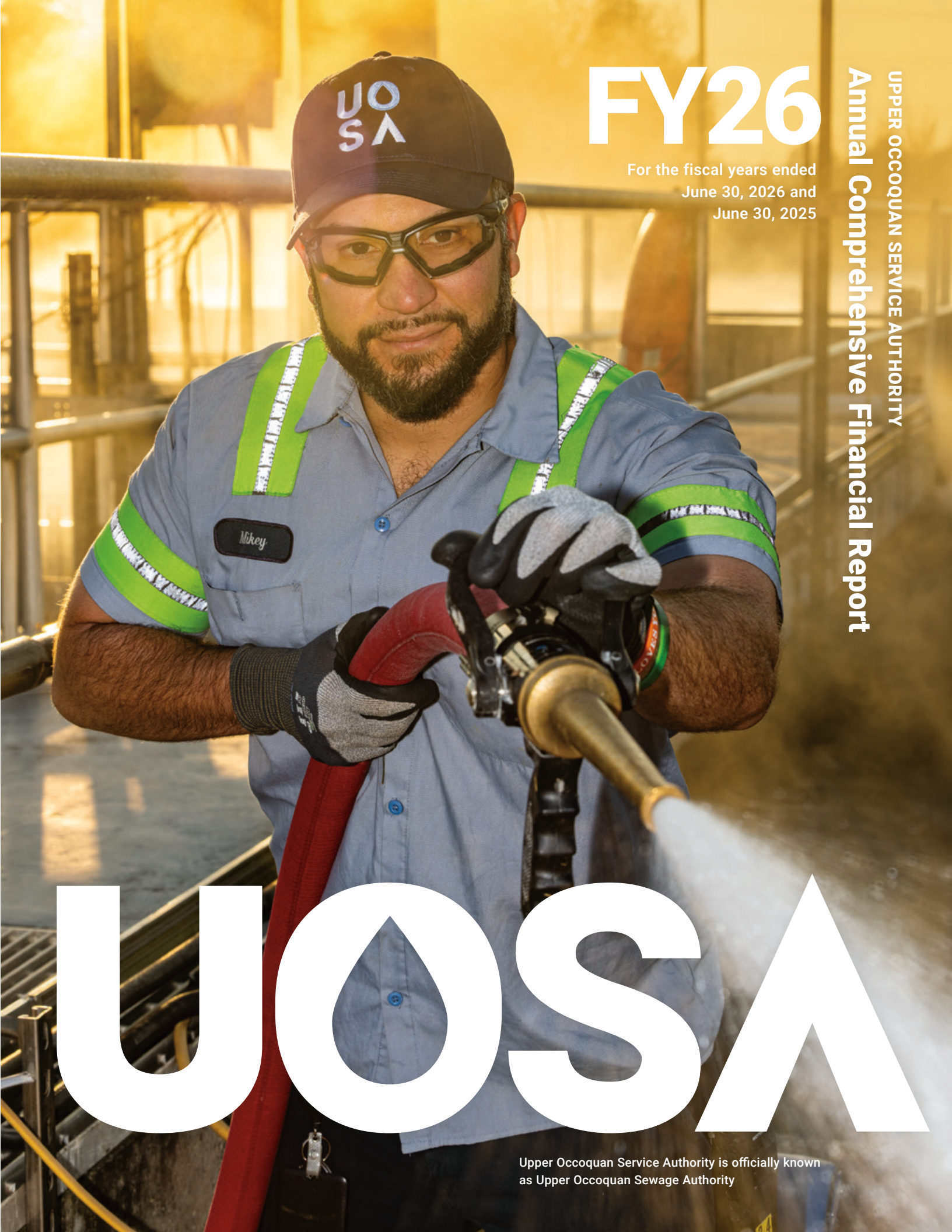


FY26

For the fiscal years ended
June 30, 2026 and
June 30, 2025

UPPER OCCOQUAN SERVICE AUTHORITY

Annual Comprehensive Financial Report

UOSA

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

Upper Occoquan Service Authority

One Region, One Water: A Legacy Built to Last

Dear Stakeholders,

Water is one of the region's most precious resources. It sustains our communities and our economy, and it shapes the environment we share. Protecting it requires work most people never see. The Upper Occoquan Service Authority (UOSA) does that work every day.

When four jurisdictions formed UOSA in 1971, they made a shared regional commitment to protect the water they depended on. Over the next seven years, they turned that commitment into an operating regional water recycling system. Since UOSA began operations in 1978, we have treated wastewater and produced clean, recycled water that augments the region's water supply. This work protects public health and water quality. It also safeguards the environment and sustains the communities we serve.

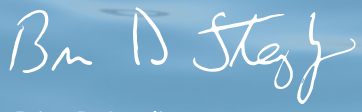
The founders acted on an enduring truth. Water does not respect jurisdictional boundaries. Their decision created a framework built on collaboration, long-term planning, operational excellence, and innovation. It has carried UOSA's operations through five decades of performance, expansion, and renewal.

That framework remains essential today. Earlier leaders could not have anticipated every environmental, technological, and operational challenge UOSA now faces. Their commitment to regional collaboration and long-term stewardship gives us the resilience to respond to new demands, renew essential infrastructure, and continue protecting the region's water.

In 2025, UOSA introduced its Strategic Plan and Vision 2050 to guide this work in the decades ahead. During the plan's first year, we began to translate that direction into practical action. We launched a comprehensive facilities plan to guide future investments. We strengthened asset-management practices, using better information about asset conditions to prioritize maintenance, renewal, and replacement to maximize the life and value of over 17,000 assets. These efforts will help UOSA continue to deliver reliable service and protect water quality, while preparing us for the future

As I reflect on nearly 50 years of service, I am grateful for the leadership displayed by the founders, for the Board's renewed vision to be globally recognized, and for staff who carry that vision forward every day. Together, we will continue to protect the region's water and serve the communities who rely on it.

Sincerely,



Brian D. Steglitz
Executive Director

2026 Annual Comprehensive Financial Report

For the fiscal years ended
June 30, 2026 and
June 30, 2025

Prepared by the Finance Department



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

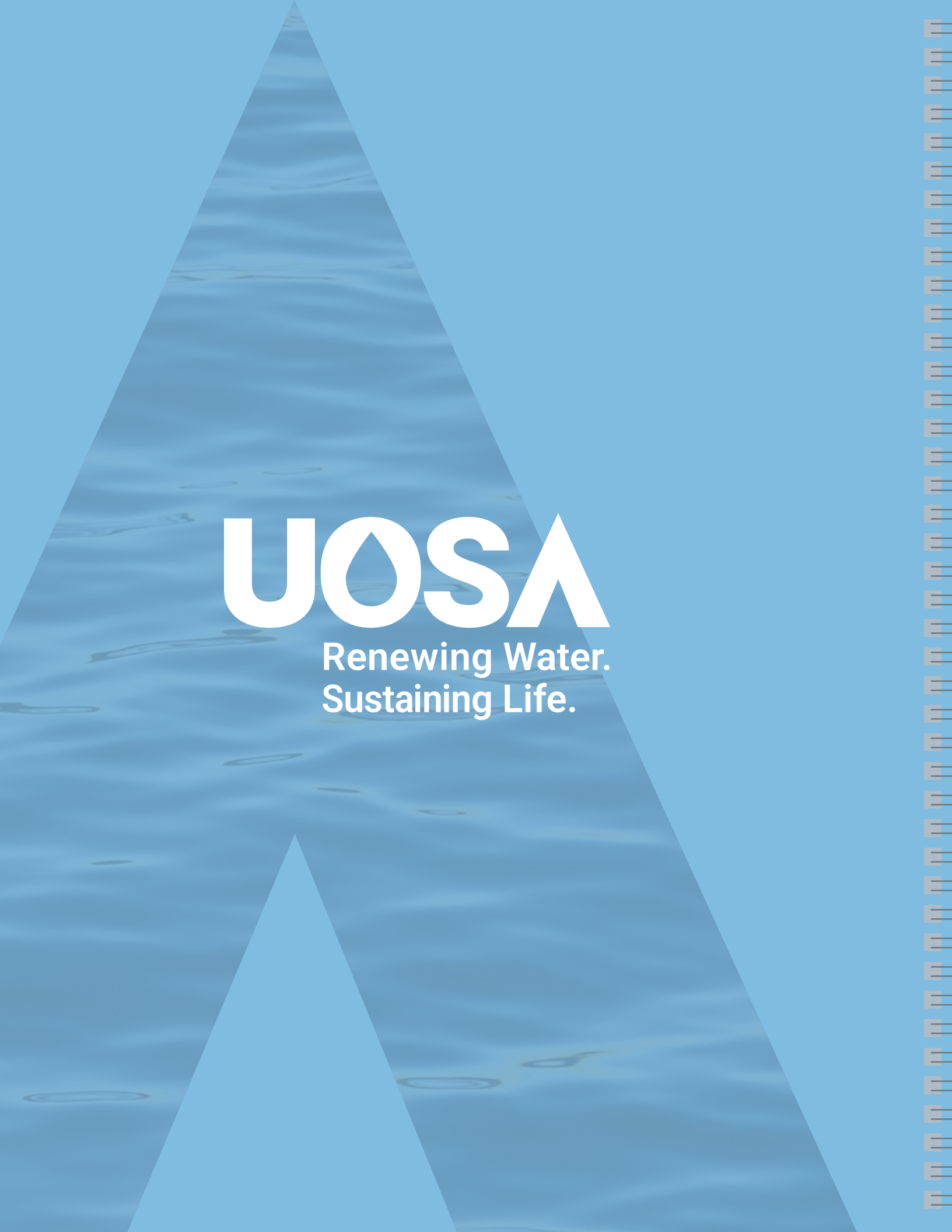

UOSA
Renewing Water.
Sustaining Life.

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal 1-5
Organizational Chart 6
Directory of Board Members and Officials 7
Certificate of Achievement for Excellence in Financial Reporting 8

FINANCIAL SECTION

Independent Auditor's Report 14–16
Management's Discussion and Analysis 19–27

Financial Statements

Statements of Net Position 30–31
Statements of Revenues, Expenses and Changes in Net Position 32
Statements of Cash Flows 33-34
Notes to the Financial Statements 36–75

Required Supplementary Information

Schedule of Changes in UOSA's Net Pension (Asset) Liability and Related Ratios 78–79
Schedule of UOSA's Pension Contributions 80
Schedule of Changes in UOSA's Total OPEB Liability and Related Ratios – Health Care Benefit Plan 81
Schedule of UOSA's Proportionate Share of the Net OPEB Liability – VRS Group Life Insurance Program 82
Schedule of UOSA's OPEB Contributions – VRS Group Life Insurance Program 83
Notes to Required Supplementary Information 84–85

STATISTICAL SECTION (Unaudited)

Financial Trends

Schedule 1: Net Position by Component 89
Schedule 2: Changes in Net Position 89
Schedule 3: Operating Expenses 90
Schedule 4: Non-Operating Revenues and Expenses 91
Schedule 5: Expenses by Function 91

Revenue Capacity Information

Schedule 6: Operating Revenues by Source 92
Schedule 7: Sources of Wastewater Flow 92
Schedule 8: Annual Capital Contributions by Source 93

Debt Capacity Information

Schedule 9: Ratios of Outstanding Debt 94
Schedule 10: Revenue Bond Coverage 94

Demographic and Economic Information

Schedule 11: Principal Employers 95
Schedule 12: Demographic Statistics 96

Operating Information

Schedule 13: Authorized Full-Time Equivalents by Function 97
Schedule 14: Operating and Capital Indicators 97

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 101-102



Kevin Wolfe, current UOSA CFO, holds the original UOSA groundbreaking ceremonial shovel.

1971 – 1979

CREATION

One Reservoir, One Shared Mission



By the late 1960s, rapid population growth across the Occoquan watershed was outpacing Northern Virginia's patchwork of separate treatment systems, putting the Occoquan Reservoir, a regional drinking-water source, under strain.

A 1970 study commissioned by the State Water Control Board identified wastewater effluent as the main driver of the reservoir's decline. Eleven treatment plants discharged nearly 3 million gallons of wastewater into the basin each day without removing excess phosphorus and nitrogen, causing algal blooms, fish kills, taste-and-odor problems in finished drinking water, and clogged treatment-plant filters.

The Occoquan Policy, adopted by the State Water Control Board in 1971, set the terms for a different response: advanced treatment and ongoing surveillance across the basin.

"From our groundbreaking, UOSA's mission has always been larger than wastewater. We are an integral part of the region's public health, environmental, and water supply infrastructure." — Kevin Wolfe, Chief Financial Officer

That year, Fairfax County, Prince William County, Manassas and Manassas Park formed the Upper Occoquan Service Authority (UOSA) by concurrent resolution to construct, finance and operate the regional water recycling facility the policy required, replacing the eleven separate plants with one coordinated system.

The roughly $80 million project was funded mostly through federal grants, with the four jurisdictions financing their share through bonds the authority sold beginning in July 1972.

The first of nine construction contracts was awarded in early 1974. That same year, the authority recruited Millard H. Robbins Jr. as its founding executive director, tasked with turning a policy on paper into an operating regional utility. UOSA began operating the facility in 1978, seven years after the Occoquan Policy set the requirement in motion.

The regional model now faced its essential test—prove, every day, that it could protect the water resource its communities shared.





This page from top: UOSA groundbreaking ceremony May 4, 1974, UOSA's signature treated wastewater fountain circa late 1970s, and first outflow of Project 15 treated wastewater.

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Upper Occoquan Service Authority
14631 Compton Road
Centreville, VA 20121-2506
703-830-2200
uosa.org

October 28, 2026

Board of Directors and Interested Parties
Upper Occoquan Service Authority
14631 Compton Road
Centreville, Virginia 20121-2506

Dear Members of the Board and Interested Parties:

The Annual Comprehensive Financial Report (ACFR) of the Upper Occoquan Service Authority (UOSA) for the fiscal year ended June 30, 2026, is submitted herewith. This ACFR has been prepared by UOSA's Finance Department in accordance with accounting principles generally accepted in the United States of America and conforms to the requirements of the Governmental Accounting Standards Board (GASB).

Management is responsible, in all material respects, for the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of UOSA.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) found in the financial section of the ACFR and should be read in conjunction with it.

A brief history of UOSA, its fiscal operations, and selected accomplishments are presented below.

ORGANIZATION AND FUNCTION

UOSA was formed on March 3, 1971, by concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Towns (now Cities) of Manassas and Manassas Park. UOSA's discharge flows via Bull Run to the Occoquan Reservoir, a major water supply source for people in the Northern Virginia communities of Fairfax, Loudoun, Prince William and Alexandria served by the Fairfax County Water Authority (Fairfax Water).

Studies in 1969-1970 concluded that inadequately treated sewage discharged by eleven secondary treatment plants in the Occoquan Watershed was largely responsible for the serious water quality problems in the Occoquan Reservoir. To remedy the problems, the Virginia State Water Control Board (SWCB) (now the Department of Environmental Quality) in 1971 adopted a comprehensive policy for the Occoquan Watershed (Occoquan Policy). A principal requirement of the Occoquan Policy was the construction of a regional water recycling facility to replace the eleven existing treatment plants. UOSA was created to address this mandate.

UOSA was created under the provisions of the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, *Code of Virginia* of 1950 as amended) to construct, finance and operate the regional water recycling facility mandated by the Occoquan Policy. The first of nine construction contracts was awarded in early 1974 and UOSA began operation of the treatment facility on June 26, 1978. The National Pollutant Discharge Elimination System (NPDES) permit issued to UOSA by the SWCB and the United

States Environmental Protection Agency (EPA) contained some of the most stringent discharge limits in the United States. UOSA has consistently met these limits and, as a result, eliminated wastewater as a source of pollution in the Occoquan Watershed. Further, the water recycled by UOSA contributes significantly to the water supply of Northern Virginia. Tenacious pursuit of an enhanced environment is a continuous activity for UOSA.

UOSA is a public body politic, corporate, and an instrumentality of the Commonwealth of Virginia. The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction. The UOSA Executive Director is responsible to the Board of Directors for the day-to-day operations of UOSA. The organization is comprised of four functional teams: Administration, Engineering & Technology, Financial and Operations.

REPORTING ENTITY

This ACFR includes all funds and accounts of UOSA. As described above, UOSA provides wastewater treatment and water recycling services to four Member Jurisdictions on a wholesale basis. In accordance with accounting principles generally accepted in the United States of America for governmental entities, there are no component units to be included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

UOSA's service area is in the Greater Washington D.C. metropolitan area, which is ranked as the seventh largest regional economy in the United States. The Washington D.C. metropolitan area provides proximity to the federal government and continues to be a premier location for corporate headquarters. It is also home to twenty Fortune 500 companies.

The Greater Washington D.C. area unemployment rate is consistently below the national average and has one of the highest median household incomes in the United States. The area boasts an exceedingly educated workforce, ranking highly among major metropolitan areas for its percentage of residents with graduate or professional degrees. Yet, despite this status, more workers have left the area than moved to it over the last five years – a deficit that international immigration has fortunately offset. According to the Washington Economy Watch report, the region's employment appears set to grow through the end of this year and into early next year, which should lead to economic growth through early 2027.

UOSA's service area population has steadily increased over the last decade. With its expansion to 54 million gallons per day of capacity, UOSA continues to supply essential wastewater recycling services to the four Member Jurisdictions in the service area.

MAJOR INITIATIVES

UOSA is advancing a coordinated portfolio of initiatives to protect the Occoquan Reservoir, sustain reliable water recycling, and prepare the organization for long-term regional growth. Current priorities include the Comprehensive Facilities Plan 2050, phased treatment and delivery-system improvements, nutrient-removal and rehabilitation projects, strengthened asset-management and business processes, and strategic engagement with Member Jurisdictions and regional water-supply partners. These investments are supported through bond proceeds, low-interest financing, cash reserves, and grants.

UOSA's rated treatment capacity remains 54 million gallons per day. Following the commitments in the 2022 Restated and Amended Service Agreement, UOSA continued its plant-capacity investigation during fiscal year 2026, refining jurisdictional load allocations and evaluating treatment-process constraints

using updated influent data. This work builds on the earlier Black & Veatch re-rating study, which identified latent capacity that may be realized through targeted improvements. In fiscal years 2027 and 2028, the Comprehensive Facilities Plan 2050 will integrate capacity, condition, regulatory, resilience, and regional water-supply considerations into a long-range capital strategy.

The capital program is shifting from a single large expansion toward a sequenced, risk-based program that improves existing assets and preserves flexibility for future growth. Active work includes the Phase 2 Nutrient Removal project (P2NR+) that includes primary and secondary treatment improvements; Building U improvements to the solids drying system; building-envelope and HVAC rehabilitation; electrical-service renewal; valve and process-equipment replacements; and continued delivery-system renewal. The environmental laboratory renovation progressed while laboratory services operated from a temporary off-site location, maintaining continuity of compliance testing.

Beyond capital delivery, UOSA reaffirmed its role in protecting the Occoquan Reservoir by pursuing closer coordination with Fairfax Water and other regional stakeholders on water-supply planning and reuse and launching a refreshed organizational brand "Renewing Water. Sustaining Life." to better communicate UOSA's mission and nearly five decades of leadership in water recycling.

INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROLS

UOSA's management is responsible for establishing and maintaining an internal control structure designed to provide UOSA with reasonable, but not absolute, assurance that assets are safeguarded against loss, theft or misuse; and financial records for preparing financial statements and maintaining asset accountability are reliable. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

UOSA prepares annual budgets for Operating Expenditures, Reserve Maintenance and Debt Service. The proposed budgets are prepared by management and submitted to the Board of Directors for approval. Budgetary control is maintained at the sub-function level by a review of revenues and expenses by management. The Financial Team is responsible for monitoring expenses by function for UOSA as a whole. UOSA also utilizes an encumbrance system for budgetary control and to ensure the availability of funding before contracts or purchase orders are finalized. Appropriations lapse at year-end and may not be carried forward to the next year, except for funds appropriated for multi-year construction projects. After adoption, increases or decreases in budgets may be made only upon Board approval.

LONG-TERM FINANCIAL PLANNING

UOSA's Board of Directors endorsed a Capital Improvement Plan (CIP) Update in February 2026 that addresses UOSA's capital requirements through 2035. The CIP provides for treatment plant capacity that meets regulatory requirements, future growth, a completely updated and renewed collection and delivery system sized for build-out and the renewal and replacement of aging plant assets. The Plan of Finance projects financing through 2035 to ensure funding is available to meet capital improvement needs. Capital project projections and the associated Plan of Finance are updated on an annual basis.

A bond issue is anticipated for late 2027 to fund the next phase of the CIP, with additional bond issues projected for 2030 and 2033.

In May 2026, Fitch Ratings, Inc. and Standard & Poor's both reaffirmed their ratings on UOSA's regional sewerage system revenue bonds at AAA, the highest rating that can be awarded. In August 2026, Moody's reaffirmed its rating of Aa1.

	Standard & Poor's	Fitch	Moody's
Revenue Bonds	AAA	AAA	Aa1

Each of the four Member Jurisdictions is required by the Restated Service Agreement to pay its share of the debt service. The shares of the Member Jurisdictions are based on allocated capacity as a percentage of the total capacity allocated to the four participating Member Jurisdictions or as otherwise identified for specific projects within UOSA's Service Agreement.

