callable US Agency securities and the LGIP are generally not affected by periods of rising interest rates.

The Authority’s investments with the LGIP and LGIP EM are included in the accompanying Statements of Net Position as cash and cash equivalents. At June 30, 2024, the average maturity of the underlying LGIP and LGIP EM investments was 51 days, or 0.14 years and 346 days, or .96 years, respectively.

At June 30, 2024 and 2023, the Authority had the following investments and maturities:

Investment Type	2024		2023	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
<b>Unrestricted investments</b>				
US Agencies (FHLB,FFCB,FNMA,FHLMC)	\$ 199,748,573	1.10	\$ 173,698,731	0.69
US Treasuries	75,015,025	0.64	77,773,270	0.79
Virginia State and Local	294,624	0.04	16,033,766	0.30
Total unrestricted investments	<u>275,058,222</u>		<u>267,505,767</u>	
Total investments	<u>\$ 275,058,222</u>	0.97	<u>\$ 267,505,767</u>	0.70

**Credit risk:** Credit risk is the risk of loss due to the failure of the security issuer or backer to repay its obligations, and may also apply where there is loss of fair value of the investment due to a deterioration of an issuer’s credit rating. The Authority’s Investment Policy and Guidelines seek to diversify the Authority’s portfolio by limiting the types of investments that can be purchased as well as the percentage of the portfolio that may be invested in any one type of instrument.

At June 30, 2024 and 2023, the Authority's investments were rated as follows:

Investment Type	S&P Rating	Moody's Rating	Credit Exposure as a % of Total Investments	
			2024	2023
US Agencies	AA+	Aaa	62.5%	53.0%
US Treasuries*	AA+	Aaa	23.5	23.8
LGIP ***	AAAm	N/A	9.6	14.6
Virginia State and Local**	AA+	Aaa	0.1	4.9
Mutual Funds***	AA+	Aaa	4.0	3.4
LGIP-EM***	AAAm	N/A	0.3	0.3
Total Investments			100.0%	100.0%

\* Backed by the full faith and credit of the US government.

\*\* Ratings vary by security.

\*\*\* Reflected on the accompanying financial statements as cash equivalents.

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of investments held from a single issuer. The Authority's guidelines place limits on the amounts the Authority may invest in certain issuers, however, the Authority seeks to maintain at least 15% of the portfolio in US Treasuries and the balance of its investments in other authorized notes, bonds, securities and deposit accounts.

The Authority's investment portfolio as of June 30, 2024 and 2023 is concentrated in securities issued by the Federal Home Loan Bank (FHLB), the US Treasury, the Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Virginia State and Local entities. The obligations of each of these issuers comprise more than 5% of the Authority's total investments.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs such as observation of prices/yields for both identical and similar investments held in a portfolio, and the observation of yield curves and interest rates; Level 3 inputs are significant unobservable inputs such as forecasts based on assumptions and non-public data sources, and independent appraisals. All of the Authority's investments are valued using Level 1 or Level 2 inputs.

The table below details the fair value and percent of total investments for each issuer representing 5% or more of the Authority's total investments as of June 30, 2024 or 2023:

Issuers Over 5% of Total Investments (Restricted & Unrestricted)	Fair Value of Investments		% of Total Investments	
	2024	2023	2024	2023
FHLB (Level 2)	\$ 99,963,400	\$ 84,204,064	36.3%	31.5%
US Treasuries (Level 1)	75,015,025	77,773,270	27.3	29.1
FFCB (Level 2)	61,670,095	89,494,667	22.4	33.4
FNMA (Level 2)	23,910,553	-	8.7	0.0
FHLMC (Level 2)	14,204,525	-	5.2	0.0
Virginia State and Local (Level 2)	294,624	16,033,766	0.1	6.0
Total Investments	\$ 275,058,222	\$ 267,505,767	100.0%	100.0%

**Custodial credit risk:** Custodial credit risk is the risk that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside custodial party. All of the securities purchased by the Authority are held in safekeeping by a third party custodial bank or institution and are insured in the Authority's name, and therefore, the Authority is not exposed to custodial credit risk.



### 3 Property, Plant and Equipment

Changes in property, plant and equipment are as follows for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Reductions	Transfers/Other Adjustments	Balance June 30, 2024
Capital assets not being depreciated/ amortized:					
Construction in progress	\$ 124,658,282	\$ 78,888,508	\$ (423,693)	\$ (8,178,714)	\$ 194,944,383
Land	9,765,989	-	-	-	9,765,989
Total capital assets not being depreciated/amortized	134,424,271	78,888,508	(423,693)	(8,178,714)	204,710,372
Other capital assets:					
Lines and improvements	1,025,216,123	20,020,286	-	2,723,623	1,047,960,032
Equipment	304,564,693	5,090,440	(398,447)	5,136,277	314,392,963
Buildings	159,866,338	1,084,325	-	318,814	161,269,477
Vehicles	10,408,346	761,178	(403,798)	-	10,765,726
Advance capacity payments	210,871,154	777,211	-	-	211,648,365
Intangible right-to-use asset, building	257,198	895,053	-	-	1,152,251
Intangible right-to-use asset, SBITA	1,152,020	-	-	-	1,152,020
Total other capital assets	1,712,335,872	28,628,493	(802,245)	8,178,714	1,748,340,834
Total capital assets before accumulated depreciation and amortization	1,846,760,143	107,517,001	(1,225,938)	-	1,953,051,206
Depreciation/amortization for:					
Lines and improvements	(340,234,411)	(20,330,015)	-	-	(360,564,426)
Equipment	(211,866,679)	(15,199,803)	355,232	-	(226,711,250)
Buildings	(74,859,043)	(3,473,264)	-	-	(78,332,307)
Vehicles	(8,289,093)	(971,957)	403,211	-	(8,857,839)
Advance capacity payments	(77,949,770)	(6,530,392)	-	-	(84,480,162)
Intangible right-to-use asset, building	(186,820)	(147,363)	257,198	-	(76,985)
Intangible right-to-use asset, SBITA	(107,968)	(432,038)	-	-	(540,006)
Total accumulated depreciation and amortization	(713,493,784)	(47,084,831)	1,015,641	-	(759,562,975)
Total property, plant and equipment, net of accumulated depreciation and amortization	\$ 1,133,266,359	\$ 60,432,169	\$ (210,297)	\$ -	\$ 1,193,488,230



Changes in property, plant and equipment are as follows for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Transfers/Other Adjustments	Balance June 30, 2023
Capital assets not being depreciated/ amortized:					
Construction in progress	\$ 74,110,233	\$ 66,150,720	\$ (672,560)	\$ (14,930,111)	\$ 124,658,282
Land	9,765,989	-	-	-	9,765,989
Total capital assets not being depreciated/amortized	83,876,222	66,150,720	(672,560)	(14,930,111)	134,424,271
Other capital assets:					
Lines and improvements	1,010,215,461	10,105,961	-	4,894,701	1,025,216,123
Equipment	289,927,260	5,113,297	(61,095)	9,585,231	304,564,693
Buildings	159,402,200	13,959	-	450,179	159,866,338
Vehicles	10,237,243	319,559	(148,456)	-	10,408,346
Advance capacity payments	209,598,107	1,273,047	-	-	210,871,154
Intangible right-to-use asset, building	257,198	-	-	-	257,198
Intangible right-to-use asset, SBITA	-	1,152,020	-	-	1,152,020
Total other capital assets	1,679,637,469	17,977,843	(209,551)	14,930,111	1,712,335,872
Total capital assets before accumulated depreciation and amortization	1,763,513,691	84,128,563	(882,111)	-	1,846,760,143
Depreciation/amortization for:					
Lines and improvements	(320,275,445)	(19,958,966)	-	-	(340,234,411)
Equipment	(197,342,206)	(14,581,799)	57,326	-	(211,866,679)
Buildings	(71,425,090)	(3,433,953)	-	-	(74,859,043)
Vehicles	(7,507,162)	(930,387)	148,456	-	(8,289,093)
Advance capacity payments	(71,693,469)	(6,256,301)	-	-	(77,949,770)
Intangible right-to-use asset, building	(93,410)	(93,410)	-	-	(186,820)
Intangible right-to-use asset, SBITA	-	(107,968)	-	-	(107,968)
Total accumulated depreciation and amortization	(668,336,782)	(45,362,784)	205,782	-	(713,493,784)
Total property, plant and equipment, net of accumulated depreciation and amortization	\$ 1,095,176,909	\$ 38,765,779	\$ (676,329)	\$ -	\$ 1,133,266,359

## 4 Leases

### (a) Lease Payable

This note provides information for leases where the Authority is a lessee. For leases where the Authority is a lessor, see note 4(b): Lease Receivable.

The Authority has entered into various lease agreements as lessee for office and warehouse space. Most leases have initial terms of 5 years, and contain one or more renewals at the Authority's option, generally for 5-year periods. The Authority has generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The Authority's leases generally include termination options for the lessee to the lease or restrictive financial or other covenants, which are reasonably certain to not be exercised. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For office and warehouse space leases that include variable payments, those include payments for the Authority's proportionate share of the leased property's property taxes, insurance, and common area maintenance. The Authority's lease arrangements do not contain any material residual value guarantees. As the interest rates implicit in the Authority's leases are not readily determinable, the incremental borrowing rate is utilized to discount the lease payments.

The Statement of Net Position shows the following amounts relating to leases:

<b>Intangible right-to-use assets</b>	<b>Right to Use Asset Balance</b>
Buildings	\$ 1,075,266
Buildings, net	\$ 1,075,266

<b>Lease payable</b>	<b>Principal</b>
Current	\$ 194,460
Long-term	\$ 891,509
Total	\$ 1,085,969

The future principal and interest lease payments as of June 30, 2024, were as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 194,460	\$ 49,121	\$ 243,581
2026	214,205	29,120	243,325
2027	235,341	28,117	263,458
2028	257,918	16,078	273,996
2029	184,045	3,426	187,471
Total	\$ 1,085,969	\$ 125,862	\$ 1,211,831

**(b) Lease Receivable**

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

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

Years ending June 30,	Principal	Interest
2025	\$ 551,565	\$ 222,874
2026	535,835	207,306
2027	581,073	191,154
2028	628,377	174,082
2029	679,263	154,616
2030-2034	3,264,685	470,380
2035-2039	722,365	149,080
2040-2044	388,641	35,574
<b>Total</b>	<b>\$ 7,351,804</b>	<b>\$ 1,605,066</b>

The total amount of deferred inflows of resources relating to leases recognized in the current fiscal year are as follows:

	Current Deferred Inflows of Leases Receivable	Total
<b>Total</b>	<b>\$ 764,865</b>	<b>\$ 764,865</b>

## 5 Equity in Upper Occoquan Service Authority

UOSA was created under the provisions of the Virginia Water and Sewer Authorities Act to be the single regional entity to construct, finance and operate the regional sewage treatment facility mandated by the Occoquan policy for the upper portion of the Occoquan Watershed. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Cities of Manassas and Manassas Park. The Prince William County BOCS assigned all rights and obligations of its allocated capacity to the Authority in 1983.