Completion of the second phase of the Project 54 expansion program (Contract 54) provided an increase in capacity from 32 mgd to 54 mgd. Allocation of the 54 mgd capacity, which was effective February 1, 2005, is shown in Table 1 below.

TABLE 1

Member Jurisdiction	Total Capacity Allocation	Percentage Of Total Capacity
Fairfax County	27.5999 mgd	51.1109%
Prince William County	15.7971 mgd	29.2539
City of Manassas	7.6893 mgd	14.2395
City of Manassas Park	2.9137 mgd	5.3957
Total	54.0000 mgd	100.0000%

Under Section 5.4 of the Service Agreement, any Member Jurisdiction may reallocate any portion of its allocated plant capacity to any other Member Jurisdiction on such terms as may be mutually agreeable, subject to the approval of UOSA. Certain Member Jurisdictions have reallocated capacity pursuant to this provision. However, pursuant to Section 5.4 of the Service Agreement, a reallocation of capacity cannot alter the respective obligations of the Member Jurisdiction under the Service Agreement to pay UOSA's charges for debt service and for replacements and necessary improvements, as set forth in the Service Agreement.

INDEPENDENT AUDIT

The Restated Service Agreement requires an annual audit be performed. UOSA's financial statements for the years ended June 30, 2026 and 2025 were audited by PBMares, LLP, an independent accounting firm selected by the Audit Committee. The fiscal year 2026 Independent Auditor's Report is presented in the financial section of this ACFR.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to UOSA for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This is the thirty-seventh consecutive year UOSA has received the Certificate of Achievement for Excellence in Financial Reporting.

To be awarded a Certificate of Achievement, UOSA published an easily readable and efficiently organized ACFR, whose contents conform to program standards. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

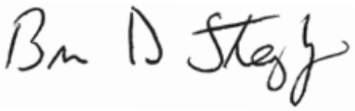
A Certificate of Achievement is valid for a period of one year only. We believe this fiscal year 2026 report continues to conform to the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for a certificate.

NACWA Platinum Peak Performance Award – The National Association of Clean Water Agencies (NACWA) awarded a Platinum Peak Performance Award to UOSA for 2025. NACWA's National Environmental Achievement Awards Program annually recognizes individual member agencies that have made outstanding contributions to environmental protection and wastewater management by consistently meeting all National Pollution Discharge Elimination System (NPDES) permit limits. This Platinum Peak Performance Award recognized UOSA's 100% NPDES permit compliance for twenty-one consecutive years.

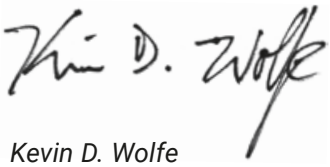
ACKNOWLEDGEMENTS

We would like to express our appreciation to all UOSA staff who assisted in the preparation of this ACFR, especially the members of the Finance Department of the Financial Team. We commend them for their professionalism, hard work and continued efforts to improve this report. This ACFR reflects our continued commitment to provide information in conformance with the highest standards of financial reporting.

Respectfully Submitted,



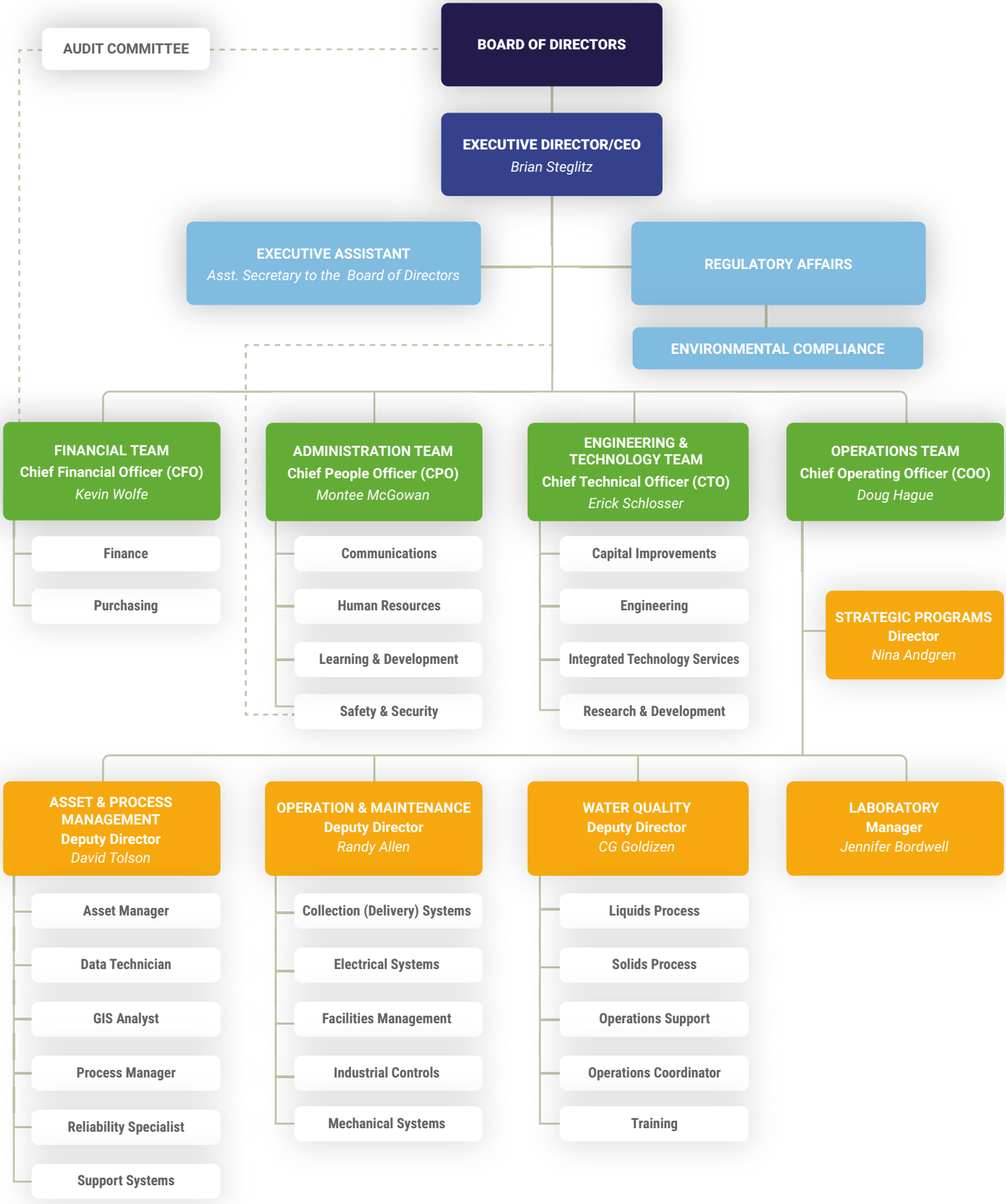
Brian D. Steglitz
Executive Director



Kevin D. Wolfe
Chief Financial Officer

Organizational Chart

June 30, 2026



Directory of Board Members and Officials

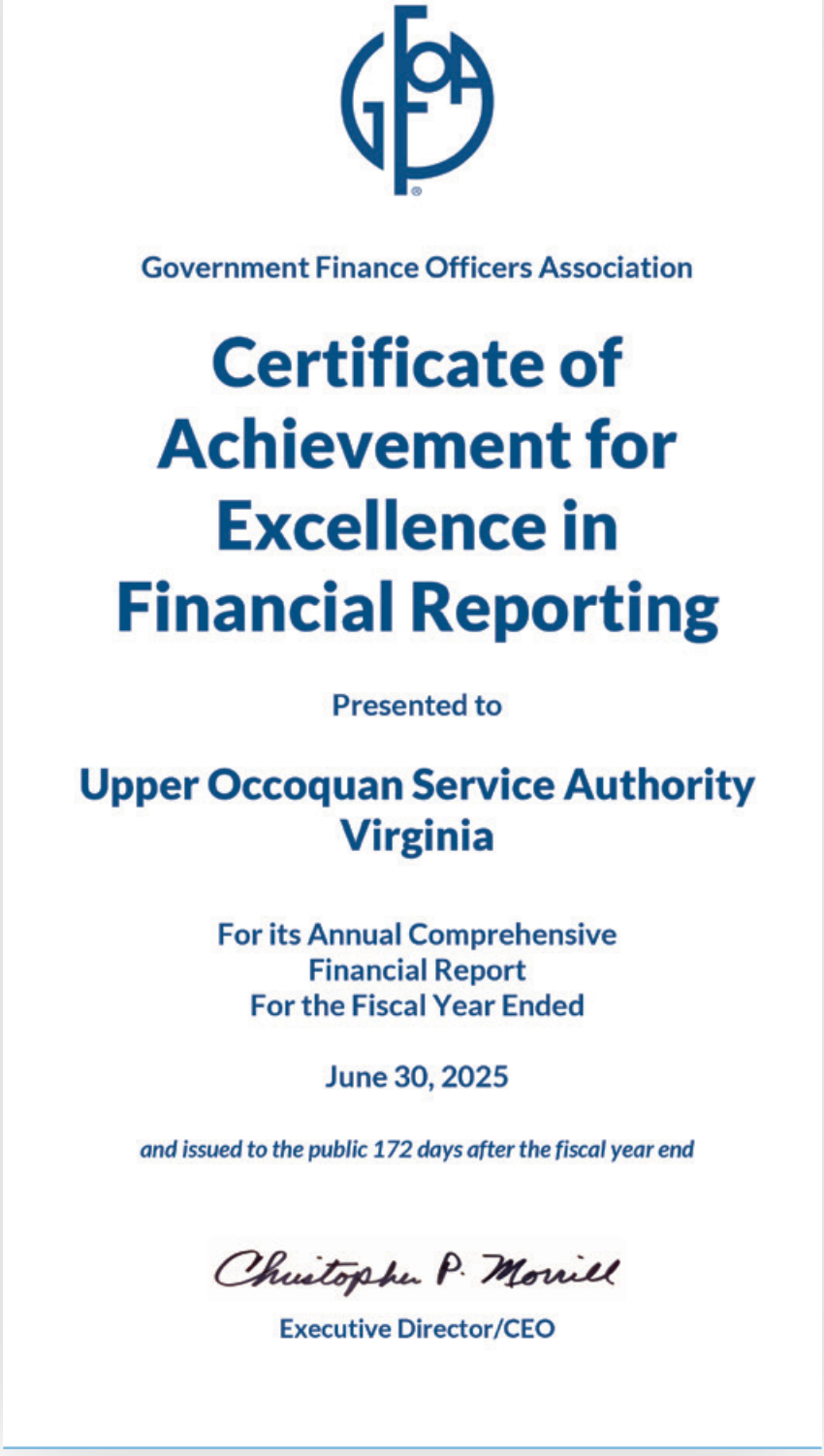
June 30, 2026

Board of Directors and Officers	Position	Member Jurisdiction/Affiliation
Shahram Mohsenin	Chairman	Fairfax County
Nancy Vehrs	Vice-Chairman	Prince William County
Richard Meyer	Secretary	City of Manassas
Joshua McNeal	Treasurer	City of Manassas Park
Michael McGrath	Member	Fairfax County
Calvin D. Farr, Jr.	Member	Prince William County
Patrick Small	Member	City of Manassas
Allan Rowley	Member	City of Manassas Park
Kevin D. Wolfe	Assistant Treasurer	UOSA Staff
June A. Mahoney	Assistant Secretary	UOSA Staff

Officials	Position
Brian D. Steglitz	Executive Director
Kevin D. Wolfe	Chief Financial Officer

Certificate of Achievement

June 30, 2026



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Upper Occoquan Service Authority
Virginia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 172 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

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Doug Hague, UOSA Chief Operating Officer with Vi Nguyen,Control Systems Engineer III.



1978 – 1994

PERFORMANCE

A Bold Model, Proven



Construction created the regional facility. Daily performance would prove its value.

On June 26, 1978, UOSA began receiving and storing wastewater at a plant with a capacity of 15 million gallons a day (MGD). On July 10, it released its first recycled water, and within months, monitoring showed a sharp decline in the algae that had plagued the reservoir. Those milestones began a demanding new responsibility, protecting the Occoquan Reservoir while serving a growing region.

UOSA operated under a National Pollutant Discharge Elimination System permit issued by the Virginia State Water Control Board and the U.S. Environmental Protection Agency. The permit imposed some of the nation's most stringent discharge limits, requiring treatment beyond what conventional plants used.

"From UOSA's earliest days to today, the dedication and expertise of its people have transformed a regional vision into daily performance, grounded in reliability, technical excellence, and watershed protection." — Doug Hague, Chief Operating Officer





This page from top: UOSA's Project 15 control systems panel, Project 27 aerial photograph, UOSA's Project 32 world-renowned treatment process drew visitors from around the world.

Meeting those limits took advanced treatment technology, disciplined operations and a lab program that tested samples daily to confirm compliance before discharge. Preventive maintenance and redundant systems reduced reliance on any single piece of equipment.

That rigor made the plant a model of reliability. It eliminated wastewater as a source of conventional pollutants in the watershed. During prolonged droughts, recycled water made up as much as 90 percent of the reservoir's flow.

As population growth in the four jurisdictions continued through the 1980s, UOSA designed and built Project 27, raising treatment capacity from 15 to 27 MGD by early 1989. Throughout this period, sustained performance built public confidence in the regional model. By decade's end, the plant had drawn visitors from 43 foreign countries and 41 U.S. states, evidence of its credibility as a national model for advanced water recycling.

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Report of the Independent Auditor

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Occoquan Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Upper Occoquan Service Authority (UOSA), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UOSA as of June 30, 2026 and 2025, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UOSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, *Government Auditing Standards*, and *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19-27 and the required supplementary information on pages 78-85 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2026 on our consideration of UOSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UOSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UOSA's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 28, 2026

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following discussion and analysis of the Upper Occoquan Service Authority's financial performance provides an objective overview of the financial activities of UOSA for the year ended June 30, 2026, to assist readers in understanding what the financial statements and notes say about UOSA's financial health and why it changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the Finance staff's knowledge of UOSA's finances. This analysis should be read in conjunction with the basic financial statements, which are located in the next section of this ACFR.

Questions about this report or requests for additional financial information should be addressed to UOSA's Chief Financial Officer, Upper Occoquan Service Authority, 14631 Compton Road, Centreville, Virginia 20121-2506; by telephone at (703) 830-2200; or visit UOSA's website at www.uosa.org.

OVERVIEW OF THE FINANCIAL STATEMENTS

UOSA operates as a single enterprise fund, which is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

This ACFR is presented in three main sections: introductory, financial and statistical. The introductory section includes the letter of transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, a list of Board members and officers, and an organizational chart.

The financial section contains the Independent Auditor's Report, Management's Discussion and Analysis, and the basic financial statements as follows:

- Statements of Net Position – These statements include all of UOSA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The statements contain information about the nature and amounts of investments in resources and obligations to creditors as well as provide a basis for evaluating the capital structure of UOSA and assessing its liquidity and flexibility.
- Statements of Revenues, Expenses and Changes in Net Position – These statements reflect operating results and details how net position changed during the fiscal year. In accordance with GASB Statement No. 103, this statement explicitly separates core operating activities from nonoperating activities and introduces specific formatting to highlight noncapital subsidies, if any. This structure allows users to quickly assess the extent to which revenues cover the operational cost of providing wastewater services.
- Statements of Cash Flows – These statements present detailed information about UOSA's cash receipts and disbursements during the year. This statement is broken down into four distinct categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It illustrates where UOSA's cash originated, what it was used for, and the net change in cash and cash equivalents over the course of the reporting period.
- Notes to the Financial Statements – The notes to the financial statements provide necessary disclosures essential to a full understanding of the data provided in the financial statements. They provide a deeper explanation of specific items, such as significant accounting policies, capital asset activity, long-term financing obligations, and risk disclosures.
- Required Supplementary Information – This information provides necessary disclosures on a multi-year basis essential to a full understanding of the data provided in the financial statements. UOSA's RSI includes additional disclosures for Pension and Other Post Employment Benefits (OPEB).

The statistical section includes selected financial, operational and demographic information about UOSA and its Member Jurisdictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FINANCIAL SUMMARY

The tables presented below provide a summary of UOSA's financial position and operations for fiscal years 2026 and 2025 as well as fiscal years 2025 and 2024, respectively.

Condensed Statements of Net Position

June 30	2026	2025	Change Amount	Change %
Current & other assets	$ 156,162,390	$ 163,303,797	$ (7,141,407)	-4.4%
Capital assets, net	333,351,583	337,472,191	(4,120,608)	-1.2
Total Assets	489,513,973	500,775,988	(11,262,015)	-2.2
Deferred outflows of resources	14,024,684	18,578,520	(4,553,836)	-24.5
Total Assets and Deferred Outflows of Resources	503,538,657	519,354,508	(15,815,851)	-3.0
Current liabilities	55,261,499	44,099,830	11,161,669	25.3
Long-term liabilities	408,398,569	447,122,075	(38,723,506)	-8.7
Total Liabilities	463,660,068	491,221,905	(27,561,837)	-5.6
Deferred inflows of resources	3,236,374	2,722,795	513,579	18.9
Total Liabilities and Deferred Inflows of Resources	466,896,442	493,944,700	(27,048,258)	-5.5
Net Position				
Net (deficit) investment in capital assets	(43,816,958)	(50,138,449)	6,321,491	12.6
Restricted	87,996,234	82,733,578	5,262,656	6.4
Unrestricted (deficit)	(7,537,061)	(7,185,321)	(351,740)	-4.9
Total Net Position	36,642,215	25,409,808	11,232,407	44.2
Total Liabilities, Deferred inflows of Resources and Net Position	$ 503,538,657	$ 519,354,508	$ (15,815,851)	-3.0%

June 30	2025	2024	Change Amount	Change %
Current & other assets	$ 163,303,797	$ 162,179,045	$ 1,124,752	0.7%
Capital assets, net	337,472,191	357,377,401	(19,905,210)	-5.6
Total Assets	500,775,988	519,556,446	(18,780,458)	-3.6
Deferred outflows of resources	18,578,520	16,647,039	1,931,481	11.6
Total Assets and Deferred Outflows of Resources	519,354,508	536,203,485	(16,848,977)	-3.1
Current liabilities	44,099,830	43,150,190	949,640	2.2
Long-term liabilities	447,122,075	470,695,674	(23,573,599)	-5.0
Total Liabilities	491,221,905	513,845,864	(22,623,959)	-4.4
Deferred inflows of resources	2,722,795	2,031,305	691,490	34.0
Total Liabilities and Deferred Inflows of Resources	493,944,700	515,877,169	(21,932,469)	-4.3
Net (deficit) investment in capital assets	(50,138,449)	(49,570,383)	(568,066)	-1.1
Restricted	82,733,578	79,272,660	3,460,918	4.4
Unrestricted (deficit)	(7,185,321)	(9,375,961)	2,190,640	23.4
Total Net Position	25,409,808	20,326,316	5,083,492	25.0
Total Liabilities, Deferred inflows of Resources and Net Position	$ 519,354,508	$ 536,203,485	$ (16,848,977)	-3.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

REVENUES AND EXPENSES

The tables presented below summarize the changes in revenues and expenses for UOSA between the fiscal years 2026 and 2025 and between the fiscal years 2025 and 2024, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended, June 30	2026	2025	Change Amount	Change %
Operating Revenues				
Member Jurisdictions	$ 45,290,803	$ 41,154,383	$ 4,136,420	10.1%
Other	594,542	589,801	4,741	0.8
Total Operating Revenues	45,885,345	41,744,184	4,141,161	9.9
Operating Expenses				
Operations	44,526,104	41,299,263	3,226,841	7.8
Depreciation and amortization	25,417,532	27,449,941	(2,032,409)	-7.4
Total Operating Expenses	69,943,636	68,749,204	1,194,432	1.7
Operating Loss	(24,058,291)	(27,005,020)	2,946,729	10.9
Noncapital Subsidies	–	449,593	(449,593)	-100.0
Other Non-operating revenues (expenses)	5,198,729	(1,870,054)	7,068,783	378.0
Capital contributions	30,091,969	33,960,903	(3,868,934)	-11.4
Change in Net Position	11,232,407	5,535,422	5,696,985	102.9
Total net position, beginning of the year	25,409,808	20,326,316	5,083,492	25.0
Cumulative effect of change in accounting principle	–	(451,930)	451,930	100.0
Total Net Position, End of Year	$ 36,642,215	$ 25,409,808	$ 11,232,407	44.2%

For the Years Ended, June 30	2025	2024	Change Amount	Change %
Operating Revenues				
Member Jurisdictions	$ 41,154,383	$ 38,874,605	$ 2,279,778	5.9%
Other	589,801	487,207	102,594	21.1
Total Operating Revenues	41,744,184	39,361,812	2,382,372	6.1
Operating Expenses				
Operations	41,299,263	38,510,158	2,789,105	7.2
Depreciation and amortization	27,449,941	30,092,906	(2,642,965)	-8.8
Total Operating Expenses	68,749,204	68,603,064	146,140	0.2
Operating Loss	(27,005,020)	(29,241,252)	2,236,232	7.6
Noncapital Subsidies	449,593	1,249,551	(799,958)	-64.0
Other Non-operating revenues (expenses)	(1,870,054)	379,526	(2,249,580)	-592.7
Capital contributions	33,960,903	28,846,840	5,114,063	17.7
Change in Net Position	5,535,422	1,234,665	4,300,757	348.3
Total net position, beginning of the year	20,326,316	19,091,651	1,234,665	6.5
Cumulative Effect of change in accounting principle	(451,930)	–	(451,930)	-100.0
Total Net Position, End of Year	$ 25,409,808	$ 20,326,316	$ 5,083,492	25.0%

DETAILED ANALYSIS

Current Year

As of June 30, 2026, UOSA's net position was $36.6 million, an increase of $11.2 million or 44.2 percent compared with 2025. Various events contributed to this increase in net position; however, the four primary factors affecting the net position change are as follows:

(1) Decreased long-term debt directly related to payment schedule

(2) Increased spending on capital projects

(3) Methanol Feed Facility project meets final completion

(4) UOSA's Strategic Plan linked to increased operating revenues and expenses

Debt decreases: Long-term debt decreased $38.8 million resulting from a shift to current liabilities that was $12.0 million higher than 2025 due to the increased upcoming debt payments. Notably the upcoming debt payment schedule results in a $20.6 million increase in the 2020 Bond Series principal payment, while the 2013A Bond Series will have a final payment that decreased $8.8 million as compared to 2025. UOSA's member jurisdictions are billed based on UOSA's established debt schedule, thereby resulting in an increase in restricted revenue and restricted cash as the payments increase. While a strategic partial refunding of 2016A & 2016B Bond Series as they reached their 10-year callable status was completed resulting in lower future payments, there were no debt issues for new construction funds. Until a new construction fund debt issuance occurs, debt will continue to decrease as designated in UOSA's debt service schedule. See the following long-term financing section for more details.