During fiscal years 1989, 1995, and 2005, UOSA's capacity was increased and each jurisdiction's percentage was adjusted accordingly. The Authority's equity interest in UOSA reported on the accompanying Statements of Net Position as of June 30, 2024 and 2023 is calculated based on its percentage share of capacity in effect for UOSA's fiscal years ended June 30, 2023 and 2022, respectively. The equity interest in UOSA is calculated one year in arrears due to the timing of UOSA's published financial statements.

In January 2008, and again in March 2011, the Authority made purchases totaling an additional 4 MGD of existing plant capacity at UOSA from Fairfax County, at a combined cost of \$73,517,586 for both transactions. With these purchases, the Authority's effective share of the total Permitted UOSA Plant Capacity of 54 MGD, as defined in the transaction agreements, is 36.66%, or approximately 19.8 MGD.

For UOSA's fiscal years ended June 30, 2024, 2023 and 2022, capacity allocation by jurisdiction was as follows:

Jurisdiction	Percentage of Total Allocated Capacity		
	2024	2023	2022
Fairfax County	43.70%	43.70%	43.70%
Prince William County	36.66	36.66	36.66
City of Manassas	14.24	14.24	14.24
City of Manassas Park	5.40	5.40	5.40
Total	100.00%	100.00%	100.00%

The governing body of UOSA is an eight member Board of Directors consisting of two members from each participating jurisdiction appointed to four-year terms. The UOSA Board of Directors adopts an annual operating budget based on projected wastewater flows. The Authority's General Manager currently serves as a member of the UOSA Board of Directors.

Summary financial information of UOSA for the years ended June 30, 2023 and 2022 (the dates of the most recent available audited financial statements) are presented below. Complete financial statements may be obtained from UOSA at Upper Occoquan Service Authority, 14631 Compton Road, Centreville, Virginia 20121-2506, or from their website at [www.uosa.org](http://www.uosa.org).

	2023		2022	
	UOSA	Authority's Share	UOSA	Authority's Share
Total assets	\$ 539,544,913		\$ 516,740,870	
Deferred outflows of resources	19,477,411		26,351,328	
Total assets and deferred outflows of resources	559,022,324		543,092,198	
Total liabilities	536,140,787		511,581,240	
Deferred inflows of resources	3,789,886		11,399,652	
Total liabilities and deferred inflows of resources	539,930,673		522,980,892	
Total net position	\$ 19,091,651	\$ 1,215,758	\$ 20,111,306	\$ 1,589,577
Total revenues	\$ 37,629,952		\$ 28,377,798	
Total expenses	(65,065,272)		(60,508,495)	
Capital contributions	26,415,665		24,964,139	
Cumulative effect of change in accounting principle	-		-	
Change in net position	\$ (1,019,655)	\$ (373,819)	\$ (7,166,558)	\$ (2,627,353)
Prepaid capacity amortization		(3,391,008)		(3,229,274)
Change in equity interest in UOSA		\$ (3,764,827)		\$ (5,856,627)

The equity interest in UOSA is a function of UOSA's annual performance. The Authority's equity interest is adjusted annually based on the Authority's percentage of total capacity for the fiscal year multiplied by the change in UOSA's net position for the latest audited fiscal year. The Authority's percentage of total capacity changes as capacity purchases are made by the Authority or other jurisdictions, therefore the Authority's cumulative share of UOSA's net position is reported at an overall effective share. Prepaid capacity amortization represents the amortization associated with UOSA plant capacity rights that the Authority purchased from Fairfax County. The Authority amortizes these capacity rights over estimated useful lives from 40-50 years. This amortization is reflected as a portion of the equity interest in UOSA.

The Authority made payments to UOSA during fiscal years 2024 and 2023 of approximately \$17.8 million and \$15.2 million, respectively, to pay its share of operation and maintenance expenses and reserve maintenance charges, which represents the Authority's pro-rata share of the participating jurisdictions' metered wastewater flows each year. The Authority records these payments for services from UOSA in the accompanying financial statements as purchased resources expense. The Authority also made payments to UOSA of approximately \$11.8 million and \$11.7 million, respectively, for each of the years ended June 30, 2024 and June 30, 2023, to fund its share of UOSA's debt service. The Authority's share of debt service payments are recorded as non-operating expenses in the accompanying financial statements. Each jurisdiction is required to pay its share of debt service based on its percentage of total allocated capacity or as otherwise identified for specific projects within the UOSA Service Agreement. In fiscal years 2024 and 2023, the Authority's 36.66% share of UOSA's change in net position was \$(373,819) and \$(2,627,353), respectively.

UOSA's annual debt service for current and future years is funded by each of the participating jurisdictions based on their allocated capacity with certain modifications. As of June 30, 2024, the Authority's future debt service requirements for principal and interest to UOSA, net of UOSA accumulated debt service reserves, are as follows:

<b>Years Ending June 30,</b>	<b>Total Payment</b>
2025	\$ 12,987,981
2026	13,316,469
2027	13,245,760
2028	13,239,508
2029	13,244,964
2030-2034	47,239,317
2035-2039	44,566,115
2040-2044	23,153,378
2045-2049	12,499,654
2050-2054	6,312,895
<b>Total</b>	<b>\$ 199,806,041</b>

## 6 Bonds Payable

Bonds payable as of June 30, 2024 consist of the following:

- (a) Series 2013 water and sewer system refunding revenue bonds were issued to defease \$44,140,000 of the Series 2005 bonds. At June 30, 2024, \$30,615,000 remained outstanding. Interest rates range from 3.0% to 5.0% annually on the remaining maturity dates from July 1, 2024 to July 1, 2035.
- (b) Series 2015 water and sewer system refunding revenue bonds were issued in April 2015 to refund the Series 2005 bonds. At June 30, 2024, \$8,680,000 remained outstanding. The interest rate on the bonds is 2.11% with maturity dates from July 1, 2024 to July 1, 2029.

For each of the outstanding bond series, interest is payable semi-annually on January 1 and July 1, and principal payments are made annually on July 1. In June 2024 and 2023, advance payments in the amount of \$6,308,000 and \$1,500,000, respectively, were made to the Trustee toward debt service for each of the subsequent fiscal years.

During fiscal years 2024 and 2023, the Authority continued to be in compliance with all covenants associated with the outstanding bond indentures. See Statistical Section Tables 7, 8 and 9 for debt compliance information. For the year ended June 30, 2024, pledged revenues totaled approximately \$211.0 million, and the required debt service payments represented 3.0% of the pledged revenues. The pledge of revenues remains in effect until the debt service requirements are satisfied in fiscal year 2036.

At June 30, 2024, total future debt service requirements for bond principal and interest are approximately \$45.7 million, as follows:

Years ending June 30,	2013 Series		2015 Series		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 2,020,000	\$ 1,021,000	\$ 1,685,000	\$ 147,595	\$ 3,705,000	\$ 1,168,595
2026	2,125,000	914,750	1,340,000	119,321	3,465,000	1,034,071
2027	2,230,000	825,550	1,370,000	90,414	3,600,000	915,964
2028	2,315,000	732,950	1,400,000	60,874	3,715,000	793,824
2029	2,410,000	636,550	1,430,000	30,700	3,840,000	667,250
2030-2034	13,495,000	1,766,800	1,455,000	-	14,950,000	1,766,800
2035-2037	6,020,000	91,650	-	-	6,020,000	91,650
Total	\$ 30,615,000	\$ 5,989,250	\$ 8,680,000	\$ 448,904	\$ 39,295,000	\$ 6,438,154

Debt service requirements for future principal payments are presented in the accompanying Statements of Net Position, inclusive of the following amounts:

	June 30, 2024	June 30, 2023
Unamortized Bond Premiums	\$ 353,849	\$ 556,647

Deferred losses on refunding are presented in the accompanying Statements of Net Position, as follows:

	June 30, 2024	June 30, 2023
Deferred Amounts on 2015 Refunding	\$ 14,649	\$ 20,625
Deferred Amounts on 2013 Refunding	1,151,948	1,351,779
Total	\$ 1,166,597	\$ 1,372,404

## 7 Virginia Resources Authority Loans Payable

VRA loans were issued under the Virginia Water Facilities Revolving Fund (VWFRF) program and used for the purpose of construction for expansion and improvements at the HLM AWRF. Each loan is secured by a pledge of revenues from the Authority's water and wastewater system, with interest and principal payable on a semi-annual basis. All balances owed to VRA under the financing agreements are deemed to be parity indebtedness under the terms of the Local Master Indenture.

At June 30, 2024, VRA loans payable consist of the following:

Loans to finance improvements for biological nutrient removal and related expenses:

- (a) June 2004 loan - The outstanding loan balance at June 30, 2024 was \$786,889, with interest payable at 1.95% (reduced from 3.10% effective December 1, 2016) per annum, and principal due through June 2025.

Loans to finance the expansion and upgrade of the HLM AWRF:

- (b) June 2007 loan - The outstanding loan balance at June 30, 2024 was \$13,718,803, with interest payable at 2.52% (reduced from 2.77% effective September 1, 2014) per annum, and principal due through March 2029.
- (c) June 2009 loan - The outstanding loan balance at June 30, 2024 was \$14,882,420, with interest payable at 2.72% (reduced from 3.55% effective September 1, 2014) per annum, and principal due through March 2030.
- (d) March 2022 loan - The outstanding loan balance at June 30, 2024 was \$15,156,003. In February 2022 the Authority closed on a \$100 million loan with VRA to finance an upgrade of the HLM AWRF. This loan will be drawn against for a 5-year period to fund the plant upgrades as they are done. During this period the outstanding balance will accrue interest at 1.00% and interest-only payments are paid bi-annually by the Authority and began in March 2024. At the end of the 5-year draw period, beginning March 2027 the Authority will pay per an amortization schedule on the outstanding principal balance of up to \$100 million, with interest payable at 1.00% per annum, and principal due through March 2044.