Capital Projects: UOSA's Capital Improvement Plan is re-evaluated every calendar year with projects rolling on and off the 10-year planning horizon and staff incorporating the newest construction pricing estimates to establish an estimate suitable for financial planning. During fiscal year 2026, projects and timelines continue to shift; however, current capital project spending increased and was approximately $11.5 million, decreasing the construction fund cash. The increased spending was $8.0 million more than 2025 and was mainly due to the planned Lab renovation and HVAC/Building rehabilitation projects as construction ramped up while the Yorkshire Park Interceptor Upgrade project worked through final design details and obtained the necessary permits and easements. See the following significant capital assets and long-term financing activity for more details.

Methanol Feed Facility (MFF): The construction of the new facility with the purpose of enhancing nitrogen removal capacity and increasing the level of service for the biological treatment process is funded solely by City of Manassas with supplementary grant funding from the Water Quality Improvement Fund. Construction completed during fiscal year 2026 resulting in an addition of $9.2 million to UOSA's capital asset additions. Project expenses and spending decreased significantly during 2026 as the MFF project was nearing completion in fiscal year 2025; resulting in a $3.8 million decrease in capital funding and a $2.3 million decrease in grant revenue in 2026 as compared to 2025. See the following significant capital assets and long-term financing activity for more details.

UOSA's Strategic Plan: UOSA implemented new initiatives during the fiscal year 2026 budget cycle that were endorsed by the Board of Directors and ultimately in-line with UOSA's Strategic Plan (2025-2030) adopted by the Board of Directors. The new initiatives included a continued investment in our workforce with an additional position, over hires for succession planning and additional training along with implementation of non-recurring initiatives such as a Security Vulnerability Assessment, Regulatory Pretreatment Local Limits update, Regional Biosolids Study and IT advancements to keep UOSA as an industry leader. The approximate $3.0 million budget increase directly impacts operating revenues and operating expenses. Operating revenue is derived primarily from billings to our four Member Jurisdictions for operational expenses related to treatment of sewage based on the approved budget and actual flows for each jurisdiction. Accordingly, UOSA's operating revenues are directly linked to operating expenses. As operating expenses increase, operating revenues will also increase.

Prior Year

As of June 30, 2025, UOSA's net position was $25.4 million, an increase of $5.1 million or 25.0 percent compared with 2024. Various events contributed to this increase in net position; however, the five primary factors affecting the net position change are as follows:

(1) Decreased long-term debt directly related to payment schedule

(2) Federal Build America Bonds subsidy sequestration resulting in bond refunding

(3) Construction project cancelled

(4) Grant funding increased as Methanol Feed Facility project nears completion

(5) Change in Accounting Principle: Implementation of GASB 101, Compensated Absences

Debt decreases: Long-term debt decreased $26.2 million resulting from a shift to current liabilities that was $1.9 million higher than 2024 due to the increased upcoming debt payments. The largest increase was related to the first upcoming principal payment of approximately $0.8 million for the 2022 Bond Series. UOSA's member jurisdictions are billed based on UOSA's established debt schedule, thereby resulting in an increase in restricted revenue and restricted cash as the payments increase. While the 2010 Bond Series was refunded, there were no debt issues for new construction money. See the following long-term financing section for more details.

Build America Bonds sequestration: The 2010B Bond Series (Federally Taxable Build America Bonds) were initially subsidized by the federal government, ultimately reducing UOSA's borrowing costs. However, due to budget sequestration starting in 2013, the federally subsidized borrowing rate began reducing the amount of the subsidy and has continued with no clear certainty on the future of the subsidy. In December 2024, UOSA refunded the 2010B Bond Series by issuing the 2024 Bond Series to stabilize the debt service schedule and control the borrowing rate. UOSA's final Federal subsidy was received in fiscal year 2025. See the following long-term financing section for more details.

Construction expenses: Capital expenses arise mainly from demolition expenses, capital studies or cancelled projects. In fiscal year 2025, UOSA incurred capital expenses of $8.1 million. The majority was related to the cancellation of the Granular Activated Carbon Ozone Biofiltration (OBF) project resulting in a capital expense of approximately $4.3 million. The OBF project started in 2017 and through the years UOSA performed a study and completed the design to reduce the current requirement for carbon regeneration by adding ozone to the treatment process. UOSA's Board of Directors voted not to move forward with this large budget capital project, but to instead reassess and find alternatives. The project was officially cancelled during fiscal 2025 resulting in capital expenses for the OBF costs previously incurred.

Grant Funding: During fiscal year 2025, UOSA received $2.6 million in grant funding related to the MFF project. an increase of $1.2 million compared to fiscal year 2024. The increase in grant funding was directly related to construction costs increasing as the project moved closer to completion. UOSA also received $3.8 million in funding related to this project from the City of Manassas, compared to only $1.2 million in fiscal year 2024.

Change in Accounting Principle: During fiscal year 2025, UOSA adopted the provisions of GASB Statement No. 101, Compensated Absences. The new standard expanded the scope of leave types subject to liability recognition and shifted the valuation threshold. To conform with the retroactive transition requirements, the beginning net position for the earliest period presented had to be restated to record these previously unrecognized long-term liabilities. The cumulative effect of adoption of the standard was presented as an adjustment to beginning fiscal year 2025 net position resulting in a decrease of $451,930.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

At the close of fiscal year 2026, UOSA had $333,351,583 invested in capital assets. This amount represents a net decrease of $4,120,608 or approximately 1.2% under fiscal year 2025.

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

	2026	2025	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ –	0.0%
Treatment plant and reservoir	201,768,071	203,407,218	(1,639,147)	-0.8
Interceptor sewers	40,768,136	42,320,707	(1,552,571)	-3.7
Pumping stations	55,976,622	59,036,463	(3,059,841)	-5.2
Mobile equipment	1,755,161	1,671,079	84,082	5.0
Office furniture and equipment	411,959	211,851	200,108	94.5
Vehicles	1,449,187	837,697	611,490	73.0
Intangible right-to-use assets, office equipment	157,714	408,179	(250,465)	-61.4
Intangible right-to-use assets, software subscriptions	285,527	92,089	193,438	210.1
Construction in progress	23,575,594	22,283,296	1,292,298	5.8
Total	$ 333,351,583	$ 337,472,191	$ (4,120,608)	-1.2%

During fiscal year 2026, UOSA completed projects totaling $15.2 million into service previously held in Construction in Progress.

- **Major Projects:** Completion of the New Methanol Feed Facility to enhance nitrogen removal capacity and increase the level of service for the biological treatment process; and completion of the Building U Centrifuge project which will help to maximize dewatering efficiency.
- **Facility Upgrades:** To proactively address aging infrastructure and improve structural integrity across our assets, UOSA invested in facility upgrades such as multiple HVAC systems and building envelope restorations as well as site piping and asphalt improvements.
- **Active CIP Projects:** Ongoing major capital projects totaling $22.3 million include the ongoing Lab Renovation Project due to aging infrastructure, Yorkshire Park Interceptor Upgrades to address capacity concerns and continued HVAC and building envelope restorations.

Outside of Construction in Progress transfers, other major additions included:

- **Pump Stations:** Replacement of a submersible pump at Flat Branch and sewage pump at Little Rocky Run as they have reached the end of their useful lives. These replacements mitigate the risk of station failures which prevent sewage backups and ensure uninterrupted collection services. The installation of new variable frequency drives at Cub Run improves electrical efficiency and reduces peak demand utility costs by allowing pumps to match flow volumes in real time.
- **Vehicles:** Replacement of 10 fleet vehicles aligned with the vehicle lifecycle replacement due to reaching their service life.
- **Operational Offset:** These additions were offset by annual accumulated depreciation and amortization expenses of $25.4 million.

This information should be read in conjunction with notes 5-8 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets and long-term financing activities, including SBITAs and leases.

In alignment with our updates, UOSA retired or disposed of obsolete or major assets including:

- **Process Systems:** The completion of the Building U Centrifuge project led to the disposal of a dewater sludge transfer screw and dewatering centrifuge.
- **Infrastructure:** Partial disposals were made for the existing architectural buildings tied to the HVAC & Building restorations as well as other landscaping, paving, piping and valve replacements.

Changes to our intangible assets during fiscal year 2026 included:

- **Office Equipment:** UOSA has two active right-to-use lease agreements for office copiers and a temporary offsite laboratory. Due to the upcoming completion of the lab renovation project, the offsite laboratory is scheduled for retirement during fiscal year 2027.
- **Software Subscriptions:** In fiscal year 2026, UOSA entered into four new SBITA agreements. These include a process historian and SCADA/HMI framework to act as a database and store data on plant operations. Also, a vendor risk management platform for additional screen security of outside vendors and an office subscription that provides administrative tools.
- **Retirements:** These software additions were partially offset by the retirement of our cyber security software and vendor risk management system due to expiring contracts. Alternative options are under consideration for fiscal year 2027 for the cyber security software while the vendor risk management has been renewed.

UOSA's experienced a 5.7% reduction in the total principal balance due on outstanding bonds payable, with a June 30, 2026 balance of $421,479,964, compared to $446,854,664 at June 30, 2025. Loans payable decreased by $1,018,645 to $7,710,850. The most significant factor contributing to the change in UOSA's debt balance was scheduled principal payments on bonds and loans, reducing the total amount owed. Subscription-based information technology agreements experienced a net increase in payables of $203,869 while leases payable decreased $257,006. Other activities affecting the balance include principal payments made on equipment leases and maturities of existing subscription-based technology arrangements (SBITA), partially offsetting the purchase of new subscriptions, as well as a partial bond refunding.

In 2026, UOSA engaged in a partial refunding, or refinancing of bond Series 2016A and Series 2016B, with the issuance of bond Series 2026, in the amount of $36,800,000. The refunding resulted in a lower principal balance of $4,915,000 for Series 2016A as well as a reduction of $30,160,000 on Series 2016B. This refunding is estimated to result in a total savings of $2.78 million dollars. During the refunding process, Fitch Ratings Inc. and Standard & Poor's both reaffirmed their ratings on UOSA's regional sewerage system revenue bonds at AAA, the highest rating that can be awarded.

In comparison to 2025, an additional reduction in debt balance will be noticed in fiscal year 2026 as a result of the fiscal year 2025, bond refunding of bond Series 2010B (Federally Taxable Build America Bonds), reducing the future debt service payments beginning in fiscal year 2026.

This information should be read in conjunction with notes 5-8 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets and long-term financing activities, including SBITAs and leases.

At the close of fiscal year 2025, UOSA had $337,472,191 invested in capital assets. This amount represents a net decrease of $19,905,210 or approximately 5.6% under fiscal year 2024.

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

	2025	2024	Change Amount	Change %
Land	$ 7,203,612	$ 7,203,612	$ –	0.0%
Treatment plant and reservoir	203,407,218	220,010,349	(16,603,131)	-7.5
Interceptor sewers	42,320,707	43,888,892	(1,568,185)	-3.6
Pumping stations	59,036,463	62,880,377	(3,843,914)	-6.1
Mobile equipment	1,671,079	1,512,224	158,855	10.5
Office furniture and equipment	211,851	268,019	(56,168)	-21.0
Vehicles	837,697	741,067	96,630	13.0
Intangible right-to-use assets, leases	408,179	34,105	374,074	1096.8
Intangible right-to-use assets, SBITAs	92,089	249,944	(157,855)	-63.2
Construction in progress	22,283,296	20,588,812	1,694,484	8.2
Total	$ 337,472,191	$ 357,377,401	$ (19,905,210)	-5.6%

During fiscal year 2025, UOSA completed projects totaling $2.9 million into service previously held in Construction in Progress.

- **Major Projects:** Completion of phase 2 Screening and Grit chambers at building A/1, enhancing treatment reliability and debris removal. Additionally, UOSA completed the D/2 blended sludge piping to improve process efficiency.
- **Facility Upgrades:** Electronically Commutated Motor upgrades to reduce power demand along with asphalt rehabilitation to improve structural integrity across various pump stations.
- **Active CIP Projects:** Ongoing major capital projects totaling $21.0 million include: The ongoing Methanol Feed Facility which will enhance nitrogen removal capacity and increase the service for biological treatment process. The Phase 2 Nutrient Reduction Plus Ras Settleability (P2NR) project will transform pilot infrastructure into a permanent plant feature, while addressing regulatory requirements to reduce the nutrients entering the Chesapeake Bay. The building U centrifuge upgrades project which will maximize dewatering capacity by replacing a twenty-year-old centrifuge. Finally, the Lab renovation project which will improve the existing laboratory and replace aging equipment.

Outside of Construction in Progress transfers, other major additions included:

- **Treatment Plant:** Improvements of the ABB distributed control system to ensure process automation, various security system improvements and a chiller tube replacement at S/2 to maintain environmental control systems.
- **Pump Stations:** Flat Branch Pump Station had a replacement Submersible pump, a pump impeller to restore hydraulic efficiency, and a roof replacement on the maintenance building.
- **Operational Offset:** These additions were offset by annual accumulated depreciation and amortization expenses of $27.4 million.

This information should be read in conjunction with notes 5-8 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets and long-term financing activities, including SBITAs and leases.

In alignment with our updates, UOSA retired or disposed of obsolete or major assets including:

- **Equipment:** Several pieces of obsolete mobile equipment were disposed of following the replacement with upgraded equipment.
- **Infrastructure:** Partial disposals were made for the existing architectural buildings and valves and piping in C/1 tied to the R2D2 project.

Changes to our intangible assets during fiscal year 2026 included:

- **Office Equipment:** To prevent any operational disruptions during the lab rehabilitation project, UOSA entered into a two-year lease for temporary laboratory.
- **Software Subscriptions:** The remaining two active software subscriptions are for cyber security software and vendor risk software are set to retire at the end of fiscal year 2026.
- **Retirements:** In fiscal year 2025, UOSA retired four SBITA agreements. These include subscriptions for the use of reporting, office, asset management and email security software. All software asset retirements were driven by the expiration of contract terms. The office subscription is the only agreement slated for renewal as the remaining subscriptions fall below our new capitalization thresholds.

Fiscal year 2025, saw a decrease in outstanding debt of $30,906,1841 or 6.5% compared to 2024. Similarly to the current year, the decrease was primarily due to principal payments on debt. Additional activities contributing to the change include principal payments made on equipment leases, maturities of existing subscription-based technology arrangements (SBITA) as well as the previously mentioned refunding of Series 2010B (Federally Taxable Build America Bonds).

CURRENTLY KNOWN FACTS, DECISIONS, & CONDITIONS

In fiscal year 2027, UOSA launched its Comprehensive Facility Plan (CFP). The CFP will outline UOSA's long-term direction and development through the year 2050, serving as a roadmap to aid in the achievement of UOSA's strategic objectives. The adopted budget for fiscal year 2027 was designed to align with and support UOSA's strategic objectives as determined in the CFP.

- UOSA's adopted Annual Budget for fiscal year 2027 is $95.1 million and is primarily comprised of $41.7 million (43.9%) in capital financing costs, $47.2 million (49.6%) in operating expenses, $5.7 million (6.0%) in reserve maintenance expenditures, and $0.5 million (0.5%) in reserve funding. The total represents an increase of $2,974,122 or 3.23% over fiscal year 2026, primarily due to investing in our workforce, projected commodity price increases and other non-recurring expenses.
- The average daily flow projection for fiscal year 2027 is 37.0 million gallons per day (mgd). This represents no change from fiscal year 2026.
- UOSA's Capital Improvements Program (CIP) includes $647.1 million in forecasted capital projects for plant renewal and improvements; plant expansion; delivery system improvements and expansion; reserve maintenance; and nutrient removal through 2035. Budgeted spending for calendar year 2027 is $41.2 million.

This information should be read in conjunction with notes 5-8 to the audited financial statements in order to obtain more detailed information on UOSA's capital assets and long-term financing activities, including SBITAs and leases.

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Financial Statements



STATEMENTS OF NET POSITION

June 30, 2026 and 2025

Assets and Deferred Outflows of Resources	2026	2025
Current Assets		
Cash and cash equivalents (notes 1 and 2)	$ 8,770,747	$ 9,917,443
Deposits	21,413	21,413
Accounts receivable (notes 1 and 3)	1,281,474	658,045
Accrued interest receivable	19,166	30,988
Inventory (note 1)	4,508,447	4,326,866
Prepaid expenses (note 1)	403,481	465,114
Restricted assets (notes 1 and 4)		
Cash and cash equivalents (note 2)	114,964,453	109,894,849
Deposits	70	70
Accounts receivable	758,529	2,641,154
Reserve maintenance receivable	3,233,065	2,566,630
Accrued interest receivable	305,682	375,893
Total Current Assets	134,266,527	130,898,465
Non-Current Assets		
Restricted assets (notes 1 and 4)		
Investments (note 2)	21,298,946	32,070,120
Arbitrage rebate receivable (note 15)	596,917	335,212
Capital assets (notes 1 and 5)		
Utility plant and equipment	942,467,659	925,465,869
Other	9,799,890	9,944,530
Accumulated depreciation and amortization	(649,695,172)	(627,425,116)
Land	7,203,612	7,203,612
Construction in progress	23,575,594	22,283,296
Capital assets, net	333,351,583	337,472,191
Total Non-Current Assets	355,247,446	369,877,523
Total Assets	489,513,973	500,775,988
Deferred Outflows of Resources (note 1)		
Deferred amount on refunding of debt	8,901,226	13,640,627
Deferred outflows related to OPEB (note 10)	836,292	1,057,132
Deferred outflows related to pensions (note 9)	4,287,166	3,880,761
Total Deferred Outflows of Resources	14,024,684	18,578,520
Total Assets and Deferred Outflows of Resources	$ 503,538,657	$ 519,354,508

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET POSITION (continued)

June 30, 2026 and 2025

Liabilities, Deferred Inflows of Resources and Net Position	2026	2025
Current Liabilities		
Accounts payable and accrued liabilities	$ 7,894,698	$ 6,688,770
Accrued salaries and benefits	376,184	1,064,281
Accrued bond interest payable (note 8)	4,007,693	5,109,516
Accrued loan interest payable (note 8)	31,007	33,386
Contract retainage payable (note 8)	392,838	475,026
Subscription-based information technology arrangement payable (notes 1 and 6)	142,225	88,428
Leases payable (notes 1 and 7)	157,527	257,006
Income received in advance	1,620	660
Revenue bonds payable, net (note 8)	40,260,695	28,224,726
Virginia Resources Authority (VRA) loans payable (note 8)	1,031,260	1,018,645
Compensated absences payable (notes 1 and 8)	546,025	780,438
Net other postemployment benefit obligation (notes 1, 8 and 10)	419,727	358,948
Total Current Liabilities	55,261,499	44,099,830
Long-Term Liabilities (note 8)		
Landfill closure and postclosure obligation (note 14)	6,305,282	5,957,812
Contract retainage payable	–	21,500
Subscription-based information technology arrangement payable (notes 1 and 6)	150,072	–
Leases payable (notes 1 and 7)	8,683	166,210
Arbitrage payable (note 15)	606,744	711,916
Revenue bonds payable, net	381,219,269	418,629,938
VRA loans payable	6,679,590	7,710,850
Compensated absences payable (note 1)	2,110,996	2,156,561
Net other postemployment benefit obligation (notes 1 and 10)	5,633,604	5,579,884
Net pension liability (notes 1 and 9)	5,684,329	6,187,404
Total Long-Term Liabilities	408,398,569	447,122,075
Total Liabilities	463,660,068	491,221,905
Deferred Inflows of Resources (note 1)		
Deferred inflows related to OPEB (note 10)	611,420	623,308
Deferred inflows related to pensions (note 9)	2,624,954	2,099,487
Total Deferred Inflows of Resources	3,236,374	2,722,795
Net Position		
Net (deficit) investment in capital assets	(43,816,958)	(50,138,449)
Restricted		
Capital projects	881,372	2,455,529
Repairs and replacement	7,382,182	7,457,678
Debt service	79,732,680	72,820,371
Unrestricted (deficit)	(7,537,061)	(7,185,321)
Total Net Position	36,642,215	25,409,808
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 503,538,657	$ 519,354,508