At June 30, 2024, total future VRA debt service requirements for principal and interest are approximately \$48.9 million, as follows:

	2004 Loan		2007 Loan		2009 Loan		2022 Loan		Total	
Years ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,										
2025	\$ 786,889	\$ 11,527	\$ 2,654,337	\$ 215,456	\$ 2,370,626	\$ 257,264	\$ -	\$ -	\$ 5,811,852	\$ 484,247
2026	-	-	2,698,314	171,479	2,413,490	214,400	-	-	5,111,804	385,879
2027	-	-	2,743,020	126,773	2,457,128	170,762	2,621,500	500,000	7,821,648	797,535
2028	-	-	2,788,466	81,327	2,501,555	126,334	5,282,388	960,612	10,572,409	1,168,273
2029	-	-	2,834,666	35,128	2,546,786	81,103	5,335,344	907,657	10,716,796	1,023,888
2030-2044	-	-	-	-	2,592,835	35,057	1,916,771	433,804	4,509,606	468,861
Total	\$ 786,889	\$ 11,527	\$ 13,718,803	\$ 630,163	\$ 14,882,420	\$ 884,920	\$ 15,156,003	\$ 2,802,073	\$ 44,544,115	\$ 4,328,683

## 8 Debt

Change in long-term debt obligations for the year ended June 30, 2024, are as follows:

	Balance June 30, 2022	FY 2023 Additions	FY 2023 Reductions	Balance June 30, 2023	FY 2024 Additions	FY 2024 Reductions	Balance June 30, 2024	Due Within One Year
Bonds Payable:								
Revenue Bonds	\$ 46,310,000	\$ -	\$ (3,440,000)	\$ 42,870,000	\$ -	\$ (3,575,000)	\$ 39,295,000	\$ 3,705,000
Deferred Amounts:								
Issuance Premiums	814,938	-	(258,291)	556,647	-	(202,798)	353,849	-
Total Bonds Payable	47,124,938	-	(3,698,291)	43,426,647	-	(3,777,798)	39,648,849	3,705,000
VRA Loans Payable	40,842,435	-	(5,612,626)	35,229,809	15,025,672	(5,711,366)	44,544,115	5,811,852
Total Debt	\$ 87,967,373	\$ -	\$ (9,310,917)	\$ 78,656,456	\$ 15,025,672	\$ (9,489,164)	\$ 84,192,964	\$ 9,516,852

From time to time, the Authority may incur debt through bond issuances via the capital markets, and financing agreements (loans) with VRA. The proceeds of all borrowings from these sources are used to finance the acquisition or development of capital assets, or to retire prior debt related to capital assets. Accordingly, all amounts reported as Bonds Payable and VRA Loans Payable (see Notes 6 and 7) are included in the calculation of net investment in capital assets on the accompanying Statements of Net Position.

The Authority's outstanding notes from direct borrowings of \$44.5 million contain a certain provision that in the event of default, outstanding amounts become immediately due if the Authority is unable to make a payment.

The Authority's outstanding notes from direct borrowings are secured with collateral of the underlying investments. These borrowings contain (1) a provision that in the event of default, the timing of repayment of not less than twenty-five percent in aggregate principal amount of the outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) by notice to the Authority, declare the entire principal and interest due and payable immediately. The Authority's outstanding notes from direct borrowings contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change has occurred.

## 9 Long-Term Liabilities

Long-Term liabilities activity for the years ended June 30, 2024 and 2023 are as follows:

	Balance June 30, 2022	FY 2023 Additions	FY 2023 Reductions	Balance June 30, 2023	FY 2024 Additions	FY 2024 Reductions	Balance June 30, 2024	Due Within One Year
Compensated Absences	\$ 5,144,139	\$ 583,783	\$ (328,574)	\$ 5,399,348	\$ 842,365	\$ (343,452)	\$ 5,898,261	\$ 848,485
Lease Payable	166,609	-	(93,907)	72,702	1,085,969	(72,702)	1,085,969	194,460
SBITA Payable	-	80,420	(7,390)	73,030	-	(29,095)	43,935	30,672
Other Post Employment Benefits Liability	13,424,174	1,022,967	(603,918)	13,843,223	1,074,876	(4,064,292)	10,853,807	826,371
GLI Other Post Employment Benefits Liability	1,449,285	272,709	(207,361)	1,514,633	107,323	(77,000)	1,544,956	-
HIC Other Post Employment Benefits Liability (asset)	165,939	30,950	(366,654)	(169,765)	18,543	(76,553)	(227,775)	-
Net Pension Liability (asset)	(6,265,900)	6,163,008	(3,134,127)	(3,237,019)	6,749,557	(4,857,930)	(1,345,392)	-
<b>Total Long-term Liabilities</b>	<b>\$ 14,084,246</b>	<b>\$ 8,153,837</b>	<b>\$ (4,741,931)</b>	<b>\$ 17,496,152</b>	<b>\$ 9,878,633</b>	<b>\$ (9,521,024)</b>	<b>\$ 17,853,761</b>	<b>\$ 1,899,988</b>



## 10 Pension Plan and Other Postemployment Benefits

### I. Virginia Retirement System (VRS)

#### (a) Plan Description

The Authority contributes to an agent multiple-employer pension plan administered by the Virginia Retirement System, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, permanent employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. Employees earn one month of service credit for each month they are employed and for which they and the Authority pay contributions to VRS. Employees are eligible to purchase prior service based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>About Plan 1</b></p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p>	<p><b>Eligible Members</b></p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p>* Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Hybrid Opt-In Election</b></p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	
<p><b>Retirement Contribution</b></p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b></p> <p>Same as Plan 1.</p>	<p><b>Retirement Contributions</b></p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

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

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Vesting</b></p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required, except as governed by law until age 73.</p>

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Calculating the Benefit</b></p> <p>The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p> <p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b></p> <p>Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b></p> <p><u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	<b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	<b>Earliest Unreduced Retirement Eligibility</b> <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	<b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of service credit.	<b>Earliest Reduced Retirement Eligibility</b> <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of service credit. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Retirement Plan Provisions		
Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> <li>• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

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



### Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

	Number
Active members	343
Inactive members or their beneficiaries currently receiving benefits	160
Inactive members:	
Vested	41
Non-vested	88
Active elsewhere in VRS	41
Total covered employees	673

### Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their annual base compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for fiscal year 2024 was 5.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2022. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. The total of employer and employee contributions to VRS were approximately \$2.8 million and \$2.7 million for each of the years ended June 30, 2024 and June 30, 2023, respectively.

### (b) Net Pension Liability

The Authority's net pension liability (NPL) was measured as of June 30, 2023. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions applied to all periods included in the measurement and date of June 30, 2023.

### Actuarial Assumptions

The TPL was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of plan investment expense, including inflation

### Mortality Rates

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021.

### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS - Multi-Asset Public Strategies	4.00	4.50	0.18
PIP - Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00%		5.75
Inflation			2.50
Expected arithmetic nominal return*			8.25%

\* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

### Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions

will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the TPL.

**(c) Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability (Asset)
Balances at June 30, 2022	\$ 61,496,417	\$ 64,733,436	\$ (3,237,019)
Changes for the Year:			
Service cost	2,509,447	-	2,509,447
Interest	4,240,110	-	4,240,110
Difference between expected and actual experience	1,987,199	-	1,987,199
Contributions - employer	-	1,293,359	(1,293,359)
Contributions - employee	-	1,359,000	(1,359,000)
Net investment income	-	4,232,046	(4,232,046)
Benefit payments, including refunds of employee contributions	(2,378,852)	(2,378,852)	-
Administrative expense	-	(40,990)	40,990
Other changes	-	1,714	(1,714)
Net changes	6,357,904	4,466,277	1,891,627
Balances at June 30, 2023	\$ 67,854,321	\$ 69,199,713	\$ (1,345,392)

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

The following presents the Authority's NPA, using the current discount rate as well as what the Authority's NPA or NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 8,794,403	\$ (1,345,392)	\$ (9,688,070)

### (d) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Authority recognized pension expense of \$1,537,966. At June 30, 2024 the Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,499,432	\$ (406,168)
Changes of assumptions	296,970	-
Net difference between projected and actual earnings on plan investments	-	(930,333)
Employer contributions subsequent to the measurement date*	1,329,077	-
Total	<u>\$ 3,125,479</u>	<u>\$ (1,336,501)</u>

\* Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the NPA in the year ending June 30, 2025.

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

Years Ending June 30,	Amount
2025	\$ (105,723)
2026	(757,508)
2027	1,294,058
2028	29,074
Total	<u>\$ 459,901</u>

Information about the VRS Retirement Plan is also available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at [varetire.org/media/shared/pdf/publications/2023-annual-report.pdf](http://varetire.org/media/shared/pdf/publications/2023-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## II. Other Postemployment Benefits (OPEB) – Health Benefits

### (a) Plan Description

The Authority provides post-retirement health, dental, and vision benefits to retirees who have ten or more years of service with the Authority. These benefits are provided for in a single-employer defined benefit healthcare plan administered by the Authority. For health and dental insurance coverage, retirees pay 100% of their monthly health insurance premium less a contribution by the Authority based on their number of years of service. For vision and supplemental dental coverage, retirees pay 100% of their monthly premiums, with no contribution made by the Authority. None of the assets in the Plan are accumulated in a trust and therefore do not meet trust accounting requirements per paragraph 4 of GASB Statement No. 75.

### Employees Covered by Benefit Terms

As of the July 1, 2023 actuarial valuation, the following employees were covered by the benefit terms:

	Number
Active members	321
Inactive members or their beneficiaries currently receiving benefits	56
Total covered employees	<u>377</u>

### (b) Total OPEB Liability (TOL)

The Authority's OPEB liability was measured as of June 30, 2024, and the total OPEB Liability was determined by an actuarial valuation as of July 1, 2023.

#### Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases, including inflation	2.5% - 5.35%
Discount rate*	3.65% as of June 30, 2023 3.93% as of June 30, 2024
Age related claims cost**	
Healthcare trend costs	-3% for fiscal 2023, 6.4% for fiscal 2024, 6.5% for fiscal 2025, then grading to an ultimate rate of 3.9% for 2073.