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2026 and 2025

	2026	2025
Operating Revenues (notes 1 and 11)		
Member Jurisdictions	$ 45,290,803	$ 41,154,383
Other	594,542	589,801
Total Operating Revenues	45,885,345	41,744,184
Operating Expenses (notes 1 and 12)		
Operations	44,526,104	41,299,263
Depreciation and amortization	25,417,532	27,449,941
Total Operating Expenses	69,943,636	68,749,204
Operating Loss	(24,058,291)	(27,005,020)
Noncaptial Subsidies		
Federal Build America Bonds subsidy	_	449,593
Total Noncaptial Subsidies	_	449,593
Operating Loss and Noncaptial Subsidies	(24,058,291)	(26,555,427)
Other Non-Operating Revenues (Expenses)		
Investment interest income	420,266	474,703
Interest expense on right-to-use assets	(21,055)	(745)
Bond issuance costs	(285,278)	(678,490)
Loss on sale of assets	(937,228)	(1,263,307)
Revenues in excess of (less than) expenses from restricted accounts (note 13)	6,022,024	(402,215)
Capital Contributions (note 13)	30,091,969	33,960,903
Total Other Non-Operating Revenues, Net	35,290,698	32,090,849
Increase in net position	11,232,407	5,535,422
Total net position, beginning of year	25,409,808	20,326,316
Cumulative effect of change in accounting principle (note 19)	–	(451,930)
Total Net Position, End of Year	$ 36,642,215	$ 25,409,808

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS (continued)

For the Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities		
Cash received from localities	$ 48,932,575	$ 46,724,223
Payments to employees for services	(27,194,003)	(25,218,710)
Payments to suppliers for goods and services	(16,635,120)	(17,486,942)
Other operating receipts	87,975	399,793
Net Cash Provided by Operating Activities	5,191,427	4,418,364
Cash Flows from Non-capital Financing Activities		
Federal Build America Bonds subsidy	–	1,074,033
Net Cash Provided By Non-capital Financing Activities	–	1,074,033
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt issuance, including premium	39,512,336	59,465,000
Defeasance of long-term debt	(35,130,671)	(62,189,659)
Bond issuance costs	(273,094)	(678,490)
Collections for debt service	40,725,366	39,102,512
Proceeds from grants	942,595	2,512,570
Interest payments on right-to-use assets	(11,856)	(12,442)
Principal payments on right-to-use assets	(479,932)	(253,129)
Interest payments on long-term debt	(12,946,233)	(13,681,710)
Principal payments on long-term debt	(28,288,645)	(24,791,184)
Acquisition and construction of capital assets	(20,950,585)	(9,707,195)
Proceeds from sale of capital assets	79,447	52,610
Net Cash Used in Capital and Related Financing Activities	(16,821,272)	(10,181,117)
Cash Flows from Investing Activities		
Sale of investments	10,745,922	18,836,561
Interest on investments	4,806,831	7,057,284
Net Cash Provided by Investing Activities	15,552,753	25,893,845
Net Increase in Cash and Cash Equivalents	3,922,908	21,205,125
Cash and cash equivalents, beginning of year	119,812,292	98,607,167
Cash and Cash Equivalents, End of Year	$ 123,735,200	$ 119,812,292

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS (concluded)

For the Years Ended June 30, 2026 and 2025

	2026	2025
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (24,058,291)	$ (27,005,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	25,417,532	27,449,941
Collections for reserve maintenance	5,750,121	5,940,401
Payments for reserve maintenance costs	(848,991)	(532,442)
OPEB expense	388,142	(163,354)
Pension expense	(322,346)	134,894
Changes in assets and liabilities:		
Net change in accounts receivable, accounts payable, prepaid expenses and inventory	(1,008,383)	(1,172,561)
Net change in pension contributions	(61,667)	(243,795)
Net change in OPEB contributions	(64,690)	10,300
Net Cash Provided by Operating Activities	$ 5,191,427	$ 4,418,364
Noncash Investing, Capital, and Financing Activities		
Increase in fair value of investments not classified as cash and cash equivalents	$ 25,253	$ 607,024
Loss on disposals of capital assets	(1,031,735)	(1,305,917)
Proceeds on the sale of capital assets in accounts receivable	(14,560)	–
Increase in accounts payable related to capital assets and financing activities	192,631	2,312,802
Increase in arbitrage receivable	261,706	335,212
Decrease in arbitrage liability	(105,172)	(253,896)
Increase in landfill closure and postclosure care liability	(347,470)	(186,813)
Increase of right-to-use lease assets	–	483,513
Increase of right-to-use SBITA assets	426,795	–
Decrease of right-to-use SBITA assets	(401,842)	(159,372)

The accompanying notes are an integral part of these statements.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2026 and 2025

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Reporting Entity

The Upper Occoquan Service Authority (UOSA) is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act (now the Virginia Water and Waste Authorities Act) whose principal purpose is the recycling of wastewater to protect Northern Virginia's Occoquan Reservoir as a potable water supply source. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax County, Prince William County, the City (formerly Town) of Manassas and the City (formerly Town) of Manassas Park (collectively the "Member Jurisdictions"). The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed for four-year terms by the governing body of each Member Jurisdiction.

The obligations of UOSA and its Member Jurisdictions are set forth in a Restated Service Agreement. Under the Restated Service Agreement, UOSA is obligated to process all wastewater delivered to it by the Member Jurisdictions up to their allotted capacities. The Member Jurisdictions are obligated to pay charges for the wastewater processing. These charges include Operations and Maintenance, Reserve Maintenance (the cost of replacements and necessary improvements which do not increase the system capacity), and Debt Service on the loans and bonds issued to finance construction of the UOSA facilities.

As required by accounting principles generally accepted in the United States of America for governmental entities, the financial statements of the reporting entity include all the funds and accounts of UOSA (the primary government). There are no component units to be included in the reporting entity.

(b) Basis of Presentation and Accounting

The accounting policies of UOSA conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations in a manner similar to those used in the private sector. UOSA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements when they become effective. GASB is the independent organization that establishes the accounting and financial reporting standards for state and local governments that follow generally accepted accounting principles.

UOSA uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of UOSA. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities or result from non-exchange transactions and ancillary services.

(c) Budget and Budgetary Accounting

The Board of Directors adopts an annual budget for operations and maintenance as required by the Restated Agreement of Trust administered by the Trustee, U.S. Bank National Association. The budget is based on projected wastewater flow and may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases or decreases in the budget may be made only upon Board approval. The charges to the four Member Jurisdictions, based on the budget and monthly flow, are adjusted upon completion of the annual audit for any deficit or available surplus in the operating account. The deficit or available surplus in the operating account is recorded as a receivable or liability respectively, at year-end. The budget is prepared on the accrual basis of accounting. Budgetary control is maintained at the sub-function level. A review of revenues and expenses compared to the budget is conducted with the Board of Directors on a monthly and quarterly basis. Unexpended budgeted amounts for the operating account lapse at year-end and may not be carried forward to the next year. Design and construction budgets and related funds are multi-year and do not lapse annually.

(d) Cash and Cash Equivalents

UOSA considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

(e) Investments

UOSA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, which prescribes that certain investments be reported at their fair value, with the change in fair value being reported as revenue.

(f) Accounts Receivable

Management expects all receivables to be fully collectible; therefore, no allowance for bad debts is maintained. Receivables primarily relate to reserve maintenance, septage facility usage and selected meter stations and pump stations, the latter two of which are operated on behalf of others.

(g) Prepaid Expenses

Payments to vendors, which are applicable to future accounting periods are recorded as prepaid expenses in the accompanying Statement of Net Position. Prepaid expenses are expensed in the period they are used.

(h) Inventories

Inventories are reported at cost and consist of chemicals, fuels, operating supplies and certain system replacement parts.

(i) Capital Assets

Capital assets consist of the water recycling system, vehicles, furniture and equipment valued at historical cost. In addition to property and equipment, other direct acquisition costs and certain administrative costs during the construction period have been capitalized. When appropriate, costs are reduced by interest earned on construction funds. The capitalization threshold for capital assets is $10,000.

The capital assets including intangible right-to-use assets (leases and subscription-based information technology arrangements) are depreciated or amortized using the straight-line method. Major repairs are capitalized and depreciated over a shorter estimated useful life. When, in the opinion of management, certain assets are impaired, any estimated decline value is accounted for as a non-operating expense. There are no impaired assets as of June 30, 2026.

Capital Assets	Estimated Useful Lives
Treatment Plant and Reservoir	15 – 50 years
Interceptor Sewers	20 – 50 years
Pumping Stations	10 – 50 years
Mobile Equipment	5 – 15 years
Office Furniture and Equipment	5 – 15 years
Vehicles	8 – 15 years
Intangible right-to-use assets, leases	1+ years, depending on contract terms
Intangible right-to-use assets, SBITAs	1+ years, depending on contract terms

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

The financial statements include *Subscription-Based Information Technology Arrangements*, based on the principle that subscriptions are financings of the right-to-use an underlying asset. Under GASB 96, UOSA is required to recognize a subscription liability and an intangible right-to-use subscription asset.

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

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

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

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

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

For additional information, refer to note 6.

(k) Leases

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

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

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

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

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

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

For additional information, refer to note 7.

(l) Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. UOSA currently reports deferred amounts on bond refundings, deferred outflows related to pensions (see note 9) and deferred outflows related to OPEB (see note 10) as deferred outflows of resources.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. UOSA currently reports deferred inflows related to pensions (see note 9) and deferred inflows related to OPEB (see note 10) as deferred inflows of resources.

(m) Pensions

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

(n) Other Postemployment Benefits (OPEB)

Health Care Benefit Plan

UOSA administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2025, 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.

VRS Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance (GLI) 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 GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program and the additions to/deductions from the VRS GLI Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VACORP Hybrid Disability Program

The VACORP Hybrid Disability Program is an insured defined benefit OPEB plan. OPEB expense is recognized as premium payments required for the reporting period in accordance with the agreement with the insurance company are due and payable.

(o) Deferred Compensation Plan

UOSA offers its employees a deferred compensation plan in accordance with Internal Revenue Code, Section 457. The funds are held in a trust and managed by a third party. Therefore, UOSA is no longer reporting such assets and associated liabilities on its statement of net position as stated under GASB Statement No. 32 (*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*). UOSA's contributions to the deferred compensation plan for the fiscal years ended June 30, 2026 and 2025 were $235,097 and $242,668, respectively.

(p) Compensated Absences

Accrued leave balances that are more likely than not to be paid out and their associated salary-related payments are presented as a liability in the statements of net position. UOSA utilizes the Last-In First-Out (LIFO) flows assumption that employees use the current reporting period hours earned before using the accumulated balance from prior years. Compensated absences and the related salary-related payments that are expected to be paid out within one year are reflected as a current liability.

UOSA's employee benefits program provides for the earning, accumulation and payment of vacation and sick leave. Employees are granted annual leave in varying amounts based on years of service and sick leave at a rate of four hours bi-weekly. The accumulation of vacation leave is based on years of service. Employees with less than 10 years of service are limited to 240 hours, employees with 10 to 20 years of service are limited to 320 hours and directors, chiefs or employees with 20 or more years are limited to 400 hours. Accumulated vacation hours in excess of the limit are transferred to sick leave. Accrued vacation leave balances are paid to employees who terminate employment. Sick leave may be accumulated up to 480 hours for employees in the VRS Hybrid plan and up to 1040 hours for all other full-time employees. Sick leave accumulation was not limited prior to July 1, 2015 and hours accumulated prior to that date are not subject to the current policy limits. During annual performance reviews, employees with an accumulated sick leave balance above 240 hours are eligible to receive a payout of 50% of their unused sick leave hours accrued during the year at a 50% payout rate. Upon termination, accumulated sick leave is paid based on years of service and does not exceed 25% of the total accumulated balance.

(q) Risk Management

UOSA is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. UOSA purchases insurance coverage for risks including workers' compensation, automobiles, boiler/machinery use, land use, public officials' liability, crime, cyber liability, general liability, and earthquake. UOSA has not incurred any environmental losses through June 30, 2026 and in the past three years there were no insurance settlements that exceeded insurance coverage. Costs resulting from non-insured losses will be charged to operations when incurred.

(r) Estimates

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

(s) Restricted Assets

Restricted assets present constraints on resources that are either externally imposed by creditors, contributors, laws and regulation of other governments or imposed by law through state statute.

(t) Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets net of related liabilities excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed either externally by creditors, contributors, laws and regulation of other governments or imposed by law through state statute. UOSA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets were available.

(u) New Accounting Pronouncements Adopted

UOSA implemented the following GASB pronouncements for the fiscal year ended June 30, 2026:

GASB Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, improves financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements improves consistency and comparability between governments.

(v) New Accounting Pronouncements

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

GASB Statement No. 105, *Subsequent events*, will improve financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. Statement 105 will become effective for UOSA beginning with its year ending June 30, 2027.

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

(w) Subsequent Events

UOSA has evaluated subsequent events through October 28, 2026, the date on which the financial statements were available to be issued. Note 18 describes these events.

2. CASH AND INVESTMENTS

(a) Cash and Cash Equivalents

At June 30, 2026 and 2025, all cash of UOSA is maintained in accounts covered by federal deposit insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

Under the Act, banks holding public deposits in excess of the amounts insured by federal deposit insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similar to federal deposit insurance. Savings institutions are required to collateralize 100% of deposits in excess of federal deposit insurance limits.

Unrestricted cash and cash equivalents consist of bank deposits and petty cash funds.

Unrestricted Cash and Cash Equivalents	2026	2025
Cash	$ 8,770,747	$ 9,917,443
Total Unrestricted Cash and Cash Equivalents	$ 8,770,747	$ 9,917,443

Restricted cash and cash equivalents consist of bank deposits and money market fund investments in debt service and project fund accounts held by a Trustee.

Restricted Cash and Cash Equivalents	2026	2025
Cash	$ 5,221,171	$ 5,201,046
Money market funds held by trustee	109,743,282	104,693,803
Total Restricted Cash and Cash Equivalents	$ 114,964,453	$ 109,894,849

(b) Investments

As of June 30, 2026 and 2025, the fair value of UOSA's investments, with their respective credit ratings, was as follows:

		Fair Value	
Investment Type	Credit Rating	2026	2025
Restricted Investments			
U.S. securities	AAA	$ 21,298,946	$ 32,070,120
Total Investments		$ 21,298,946	$ 32,070,120

(1) Credit Risk

UOSA's Investment Policy (Policy) authorizes UOSA to invest in (1) obligations of the United States, the Commonwealth of Virginia, the Federal National Mortgage Association, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Financing Corporation (FICO), and Student Loan Marketing Association, (2) commercial paper with a maturity of 270 days or less rated prime 1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Corporation, and (3) repurchase agreements.

(2) Concentration of Credit Risk

The Policy places no limit on the amount UOSA may invest in any one issuer. UOSA had investment types at June 30, 2026 and 2025 that exceed 2% of the total investments. UOSA had no investments over 5% that required disclosure.

	2026		2025	
Investment Type (Restricted & Unrestricted)	Fair Value	% of Total Investments	Fair Value	% of Total Investments
U.S. Treasury notes and bills	$ 21,298,946	100%	$ 32,070,120	100%
Total Investments	$ 21,298,946	100%	$ 32,070,120	100%

(3) Interest Rate Risk

The Policy limits the investment of funds in the operating and restricted asset accounts in obligations of the following maturities:

- Operating Account - Not to exceed date needed for payment of operating expenses
- Restricted Asset Accounts:

  Construction Fund - Not to exceed date needed for payment of construction costs
  Reserve Maintenance - Not to exceed seven years
  Revenue Bond - Not to exceed date needed for payment of principal and interest

As of June 30, 2026 and 2025, UOSA had the following investments and maturities:

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2026	Original Maturity (in years)		
		1 Year or Less	1 - 2 Years	More than 2 Years
U.S. securities	$ 21,298,946	$ –	$ –	$ 21,298,946
Total Investments	$ 21,298,946	$ –	$ –	$ 21,298,946

Investment Type (Restricted & Unrestricted)	Fair Value at June 30, 2025	Original Maturity (in years)		
		1 Year or Less	1 - 2 Years	More than 2 Years
U.S. securities	$ 32,070,120	$ –	$ –	$ 32,070,120
Total Investments	$ 32,070,120	$ –	$ –	$ 32,070,120

(4) Custodial Credit Risk

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in UOSA's name. As of June 30, 2026 and 2025, all of UOSA's investments and money market funds classified as cash equivalents are held in a bank's trust department in UOSA's name, and therefore UOSA is not exposed to custodial credit risk.

(5) Fair Value Measurement

UOSA categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs. As of June 30, 2026 and 2025, UOSA's investments are valued using Level 1 inputs.

UOSA has the following recurring fair value measurements:

- U.S. Treasury securities of $21.3 million and $32.0 million as of June 30, 2026 and 2025 respectively, are valued using quoted prices in an active market for identical assets (Level 1 inputs).

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2026 and 2025:

	2026	2025
Fairfax County	$ 639,444	$ 459,000
Prince William County	164,768	3,676
City of Manassas	78,446	6,178
Manassas Park	15,180	–
Other	383,636	189,191
Total	$ 1,281,474	$ 658,045

4. RESTRICTED ASSET ACCOUNTS

UOSA's restricted assets are accounted for within the Enterprise Fund accounts rather than through separate fund entities. Therefore, in accordance with the Restated Agreement of Trust and Supplements administered by the Trustee, UOSA had the following restricted asset accounts in operation at June 30, 2026:

Reserve Maintenance - This account receives all revenue derived by UOSA to pay the cost of replacements and necessary improvements that do not increase the system capacity or scope. In accordance with Section 606 of the Restated Agreement of Trust, UOSA charges and collects from the Member Jurisdictions amounts sufficient to make the current balance in the Reserve Maintenance account equal to the greater of (1) $2,000,000, (2) the estimated cost of replacements and necessary improvements which do not increase the system capacity or scope as set forth in the current fiscal year budget, or (3) the amount certified by UOSA's consulting engineer, provided, however, that if such amount certified by the consulting engineer is greater, UOSA may charge and collect the amount over a period not to exceed five fiscal years, so long as the amount on deposit at all times during the year is at least equal to the amount required to pay the cost of replacements and improvements which do not increase the system capacity or scope.

Revenue Bonds - These accounts receive all revenue derived by UOSA to pay the principal and interest on the bonds. At all times, there is on deposit in the Revenue Bond Interest Accounts the amount of interest on the bonds accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Principal Accounts the amount of principal due on the outstanding bonds during the next succeeding twelve months accrued to the last day of the current month. At all times, there is on deposit in the Revenue Bond Sinking Fund Accounts the amount of any sinking fund installment due within the next succeeding twelve months accrued to the last day of the current month with respect to any Bonds that are subject to redemption, in accordance with Section 607 of the Restated Agreement of Trust and the First Supplemental Restated Agreement of Trust.

Bond Debt Reserve - This account contains at all times an amount deposited from the proceeds of UOSA's bonds sufficient to cover the maximum amount payable on account of principal and interest in any fiscal year (the Required Reserve) in accordance with the Restated Agreement of Trust, Section 608. According to Section 608, in lieu of the Required Reserve or any portion of it, the account may contain on deposit a surety bond or an insurance policy payable to the Trustee for the benefit of the bondholders, in an aggregate amount equal to the difference between the Required Reserve and the amount on deposit in the Debt Reserve Account.

Construction - This account receives proceeds from the issuance of bonds, loans, grants and jurisdictional direct funding that is used to pay for construction in accordance with the Restated Agreement of Trust, as supplemented, Section 501.

As of June 30, 2026 and 2025 the Restricted Asset Accounts are summarized below:

	2026			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 47,443,930	$ 5,221,171	$ 62,299,352	$ 114,964,453
Investments	–	–	21,298,946	21,298,946
Deposits	70	–	–	70
Accounts Receivable	758,529	–	–	758,529
Arbitrage rebate receivable	596,917	–	–	596,917
Reserve maintenance receivable	–	3,233,065	–	3,233,065
Accrued interest receivable	132,600	–	173,082	305,682
Total	$ 48,932,046	$ 8,454,236	$ 83,771,380	$ 141,157,662

	2025			
	CIP	Reserve Maintenance	Debt Service	Total
Cash and cash equivalents	$ 58,985,534	$ 5,201,046	$ 45,708,269	$ 109,894,849
Investments	–	–	32,070,120	32,070,120
Deposits	70	–	–	70
Accounts receivable	2,641,154	–	–	2,641,154
Arbitrage rebate receivable	335,212	–	–	335,212
Reserve maintenance receivable	–	2,566,630	–	2,566,630
Accrued interest receivable	191,009	–	184,884	375,893
Total	$ 62,152,979	$ 7,767,676	$ 77,963,273	$ 147,883,928

5. CAPITAL ASSETS

Changes in Capital Assets, Accumulated Depreciation and Amortization for the Year Ended June 30, 2026

	2026				
	Balance June 30, 2025	Additions	Retirements	Transfers	Balance June 30, 2026
Capital assets not depreciated/amortized:					
Land	$ 7,203,612	$ –	$ –	$ –	$ 7,203,612
Construction in progress	22,283,296	17,611,955	–	(16,319,657)	23,575,594
Total capital assets not depreciated/amortized	29,486,908	17,611,955	–	(16,319,657)	30,779,206
Depreciated/amortized capital assets:					
Utility Plant and Equipment:					
Treatment plant and reservoir	716,481,464	2,075,784	(2,611,450)	15,811,900	731,757,698
Interceptor sewers	73,750,994	–	–	–	73,750,994
Pumping stations	131,643,143	977,990	(25,357)	403,179	132,998,955
Mobile equipment	3,590,268	361,156	(19,188)	27,776	3,960,012
Other:					
Office furniture and equipment	6,633,657	37,423	(1,018,399)	76,802	5,729,483
Vehicles	2,381,980	837,556	(102,975)	–	3,116,561
Intangible right-to-use asset, leased office equipment	527,051	–	–	–	527,051
Intangible right-to-use asset, software subscription	401,842	426,795	(401,842)	–	426,795
Total depreciated/amortized capital assets	935,410,399	4,716,704	(4,179,211)	16,319,657	952,267,549
Total capital assets before accumulated depreciation and amortization	964,897,307	22,328,659	(4,179,211)	–	983,046,755
Depreciation/amortization for:					
Utility Plant and Equipment:					
Treatment plant and reservoir	(513,074,246)	(18,322,959)	1,600,965	(193,387)	(529,989,627)
Interceptor sewers	(31,430,287)	(1,552,571)	–	–	(32,982,858)
Pumping stations	(72,606,680)	(4,459,362)	6,975	36,734	(77,022,333)
Mobile equipment	(1,919,189)	(304,850)	19,188	–	(2,204,851)
Other:					
Office furniture and equipment	(6,421,806)	(69,677)	1,017,306	156,653	(5,317,524)
Vehicles	(1,544,283)	(224,791)	101,700	–	(1,667,374)
Intangible right-to-use asset, leased office equipment	(118,872)	(250,465)	–	–	(369,337)
Intangible right-to-use asset, software subscription	(309,753)	(232,857)	401,342	–	(141,268)
Total accumulated depreciation and amortization	(627,425,116)	(25,417,532)	3,147,476	–	(649,695,172)
Total capital assets, net of accumulated depreciation and amortization	$ 337,472,191	$ (3,088,873)	$ (1,031,735)	$ –	$ 333,351,583

Changes in Capital Assets, Accumulated Depreciation and Amortization for the Year Ended June 30, 2025

	2025				
	Balance June 30, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Capital assets not depreciated/amortized:					
Land	$ 7,203,612	$ –	$ –	$ –	$ 7,203,612
Construction in progress	20,588,812	12,941,595	–	(11,247,111)	22,283,296
Total capital assets not depreciated/amortized	27,792,424	12,941,595	–	(11,247,111)	29,486,908
Depreciated/amortized capital assets:					
Utility Plant and Equipment:					
Treatment plant and reservoir	716,879,061	2,075,704	(5,345,232)	2,871,931	716,481,464
Interceptor sewers	73,739,079	11,915	–	–	73,750,994
Pumping stations	131,327,955	776,064	(692,103)	231,227	131,643,143
Mobile equipment	5,010,015	433,075	(1,843,993)	(8,829)	3,590,268
Other:					
Office furniture and equipment	8,064,356	–	(1,424,839)	(5,860)	6,633,657
Vehicles	2,348,463	278,596	(253,908)	8,829	2,381,980
Intangible right-to-use asset, leased office equipment	43,538	483,513	–	–	527,051
Intangible right-to-use asset, software subscription	561,214	–	(159,372)	–	401,842
Total depreciated/amortized capital assets	937,973,681	4,058,867	(9,719,447)	3,097,298	935,410,399
Total capital assets before accumulated depreciation and amortization	965,766,105	17,000,462	(9,719,447)	(8,149,813)	964,897,307
Depreciation/amortization for:					
Utility Plant and Equipment:					
Treatment plant and reservoir	(496,868,712)	(20,504,198)	4,233,159	65,505	(513,074,246)
Interceptor sewers	(29,850,187)	(1,580,100)	–	–	(31,430,287)
Pumping stations	(68,447,578)	(4,587,194)	499,457	(71,365)	(72,606,680)
Mobile equipment	(3,497,791)	(272,477)	1,842,794	8,285	(1,919,189)
Other:					
Office furniture and equipment	(7,796,337)	(56,167)	1,424,838	5,860	(6,421,806)
Vehicles	(1,607,396)	(182,511)	253,909	(8,285)	(1,544,283)
Intangible right-to-use asset, leased office equipment	(9,433)	(109,439)	–	–	(118,872)
Intangible right-to-use asset, software subscription	(311,270)	(157,855)	159,372	–	(309,753)
Total accumulated depreciation and amortization	(608,388,704)	(27,449,941)	8,413,529	–	(627,425,116)
Total capital assets, net of accumulated depreciation and amortization	$ 357,377,401	$ (10,449,479)	$ (1,305,918)	$ (8,149,813)	$ 337,472,191

Transfer of $8,149,813 for the fiscal year 2025 consists of expenses related to capital from restricted asset accounts included in Note 13.

6. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

UOSA entered into multiple subscription-based information technology arrangements (SBITAs) during fiscal year 2026. UOSA is required to make fixed payments on all SBITAs. UOSA has generally included renewal periods in the SBITAs term when it is reasonably certain that UOSA will exercise the renewal option. UOSA's SBITAs include termination options, which are reasonably certain to not be exercised. There were no commitments prior to the SBITAs term and no impairment losses at June 30, 2026. As the interest rates implicit in the UOSA SBITAs were not readily determinable, the incremental borrowing rate was utilized to discount the SBITA payments.

- During fiscal year 2026, UOSA's two right-to-use assets, SBITAs, which included a cyber security software and vendor risk software reached its natural expiration.
- On July 1, 2025, UOSA entered into three separate, 36-month subscriptions for the use of process historian, SCADA/HMI, productivity software platforms, and office.
- On October 1, 2025, UOSA entered into a 36-month subscription for the use of vendor risk software.
- UOSA's right-to-use asset, software, increased in fiscal year 2026, due to the addition of several subscription contracts.

The statement of net position shows the following amounts relating to SBITAs at June 30, 2026 and 2025:

	2026	2025
Intangible right-to-use asset, software	Asset Value	Asset Value
Software Subscriptions	$ 426,795	$ 401,842
Accumulated amortization	(141,268)	(309,753)
Total SBITAs, net	$ 285,527	$ 92,089
SBITAs payable	Principal	Principal
Current	$ 142,225	$ 88,428
Non-current	150,072	–
Total SBITAs payable	$ 292,297	$ 88,428

The future principal and interest SBITAs payments as of June 30, 2026, were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 142,225	$ 9,592	$ 151,817
2028	150,072	6,397	156,469
Total	$ 292,297	$ 15,989	$ 308,286

7. LEASES

In June 2023, UOSA entered a five-year lease term as Lessee for the use of office equipment. UOSA is required to make monthly fixed payments. UOSA's office equipment includes termination options, which are reasonably certain to not be exercised. The lease does not contain any material residual value guarantees. There were no commitments prior to the lease term and no impairment losses at June 30, 2026. As the interest rate implicit in the UOSA lease was not readily determinable, the incremental borrowing rate was utilized to discount the lease payments. An initial lease liability was recorded in the amount of $43,538. The leased office equipment estimated useful life was 60 months as of the contract commencement.

In December 2024, UOSA entered a two-year lease term as Lessee for a temporary offsite laboratory. UOSA is required to make monthly fixed payments. UOSA's lease includes termination options, which are reasonably certain to not be exercised. Lease arrangements do not contain any material residual value guarantees. The lease commenced February 1, 2025. There were no commitments prior to the lease term and no impairment losses at June 30, 2026. As the interest rate implicit in the UOSA lease was not readily determinable, the incremental borrowing rate was utilized to discount the lease payments. An initial lease liability was recorded in the amount of $483,513. The leased office space estimated useful life was 24 months as of the contract commencement. This lease requires

additional payments for common area maintenance, real estate taxes and electricity usage. These payments are expensed as incurred.

The statement of net position shows the following amounts relating to leases at June 30, 2026 and 2025:

	2026	2025
Intangible right-to-use asset, office equipment	Asset Value	Asset Value
Office equipment	$ 527,051	$ 527,051
Accumulated amortization	(369,337)	(118,872)
Total leases, net	$ 157,714	$ 408,179

Leases payable	Principal	Principal
Current	$ 157,527	$ 257,006
Non-current	8,683	166,210
Total leases payable	$ 166,210	$ 423,216

The future principal and interest lease payments as of June 30, 2026, were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 157,527	$ 1,887	$ 159,414
2028	8,683	114	8,797
Total	$ 166,210	$ 2,001	$ 168,211

8. LONG-TERM DEBT

(a) Bonds Payable

UOSA issues revenue bonds to provide funds for acquisition and construction of major capital facilities and for refunding higher-interest revenue bonds. The bonds are secured by pledges of revenues from UOSA's sewer system, certain pledged reserves and income from investments pursuant to the Trust Agreement between UOSA and U.S. Bank National Association. Bonds payable as of June 30, 2026, consist of the following:

$101,615,000 Regional Sewerage System Revenue Refunding Bonds, Series 2013A; dated May 30, 2013, principal maturing annually with interest from 0.35% to 2.90% payable semiannually through July 1, 2026.

$20,915,000 Regional Sewerage System Revenue Bonds, Series 2016A; dated June 16, 2016, principal maturing annually starting July 1, 2019 with interest from 3.00% to 5.00% payable semiannually through July 1, 2048.

- Of the total 2016A Series Bonds issued, $4,915,000 has been currently refunded from the proceeds of future bond issuances and are considered defeased. Accordingly, the liability relating to these bonds has been removed from UOSA's financial statements.

$41,030,000 Regional Sewerage System Revenue Refunding Bonds, Series 2016B; dated June 16, 2016, principal maturing annually starting July 1, 2035 with interest from 3.00% to 4.00% payable semiannually through July 1, 2038.

- Of the total 2016B Series Bonds issued, $30,160,000 has been currently refunded from the proceeds of future bond issuances and are considered defeased. Accordingly, the liability relating to these bonds has been removed from UOSA's financial statements.

$52,440,000 Regional Sewerage System Revenue Bonds, Series 2019; dated December 20, 2019, principal maturing annually starting July 1, 2023 with interest from 3.00% to 5.00% payable semiannually through July 1, 2052.

$199,755,000 Regional Sewerage System Revenue Refunding Bonds, Series 2020; dated November 12, 2020, maturing annually starting July 1, 2021 with interest from 0.297% to 2.55% payable semiannually through July 1, 2041.

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

$59,465,000 Regional Sewerage System Revenue Refunding Bonds, Series 2024; dated November 14, 2024, maturing annually starting July 1, 2025 with interest from 4.00% to 5.00% payable semiannually through July 1, 2043.

$36,800,000 Regional Sewerage System Revenue Refunding Bonds, Series 2026; dated June 25, 2026, maturing annually starting July 1, 2027 with interest from 4.00% to 5.00% payable semiannually through July 1, 2038.

For each outstanding bond series, principal payments are made annually on July 1 and interest is payable semi-annually on January 1 and July 1. Future debt service requirements are as follows:

Fiscal Year(s)	Principal	Interest	Total
2027	$ 39,185,000	$ 11,739,645	$ 50,924,645
2028	29,615,000	11,026,659	40,641,659
2029	30,155,000	10,456,055	40,611,055
2030	30,725,000	9,895,180	40,620,180
2031	14,500,000	9,317,805	23,817,805
2032-2036	78,475,000	40,474,676	118,949,676
2037-2041	97,550,000	25,576,287	123,126,287
2042-2046	46,705,000	11,059,350	57,764,350
2047-2051	25,775,000	5,477,100	31,252,100
2052-2055	15,620,000	1,299,900	16,919,900
Total	$ 408,305,000	$ 136,322,657	$ 544,627,657

(b) Virginia Resources Authority Loans Payable

In July 2011, UOSA entered into a financing agreement with Virginia Resources Authority (VRA) for the purpose of funding the costs related to the Energy Service (ESCO) Project, including the replacement of an existing blower system and the installation of a generator and cogeneration unit which uses biogas to produce heat and electricity. The loan was authorized under the Virginia Water Facilities Revolving Fund (VWFRF) for $6.1 million, at 2.93% per annum for a term of twenty years. In October 2021, UOSA amended the finance agreement with VRA that reduced the interest rates to 1.20% for the remainder of the loan. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each June 1 and December 1. The outstanding loan balance at June 30, 2026 was $2,126,521.

In December 2011, UOSA entered into a second financing agreement with VRA for the purpose of funding Phase 1 of the Nutrient Compliance Improvement Project (P1NR), together with related project expenses. The loan was authorized under the VWFRF for $13.9 million, at 2.35% per annum for a term of twenty years. In October 2021, UOSA amended the finance agreement with VRA that reduced the interest rates to 1.25% for the remainder of the loan. The loan is secured by a pledge of revenues from UOSA's sewer system. Interest and principal are payable on a semi-annual basis each March 1 and September 1. The outstanding loan balance at June 30, 2026 was $5,584,329.

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

	2011A Loan		2011B Loan		
Fiscal Year(s)	Principal	Interest	Principal	Interest	Total
2027	$ 316,490	$ 24,572	$ 714,770	$ 67,577	$ 1,123,409
2028	320,300	20,762	723,732	58,615	1,123,409
2029	324,155	16,907	732,807	49,540	1,123,409
2030	328,056	13,006	741,996	40,351	1,123,409
2031	332,005	9,057	751,300	31,047	1,123,409
2032-2034	505,515	6,078	1,919,724	36,145	2,467,462
Total	$ 2,126,521	$ 90,382	$ 5,584,329	$ 283,275	$ 8,084,507

(c) Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the years ended June 30, 2026 and 2025:

	2026				
	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026	Due Within One Year
Bonds Payable:					
2013A Series	$ 28,935,000	$ –	$ 18,875,000	$ 10,060,000	$ 10,060,000
2016A Series	18,540,000	–	5,385,000	13,155,000	490,000
2016B Series	41,030,000	–	30,160,000	10,870,000	–
2019 Series	50,440,000	–	1,075,000	49,365,000	1,130,000
2020 Series	186,610,000	–	3,960,000	182,650,000	24,635,000
2022 Series	48,830,000	–	780,000	48,050,000	815,000
2024 Series	59,465,000		2,110,000	57,355,000	2,055,000
2026 Series	–	36,800,000	–	36,800,000	–
	433,850,000	36,800,000	62,345,000	408,305,000	39,185,000
Premium (discount) on bonds payable (net)	13,004,664	2,712,336	2,542,036	13,174,964	1,075,695
Net Bonds Payable	446,854,664	39,512,336	64,887,036	421,479,964	40,260,695
Loans Payable:					
VRA loans payable (2011A & 2011B Series)	8,729,495	–	1,018,645	7,710,850	1,031,260
Landfill closure and postclosure obligation	5,957,812	347,470	–	6,305,282	–
Contract retainage payable	496,526	412,402	516,090	392,838	392,838
SBITAs payable	88,428	426,795	222,926	292,297	142,225
Leases payable	423,216	–	257,006	166,210	157,527
Arbitrage payable	711,916	20,412	125,584	606,744	–
Compensated absences payable	2,936,999	–	279,978	2,657,021	546,025
Net OPEB obligation	5,938,832	1,113,197	998,698	6,053,331	419,727
Net pension liability	6,187,404	9,834,907	10,337,982	5,684,329	–
Total	$ 478,325,292	$ 51,667,519	$ 78,643,945	$ 451,348,866	$ 42,950,297

	2025				
	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Bonds Payable:					
2010 Series	$ 65,580,000	$ –	$ 65,580,000	$ –	$ –
2013A Series	47,320,000	–	18,385,000	28,935,000	18,875,000
2016A Series	18,985,000	–	445,000	18,540,000	470,000
2016B Series	41,030,000	–	–	41,030,000	–
2019 Series	51,465,000	–	1,025,000	50,440,000	1,075,000
2020 Series	190,540,000	–	3,930,000	186,610,000	3,960,000
2022 Series	48,830,000	–	–	48,830,000	780,000
2024 Series	–	59,465,000	–	59,465,000	2,110,000
	463,750,000	59,465,000	89,365,000	433,850,000	27,270,000
Premium (discount) on bonds payable (net)	6,395,369	7,565,594	956,299	13,004,664	954,726
Net Bonds Payable	470,145,369	67,030,594	90,321,299	446,854,664	28,224,726
Loans Payable:					
VRA loans payable (2011A & 2011B Series)	9,735,679	–	1,006,184	8,729,495	1,018,645
Landfill closure and postclosure obligation	5,770,999	186,813	–	5,957,812	–
Contract retainage payable	105,560	429,853	38,887	496,526	475,026
SBITAs payable	245,574	–	157,146	88,428	88,428
Leases payable	35,686	483,513	95,983	423,216	257,006
Arbitrage payable	1,054,937	253,896	596,917	711,916	–
Compensated absences payable	2,513,357	423,642	–	2,936,999	780,438
Net OPEB obligation	6,158,853	604,783	824,804	5,938,832	358,948
Net pension liability	5,688,989	9,547,383	9,048,968	6,187,404	–
Total	$ 501,455,003	$ 78,960,477	$ 102,090,188	$ 478,325,292	$ 31,203,217

9. PENSIONS

(a) Plan Description

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of 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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. **Defined Contributions Component:** 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. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law until age 73.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70% **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** 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. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivision hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **Political subdivision hazardous duty employees:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **Political subdivision hazardous duty employees:** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** 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. 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. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:** Same as Plan 1.

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its 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.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** Defined Benefit Component: Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

(b) Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	146
Inactive Members:	
Vested inactive members	25
Non-vested inactive members	49
Inactive members active elsewhere in VRS	33
Total Inactive Members	107
Active members	184
Total Covered Employees	437

(c) Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to UOSA by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

UOSA's contractually required employer contribution rate for the year ended June 30, 2026 was 7.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from UOSA were $1,421,502 and $1,359,835 for the years ended June 30, 2026 and June 30, 2025, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $103,757 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $167,849 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $10,375,721 for the year ended June 30, 2026.

(d) Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. UOSA's net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025 .

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

Mortality rates: 15% of deaths are assumed to be service-related

- Pre-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
- Post-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale projected generationally.
- Mortality Improvement: Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2021 rates.

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%.
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00	5.09	0.81
Credit Strategies	16.00	8.21	1.31
Real Assets	15.00	7.10	1.07
Private Equity	15.00	8.60	1.29
PIP - Private Investment Partnership	1.00	7.95	0.08
Diversifying Strategies	6.00	6.82	0.41
Cash	2.00	4.07	0.08
Leverage	(3.00)	4.57	(0.14)
Total	100.00%		7.02%
Expected arithmetic nominal return*			7.02%

* The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of excepted long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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. For the year ended June 30, 2025, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2024, actuarial valuations. From July 1, 2025, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Total at June 30, 2024	$ 84,387,790	$ 78,200,386	$ 6,187,404
Changes for the year:			
Service cost	1,247,046	–	1,247,046
Interest	5,621,133	–	5,621,133
Differences between expected and actual experience	1,936,779	–	1,936,779
Assumption Changes	982,728	–	982,728
Contributions - employer	–	1,359,835	(1,359,835)
Contributions - employee	–	830,422	(830,422)
Net investment income	–	8,145,626	(8,145,626)
Benefit payments, including refunds of employee contributions	(4,717,588)	(4,717,588)	–
Administrative expenses	–	(47,221)	47,221
Other changes	–	2,099	(2,099)
Net Changes	5,070,098	5,573,173	(503,075)
Total at June 30, 2025	$ 89,457,888	$ 83,773,559	$ 5,684,329

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Total at June 30, 2023	$ 79,872,735	$ 74,183,746	$ 5,688,989
Changes for the year:			
Service cost	1,252,855	–	1,252,855
Interest	5,307,788	–	5,307,788
Differences between expected and actual experience	2,937,803	–	2,937,803
Contributions - employer	–	1,116,040	(1,116,040)
Contributions - employee	–	806,859	(806,859)
Net investment income	–	7,124,646	(7,124,646)
Benefit payments, including refunds of employee contributions	(4,983,391)	(4,983,391)	–
Administrative expenses	–	(48,937)	48,937
Other changes	–	1,423	(1,423)
Net Changes	4,515,055	4,016,640	498,415
Total at June 30, 2024	$ 84,387,790	$ 78,200,386	$ 6,187,404

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of UOSA using the discount rate of 6.75%, as well as what UOSA's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
UOSA's Net Pension Liability (Asset) at June 30, 2025	$ 17,017,449	$ 5,684,329	$ (3,751,143)
UOSA's Net Pension Liability (Asset) at June 30, 2024	$ 17,159,312	$ 6,187,404	$ (2,821,356)

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

For the years ended June 30, 2026 and 2025, UOSA recognized pension expense of $1,037,489 and $1,250,934, respectively.