#### Mortality Rates

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

\* Discount rates used to measure TOL were based on the the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2023.

\*\* Age-related claims cost assumptions for medical and dental are based on long-term healthcare trend rates generated by the Getzen Trend Model. Inputs to the model are consistent with other assumptions used in the valuation.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of the most recent experience study performed for VRS, which examined actual VRS experience over the four-year period ending June 30, 2020.

### (c) Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2023	\$ 13,843,223
Changes for the Year:	
Service cost	564,906
Interest	509,970
Effect of economic/demographic gains or losses	(1,232,828)
Effect of assumption changes or other inputs	(1,950,850)
Benefit payments	(880,614)
Net changes	(2,989,416)
Balance at June 30, 2024	\$ 10,853,807

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

The following presents the Authority's Total OPEB Liability, calculated using the current discount rate. It also presents what the Authority's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ 11,666,099	\$ 10,853,807	\$ 10,104,546

### Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

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

	1% Decrease (-4.00%)	Current Trend Rate (-3.00%)	1% Increase (-2.00%)
Total OPEB liability	\$ 9,745,672	\$ 10,853,807	\$ 12,160,485

### (d) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the Authority recognized OPEB expense of \$639,750. At June 30, 2024, the Authority reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (1,056,710)	\$ 606,269
Changes of assumptions or inputs	(2,844,290)	388,925
Total	\$ (3,901,000)	\$ 995,194

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

Years Ending June 30,	Amount
2025	\$ (436,675)
2026	(443,531)
2027	(526,632)
2028	(563,419)
2029	(480,737)
Thereafter	(454,812)
Total	\$ (2,905,806)

## III. Other Postemployment Benefits (OPEB) – Group Life Insurance (GLI)

### (a) Plan Description

The Authority provides all full-time salaried permanent employees automatic coverage by VRS Group Life Insurance Program upon employment. The Group Life Insurance Program is a multiple employer, cost-sharing defined benefit plan that provides a basic group life insurance benefit for employees and participating employers. The Authority pays 100% of the monthly premiums, with no contributions made by the employees. None of the assets in the Plan are accumulated in a trust and therefore do not meet trust accounting requirements per paragraph 4 of GASB Statement No. 75.

Members are also eligible to elect additional coverage for themselves as well as spouse and/or dependent children through the Optional Group Life Insurance Program. Employees pay 100% of their monthly insurance premium, with no contribution made by the Authority. Premiums are deducted from members' paychecks and paid by the Authority directly to the insurer; therefore they are not part of the GLI OPEB program.

The benefits payable under the GLI Program have several components:

- Natural death benefit – Employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit – Double the natural death benefit
- Other benefit provisions – The program provides additional benefits provided under specific circumstances, including:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

### **Employees Covered by Benefit Terms**

All full-time salaried permanent employees, employed after the program was established on July 1, 1960, that elect to participate are eligible for the GLI Program.

### **Reduction in Benefit Amounts**

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjustment for the COLA was \$9,254 as of June 30, 2024.

### **Contributions**

The contribution requirement for the GLI Program are governed by Section 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The Authority has elected to pay all of the employee contributions in addition to the employer contributions.

The Authority's contractually required contribution for the fiscal year 2024 was 0.54% of covered employee compensation, based on an actuarial valuation as of June 30, 2022. This rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The total employer contributions paid by the Authority to VRS were approximately \$171,400 and \$162,600 for the years ended June 30, 2024 and June 30, 2023, respectively.

### **(b) Net GLI OPEB Liability**

The Authority's total GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and the net GLI OPEB Liability was measured as of June 30, 2023.

### Actuarial Assumptions

The total GLI OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Update Mortality Rates to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted Retirement Rates; Plan 1 adjusted to better fit experience; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted Withdrawal Rates to better fit experience at each age and service decrement through 9 years of service.

### Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the employer rate contributed by the Authority will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate.

From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.



### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS - Multi-Asset Public Strategies	4.00	4.50	0.18
PIP - Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00%		5.75
Inflation			2.50
Expected arithmetic nominal return*			8.25%

\* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time.

### Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the collective net GLI OPEB Liability of the participating employers in the VRS GLI OPEB Plan using the current discount rate, as well as what the collective net GLI OPEB Liability of the participating employers would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLI OPEB liability	\$ 2,290,107	\$ 1,544,956	\$ 942,496

### VRS Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the GLI Program are as follows:

Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	2,707,739
Employers' Net GLI OPEB Liability	\$ 1,199,313
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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

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

At June 30, 2024 and 2023, the Authority reported a liability of \$1,544,956 and \$1,514,633, respectively, for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.129% as compared to 0.126% at June 30, 2022.

For the year ended June 30, 2024, the Authority recognized GLI OPEB expense of \$94,372. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 154,303	\$ (46,897)
Net difference between projected and actual earnings on plan investments	-	(62,085)
Changes of assumptions	33,024	(107,041)
Changes in proportion	67,792	(52,401)
Employer contributions subsequent to the measurement date*	171,440	-
Total	\$ 426,559	\$ (268,424)

\* Deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025.

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

Years Ending June 30,	Amount
2024	\$ (2,356)
2025	(70,519)
2026	25,065
2027	12,941
2028	21,564
Total	\$ (13,305)

Information contained in the VRS GLI OPEB Program Notes to the Schedule of Employer Allocations and Schedule of GLI OPEB Program Amounts by Employer (Schedules) was extracted from the audited financial statements of the System for the fiscal year ended June 30, 2023. Additional financial information supporting the preparation of the VRS GLI OPEB Program Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

#### IV. Other Postemployment Benefits (OPEB) – VRS Health Insurance Credit (HIC)

##### (a) Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. The Authority's Health Insurance Credit Program is a multi-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired employees. Retirees that have a minimum of fifteen years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of service credit. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The health insurance credit is funded by the Authority on behalf of its VRS eligible employees.

The Health Insurance Credit Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

##### Employees Covered by Benefit Terms

All full-time salaried permanent employees, employed after the program was established on July 1, 1993, who are covered under the VRS pension plan are automatically eligible for the Retiree Health Insurance Credit Program and enrolled at employment. Those who retire with at least 15 years of service credit are eligible to elect the benefit.

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b>Number</b>
Active members	346
Inactive members or their beneficiaries currently receiving benefits	117
Total covered employees	463

##### HIC Program Notes

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

## Contributions

The contribution requirement for active employees is governed by Section 51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to state agencies and school divisions by the Virginia General Assembly. The Authority's contractually required employer contribution rate for the Health Insurance Credit Program for the years ended June 30, 2024 and June 30, 2023, was 0.11% of covered employee compensation, based on an actuarial valuation as of June 30, 2022. This rate was expected to finance the costs of benefits earned during the year, with an additional amount to finance any unfunded accrued liability. The total employer contributions paid by the Authority to VRS were approximately \$35,000 and \$33,000 for the years ended June 30, 2024 and June 30, 2023, respectively.

## (b) Net HIC OPEB Liability

The Authority's net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2023.

## Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods and rolled forward to the measurement date of June 30, 2023.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Updated mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted retirement rates to better fit experience; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Adjusted withdrawal rates to better fit experience at each year age and service decrement through 9 years of service

### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS - Multi-Asset Public Strategies	4.00	4.50	0.18
PIP - Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00%		5.75%
Inflation			2.50
Expected arithmetic nominal return*			8.25%

\* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results for the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

### Discount Rate

The discount rate used to measure the total HIC OPEB liability (asset) was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate.

From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability (asset).

### (c) Changes in the Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability	Plan Fiduciary Net Position	Net HIC OPEB Liability (Asset)
Balances at June 30, 2022	\$ 383,479	\$ 553,244	\$ (169,765)
Changes for the Year:			
Service cost	9,207	-	9,207
Interest	25,915	-	25,915
Difference between expected and actual experience	(25,904)	-	(25,904)
Contributions - employer	-	33,376	(33,376)
Net investment income	-	34,657	(34,657)
Benefit payments, including refunds of employee contributions	(17,522)	(17,522)	-
Administrative expense & other changes	-	(805)	805
Net changes	(8,304)	49,706	(58,010)
Balances at June 30, 2023	\$ 375,175	\$ 602,950	\$ (227,775)

### Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the Authority's net HIC OPEB Liability (Asset), using the current discount rate, as well as what the collective net HIC OPEB Liability (Asset) would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net HIC OPEB (asset)	\$ (181,244)	\$ (227,775)	\$ (266,635)

### (d) HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Health Insurance Credit Program OPEB

For the year ended June 30, 2024, the Authority recognized Health Insurance Credit Program OPEB expense (income) of (\$74,204).

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,385	\$ (60,801)
Net difference between projected and actual earnings on plan investments	-	(4,333)
Changes of assumptions	6,158	(208,638)
Employer contributions subsequent to the measurement date*	35,182	-
Total	\$ 53,725	\$ (273,772)

\* Deferred outflows of resources related to HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the HIC OPEB Liability in the year ending June 30, 2025.

The \$35,182 reported as deferred outflows of resources related to the HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Years Ending June 30,	Amount
2024	\$ (70,060)
2025	(79,079)
2026	(66,173)
2027	(39,508)
2028	(409)
Total	\$ (255,229)

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2023 Comprehensive Annual Financial Report (Annual Report). A copy of the 2023 VRS Annual Report is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

## V. Summary of Other Post Employment Benefits (OPEB)

	Years Ending June 30,	
	2024	2023
Deferred outflows of resources		
Health Benefits	\$ 995,194	\$ 1,337,963
Group Life Insurance	426,559	412,199
VRS Health Insurance Credit	53,725	64,326
Total deferred outflows of resources	\$ 1,475,478	\$ 1,814,488
Net OPEB liability (asset)		
Health Benefits	\$ 10,853,807	\$ 13,843,223
Group Life Insurance	1,544,956	1,514,633
VRS Health Insurance Credit	(227,775)	(169,765)
Total net OPEB liability	\$ 12,170,988	\$ 15,188,091
Deferred inflows of resources		
Health Benefits	\$ 3,901,000	\$ 1,495,217
Group Life Insurance	268,424	375,747
VRS Health Insurance Credit	273,772	335,749
Total deferred inflows of resources	\$ 4,443,196	\$ 2,206,713
Pension expense		
Health Benefits	\$ 639,750	\$ 1,042,652
Group Life Insurance	94,372	71,476
VRS Health Insurance Credit	(72,204)	(42,448)
Total pension expense	\$ 661,918	\$ 1,071,680

## 11 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from Virginia Risk Sharing Association (VRSA), a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for each of the fiscal years ended June 30, 2024, 2023, and 2022.