At June 30, 2026, UOSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,214,939	$ –
Change in assumptions	650,725	–
Net difference between projected and actual earnings on pension plan investments	–	(2,624,954)
Employer contributions subsequent to the measurement date	1,421,502	–
Total at June 30, 2026	$ 4,287,166	$ (2,624,954)

At June 30, 2025, UOSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,520,926	$ –
Net difference between projected and actual earnings on pension plan investments	–	(2,099,487)
Employer contributions subsequent to the measurement date	1,359,835	–
Total at June 30, 2025	$ 3,880,761	$ (2,099,487)

The $1,421,502 and $1,359,835, reported as deferred outflows of resources related to pensions resulting from UOSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the years ending June 30, 2027 and ended 2026, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2027	$ 1,916,351
2028	(49,647)
2029	(1,035,210)
2030	(590,784)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(a) Health Care Benefit Plan

(1) Plan Description

UOSA administers a single-employer defined post-employment health care benefit plan ("the Plan"). The Plan provides post-employment health care benefits to eligible employees who have retired from UOSA on or after July 1, 1999. In order to participate, retirees must meet the requirements of the Virginia Retirement System (VRS) and have attained age 55 with at least ten years of service. The benefit levels, employee contributions and employer contributions are governed, and can be amended, by UOSA's Board of Directors. Separate financial statements were not issued for the Plan.

Pre-65 Health Insurance

Retirees under the age of 65 and their dependents (spouse and children) are eligible to obtain health insurance from the same medical plans available to active employees provided the retiree was previously enrolled in UOSA's, or another, group medical plan for a minimum of one year immediately prior to retirement. UOSA contributes 2% toward the total cost of the selected coverage for every year of accrued service up to 40 years. Partial years of service are counted in increments of one month. Participation in UOSA's health insurance plan ends once the retiree becomes eligible for Medicare at age 65. At that time, the retiree's dependents will be offered health care coverage under COBRA and the Medicare eligible retiree's post-65 benefit begins.

Post-65 Health Subsidy

Retirees age 65 and older are provided a monthly health care subsidy based on years of service to help offset any expenses not covered by Medicare. UOSA pays each participating Post-65 retiree $5 per month per year of service with a subsidy minimum of $50 and maximum of $150. Employees who retired prior to age 65 do not need to participate in the health insurance plan to receive the monthly health care subsidy at age 65. The health care benefits end at the death of the retiree.

Current UOSA Pre-65 retirees who qualify for health insurance benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

Employees Covered by Benefit Terms

At July 1, 2025, the following employees were covered by the benefit terms:

Active employees	181
Inactive employees currently receiving benefits	80
Total Covered Employees	261

Contributions

The contribution requirements of plan members are established and may be amended by UOSA's Board of Directors. UOSA is not required to fund the Plan for an amount greater than the pay-as-you-go balance necessary to provide current benefits to retirees. As of June 30, 2026, UOSA has not established a trust fund to irrevocably segregate assets to fund the OPEB liability; however, UOSA's Board of Directors designated $209,500 in fiscal year 2026, $203,000 in fiscal year 2025, $188,000 in fiscal year 2024, $175,000 in fiscal year 2023, $175,000 in fiscal year 2022, $175,000 in fiscal year 2021, $175,000 in fiscal year 2020, $175,000 in fiscal year 2019, $110,000 in fiscal year 2018, $175,000 in fiscal year 2017, $145,000 in fiscal year 2016, $145,000 in fiscal year 2015, $300,000 in fiscal year 2014 and $250,000 in each of the four preceding fiscal years for a total of $3,350,500 toward future OPEB funding.

(2) Total OPEB Liability

UOSA's total OPEB liability was measured as of June 30, 2025, and was determined by census data as of July 1, 2025 and rolled forward to the measurement date of June 30, 2026.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 census data was determined using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2026, unless otherwise specified:

Inflation	2.5%
Salary increases, excluding inflation	VRS salary scale, net of 2.5% inflation
Discount rate	3.97% as of June 30, 2024 4.81% as of June 30, 2025
Healthcare cost trend rates: Pre-65	9.00% for fiscal 2025, 8.00% for fiscal 2026, 7.00% for fiscal 2027, 6.00% for fiscal 2028, and 5.50% for fiscal 2029. The trend is expected to decrease to 5.41% in 2030 and 4.58% by fiscal 2050, ultimately leveling off at 4.04% for 2075 and beyond

The trend assumption was updated to the 2026 version of the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model (using baseline assumptions).

Discount rates used to measure total OPEB liability were based on S&P Municipal Bond 20 Year High Grade Rate Index.

The mortality assumption is based on the SOA Pub 2010 headcount-weighted mortality tables, projected using the MP-2021 mortality improvement scale.

The Per capita cost assumption was updated to include the most recent plan experience.

The decrement, spousal age difference, and salary scale assumptions were updated based on those developed for VRS in their 2025 experience study.

(3) Changes in OPEB Liability

	Total OPEB Liability
Total at June 30, 2024	$ 5,175,541
Changes for the Year:	
Service cost	77,325
Interest	199,641
Changes of Benefit Terms	562,820
Differences between expected and actual experience	(72,414)
Changes in assumptions	(171,066)
Benefit payments	(358,948)
Net Changes	237,358
Total at June 30, 2025	$ 5,412,899

	Total OPEB Liability
Total at June 30, 2023	$ 5,355,913
Changes for the Year:	
Service cost	78,926
Interest	198,856
Differences between expected and actual experience	(47,758)
Changes in assumptions	(49,739)
Benefit payments	(360,657)
Net Changes	(180,372)
Total at June 30, 2024	$ 5,175,541

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

The following presents UOSA's total OPEB liability calculated using the discount rate of 4.81% for the fiscal year ended June 30, 2025 and 3.97% for the fiscal year ended June 30, 2024. It also presents what UOSA's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current rate.

	June 30, 2025		
	1% Decrease (3.81%)	Current Discount Rate (4.81%)	1% Increase (5.81%)
UOSA's Total OPEB Liability	$ 5,926,874	$ 5,412,899	$ 4,961,337

	June 30, 2024		
	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
UOSA's Total OPEB Liability	$ 5,658,863	$ 5,175,541	$ 4,757,811

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

The following presents UOSA's Total OPEB Liability calculated using the current healthcare trend rates. It also presents what UOSA's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease (3.04%)	Current Discount Rate (4.04%)	1% Increase (5.04%)
UOSA's Total OPEB Liability at June 30, 2025	$ 4,904,354	$ 5,412,899	$ 6,007,892
UOSA's Total OPEB Liability at June 30, 2024	$ 4,677,821	$ 5,175,541	$ 5,760,001

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

For the years ended June 30, 2026 and 2025, UOSA recognized OPEB expense of $852,191 and $287,349, respectively.

At June 30, 2026 UOSA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 73,014	$ (100,947)
Changes in assumptions	121,654	(350,032)
Employer contributions subsequent to the measurement date	419,727	–
Total at June 30, 2026	$ 614,395	$ (450,979)

At June 30, 2025 UOSA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 230,800	$ (65,463)
Changes in assumptions	231,555	(397,318)
Employer contributions subsequent to the measurement date	358,948	–
Total at June 30, 2025	$ 821,303	$ (462,781)

The $419,727 and $358,948, reported as deferred outflows of resources related to OPEB resulting from UOSA's contributions subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the years ending June 30, 2027 and ended 2026, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	Deferred Outflows (Inflows) of Resources
2027	$ (127,572)
2028	12,498
2029	(60,077)
2030	(40,580)
2031	(40,580)

(b) VRS Group Life Insurance Program

(1) Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Group Life Insurance Program Plan Provisions

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Seatbelt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation and is currently $9,768 as of June 30, 2026.

(2) Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2026 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. UOSA's employer contributions to the Group Life Insurance Program were $90,163 and $86,251 for the years ended June 30, 2026 and June 30, 2025, respectively.

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

At June 30, 2026 and June 30, 2025, UOSA reported a liability of $640,432 and $763,291 respectively for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2025 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. UOSA's proportion of the Net GLI OPEB Liability was based on UOSA's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, UOSA's proportion was 0.06599% as compared to 0.06840% at June 30, 2024.

For the years ended June 30, 2026 and 2025, UOSA recognized GLI OPEB revenue of $18,850 and expense of $4,796, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, UOSA reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 113,610	$ (12,055)
Net difference between projected and actual earnings on GLI OPEB program investments	–	(89,621)
Changes in assumptions	–	(20,954)
Changes in proportionate share	18,124	(37,811)
Employer contributions subsequent to the measurement date	90,163	–
Total at June 30, 2026	$ 221,897	$ (160,441)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 120,388	$ (18,645)
Net difference between projected and actual earnings on GLI OPEB program investments	–	(64,337)
Changes in assumptions	4,351	(37,827)
Changes in proportionate share	24,839	(39,718)
Employer contributions subsequent to the measurement date	86,251	–
Total at June 30, 2025	$ 235,829	$ (160,527)

The $90,163 and $86,251, reported as deferred outflows of resources related to the GLI OPEB resulting from UOSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the years ending June 30, 2027 and ended 2026, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense as follows:

Year ending June 30	Deferred Outflows (Inflows) of Resources
2027	$ (6,718)
2028	(18,628)
2029	(3,439)
2030	(1,803)
2031	1,881

(4) Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

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

Mortality Rates:

- Pre-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
- Post-Retirement: Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rates.

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rates	No change

(5) Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2025, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 4,433,282
Plan fiduciary net position	3,471,094
Employers' Net GLI OPEB Liability	$ 962,188
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%

The Total GLI OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The Net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

(6) Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00	5.09	0.81
Credit Strategies	16.00	8.21	1.31
Real Assets	15.00	7.10	1.07
Private Equity	15.00	8.60	1.29
PIP - Private Investment Partnership	1.00	7.95	0.08
Diversifying Strategies	6.00	6.82	0.41
Cash	2.00	4.07	0.08
Leverage	(3.00)	4.57	(0.14)
Total	100.00%		7.02%
Expected arithmetic nominal return*			7.02%

*The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of excepted 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%.

(7) Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2025, the rate contributed by UOSA for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2025 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

(8) Sensitivity of UOSA's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents UOSA's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what UOSA's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
UOSA's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability at June 30, 2026	$ 1,080,382	$ 640,432	$ 285,497
UOSA's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability at June 30, 2025	$ 1,187,016	$ 763,291	$ 420,976

(9) Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2025 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(c) VACORP Hybrid Disability Program

(1) Plan Description

All UOSA's full-time, salaried general employees who are in the VRS Hybrid Retirement Plan benefit structure are covered by the Virginia Association of Counties Risk Pool (VACORP) Hybrid Disability Program. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program. UOSA made an irrevocable election to opt out of the state's Virginia Local Disability Program and entered into the VACORP Hybrid Disability Program. The VACORP Hybrid Disability Program is administered by Standard Insurance Company (The Standard). The Standard handles the policy administration and VACORP handles the billing for the program. UOSA pays the employees on short-term disability while The Standard processes the claims and advises payment. The long-term disability benefit is fully insured by The Standard. The obligation for the payment of long-term disability benefits has been effectively transferred from UOSA to The Standard.

VACORP Hybrid Disability Program Plan Provisions

Eligible Employees

The VACORP Hybrid Disability Program provides short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.

Eligible employees are covered automatically upon employment. They include:

- Full-time general employees of public political subdivisions covered under the VRS Hybrid Retirement Plan described in §51.1-169 of the *Code of Virginia*.
- Actively At Work at least the minimum hours per week required by the Employer for coverage under the Program, but in no event less than 10 hours each week (for purposes of the Member definition, Actively At Work will include regularly scheduled days of, holidays or vacation days, so long as the person is capable of Active Work on those days).
- A citizen or resident of the United States or Canada.

Member does not include a temporary or seasonal employee, a full-time member of the armed forces of any country, a leased employee, or an independent contractor.

Benefit Amounts

The VACORP Hybrid Disability Program provides the following benefits for eligible employees:

Short-Term Disability -

- The program provides a short-term disability benefit beginning after a seven calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VRS Hybrid Retirement Plan with UOSA.
- During the first five years of continuous participation in VRS Hybrid Retirement Plan with UOSA, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Short-term benefit payments are made to the employees directly from UOSA.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

Long-Term Disability -

- The program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the benefit will be offset by the workers' compensation benefit. Members will not receive a long-term disability benefit if their workers' compensation benefit is greater than the long-term disability benefit.
- Long-term benefit payments are fully insured and paid to the employees from The Standard. In the event of The Standard's insolvency, the long-term disability benefits will be paid by the Virginia Life, Accident and Sickness Insurance Guaranty Association.

(2) VACORP Hybrid Disability Program OPEB Expense

UOSA recognized VACORP Hybrid Disability Program OPEB expense of $51,506 and $43,741 for the years ended June 30, 2026 and June 30, 2025, respectively.

d) Summary of Other Post Employment Benefits (OPEB)

	Years Ending June 30,	
	2026	2025
Deferred outflows of resources		
Health Care Benefit	$ 614,395	$ 821,303
VRS Group Life Insurance	221,897	235,829
Total deferred outflows of resources	$ 836,292	$ 1,057,132
Net OPEB liability		
Health Care Benefit	$ 5,412,899	$ 5,175,541
VRS Group Life Insurance	640,432	763,291
Total net OPEB liability	$ 6,053,331	$ 5,938,832
Deferred inflows of resources		
Health Care Benefit	$ 450,979	$ 462,781
VRS Group Life Insurance	160,441	160,527
Total deferred inflows of resources	$ 611,420	$ 623,308
OPEB (revenue) expense		
Health Care Benefit	$ 852,191	$ 287,349
VRS Group Life Insurance	(18,850)	4,796
VACORP Hybrid Disability	51,506	43,741
Total OPEB expense	$ 884,847	$ 335,886

11. OPERATING REVENUES

Operating revenues consist of billings to the Member Jurisdictions for treatment of sewage. Revenues earned for the fiscal years ended June 30, 2026 and 2025 were as follows:

	2026	2025
Fairfax County	$ 17,172,326	$ 15,103,095
Prince William County	18,358,617	16,766,220
City of Manassas	7,985,530	7,733,234
City of Manassas Park	1,774,330	1,551,834
Other	594,542	589,801
Total	$ 45,885,345	$ 41,744,184

12. OPERATING EXPENSES

Operating expenses include reimbursable septage receiving facility and pump station/meter station charges. Operating expenses for the fiscal years ended June 30, 2026 and 2025 were as follows:

	2026	2025
Personnel	$ 26,163,805	$ 25,022,376
Electrical power	3,998,189	3,542,602
Chemicals	4,394,743	4,303,649
Facilities operations	1,246,205	1,204,664
Facilities maintenance	3,558,479	3,522,734
Contract services	2,727,424	2,345,544
Administration	626,003	530,841
Insurance	582,359	549,109
Miscellaneous	1,228,897	277,744
Depreciation and amortization	25,417,532	27,449,941
Total	$ 69,943,636	$ 68,749,204

13. REVENUES AND EXPENSES FROM RESTRICTED ASSET ACCOUNTS

The following is a schedule of revenues and expenses from restricted asset accounts for the fiscal years ended June 30, 2026 and 2025:

	2026	2025
Revenues		
Bond interest billings	$ 10,917,276	$ 11,526,225
Bond principal billings	29,808,090	27,576,287
Grant revenue	274,042	2,582,117
Investment income	4,646,155	6,444,599
Construction funding	9,837	3,802,499
Reserve maintenance billings	5,750,121	5,940,401
	51,405,521	57,872,128
Expenses		
Bond interest	14,095,067	15,444,372
Reserve maintenance	848,991	532,442
Capital improvement projects	–	8,149,813
Landfill closure and postclosure	347,470	186,813
	15,291,528	24,313,440
Revenues in Excess of Expenses From Restricted Asset Accounts	$ 36,113,993	$ 33,558,688
Financial Statement Presentation		
Revenues (expenses) from restricted accounts	$ 6,022,024	$ (402,215)
Capital contributions	30,091,969	33,960,903

14. LANDFILL CLOSURE AND POSTCLOSURE COST

State and Federal laws and regulations require UOSA to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, UOSA reports a portion of these closure and post closure care costs as an expense chargeable to restricted asset accounts in each period based on landfill capacity used as of each balance sheet date. A review of the estimated landfill closure and post closure care costs was most recently performed by SCS Engineers in 2019. An aerial survey was last performed in 2025. The aerial survey calculated the volume consumed and volume remaining. The $6,305,282 and $5,957,812 reported as landfill closure and post closure care liability at June 30, 2026 and June 30, 2025, respectively, represents the cumulative amount reported to date based on the use of 68.1% and 66.3%, respectively, of the estimated capacity of Phase I of the landfill. UOSA will recognize the remaining estimated cost of closure and post closure care of $2,952,595 for Phase I as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2026. Based on engineer's estimates, the landfill is expected to reach capacity in 2056. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The subsequent phases of the landfill will be constructed as required in the future.

15. ARBITRAGE RECEIVABLE & LIABILITY

The U.S. Treasury has issued regulations on calculating the rebate due the Federal Government on arbitrage earnings and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage earnings arise when UOSA temporarily invests the proceeds of tax-exempt debt in securities with yields higher than the bond yield. An arbitrage payable reduces interest income from restricted assets and is recorded as a liability on the Statement of Net Position. An arbitrage receivable increases interest income from restricted assets and is recorded as a restricted receivable on the Statement of Net Position.

As of fiscal years ended June 30, 2026 and 2025, the arbitrage liability was $606,744 and $711,916. Based on calculations prepared through the period ended June 30, 2026, it was determined that a liability existed for the 2022 Series Bonds in the amount of $569,531 and the 2024 Series Bonds in the amount of $37,213 as a result of interim computations. Based on calculations prepared through the period ended June 30, 2025, it was determined that a liability existed for the 2022 Series Bonds in the amount of $695,115 and the 2024 Series Bonds in the amount of $16,800 as a result of an interim computation.

Pursuant to Section 148 of the Internal Revenue Code of 1986, UOSA is required to make payments, if a liability existed, within 60 days of the end of its fifth bond year. Accordingly, UOSA issued a yield reduction payment for the 2019 Bond Series in the amount of $596,917 in August 2024 to satisfy minimum requirements to reduce its rebate liability. Based on interim computations prepared through the period ended June 30, 2025, the 2019 Series Bond liability decreased to $261,705, resulting in an arbitrage receivable of $335,212. Based on updated interim computations prepared through June 30, 2026, the 2019 Series Bond liability was eliminated, establishing a cumulative arbitrage receivable of $596,917.

16. GRANT REVENUE

The Methanol Feed Facility (MFF) project financing agreement with the Virginia Department of Environmental Quality contains a Virginia Water Quality Improvement Fund Grant for forty-five percent of the total project costs. The Grant amount is estimated to total $3,969,295. The Virginia Water Quality Improvement grant is for the design and installation of Nutrient Removal Technology. As of June 30, 2026, grant funds have not been fully drawn yet.

17. COMMITMENTS AND CONTINGENCIES

(a) Construction

UOSA has a major Capital improvement and expansion program primarily funded by fixed rate revenue bonds. At June 30, 2026, UOSA has outstanding commitments for contracts in progress of approximately $8,748,258.

(b) Litigation

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

(c) Letter of Credit

As of June 30, 2026, UOSA had a letter of credit outstanding in the amount of $6,480,514 for landfill closure and $894,903 for 2011B Bond Series Debt Service Reserve.

(d) Operating Costs

UOSA has commitments for a block of energy at $68.50/MWhr for one year beginning January 1, 2026.

18. SUBSEQUENT EVENTS

(a) Revolving Line of Credit

On July 17, 2026, UOSA entered into a Loan Agreement with TD Bank, N.A., establishing a revolving line of credit facility in the aggregate principal amount of $10,000,000 to provide funding for unanticipated operating expenses and capital expenses, with a set maturity of July 17, 2031. The unused fee is 0.24% for the five-year period. If drawn upon, the interest rate is a variable rate of 30-day Term SOFR plus applicable spread. As of October 28, 2026, there have been no draws or outstanding balances against this revolving line of credit.

(b) VACo/VML Pooled Other Post Employment Benefits (OPEB) Trust

On October 13, 2026, Fairfax County signed a resolution authorizing UOSA's request to join the VACo/VML Pooled OPEB Trust. This followed UOSA's Board of Directors approval of a resolution authorizing UOSA to establish a trust and become a participating employer in the VACo/VML Pooled OPEB Trust Fund in June 2026. UOSA's next step will be to submit a resolution to UOSA's Board of Directors in November 2026 that will establish the Local Finance Board, as well as to seek Board approval of the Trust Joinder Agreement. Once approved, the Local Finance Board convenes and proceeds with investing in the Trust. Participating in the OPEB Trust is expected to significantly reduce UOSA's Health Care Benefit OPEB liability.

(c) Regional Biosolids Memorandum of Understanding-Phase II

On September 17, 2026, UOSA entered into the Regional Biosolids Memorandum of Understanding-Phase II (MOU) with Prince William Water, Loudoun Water, AlexRenew and Fauquier County Water and Sanitation Authority. The purpose of Regional Biosolids project is to explore a regional solution to manage biosolids. Phase II will further explore and develop tools for governance of a new entity as well as a technology pilot.

The Phase II budget will not exceed $2,500,000, of which UOSA's share will be $525,000. UOSA' s contribution is estimated to be $175,000 in FY27, $300,000 in FY28 and $50,000 in FY29.To offset the costs of Phase II, the partners will seek grant funding from federal and state agencies, the Virginia General Assembly and national associations.

19. CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2025, UOSA adopted the provisions of GASB Statement No. 101, Compensated Absences. The provisions of Statement No. 101 required UOSA to record a decrease in net position for the cumulative effect of the change in accounting principle in fiscal year 2025. The cumulative effect of adoption of the standard is presented as an adjustment to beginning fiscal year 2025 net position. As a result, net position as of July 1, 2024 decreased by $451,930.

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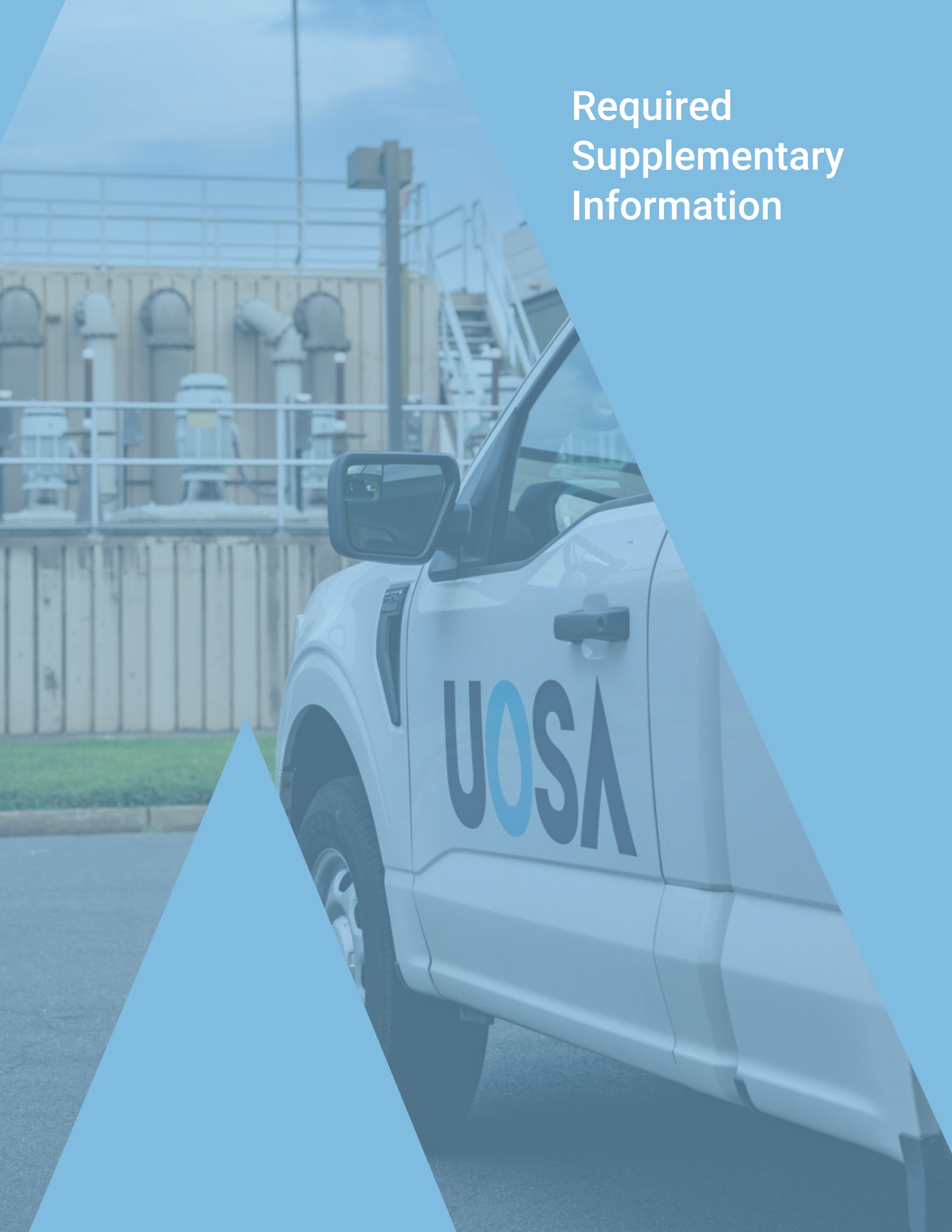
Required Supplementary Information



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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

Last 10 Fiscal Years

Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total Pension Liability					
Service cost	$ 1,247,046	$ 1,252,855	$ 1,142,794	$ 1,042,359	$ 1,180,289
Interest	5,621,133	5,307,788	5,063,681	4,899,969	4,634,498
Differences between expected and actual experience	1,936,779	2,937,803	1,744,095	78,080	(1,450,738)
Changes in assumptions	982,728	–	–	–	1,792,977
Benefit payments, including refunds of employee contributions	(4,717,588)	(4,983,391)	(3,905,084)	(3,485,862)	(3,047,114)
Net Change in Total Pension Liability	5,070,098	4,515,055	4,045,486	2,534,546	3,109,912
Total pension liability - beginning	84,387,790	79,872,735	75,827,249	73,292,703	70,182,791
Total Pension Liability - Ending (a)	$ 89,457,888	$ 84,387,790	$ 79,872,735	$ 75,827,249	$ 73,292,703
Plan Fiduciary Net Position					
Contributions - employer	$ 1,359,835	$ 1,116,040	$ 1,025,980	$ 1,108,756	$ 1,135,025
Contributions - employee	830,422	806,859	750,547	677,686	689,802
Net investment income	8,145,626	7,124,646	4,578,233	(62,244)	16,055,794
Benefit payments, including refunds of employee contributions	(4,717,588)	(4,983,391)	(3,905,084)	(3,485,862)	(3,047,114)
Administrative expenses	(47,221)	(48,937)	(46,421)	(46,082)	(40,093)
Other	2,099	1,423	1,837	1,687	1,510
Net Change in Plan Fiduciary Net Position	5,573,173	4,016,640	2,405,092	(1,806,059)	14,794,924
Plan fiduciary net position - beginning	78,200,386	74,183,746	71,778,654	73,584,713	58,789,789
Plan Fiduciary Net Position - Ending (b)	$ 83,773,559	$ 78,200,386	$ 74,183,746	$ 71,778,654	$ 73,584,713
Net Pension (Asset) Liability - Ending (a) - (b)	$ 5,684,329	$ 6,187,404	$ 5,688,989	$ 4,048,595	$ (292,010)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - End of Year	93.65%	92.67%	92.88%	94.66%	100.40%
Covered Payroll	$ 18,351,348	$ 17,563,484	$ 15,770,310	$ 14,429,905	$ 14,503,927
Net Pension (Asset) Liability as a Percentage of Covered Payroll	30.97%	35.23%	36.07%	28.06%	(2.01%)

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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

Last 10 Fiscal Years

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total Pension Liability					
Service cost	$ 1,214,200	$ 1,226,020	$ 1,183,395	$ 1,274,456	$ 1,297,203
Interest	4,429,378	4,293,189	4,040,244	3,923,950	3,718,171
Differences between expected and actual experience	275,808	(448,022)	802,608	(330,771)	(298,056)
Changes in assumptions	–	1,928,937	–	(1,206,725)	–
Benefit payments, including refunds of employee contributions	(2,714,023)	(2,707,932)	(2,117,578)	(1,881,539)	(1,673,711)
Net Change in Total Pension Liability	3,205,363	4,292,192	3,908,669	1,779,371	3,043,607
Total pension liability - beginning	66,977,428	62,685,236	58,776,567	56,997,196	53,953,589
Total Pension Liability - Ending (a)	$ 70,182,791	$ 66,977,428	$ 62,685,236	$ 58,776,567	$ 56,997,196
Plan Fiduciary Net Position					
Contributions - employer	$ 999,574	$ 1,020,089	$ 1,104,020	$ 1,131,806	$ 1,233,195
Contributions - employee	682,776	691,183	682,430	720,658	696,937
Net investment income	1,119,610	3,726,109	3,893,207	5,751,870	818,981
Benefit payments, including refunds of employee contributions	(2,714,023)	(2,707,932)	(2,117,578)	(1,881,539)	(1,673,711)
Administrative expenses	(38,328)	(37,020)	(33,264)	(32,643)	(28,118)
Other	(1,326)	(2,345)	(3,479)	(5,133)	(343)
Net Change in Plan Fiduciary Net Position	48,283	2,690,084	3,525,336	5,685,019	1,046,941
Plan fiduciary net position - beginning	58,741,506	56,051,422	52,526,086	46,841,067	45,794,126
Plan Fiduciary Net Position - Ending (b)	$ 58,789,789	$ 58,741,506	$ 56,051,422	$ 52,526,086	$ 46,841,067
Net Pension (Asset) Liability - Ending (a)-(b)	$ 11,393,002	$ 8,235,922	$ 6,633,814	$ 6,250,481	$ 10,156,129
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - End of Year	83.77%	87.70%	89.42%	89.37%	82.18%
Covered Payroll	$ 14,254,554	$ 14,318,372	$ 13,954,694	$ 13,850,680	$ 13,501,791
Net Pension (Asset) Liability as a Percentage of Covered Payroll	79.93%	57.52%	47.54%	45.13%	75.22%

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of UOSA's Pension Contributions

Last 10 Fiscal Years

Fiscal Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	UOSA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 1,421,502	$ 1,421,502	$ –	$ 19,183,560	7.41%
2025	1,359,835	1,359,835	–	18,351,348	7.41
2024	1,116,040	1,116,040	–	17,563,484	6.35
2023	1,025,980	1,025,980	–	15,770,310	6.51
2022	1,108,756	1,108,756	–	14,429,905	7.68
2021	1,135,025	1,135,025	–	14,503,927	7.83
2020	999,574	999,574	–	14,254,554	7.01
2019	1,020,089	1,020,089	–	14,318,372	7.12
2018	1,104,020	1,104,020	–	13,954,694	7.91
2017	1,131,806	1,131,806	–	13,850,680	8.17

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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

Last 10 Fiscal Years*

Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total OPEB Liability					
Service cost	$ 77,325	$ 78,926	$ 83,015	$ 113,004	$ 195,298
Interest	199,641	198,856	180,327	114,257	134,493
Changes of benefit terms	562,820	–	–	–	–
Differences between expected and actual expense	(72,414)	(47,758)	182,538	(26,352)	344,750
Changes of assumptions	(171,066)	(49,739)	180,364	(888,163)	75,612
Benefit payments	(358,948)	(360,657)	(380,709)	(332,815)	(267,581)
Net Change in Total OPEB Liability	237,358	(180,372)	245,535	(1,020,069)	482,572
Total OPEB liability - beginning	5,175,541	5,355,913	5,110,378	6,130,447	5,647,875
Total OPEB Liability - Ending	$ 5,412,899	$ 5,175,541	$ 5,355,913	$ 5,110,378	$ 6,130,447
Covered-Employee Payroll	$18,351,348	$ 17,563,484	$ 15,770,310	$ 14,429,905	$ 14,503,927
Total OPEB Liability as a Percentage of Covered-Employee Payroll	29.50%	29.47%	33.96%	35.42%	42.27%

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service cost	$ 164,264	$ 141,671	$ 137,586	$ 153,526
Interest	160,503	167,626	164,933	139,482
Changes of benefit terms	–	–	–	–
Differences between expected and actual expense	(46,714)	366,308	(26,956)	–
Changes of assumptions	346,569	64,346	(18,088)	(347,275)
Benefit payments	(256,013)	(220,453)	(236,523)	(202,074)
Net Change in Total OPEB Liability	368,609	519,498	20,952	(256,341)
Total OPEB liability - beginning	5,279,266	4,759,768	4,738,816	4,995,157
Total OPEB Liability - Ending	$ 5,647,875	$ 5,279,266	$ 4,759,768	$ 4,738,816
Covered-Employee Payroll	$14,254,554	$ 14,318,372	$ 13,954,694	$ 13,850,680
Total OPEB Liability as a Percentage of Covered-Employee Payroll	39.62%	36.87%	34.11%	34.21%

** The OPEB schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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

Last 10 Fiscal Years*

Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
UOSA's Proportion of the Net GLI OPEB Liability	0.06599%	0.06840%	0.06695%	0.06634%	0.07025%
UOSA's Proportionate Share of the Net GLI OPEB Liability	$ 640,432	$ 763,291	$ 802,940	$ 798,798	$ 817,901
Covered Payroll	$ 18,351,348	$ 17,563,484	$ 15,770,310	$ 14,429,905	$ 14,503,927
UOSA's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	3.49%	4.35%	5.09%	5.54%	5.64%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%	73.41%	69.30%	67.21%	67.45%

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
UOSA's Proportion of the Net GLI OPEB Liability	0.06926%	0.07304%	0.07337%	0.07512%
UOSA's Proportionate Share of the Net GLI OPEB Liability	$ 1,155,836	$ 1,188,555	$ 1,114,000	$ 1,130,000
Covered Payroll	$ 14,254,554	$ 14,318,372	$ 13,954,694	$ 13,850,680
UOSA's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	8.11%	8.30%	7.98%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

** The OPEB schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, UOSA will present information for those years which information is available.*

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of UOSA's OPEB Contributions – VRS Group Life Insurance Program

Last 10 Fiscal Years

Fiscal Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	UOSA's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 90,163	$ 90,163	$ –	$ 19,183,560	0.47%
2025	86,251	86,251	–	18,351,348	0.47
2024	94,843	94,843	–	17,563,484	0.54
2023	85,159	85,159	–	15,770,310	0.54
2022	77,922	77,922	–	14,429,905	0.54
2021	78,322	78,322	–	14,503,927	0.54
2020	74,122	74,122	–	14,254,554	0.52
2019	74,455	74,455	–	14,318,372	0.52
2018	73,010	73,010	–	13,954,694	0.52
2017	72,050	72,050	–	13,850,680	0.52

See accompanying notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. PENSION TREND DATA – VRS

Note 1 – Changes of Benefit Terms

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary scale	Increase Merit & Longevity 50 basis points
Discount rate	No change

B. OPEB TREND DATA – HEALTH CARE BENEFIT PLAN

Note 1 - Changes of Benefit Terms

The plan was amended to allow pre-Medicare spouses and surviving spouses to remain in the plan until they reach Medicare age, if they pay the full premium.

Note 2 – Changes of Assumptions

Changes in assumptions reflect the effects of a change in the discount rate and multiple assumptions. As of the July 1, 2025 census data, the long-term healthcare cost trend was updated to the latest model released by the Society of Actuaries on December 5, 2025. The decrement, spousal age, and salary scale assumptions were updated to be consistent with the VRS experience study dated September 25, 2025. The mortality assumption was updated to the Private Sector tables released by the Society of Actuaries with the MP-2021 Mortality Improvement Scale. The following are the discount rates used in each fiscal year.

Year Ended June 30	Discount Rate
2025	4.81%
2024	3.97
2023	3.86
2022	3.69
2021	1.92
2020	2.45
2019	3.13
2018	3.62
2017	3.58
2016	2.85

Note 3 - Funding

There are no assets accumulated in a trust to irrevocably segregate assets to fund the plan.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

C. OPEB TREND DATA – VRS GROUP LIFE INSURANCE PROGRAM

Note 1 – Changes of Benefit Terms

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount rate	No change



Madelyn Patrick, Lab Analyst II.

1995 – 2005

EXPANSION

More Capacity, Greater Capability



The region kept growing, driven by rising population across the four Member Jurisdictions. By 1986, wastewater flowing into the plant had grown enough so that UOSA began planning another expansion. UOSA responded in two phases, first through an interim expansion, Project 32, and then through the larger Project 54.

Project 32, completed in 1997, increased treatment capacity to 32 MGD. It replaced the plant's original headworks with a larger structure designed to handle peak flows even when its largest single unit is offline for maintenance. It also converted disinfection from chlorine gas to sodium hypochlorite, improving staff safety while reflecting an industrywide move away from large chlorine-gas cylinders. More filters and carbon contactors were installed to handle the larger flow, along with odor controls at the headworks. Emergency storage capacity was expanded to about 90 million gallons.

"Project 54 was designed to give the region more capacity without compromising the reliable treatment and water quality UOSA was built to deliver."
— Shakil Ahmed, Senior Construction Project Engineer

Project 54, the larger expansion that followed, raised treatment capacity further to 54 MGD and added denitrification capability, allowing UOSA to nitrify continuously and, during drought, denitrify as needed to manage nitrate concentrations at the water-supply intake. The project also included additional primary and secondary clarifiers, new aeration basins, an advanced treatment facility built alongside the original, solids-handling facilities, two more generators, and a new laboratory building. The construction contract for Project 54 was declared complete in 2004. The allocation of UOSA's expanded 54 MGD capacity became effective February 1, 2005, and remains its rated capacity today.







This page from top: Project 32 lab technician, Project 54 clarifier construction, Project 32 headworks building during construction.

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This section of UOSA's ACFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about UOSA's overall financial health. This information has not been audited by the independent auditor.

FINANCIAL TRENDS

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

SCHEDULE 1

Net Position by Component

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2026	2025	2024	2023	2022
Net (deficit) investment in capital assets	$ (43,816,958)	$ (50,138,449)	$ (49,570,383)	$ (49,972,238)	$ (45,898,264)
Restricted	87,996,234	82,733,578	79,272,660	78,524,585	75,578,687
Unrestricted (deficit)	(7,537,061)	(7,185,321)	(9,375,961)	(9,460,696)	(9,569,117)
Total Net Position	$ 36,642,215	$ 25,409,808	$ 20,326,316	$ 19,091,651	$ 20,111,306

	For the Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Net (deficit) investment in capital assets	$ (37,170,862)	$ (22,762,183)	$ (12,317,474)	$ (5,169,318)	$ 4,881,817
Restricted	73,915,571	72,956,334	69,427,481	65,545,482	65,770,178
Unrestricted (deficit)	(9,466,845)	(9,126,452)	(10,259,768)	(9,523,778)	(6,818,044)
Total Net Position	$ 27,277,864	$ 41,067,699	$ 46,850,239	$ 50,852,386	$ 63,833,951

SCHEDULE 2

Changes in Net Position

Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Loss	Total Other Non-Operating (Expenses) Revenues, net	Loss before Capital Contributions	Capital Contributions	Change in Net Position
2026	$ 45,885,345	$ 69,943,636	$ (24,058,291)	$ 5,198,729	$ (18,859,562)	$ 30,091,969	$ 11,232,407
2025	41,744,184	68,749,204	(27,005,020)	(1,420,461)	(28,425,481)	33,960,903	5,535,422
2024	39,361,812	68,603,064	(29,241,252)	1,629,077	(27,612,175)	28,846,840	1,234,665
2023	34,919,216	63,710,132	(28,790,916)	1,355,596	(27,435,320)	26,415,665	(1,019,655)
2022	31,886,427	59,694,039	(27,807,612)	(4,323,085)	(32,130,697)	24,964,139	(7,166,558)
2021	32,486,897	62,531,610	(30,044,713)	(4,852,451)	(34,897,164)	21,107,329	(13,789,835)
2020	30,622,512	59,493,683	(28,871,171)	3,787,368	(25,083,803)	19,301,263	(5,782,540)
2019	30,236,345	57,835,443	(27,599,098)	4,900,451	(22,698,647)	18,696,500	(4,002,147)
2018	28,768,098	58,667,527	(29,899,429)	3,229,382	(26,670,047)	17,830,318	(8,839,729)
2017	28,328,572	59,709,789	(31,381,217)	836,283	(30,544,934)	17,229,657	(13,315,277)

SCHEDULE 3

Operating Expenses

Last 10 Fiscal Years (unaudited)

	For the Fiscal Years Ended June 30				
	2026	2025	2024	2023	2022
Personnel services	$ 26,163,805	$ 25,022,376	$ 23,270,489	$ 20,454,004	$ 18,535,730
Electrical power	3,998,189	3,542,602	3,582,482	2,858,619	2,442,379
Chemicals	4,394,743	4,303,649	4,481,015	3,235,461	2,379,769
Facilities operations	1,246,205	1,204,664	1,171,710	1,023,450	912,565
Facilities maintenance	3,558,479	3,522,734	2,860,291	2,918,980	2,974,320
Contract services	2,727,424	2,345,544	2,142,453	2,101,513	2,073,070
Administration	626,003	530,841	581,698	448,053	428,106
Insurance	582,359	549,109	537,595	476,562	433,989
Miscellaneous	1,228,897	277,744	(117,575)	23,285	51,517
Subtotal	44,526,104	41,299,263	38,510,158	33,539,927	30,231,445
Depreciation and amortization	25,417,532	27,449,941	30,092,906	30,170,205	29,462,594
Total Operating Expenses	$ 69,943,636	$ 68,749,204	$ 68,603,064	$ 63,710,132	$ 59,694,039

	For the Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Personnel services	$ 21,248,367	$ 20,093,594	$ 18,815,840	$ 18,591,810	$ 19,297,175
Electrical power	2,642,809	2,527,695	2,763,864	2,412,866	2,314,363
Chemicals	2,136,855	2,072,047	1,962,993	1,655,535	1,601,337
Facilities operations	871,431	898,221	942,391	925,022	790,495
Facilities maintenance	2,842,375	2,844,900	2,620,559	2,226,367	2,289,798
Contract services	2,395,154	1,868,160	1,871,559	1,686,747	1,686,691
Administration	297,645	361,196	401,953	390,325	385,789
Insurance	418,487	409,237	405,380	415,034	418,499
Miscellaneous	(103,509)	(112,840)	(258,952)	(145,680)	(180,180)
Subtotal	32,749,614	30,962,210	29,525,587	28,158,026	28,603,967
Depreciation and amortization	29,781,996	28,531,473	28,309,856	30,509,501	31,105,822
Total Operating Expenses	$ 62,531,610	$ 59,493,683	$ 57,835,443	$ 58,667,527	$ 59,709,789

SCHEDULE 4

Other Non-Operating Revenues and Expenses

Last 10 Fiscal Years (unaudited)

Fiscal Year	Investment Interest Income	Federal Build America Bonds Subsidy	GLI OPEB Nonemployer Contributions from the Commonwealth	Interest Expense on Right-to-use Assets	Bond Issuance Revenue (Expense)	Loss on Sale of Assets	Revenue in Excess of Expenses from Restricted Accounts	Other	Total
2026	$ 420,266	$ –	$ –	$ (21,055)	$ (285,278)	$ (937,228)	$ 6,022,024	$ –	$ 5,198,729
2025	474,703	449,593	–	(745)	(678,490)	(1,263,307)	(402,215)	–	(1,420,461)
2024	590,328	1,249,551	6,793	(12,829)	2,085	(211,256)	4,405	–	1,629,077
2023	270,312	1,282,113	20,193	(9,178)	(611,343)	(734,619)	1,138,118	–	1,355,596
2022	17,493	1,310,668	–	–	–	(814,456)	(4,836,790)	–	(4,323,085)
2021	27,723	1,343,681	–	–	(1,641,470)	(92,198)	(4,490,187)	–	(4,852,451)
2020	131,784	1,369,585	–	–	(629,277)	(156,560)	3,071,286	550	3,787,368
2019	148,342	1,388,875	–	–	–	(283,851)	3,646,415	670	4,900,451
2018	89,362	1,406,857	–	–	–	(111,790)	1,843,961	992	3,229,382
2017	54,239	1,424,065	–	–	–	(84,328)	(558,494)	801	836,283

SCHEDULE 5

Expenses by Function[(A) (B)]

Last 10 Fiscal Years (unaudited)

Fiscal Year	Operating Expenses [(C)]	Reserve Maintenance	Expansion Related	Debt Service [(D)]	Total
2026	$ 44,526,104	$ 848,991	$ –	$ 42,383,712	$ 87,758,807
2025	41,299,263	532,442	8,149,813	40,235,556	90,217,074
2024	38,510,158	395,832	1,875,777	43,871,538	84,653,305
2023	33,539,927	521,255	–	44,888,392	78,949,574
2022	30,231,445	1,050,529	18,127	40,043,774	71,343,875
2021	32,749,614	991,596	2,632,542	38,461,477	74,835,229
2020	30,962,210	724,135	145,257	37,380,139	69,211,741
2019	29,525,587	663,605	318,057	36,330,006	66,837,255
2018	28,158,026	864,348	6,611	36,510,230	65,539,215
2017	28,603,967	772,750	1,008,923	36,004,088	66,389,728

(A) Includes general operations and restricted assets activity.