The Authority provides health benefits to employees under a self-insurance plan. Under an excess claims insurance policy, the Authority's liability is limited, on a calendar year basis, to aggregate claims per participant of \$110,000. A year end accrual of potential outstanding claims as of the last day of the fiscal year was estimated at three times the average monthly claim. As reflected in the table below, the liability for claims incurred but not reported as of June 30, 2024, 2023, and 2022 was estimated to be \$1,101,314, \$1,138,207, and \$1,260,807 respectively, and is included in accounts payable and accrued expenses on the accompanying Statements of Net Position.

	2024	2023	2022
Estimated outstanding claims liability at beginning of fiscal year	\$ 1,138,207	\$ 1,260,807	\$ 1,206,878
Employee and Employer portion of premiums withheld	4,288,599	4,399,510	4,808,217
Payments to Third Party Administrator	(4,325,492)	(4,522,110)	(4,754,288)
Estimated outstanding claims liability at end of fiscal year	<u>\$ 1,101,314</u>	<u>\$ 1,138,207</u>	<u>\$ 1,260,807</u>

For fiscal year 2025, the Authority estimates its share of claims to be approximately \$6.2 million. This estimate represents the Authority's best estimate; however, actual claims and judgments may vary from year to year.

Additionally, the Authority maintains its longstanding commitment of staffing and budget resources to both a regulatory affairs program and a safety loss and control program. The goal of these programs is to proactively manage and maintain its operations and work sites in the safest possible manner for the Authority's employees and its customers.

## 12 Commitments

### (a) Fairfax Water

The Authority has several agreements with Fairfax Water, which collectively reserve treated water capacity of 62.4 MGD, representing 92% of the Authority's total water capacity. These agreements allow for the purchase of additional capacity, if available, based on actual construction and administrative costs negotiated at the time of sale. In May 2017, the Authority purchased an additional 5 MGD of water capacity for approximately \$26.6 million. Capacity payments are included in property, plant and equipment on the accompanying Statements of Net Position, and are amortized over the estimated useful life from the inception of the agreement, ranging between 40-50 years.

Fairfax Water provides water to the Service Authority from two water treatment plants, the Corbalis Water Treatment Plant in Herndon, Virginia, which withdraws water from the Potomac River and the Griffith Water Treatment Plant in Lorton, Virginia, which withdraws water from the Occoquan Reservoir. The Authority participates in construction and expansion costs of the two water treatment plants based on the Authority's purchased capacity. The Authority incurred no such costs in fiscal years 2024 or 2023.



The Authority also has agreements with Fairfax Water for the reservation of transmission main capacity. Under these agreements, the Authority is required to make equal monthly payments for varying terms that range up to 420 months (35 years) from the date of the initial payment. Payments made in fiscal years 2024 and 2023 were approximately \$700,000 for each year. Future payments due to Fairfax Water for these agreements are as follows:

<b>Years Ending June 30,</b>	<b>Amount</b>
2025	\$ 668,006
2026	668,006
2027	668,006
2028	668,006
2029	668,006
2030	668,006
Total	<u>\$ 4,008,036</u>

In addition, Fairfax Water charges the Authority a rate per thousand gallons of water delivered. The rate is based on Fairfax Water's operation, maintenance, and general and administrative costs divided by total consumption billed. Purchased water expenditures related to Fairfax Water for fiscal years 2024 and 2023 were approximately \$19.1 million and \$15.4 million, respectively.

#### **(b) City of Manassas**

The Authority has a water capacity and service agreement with the City of Manassas which effectively reserves 5 MGD of treated water capacity for the Authority at the City's water treatment facility at Lake Manassas, which represents approximately 7% of the Authority's total available purchased water capacity. The agreement also allows for the use of an additional 2 MGD by either party, if needed. The Authority is obligated to pay the City's wholesale rate for purchases at the water treatment facility and is obligated to pay the City's wholesale rate plus a wheeling charge for water taken at other delivery points. The City's wholesale rate consists of fixed and variable costs per the agreement. The initial amount paid by the Authority to the City for the 5 MGD of capacity was \$8,131,846. This amount is included in property, plant and equipment as advance capacity payments on the accompanying Statements of Net Position, and is being amortized through the year 2039 on a straight-line basis.

The Authority also shares in the cost of certain capital improvements based on the Authority's reserved capacity as a percentage of the total permitted capacity at the City's water treatment facility. The Authority has made payments for capital costs during the fiscal years ended June 30, 2024 and 2023 in the amount of \$777,000 and \$1,273,000, respectively. These payments are included in property, plant and equipment as advance capacity payments on the accompanying Statements of Net Position, and are being amortized over 40 years on a straight-line basis.

The cost of water purchased by the Authority from the City during fiscal years 2024 and 2023 was approximately \$1.9 million and \$2.2 million, respectively.

#### **(c) City of Manassas Park**

In December 2008, pursuant to the terms of a Water Capacity Purchase and Service Agreement (the Agreement), the Authority sold 1.4 MGD of wholesale water capacity to the City of Manassas Park for \$9,870,000. The rate for water service will be based on the wholesale rate charged by Fairfax Water to the Authority, plus other charges and costs which are defined in the Agreement.

#### **(d) Prince William County Credit**

Effective December 31, 2012, the Authority entered into an Amendment to the Modification and Assumption Agreement with the County (the Amendment), whereby the Authority would assume responsibility for paying the County's existing obligation towards UOSA debt service. Under the terms of the Amendment, the Authority established a non-cash credit for the benefit of the County in the amount of \$13,782,300, representing previous payments made by the County toward UOSA debt service under existing agreements.

The County may use this non-cash credit to purchase water and sewer availability, or any asset of the Authority offered for sale by the Authority. The non-cash credit will be reduced by the value of any such sale. In order to access

the non-cash credit, the County must provide to the Authority a duly adopted resolution of the BOCS authorizing the application of the non-cash credit for a specific transaction. To date, the County has used \$4,493,548 of the non-cash credit toward availability fees for various County facilities.

As of June 30, 2024, the remaining amount of the non-cash credit available to the County is \$9,288,752, of which \$400,900 has been approved by the BOCS for use in earmarked projects.

#### (e) Virginia Department of Transportation (VDOT)

VDOT requires all entities performing work in the VDOT right-of-way to post a continuous bond or surety to insure compliance with the conditions of land use permits that are issued by VDOT and to guarantee the satisfactory performance of the work.

Through its commercial insurance policies, the Authority meets VDOT's requirements for liability coverage for personal injury, property damage and lawsuits that may arise from the work performed under the permits.

#### (f) Other Commitments

The Authority has entered into commitments for capital projects and operating expenditures totaling approximately \$244.9 million as of June 30, 2024. These commitments are goods and services ordered, but not yet received as of June 30, 2024.

#### (g) Federal and State-Assisted Programs

The Authority has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

## 13 Contributions from Developers and Others

	2024	2023
Contributed Assets	\$ 22,918,615	\$ 10,105,960

Contributions from developers and governmental entities were received in the form of cash, property, water mains, sanitary sewer lines, pumping stations, fire hydrants, manholes and associated infrastructure. These amounts are reflected as income on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

## 14 Subscription-Based Information Technology Agreements

The Authority has entered into various SBITAs for software subscriptions. Most SBITA contracts have initial terms of 5 years, and contain one or more renewals at our option, generally for 12-month periods. The Authority has generally included these renewal periods in the SBITA term when it is reasonably certain that the Authority will exercise the renewal option. The Authority's SBITAs generally include termination options which are reasonably certain to not be exercised. As the interest rates implicit in the Authority's SBITAs are not readily determinable, the incremental borrowing rate is utilized to discount the fixed SBITA subscription payments.

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

Intangible right-to-use SBITA assets	SBITA assets	
	balance	
SBITAs	\$	612,014
SBITAs, net	\$	612,014

SBITAs payable	Principal		Total
Current	\$	30,672	\$ 30,672
Non-current		13,263	13,263
	\$	43,935	\$ 43,935

The future principal and interest SBITA payments as of June 30, 2024, were as follows:

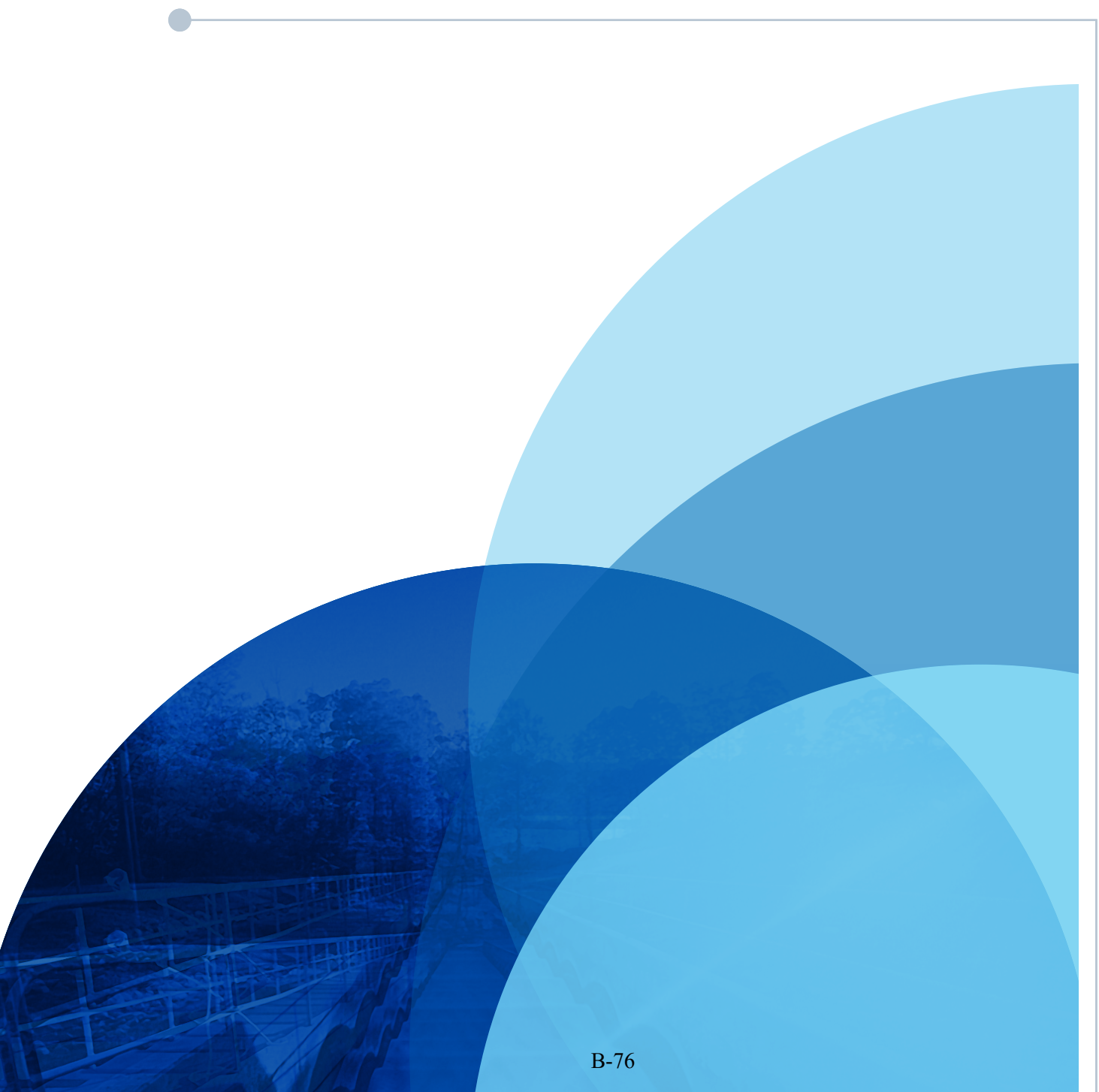
Years ending June 30,	Principal		Total
2025		30,672	30,672
2026		13,263	13,263
	\$	43,935	\$ 43,935

## 15 Subsequent Events

The Authority is unaware of any subsequent events to be disclosed.

# Required Supplementary Information

(Unaudited)



**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – VRS**

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
<b>Total Pension Liability</b>					
Service cost	\$ 2,509,447	\$ 2,170,104	\$ 2,329,050	\$ 2,495,043	\$ 2,328,302
Interest	4,240,110	3,992,904	3,534,553	3,247,158	2,921,479
Difference between expected and actual experience	1,987,199	(592,482)	(560,692)	314,505	1,180,278
Changes of assumptions	-	-	1,309,374	-	1,586,517
Benefit payments, including refunds of employee contributions	(2,378,852)	(2,116,271)	(1,867,734)	(1,730,275)	(1,561,607)
Net change in total pension liability	6,357,904	3,454,255	4,744,551	4,326,431	6,454,969
Total pension liability - beginning	61,496,417	58,042,162	53,297,611	48,971,180	42,516,211
Total pension liability - ending (a)	\$ 67,854,321	\$ 61,496,417	\$ 58,042,162	\$ 53,297,611	\$ 48,971,180
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 1,293,359	\$ 1,421,751	\$ 1,375,238	\$ 2,497,516	\$ 2,515,217
Contributions - employee	1,359,000	1,265,872	1,179,892	1,217,590	1,213,286
Net investment income	4,232,046	(108,165)	13,864,083	905,149	2,903,907
Benefit payments, including refunds of employee contributions	(2,378,852)	(2,116,271)	(1,867,734)	(1,730,275)	(1,561,607)
Administrative expense	(40,990)	(39,334)	(32,940)	(28,655)	(25,628)
Other	1,714	1,521	1,320	(1,122)	(1,872)
Net change in plan fiduciary net position	4,466,277	425,374	14,519,859	2,860,203	5,043,303
Plan fiduciary net position - beginning	64,733,436	64,308,062	49,788,203	46,928,000	41,884,697
Plan fiduciary net position - ending (b)	\$ 69,199,713	\$ 64,733,436	\$ 64,308,062	\$ 49,788,203	\$ 46,928,000
Net pension liability (asset) - ending (a) - (b)	\$ (1,345,392)	\$ (3,237,019)	\$ (6,265,900)	\$ 3,509,408	\$ 2,043,180
Plan fiduciary net position as a percentage of the total pension liability - end of year	101.98%	105.26%	110.80%	93.42%	95.83%
Covered payroll*	\$ 32,527,626	\$ 30,358,488	\$ 27,863,889	\$ 27,173,316	\$ 28,187,573
Net pension liability (asset) as a percentage of covered payroll	-4.14%	-10.66%	-22.49%	12.91%	7.25%

\* Covered payroll is the payroll on which contributions to a pension plan are based.

See accompanying notes to required supplementary information.

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – VRS (Continued)**

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ 2,271,207	\$ 2,309,644	\$ 2,355,421	\$ 2,242,139	\$ 2,206,642
Interest	2,632,373	2,461,107	2,177,586	1,865,113	1,647,355
Difference between expected and actual experience	594,573	(22,744)	728,798	1,273,190	-
Changes of assumptions	-	(1,060,533)	-	-	-
Benefit payments, including refunds of employee contributions	(1,174,533)	(1,307,115)	(1,115,876)	(717,210)	(769,149)
Net change in total pension liability	4,323,620	2,380,359	4,145,929	4,663,232	3,084,848
Total pension liability - beginning	38,192,591	35,812,232	31,666,303	27,003,071	23,918,223
Total pension liability - ending (a)	<u>\$ 42,516,211</u>	<u>\$ 38,192,591</u>	<u>\$ 35,812,232</u>	<u>\$ 31,666,303</u>	<u>\$ 27,003,071</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 2,400,611	\$ 2,243,187	\$ 2,179,687	\$ 2,102,230	\$ 2,153,139
Contributions - employee	1,219,540	1,068,016	1,031,701	1,004,829	977,870
Net investment income	2,797,714	3,924,943	578,136	1,202,198	3,169,360
Benefit payments, including refunds of employee contributions	(1,174,533)	(1,307,115)	(1,115,876)	(717,210)	(769,149)
Administrative expense	(21,705)	(20,334)	(15,995)	(13,734)	(14,928)
Other	(2,599)	(3,583)	(223)	(261)	167
Net change in plan fiduciary net position	5,219,028	5,905,114	2,657,430	3,578,052	5,516,459
Plan fiduciary net position - beginning	36,665,669	30,760,555	28,103,125	24,525,073	19,008,614
Plan fiduciary net position - ending (b)	<u>\$ 41,884,697</u>	<u>\$ 36,665,669</u>	<u>\$ 30,760,555</u>	<u>\$ 28,103,125</u>	<u>\$ 24,525,073</u>
Net pension liability - ending (a) - (b)	<u>\$ 631,514</u>	<u>\$ 1,526,922</u>	<u>\$ 5,051,677</u>	<u>\$ 3,563,178</u>	<u>\$ 2,477,998</u>
Plan fiduciary net position as a percentage of the total pension liability - end of year	98.51%	96.00%	85.89%	88.75%	90.82%
Covered payroll*	\$ 26,498,366	\$ 23,622,592	\$ 22,254,970	\$ 21,098,905	\$ 19,834,457
Net pension liability as a percentage of covered payroll	2.38%	6.46%	22.70%	16.89%	12.49%

\* Covered payroll is the payroll on which contributions to a pension plan are based.

See accompanying notes to required supplementary information.

**PINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Employer Contributions**

<b>For the Year Ended</b>	<b>Contractually Required Contribution</b>	<b>Contribution in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2024	\$ 1,329,077	\$ 1,329,077	\$ -	\$ 34,574,862	3.84%
June 30, 2023	1,293,359	1,293,359	-	32,527,626	3.98
June 30, 2022	1,421,751	1,421,751	-	30,358,488	4.68
June 30, 2021	1,375,238	1,375,238	-	27,863,889	4.94
June 30, 2020	2,497,516	2,497,516	-	27,173,316	9.19
June 30, 2019	2,515,217	2,515,217	-	28,187,573	8.92
June 30, 2018	2,400,611	2,400,611	-	26,498,366	9.06
June 30, 2017	2,243,187	2,243,187	-	23,622,592	9.50
June 30, 2016	2,179,687	2,179,687	-	22,254,970	9.79
June 30, 2015	2,102,230	2,102,230	-	21,098,905	9.96

See accompanying notes to required supplementary information.

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Notes to Required Supplementary Information

#### For the Year Ended June 30, 2024

##### 1. Changes of Benefit Terms

There have been no significant changes to the VRS benefit provisions since the prior actuarial valuation.

##### 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) - Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates - Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
- Withdrawal Rates - Adjusted withdrawal rates to better fit experience at each age and service year through 9 years of service
- Discount Rate - unchanged at 6.75%
- Disability Rates - no change
- Salary Scale - no change
- There are no assets accumulated in a trust that meets the criteria of GASB P22.101 or P52.101 to pay related benefits for VRS



PRINCE WILLIAM COUNTY SERVICE AUTHORITY  
Required Supplementary Information (Unaudited)

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

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB Liability</b>							
Service cost	\$ 564,906	\$ 546,482	\$ 712,861	\$ 710,981	\$ 609,660	\$ 574,033	\$ 592,753
Interest	509,970	476,485	321,566	325,784	476,771	503,012	460,115
Effect of economic/ demographic gains or losses	(1,232,828)	-	702,031	-	611,750	-	-
Effect of assumption changes or other inputs	(1,950,850)	426,304	(1,981,127)	52,383	203,685	372,635	(367,046)
Benefit payments	(880,614)	(1,030,222)	(1,005,769)	(884,878)	(880,214)	(841,386)	(790,802)
Net change in total OPEB liability	(2,989,416)	419,049	(1,250,438)	204,270	1,021,652	608,294	(104,980)
Total OPEB liability - beginning	13,843,223	13,424,174	14,674,612	14,470,342	13,448,690	12,840,396	12,945,376
Total OPEB liability - ending	<u>\$ 10,853,807</u>	<u>\$ 13,843,223</u>	<u>\$ 13,424,174</u>	<u>\$ 14,674,612</u>	<u>\$ 14,470,342</u>	<u>\$ 13,448,690</u>	<u>\$ 12,840,396</u>
Total OPEB liability as a percentage of covered-employee payroll	31.39%	42.56%	44.22%	54.00%	51.34%	50.75%	54.36%
Covered-employee payroll	\$ 34,574,862	\$ 32,527,626	\$ 30,358,488	\$ 27,863,889	\$ 27,173,316	\$ 28,187,573	\$ 26,498,366

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

See accompanying notes to required supplementary information.