(B) Excludes landfill closure expense.

(C) Excludes depreciation expense.

(D) Includes bond principal expense and bond interest less capitalized interest portion.

REVENUE CAPACITY INFORMATION

These schedules contain information to help the reader assess UOSA's significant local operating revenues.

SCHEDULE 6

Operating Revenues by Source[A]

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2026	$ 17,172,326	$ 18,358,617	$ 7,985,530	$ 1,774,330	$ 594,542	$ 45,885,345
2025	15,103,095	16,766,220	7,733,234	1,551,834	589,801	41,744,184
2024	14,750,512	15,574,958	6,932,437	1,616,698	487,207	39,361,812
2023	12,878,099	13,803,013	6,334,056	1,453,111	450,937	34,919,216
2022	11,693,893	12,506,714	5,925,468	1,199,017	561,335	31,886,427
2021	11,584,801	12,366,532	6,059,280	1,362,606	1,113,678	32,486,897
2020	11,558,494	11,676,684	5,733,907	1,252,620	400,807	30,622,512
2019	11,473,594	11,514,448	5,482,680	1,355,151	410,472	30,236,345
2018	10,983,055	11,082,985	5,254,753	1,194,654	252,651	28,768,098
2017	11,042,450	10,504,709	5,324,343	1,182,080	274,990	28,328,572

(A) Includes operating revenues and unrestricted interest income.

SCHEDULE 7

Sources of Wastewater Flow (MGD)[B]

Average Daily Flow (ADF)[A]

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Total ADF[A] (MGD)[B]	Total Operating Expenses[C]
2026	12.216	13.202	5.934	1.241	32.593	$ 44,526,104
2025	12.385	13.653	6.120	1.314	33.472	41,299,263
2024	12.728	13.593	6.010	1.390	33.721	38,510,158
2023	12.000	12.833	6.057	1.323	32.213	33,539,927
2022	12.454	13.397	6.371	1.343	33.565	30,231,445
2021	13.210	13.882	6.785	1.495	35.372	32,749,614
2020	12.621	12.710	6.170	1.389	32.890	30,962,210
2019	14.581	14.534	7.034	1.677	37.826	29,525,587
2018	12.594	12.706	6.038	1.348	32.686	28,158,026
2017	12.010	11.703	5.977	1.313	31.003	28,603,967

(A) (ADF) = Average Daily Flow

(B) (MGD) = Million gallons per day

(C) = Excludes depreciation expense

Source: UOSA Internal Documents

SCHEDULE 8

Annual Capital Contributions by Source

Last 10 Fiscal Years (unaudited)

Fiscal Year	Fairfax County	Prince William County	City of Manassas	City of Manassas Park	Other	Total
2026	$ 16,958,755	$ 8,944,431	$ 2,478,025	$ 1,426,879	$ 283,879	$ 30,091,969
2025	15,855,495	8,226,434	5,984,473	1,312,384	2,582,117	33,960,903
2024	15,183,704	7,797,648	3,244,548	1,243,915	1,377,025	28,846,840
2023	15,299,640	7,841,875	2,023,608	1,250,542	–	26,415,665
2022	14,632,166	7,337,989	1,819,099	1,174,885	–	24,964,139
2021	12,409,356	6,182,855	1,519,245	995,873	–	21,107,329
2020	11,400,833	5,623,840	1,365,467	911,123	–	19,301,263
2019	11,037,600	5,451,251	1,324,969	882,680	–	18,696,500
2018	10,721,048	5,086,210	1,196,378	826,682	–	17,830,318
2017	10,417,531	4,939,753	1,084,837	787,536	–	17,229,657

DEBT CAPACITY INFORMATION

These schedules present information to help the reader assess the affordability of UOSA's current levels of outstanding debt, and UOSA's ability to issue additional debt in the future.

SCHEDULE 9

Ratios of Outstanding Debt

Last 10 Fiscal Years (unaudited)

Fiscal Year	Revenue Bonds	Premium (Discount) on Revenue Bonds	Virginia Resources Authority Loan	Leases Payable	SBITAs Payable	Direct Bank Loan	Total Outstanding Debt	UOSA Service Area Population	Per Capita[A]
2026	$408,305,000	$ 13,174,964	$ 7,710,850	$ 166,210	$ 292,297	$ –	$ 429,649,321	372,488	$ 1,153
2025	433,850,000	13,004,664	8,729,495	423,216	88,428	–	456,095,803	368,692	1,237
2024	463,750,000	6,395,369	9,735,679	35,686	245,574	–	480,162,308	370,895	1,295
2023	489,235,000	6,686,688	10,729,554	–	–	–	506,651,242	369,668	1,371
2022	464,425,000	4,874,461	11,711,271	–	–	3,770,000	484,780,732	370,516	1,308
2021	479,860,000	5,060,897	12,642,559	–	–	8,615,000	506,178,456	356,800	1,419
2020	457,915,000	25,345,880	13,518,205	–	–	13,380,000	510,159,085	353,712	1,442
2019	418,805,000	23,911,940	14,372,165	–	–	18,060,000	475,149,105	351,906	1,350
2018	431,245,000	25,718,377	15,204,983	–	–	22,655,000	494,823,360	347,015	1,426
2017	443,170,000	27,503,558	16,017,189	–	–	27,165,000	513,855,747	338,606	1,518

(A) Represents the total outstanding debt as a share of the population served by UOSA.

SCHEDULE 10

Revenue Bond Coverage

Last 10 Fiscal Years (unaudited)

Fiscal Year	Gross Revenue[A]	Operating Expenses[B]	Net Revenue Available for Debt Service	Total Debt Service Requirements	Debt Coverage
2026	$ 97,711,133	$ 44,526,104	$ 53,185,029	$ 41,886,555	1.27
2025	100,540,608	41,299,263	59,241,345	40,758,563	1.45
2024	90,013,025	38,510,158	51,502,867	39,911,600	1.29
2023	81,187,100	33,539,927	47,647,173	37,806,001	1.26
2022	73,601,654	30,231,445	43,370,209	42,093,229	1.03
2021	73,195,561	32,749,614	40,445,947	33,989,013	1.19
2020	74,089,428	30,962,210	43,127,218	35,503,079	1.21
2019	73,962,842	29,525,587	44,437,255	34,844,247	1.28
2018	69,675,341	28,158,026	41,517,315	34,858,257	1.19
2017	67,774,699	28,603,967	39,170,732	33,794,974	1.16

(A) Gross revenue includes operating, non-operating, and restricted revenue, except CIP revenue.

(B) Operating expenses include Operations and Maintenance expenses, except depreciation and amortization.

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

SCHEDULE 11

Principal Employers

Current Year and Nine Years Ago (unaudited)

	Fiscal Year 2025[1]			Fiscal Year 2016[1]		
Employer	Number of Employees[2]	Rank	Percentage of Total County Employment[3]	Number of Employees[2]	Rank	Percentage of Total County Employment[3]
Fairfax County Public Schools	26,829	1	4.20%	24,581	1	3.93%
Inova Health System	26,000	2	4.07	7,000-10,000	4	1.36
Federal Government	25,388	3	3.98	23,664	2	3.79
Fairfax County Government	12,000	4	1.88	12,335	3	1.97
George Mason University	5,000-9,999	5	1.18	5,000-10,000	5	1.20
Booz-Allen Hamilton	5,000-9,999	6	1.18	4,000-6,999	6	0.88
Amazon	5,000-9,999	7	1.18			
Capital One	5,000-9,999	8	1.18			
Federal Home Loan Mortgage	5,000-9,999	9	1.18	4,000-6,999	7	0.88
Science Applications International Corporation	5,000-9,999	10	1.18	1,000-3,999	9	0.40
General Dynamics				4,000-6,999	8	0.88
Northrop Grumman				1,000-3,999	10	0.40
Totals			21.19%			15.69%

Source: Fairfax County Economic Development Authority (using Virginia Employment Commission data); Fairfax County Public Schools; Fairfax County Department of Management and Budget

Notes:

(1) Employment information for fiscal year 2025, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 4th quarter of calendar year 2024 Virginia Employment Commission (VEC) and Fairfax County's Economic Development Authority (Jan 24). Employment information for fiscal year 2016 is as was presented in the Fiscal Year 2016 Fairfax County ACFR.

(2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.

(3) Percentages are based on the midpoint of the employment range. Average total County employment for fiscal year 2025 is estimated at 638,100 based on Virginia Employment Commission. Average total County employment for fiscal year 2016 was estimated at 625,030.

UOSA uses the most current sources available; however due to timing requirements this schedule reflects prior year data.

SCHEDULE 12

Demographic Statistics

UOSA Service Area Population[A]

Last 10 Years (unaudited)

Fairfax County[B]

Year	Population	Per Capita Income	Average Unemployment(%)
2024	1,150,309	$ 108,855	2.4%
2023	1,185,980	101,400	2.1
2022	1,172,646	94,677	2.5
2021	1,170,033	88,971	3.5
2020	1,171,848	86,141	5.6
2019	1,166,965	82,441	2.3
2018	1,152,873	78,376	2.4
2017	1,142,888	75,978	3.0
2016	1,138,652	74,923	3.2
2015	1,142,234	75,007	3.1

Prince William County[B]

Year	Population	Per Capita Income	Average Unemployment(%)
2025	508,109	$ 77,544	2.9%
2024	496,322	68,802	2.9
2023	491,693	64,695	2.7
2022	492,576	63,701	2.8
2021	482,204	62,083	4.5
2020	467,935	58,552	9.6
2019	463,867	55,297	2.5
2018	459,966	53,655	2.9
2017	456,126	52,157	3.5
2016	449,864	50,769	3.7

City of Manassas[C]

Year	Population	Per Capita Income	Average Unemployment(%)
2025	*	*	3.3%
2024	43,616	*	2.8
2023	42,696	$ 68,164	2.5
2022	42,642	63,701	2.7
2021	42,708	62,810	4.4
2020	42,772	59,812	8.8
2019	41,085	56,366	2.6
2018	41,641	54,668	2.8
2017	41,501	52,929	3.4
2016	41,483	51,313	3.4

City of Manassas Park[C]

Year	Population	Per Capita Income	Average Unemployment(%)
2025	*	*	* %
2024	17,537	$ 43,662	3.1
2023	17,002	37,363	2.5
2022	17,002	35,618	2.4
2021	17,219	34,326	4.3
2020	17,478	31,420	9.9
2019	17,307	29,641	2.1
2018	16,528	29,641	2.7
2017	16,591	28,851	3.4
2016	15,827	28,851	3.9

(A) A current population of approximately 372,488 is being served by UOSA's existing water recycling system.

(B) Represents the entire population of the Counties. UOSA serves only a portion of the population.

(C) Represents the entire population of the Cities. UOSA serves the entire population.

** Not available*

Source: Member Jurisdictions

OPERATING INFORMATION

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

SCHEDULE 13

Authorized Full-Time Equivalents by Function

Last 10 Fiscal Years (unaudited)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Executive	4	4	3	3	4	4	7	7	7	8
Finance	16	16	17	17	17	17	19	19	19	17
Engineering & Technology	19	17	13	12	12	12	–	–	–	–
Administration	9	8	–	–	–	–	–	–	–	–
Operations	144	146	–	–	–	–	–	–	–	–
Treatment Process	–	–	71	69	68	68	68	69	70	70
Operations & Maintenance	–	–	57	57	56	56	56	55	54	54
Regulatory Affairs	–	–	17	17	16	16	–	–	–	–
Capital Improvements	–	–	5	5	5	5	–	–	–	–
Human Resources	–	–	3	3	3	3	–	–	–	–
Technical Services	–	–	–	–	–	–	31	31	31	32
Totals	192	191	186	183	181	181	181	181	181	181

Source: UOSA Internal Documents

SCHEDULE 14

Operating and Capital Indicators

Last 10 Fiscal Years (unaudited)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Wastewater Treatment										
Miles of sewers	27.1	27.1	27.1	27.3	24.9	24.9	24.9	24.9	24.9	24.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	9	9	9	9	9	9	9	9	9
Treatment capacity (MGD)	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Engineering plant capacity (MGD)	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
Annual engineering maximum plant capacity (millions of gallons)	15,330	15,330	15,330	15,330	15,330	15,330	15,372	15,330	15,330	15,330
Amount treated annually (millions of gallons)	11,915	12,202	12,396	11,758	12,270	12,927	12,037	13,821	11,903	11,334
Unused capacity (millions of gallons)	3,415	3,128	2,934	3,572	3,060	2,403	3,335	1,509	3,427	3,996
Percentage of capacity utilized	77.72%	79.59%	80.86%	76.70%	80.04%	84.32%	78.30%	90.16%	77.65%	73.93%

Source: UOSA Internal Documents



Brian Steglitz, Executive Director with Katie Platt, Research and Innovation Manager.



2006 – PRESENT

RENEWAL

Enduring Mission, Renewed Promise



The Occoquan Policy recognized that protecting the reservoir required a regional response. It mandated a regional water recycling facility, and UOSA's founding leaders answered that call by building an organization around shared responsibility. Their decision gave the region a durable framework for protecting its water, one that still guides UOSA today.

UOSA manages aging infrastructure as new demand reshapes its service area. Sixty data centers operate there today, with many more in permitting. A 10-year Capital Improvement Program, guided by the 2020 Master Plan, pairs with a capacity re-rating study to find latent capacity without new construction.

At the same time, regulatory and water-quality challenges continue to evolve. Nutrient reduction to meet Chesapeake Bay requirements remains a leading priority. UOSA is also advancing Per- and Polyfluoroalkyl Substances (PFAS) management through a Water Research Foundation-funded initiative applying One Water principles with its member jurisdictions, the regional drinking water utility, and the Occoquan Watershed Monitoring Laboratory. Preparing for the future requires more than treatment volume. It also requires regulatory readiness, financial strength, workforce capacity and strong regional partnerships.

"As UOSA looks ahead, our focus is on renewing critical infrastructure, strengthening organizational resilience, and working with our partners to carry forward the founders' mission to protect public health and the environment." — Brian Steglitz, Executive Director



Those needs are reflected in UOSA's 2025-2030 Strategic Plan and Vision 2050. The plan centers on exceptional water quality, financial responsibility, collaboration and engagement, sustainability, a strong workforce, and a trusted public voice. It gives leaders a framework for decisions that protect the region.

UOSA's mission to be "a regional water recycling facility that protects public health and the environment as trusted stewards of our most precious resource—WATER," is one no jurisdiction can achieve alone.

This page from top: M.H. Robbins Jr., UOSA's first Executive Director 1974-2000, Project 15 construction 1970s, Aerial view of UOSA's Polishing Pond and Regional Water Recycling Facility today.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Upper Occoquan Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Upper Occoquan Service Authority (UOSA), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise UOSA's basic financial statements, and have issued our report thereon dated October 28, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UOSA's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UOSA's internal control. Accordingly, we do not express an opinion on the effectiveness of UOSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of UOSA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

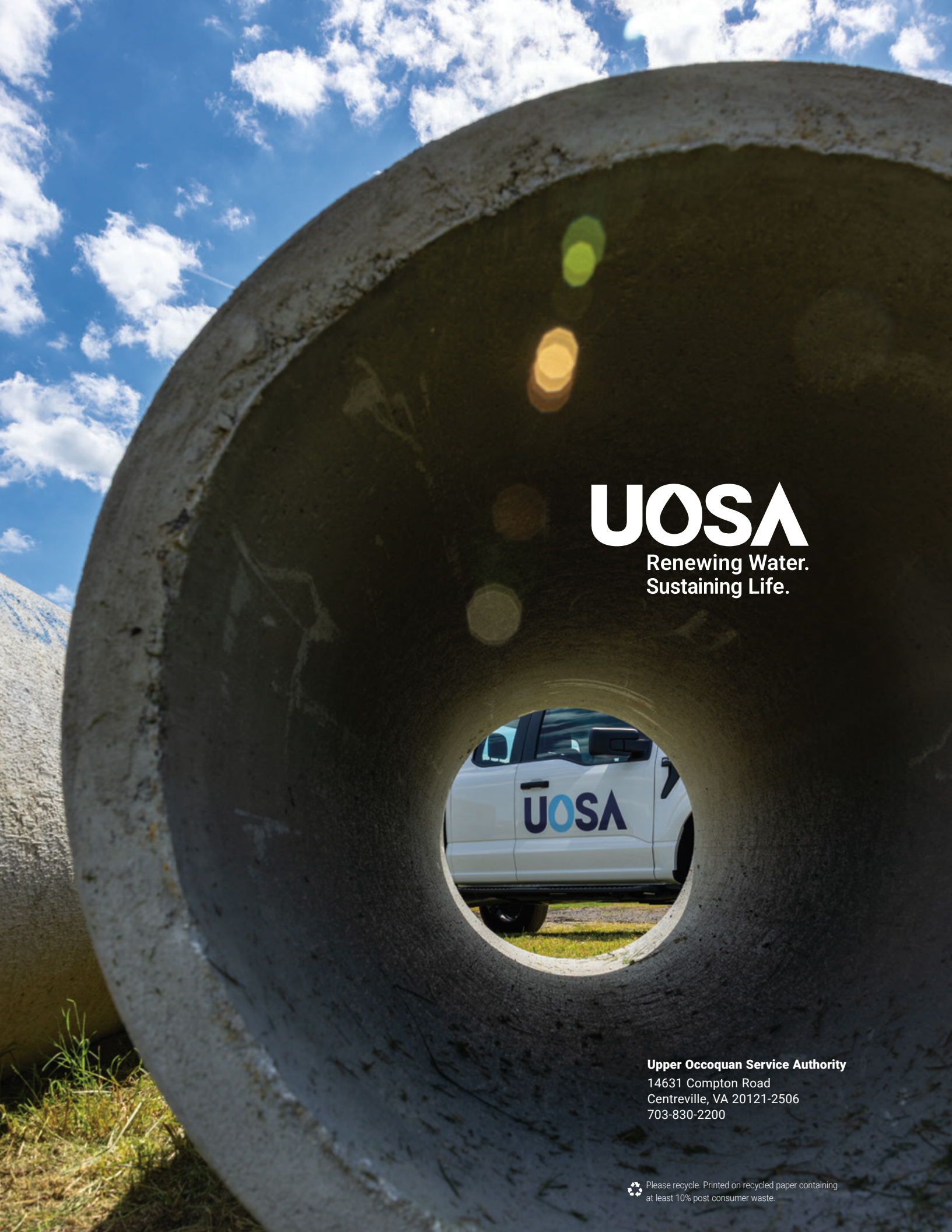
As part of obtaining reasonable assurance about whether UOSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UOSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UOSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 28, 2026



UOSA

Renewing Water.
Sustaining Life.

Upper Occoquan Service Authority
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