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Notes to Required Supplementary Information

#### For the Year Ended June 30, 2024

##### 1. Changes of Benefit Terms

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

##### 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2023:

- The assumed rates of retirement, mortality, withdrawal, and disability were based primarily on the 4-year experience study performed by VRS. This study examined actual VRS experience over the four-year period ending June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.
- The pre-Medicare healthcare trend assumption was changed from 6.60% in fiscal 2023, 6.50% in fiscal 2024, 5.90% in fiscal 2025 then grading to an ultimate rate of 3.90% in fiscal 2073 and later to -3.00% for fiscal 2023, 6.40% for fiscal 2024, 5.70% for fiscal 2025, then grading to an ultimate rate of 3.90% for fiscal 2073 and later. These rates are based on long-term healthcare trend rates generated by the Getzen Trend Model.
- Discount rate increased from 3.65% to 3.93% (based on the Bond Buyer General Obligation 20-Bond Municipal Index).
- There are no assets accumulated in a trust that meets the criteria of GASB P22.101 or P52.101 to pay related benefits for OPEB

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Employer's Share of Net OPEB Liability - GLI Program**

<b>For the Year Ended</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Employer's proportion of the Net GLI OPEB Liability	0.129%	0.126%	0.124%	0.133%	0.128%	0.133%	0.128%
Employer's proportionate share of the net GLI OPEB liability	\$ 1,544,956	\$ 1,514,633	\$ 1,449,285	\$ 2,131,104	\$ 2,162,474	\$ 1,951,000	\$ 1,814,000
Employer's covered payroll	32,527,626	30,358,488	27,863,889	27,173,316	28,187,573	26,498,366	23,622,592
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	4.7%	5.0%	5.2%	7.8%	7.7%	7.4%	7.7%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Employer Contributions**

<b>For the Year Ended</b>	<b>Contractually Required Contribution</b>	<b>Contribution in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2024	\$ 171,440	\$ 171,440	\$ -	\$ 34,574,862	0.50%
June 30, 2023	162,640	162,640	-	32,527,626	0.50
June 30, 2022	146,680	146,680	-	30,358,488	0.48
June 30, 2021	137,760	137,760	-	27,863,889	0.49
June 30, 2020	137,720	137,720	-	27,173,316	0.51
June 30, 2019	136,520	136,520	-	28,187,573	0.48
June 30, 2018	127,971	127,971	-	26,498,366	0.48
June 30, 2017	116,567	116,567	-	23,622,592	0.49

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

See accompanying notes to required supplementary information.

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Notes to Required Supplementary Information

#### For the Year Ended June 30, 2024

##### 1. Changes of Benefit Terms

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

##### 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) - Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates - Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal Rates - Adjusted rates to better fit experience at each age and service decrement through 9 years of service
- Discount Rate - Unchanged at 6.75%
- Disability Rates - No change
- Salary Scale - No change
- There are no assets accumulated in a trust that meets the criteria of GASB P22.101 or P52.101 to pay related benefits for GLI

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**  
**Required Supplementary Information (Unaudited)**

**Schedule of Changes in Total OPEB Liability and Related Ratios – HIC Program**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total HIC OPEB Liability</b>							
Service cost	\$ 9,207	\$ 14,794	\$ 18,094	\$ 19,827	\$ 19,224	\$ 19,982	\$ 21,939
Interest	25,915	47,496	45,533	42,342	38,101	35,302	35,563
Difference between actual and expected experience	(25,904)	(33,066)	(39,227)	(979)	36,748	26,024	-
Changes of assumptions	-	(326,512)	5,247	-	14,536	-	(24,831)
Benefit payments	(17,522)	(16,167)	(14,534)	(13,305)	(37,946)	(44,708)	(28,085)
Net change in total HIC OPEB liability	(8,304)	(313,455)	15,113	47,885	70,663	36,600	4,586
Total HIC OPEB liability - beginning	383,479	696,934	681,821	633,936	563,273	526,673	522,087
Total HIC OPEB liability - ending (a)	\$ 375,175	\$ 383,479	\$ 696,934	\$ 681,821	\$ 633,936	\$ 563,273	\$ 526,673
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 33,376	\$ 38,284	\$ 35,981	\$ 36,753	\$ 36,426	\$ 43,908	\$ 40,004
Net investment income	34,657	29	109,011	7,571	22,663	23,144	33,703
Benefit payments, including refunds of employee contributions	(17,522)	(16,167)	(14,534)	(13,305)	(37,946)	(44,708)	(28,085)
Administrative expense	(870)	(974)	(1,354)	(767)	(488)	(559)	(566)
Other	65	1,077	-	(3)	(26)	(1,635)	1,635
Net change in plan fiduciary net position	49,706	22,249	129,104	30,249	20,629	20,150	46,691
Plan fiduciary net position - beginning	553,244	530,995	401,891	371,642	351,013	330,863	284,172
Plan fiduciary net position - ending (b)	\$ 602,950	\$ 553,244	\$ 530,995	\$ 401,891	\$ 371,642	\$ 351,013	\$ 330,863
Net HIC OPEB liability (asset) - ending (a) - (b)	\$ (227,775)	\$ (169,765)	\$ 165,939	\$ 279,930	\$ 262,294	\$ 212,260	\$ 195,810
Plan fiduciary net position as a percentage of the total HIC OPEB liability - end of year	160.71%	144.27%	76.19%	58.94%	58.62%	62.32%	62.82%
Covered payroll *	\$ 32,527,626	\$ 30,358,488	\$ 27,863,889	\$ 27,173,316	\$ 28,187,573	\$ 26,498,366	\$ 23,622,592
Total HIC OPEB liability as a percentage of covered-employee payroll	1.15%	1.26%	2.50%	2.51%	2.25%	2.13%	2.23%

\*Covered payroll is the payroll on which contributions to a pension plan are based.

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

See accompanying notes to required supplementary information.

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

### Required Supplementary Information (Unaudited)

#### Schedule of Employer Contributions

For the Year Ended	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2024	\$ 35,182	\$ 35,182	\$ -	\$ 34,574,862	0.10%
June 30, 2023	33,376	33,376	-	32,527,626	0.10
June 30, 2022	38,284	38,284	-	30,358,488	0.13
June 30, 2021	35,981	35,981	-	27,863,889	0.13
June 30, 2020	36,753	36,753	-	27,173,316	0.14
June 30, 2019	36,426	36,426	-	28,187,573	0.13
June 30, 2018	43,908	43,908	-	26,498,366	0.17
June 30, 2017	40,004	40,004	-	23,622,592	0.17

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

See accompanying notes to required supplementary information.

## PRINCE WILLIAM COUNTY SERVICE AUTHORITY

**Notes to Required Supplementary Information****For the Year Ended June 30, 2024****1. Changes of Benefit Terms**

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

**2. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) - Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates - Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Withdrawal Rates - Adjusted rates to better fit experience at each age and service decrement through 9 years of service
- Discount Rates - Unchanged at 6.75%
- Disability Rates - No change
- Salary Scale - No change
- There are no assets accumulated in a trust that meets the criteria of GASB P22.101 or P52.101 to pay related benefits for HIC

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## **APPENDIX C**

### **PROPOSED FORM OF BOND COUNSEL OPINION**

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*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the 2025 Bonds. It is preliminary and subject to change prior to the delivery of the 2025 Bonds.*

[Letterhead of McGuireWoods LLP]

\_\_\_\_\_, 2025

Board of Directors of the  
Prince William County Service Authority,  
d/b/a Prince William Water  
Woodbridge, Virginia

**Prince William Water**  
**\$[\_\_\_\_\_]\***  
**Water and Sewer System Revenue and Refunding Bonds,**  
**Series 2025**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance and sale by the Prince William County Service Authority, d/b/a Prince William Water (the "Authority"), of its \$[\_\_\_\_\_] \* Water and Sewer System Revenue and Refunding Bonds, Series 2025 (the "2025 Bonds"), dated the date hereof. The Board of the Authority authorized the issuance of the 2025 Bonds under a resolution adopted on April 10, 2025. The Authority issued the 2025 Bonds under the terms and conditions of a Master Indenture of Trust dated as of May 1, 1991, as previously supplemented and amended (the "Prior Master Indenture"), between U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as amended and restated by an Amended and Restated Master Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Amended and Restated Master Indenture" and together with the Prior Master Indenture, the "Master Indenture"), between the Trustee and the Authority, and as supplemented by a Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Ninth Supplemental Indenture"), between the Trustee and the Authority. The Master Indenture and the Ninth Supplemental Indenture are referred to collectively as the "Indenture."

We refer you to the 2025 Bonds and the Indenture for a description of the purposes for which the 2025 Bonds are issued, their terms and the security for them.

In connection with this opinion, we have examined (i) the Constitution of Virginia, (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the 2025 Bonds by the Authority as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon (i) representations of the Authority, including, without limitation, representations as to the use of proceeds of the 2025 Bonds, (ii) certifications of public officials furnished to us and (iii) certifications and representations contained in certificates of the Authority and others delivered at closing, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by PFM Financial Advisors LLC, Arlington, Virginia, financial advisor to the Authority, relating to the yield on the 2025 Bonds.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents,

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\* Preliminary, subject to change.

certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the Authority, and we have further assumed the due organization, existence, and powers of all parties other than the Authority.

Based on the foregoing, in our opinion, under current law:

1. The Authority has the requisite authority and power to enter into the Indenture, to issue and sell the 2025 Bonds and to apply the proceeds from the issuance and sale of the 2025 Bonds as set forth in the Ninth Supplemental Indenture. As provided in the Act, the 2025 Bonds shall not constitute a pledge of the faith and credit of the Commonwealth or any political subdivision of the Commonwealth, including the Authority. Further, the issuance of the 2025 Bonds shall not directly or indirectly or contingently obligate the Commonwealth or any political subdivision of the Commonwealth, including the Authority, to levy any taxes or make any appropriation for their payment except from the funds pledged under the Master Indenture.

2. The 2025 Bonds have been duly authorized, executed, and delivered in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Authority, payable solely from (i) the revenues, receipts and income derived from the ownership and operation of the Authority's water and sewer system after payment of the Authority's operating expenses (the "Net Revenues") and (ii) other property pledged for such purpose under the Indenture. The 2025 Bonds are secured on a parity with the bonds currently outstanding under the Indenture (the "Outstanding Bonds"), any additional bonds to be issued in the future under the Indenture ("Additional Bonds") and any parity indebtedness currently outstanding or incurred in the future under the Indenture (collectively, "Parity Indebtedness").

3. The Indenture has been duly authorized, executed, and delivered by the Authority, constitutes a valid and binding obligation of the Authority and is enforceable against the Authority in accordance with its terms.

4. Additional Bonds may be issued and Parity Indebtedness may be incurred from time to time under the conditions, limitations and restrictions set forth in the Master Indenture, and will be secured equally and ratably as to the pledge of Net Revenues with the Outstanding Bonds and the 2025 Bonds, subject to the limitations applicable to Parity Indebtedness set forth in the Master Indenture.

5. Interest on the 2025 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals (a "Specific Tax Preference Item"). Such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the 2025 Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the Authority, so that interest on the 2025 Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2025 Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2025 Bonds and the use of the property financed or refinanced by the 2025 Bonds, limitations on the source of the payment of and the security for the 2025 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2025 Bonds to the United States Treasury. The tax certificate and related documents for the 2025 Bonds (the "Tax Certificates") delivered at closing by the Authority contain covenants (the "Covenants") under which the Authority has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the 2025 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the 2025 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificates. We express no opinion concerning any effect on the excludability of interest on the 2025 Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

6. Interest on the 2025 Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the 2025 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2025 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The opinions are subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally. The opinions are subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2025 Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the 2025 Bonds in making a decision to purchase the 2025 Bonds, including without limitation the Preliminary Official Statement of the Authority dated \_\_\_\_\_, 2025, and the Official Statement of the Authority dated \_\_\_\_\_, 2025. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

[To be signed: MCGUIREWOODS LLP]

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## **APPENDIX D**

### **PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Agreement") is executed and delivered as of \_\_\_\_\_ 1, 2025 (the "Closing Date"), by the **PRINCE WILLIAM COUNTY SERVICE AUTHORITY**, d/b/a Prince William Water (the "Authority"), in connection with the issuance by the Authority of its \$[\_\_\_\_\_] \* Water and Sewer System Revenue and Refunding Bonds, Series 2025 (the "2025 Bonds"), pursuant to a Master Indenture of Trust dated as of May 1, 1991, as previously supplemented and amended (the "Prior Master Indenture"), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as amended and restated by an Amended and Restated Master Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Amended and Restated Master Indenture" and together with the Prior Master Indenture, the "Master Indenture"), between the Trustee and the Authority, and as supplemented by a Ninth Supplemental Indenture of Trust dated as of \_\_\_\_\_ 1, 2025 (the "Ninth Supplemental Indenture"), between the Authority and the Trustee. The proceeds of the 2025 Bonds are being used by the Authority, together with other available funds, to (i) finance all or a portion of the projects in the Authority's capital improvement program and (ii) pay the underwriter's discount and costs of issuance of the 2025 Bonds. The Authority has approved the sale of the 2025 Bonds pursuant to an Official Statement dated \_\_\_\_\_, 2025. The Authority has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the 2025 Bonds and, accordingly, hereby represents, covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth elsewhere in this Agreement, the following capitalized terms shall have the following meanings:

**"Annual Financial Information"** means:

(a) the financial statements (consisting of at least a balance sheet and a statement of revenues, expenses and changes in retained earnings for all governmental funds) of the Authority, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Authority after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(b) updates of the following operating data and financial information all of which is presented in the section of the Official Statement titled "THE AUTHORITY":

(i) the financial information contained in the table titled "Statements of Revenues, Expenses and Changes in Net Assets;"

(ii) the financial information contained in the tables titled "Revenue Bond Coverage - Test 1 (Master Indenture Calculation Method)" and "Revenue Bond Coverage - Test 2 (Master Indenture Calculation Method);"

(iii) the information contained in the table in the subsection titled "Existing Facilities and Capacity;"

(iv) the operating data contained in the table in the subsection titled "Largest Customers;"

(v) the operating data contained in the table in the subsection titled "Operating Summary;" and

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\* Preliminary, subject to change.

(vi) the information contained in the tables under the subsections titled "Rates, Fees and Charges - Availability Fee Structure" and "Rates, Fees and Charges - Historical Rates and Fees."

**"Bankruptcy Related Event"** means any bankruptcy, insolvency, receivership or similar event of the Authority, and includes (i) the appointment of a receiver, fiscal agent or similar officer in a proceeding under the United States 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 Authority; (ii) such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority or (iii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

**"Dissemination Agent"** means the party responsible for disseminating the information under this Agreement and, initially, means the Authority, and includes any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

**"Fiscal Year"** means the twelve-month period, at the end of which the financial position of the Authority and the results of its operations for such period are determined. Currently, the Authority's Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

**"Holder"** means any person who is a record owner or beneficial owner of a 2025 Bond.

**"Make Public"** means to provide (i) to the MSRB in an electronic format as prescribed by the MSRB or (ii) to any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule (if subsequently required by the SEC) in a format prescribed by the applicable SEC rule, regulation or release approving such subsequent filing system.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Rule"** means Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

**"SEC"** means the United States Securities and Exchange Commission.

**"Underwriter"** means any person who has purchased from the Authority with a view to, or offers or sells for the Authority in connection with the offering of the 2025 Bonds, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking except that it does not mean a person whose interest is limited to a commission, concession or allowance from an underwriter, broker, dealer or municipal securities dealer not in excess of the usual and customary distributors' or sellers' commission, concession or allowance.

**Section 2. Purpose of the Disclosure Agreement; Representation.** The Authority hereby enters into this Agreement for the benefit of the Holders and to assist each Underwriter in complying with the Rule. The Authority acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

**Section 3. Obligations of the Authority.** (a) The Authority shall prepare the final form of the Annual Financial Information with respect to a Fiscal Year not later than 270 days after the end of such Fiscal Year.

(b) The Authority shall Make Public or cause the Dissemination Agent to Make Public, the Annual Financial Information within 30 days after it is prepared in final form.

(c) The Authority shall Make Public or cause the Dissemination Agent to Make Public, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the 2025 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 any credit enhancement maintained with respect to the 2025 Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers for the 2025 Bonds, 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 2025 Bond, or other material events affecting the tax status of the 2025 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 2025 Bonds, if material;
- (xi) rating changes;
- (xii) the occurrence of a Bankruptcy Related Event with respect to the Authority;
- (xiii) the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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 actions, other than pursuant to its terms, if material; and
- (xiv) the appointment of a successor trustee or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

Provided that nothing in this subsection (c) shall require the Authority to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the 2025 Bonds or to pledge any property as security for repayment of the 2025 Bonds.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of a payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

(d) The Authority shall Make Public or cause the Dissemination Agent to Make Public, in a timely manner, notice of a failure of the Authority to provide the Annual Financial Information on or before the date specified in this Agreement.

**Section 4. Incorporation by Reference.** The filing of Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the Authority, which are available to the public through the MSRB or the SEC; provided that the Authority identify each other document incorporated by reference.

**Section 5. Identification of Filing.** (a) Each filing required hereunder shall reference the CUSIP prefix number for the 2025 Bonds.

(b) All filings provided to the MSRB pursuant to this Agreement shall be accompanied by all identifying information required by the MSRB.

**Section 6. Termination of Reporting Obligation.** The obligations of the Authority under this Agreement with respect to any series of 2025 Bonds shall terminate upon the earlier to occur of the legal defeasance or final retirement of such series of 2025 Bonds.

**Section 7. Dissemination Agent.** The Authority may, on more than one occasion, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is no designated Dissemination Agent, the Authority shall be the Dissemination Agent.

**Section 8. Amendment.** The Authority may modify its obligations hereunder without the consent of the Underwriter or the Holders, provided that such amendment complies with the Rule as it exists at the time of modification. The Authority shall, in a timely manner, Make Public the Agreement, as amended, and a separate description of the terms of the amendment.

**Section 9. Additional Information.** The Authority may disseminate any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Agreement. If the Authority chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Agreement, the Authority shall not be required to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

**Section 10. Default.** Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with this Agreement. In addition, any Holder, whether acting jointly or severally, may take action to challenge the adequacy of any information provided pursuant to this Agreement. A default under this Agreement shall not be deemed an event of default under the 2025 Bond, the Master Indenture or other debt authorization of the Authority, and the sole remedy under this Agreement in the event of any failure of the Authority to comply herewith shall be an action to compel performance. Nothing in this provision shall restrict the rights or remedies of any Holder under the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 11. Beneficiaries.** This Agreement shall inure solely to the benefit of the Authority, the Underwriter and the Holders.

**Section 12. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of the page is intentionally left blank]

**IN WITNESS WHEREOF**, the undersigned officers of the Authority has executed this Continuing Disclosure Agreement as of the Closing Date.

**PRINCE WILLIAM COUNTY SERVICE AUTHORITY**

By: \_\_\_\_\_  
Calvin D. Farr, Jr., General Manager

By: \_\_\_\_\_  
Astrid B. Nelson, Deputy General Manager

[Signature Page to Continuing Disclosure Agreement]

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## **APPENDIX E**

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

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***The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2025 Bonds, payments of principal of and interest on the bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.***

DTC will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully-registered securities 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 bond certificate will be issued for each maturity of the 2025 Bonds in the aggregate principal amount of such issue and 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 (the "Indirect Participants"). DTC has a S&P rating of AA+. 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).

Purchases of the 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2025 Bonds (the "Beneficial Owner") is in turn to be recorded on the records of Direct Participants and Indirect Participants, as applicable. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2025 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2025 Bonds, except in the event that use of the book-entry system for the 2025 Bonds is discontinued.

To facilitate subsequent transfers, the 2025 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 the 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants 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. Beneficial Owners of the 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2025 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2025 Bonds may wish to ascertain that the nominee holding the 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the bond registrar (which is the Trustee) and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2025 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2025 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 bond registrar or paying agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participant or Indirect Participant and not of DTC (or its nominee), the Authority or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2025 Bonds at any time by giving reasonable notice to the Authority and the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, the 2025 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2025 Bonds will be printed and delivered to DTC.

Neither the Authority nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (b) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the 2025 Bonds; (c) the delivery or timeliness of delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Holders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the 2025 Bonds, as nominee of DTC, references in this Official Statement to the Holders of the 2025 Bonds mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only holders of the 2025 Bonds.

The Authority may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2025 Bonds without the consent of Beneficial Owners or Holders.

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