Nelson County Service Authority

Financial Report

Year Ended June 30, 2025

NELSON COUNTY SERVICE AUTHORITY

(A governmental organization under the

Water and Sewer Authorities Act, Chapter 51,

Title 15.2 of the Code of Virginia, as amended)

MEMBERS

Ernie Q. Reed, Chairman

David S. Hight, Vice-Chairman

Sergio Sanchez

Robert McSwain

Justin Shimp

OFFICIALS

George T. Miller, Jr., Executive Director

Jennifer Fitzgerald, Secretary / Treasurer

Table of Contents

Independent Auditors' Report

BOARD OF DIRECTORS
NELSON COUNTY SERVICE AUTHORITY
LOVINGSTON, VIRGINIA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Nelson County Service Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Nelson County Service Authority, as of June 30, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principles

As described in Note 9 to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 Nelson County Service Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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 generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Nelson County Service Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nelson County Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Nelson County Service Authority's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Nelson County Service Authority's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2026, on our consideration of the Nelson County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nelson County Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nelson County Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
February 11, 2026

This section presents the Management's Discussion and Analysis of Nelson County Service Authority's (Authority) financial condition and activities for the year ended June 30, 2025. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial position is good. The following are key financial highlights:

- The Authority treated 181 million gallons of raw water representing an 8% decrease from fiscal year 2024. In fiscal year 2024, there was a 32% increase from 2023.

- The Authority treated 103 million gallons of wastewater representing a 7% decrease from fiscal year 2024. In fiscal year 2024, the Authority treated 111 million gallons, a 16% decrease from 2023.

- Total assets at year-end were $40.4 million. Total assets and deferred outflows of resources exceeded liabilities and deferred inflows in the amount of $18 million (i.e. net position) versus $17 million at June 30, 2024. Total assets increased from fiscal year end 2024 to 2025 in the amount of $1,316,587. Total net position increased from fiscal year-end 2024 to 2025 in the amount of $431,562.

- Water and sewage charges of $4,843,339 increased from fiscal year 2024 by approximately $18,600. Water and Sewage disposal charges for fiscal year 2025 exceeded budgeted projections by 4.88%.

- Payments from Nelson County of $206,000 represented their contribution toward the fire protection costs incurred by the Authority. The payments were $206,000 in fiscal year 2024.

- Operating revenues excluding the County's payment for the year were $5,034,486, compared to $5,120,622 for fiscal year 2024, a 1.7% decrease.

- Operating expenses before depreciation were $3,967,180, compared to $3,415,728 for fiscal year 2024 and $3,486,099 for fiscal year 2023.

Required Financial Statements

The financial statements of the Authority report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets, liabilities, and deferred inflows/outflows of resources and provides information about the nature and amount of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its water and sewage disposal rates and other fees. The Authority's rates are based on projected operating costs and are adjusted as needed to meet operating expenses and the required debt ratio.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

Required Financial Statements: (Continued)

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Nelson County Service Authority is a public body organized and created under the Virginia Water and Waste Authorities Act of the Code of Virginia (1950), as amended. The Nelson County Board of Supervisors created the Authority in 1986. The purpose of the Authority is to "acquire, construct, improve, extend, operate and maintain a water and sewage disposal system."

The Authority is governed by five citizen members appointed by the Nelson County Board of Supervisors to four-year staggered terms.

The Authority's infrastructure assets consist of four water treatment plants, four wastewater treatment plants, approximately 85 miles of water lines, 65 miles of interceptor sewers, 31 pump stations, and a raw water reservoir. The collection system, consisting of mains and laterals, is owned and maintained by the Authority.

The Authority has no taxing power. The revenues of the Authority are derived from water and sewage disposal charges based on metered and unmetered water consumption of the Authority users of the system.

Financial Analysis

The following comparative condensed financial statements and other selected information provide key financial data and indicators for managing, monitoring and planning.

	Net Position		
	2025	2024	2023
Assets:			
Current and other assets	$ 7,408,448	$ 7,475,857	$ 5,177,272
Capital assets	33,156,692	31,624,250	26,221,875
Total assets	$ 40,565,140	$ 39,100,107	$ 31,399,147
Deferred outflows of resources	$ 104,952	$ 69,036	$ 467,698
Liabilities:			
Current liabilities	$ 2,757,993	$ 2,441,535	$ 2,460,608
Noncurrent liabilities	19,772,426	19,118,414	14,632,497
Total liabilities	$ 22,530,419	$ 21,559,949	$ 17,093,105
Deferred inflows of resources	$ 229,059	$ 164,554	$ 555,036
Net position:			
Net investment in capital assets	$ 11,692,496	$ 10,994,436	$ 10,181,666
Restricted	780,529	778,002	648,243
Unrestricted	5,437,589	5,672,202	3,388,795
Total net position	$ 17,910,614	$ 17,444,640	$ 14,218,704

Financial Analysis: (Continued)

	Change in Net Position 2025	2024	2023
Revenues:			
Operating revenues	$ 5,034,486	$ 5,120,622	$ 4,528,040
Fire protection-Nelson County	206,000	206,000	206,000
Other revenue	81,132	40,669	18,411
Total revenues	$ 5,321,618	$ 5,367,291	$ 4,752,451
Expenses:			
Operating expenses	$ 3,932,768	$ 3,415,728	$ 3,486,099
Depreciation expenses	1,049,928	719,044	792,268
Interest expense	201,114	91,766	214,950
Total expenses	$ 5,183,810	$ 4,226,538	$ 4,493,317
Increase in net position before capital contributions	$ 137,808	$ 1,140,753	$ 259,134
Capital Contributions	328,166	2,085,183	2,636,761
Increase in net position	$ 465,974	$ 3,225,936	$ 2,895,895
Net position—July 1	17,444,640	14,218,704	11,322,809
Net position—June 30	$ 17,910,614	$ 17,444,640	$ 14,218,704

General Trends and Significant Events

Other Selected Information

	2025	2024	2023
Employees at year-end	24	21	26
Raw water treated (millions of gallons)	181.10	196.24	148.73
Average daily water consumption (millions of gallons)	0.49	0.54	0.41
Wastewater treated (millions of gallons)	103.10	111.38	95.88
Average daily sewage flow (millions of gallons)	0.28	0.30	0.26
Number water connections	2,966	2,964	2,959
Number sewer connections	2,568	2,568	2,565
Rates for normal water customers:			
Minimum charges for 0-4,000 gallons:			
Lovingston, Schuyler Gladstone	$ 48.30	$ 48.30	$ 42.00
Wintergreen	$ 52.90	$ 52.90	$ 46.00
Each additional 1,000 gallons	$ 12.00	$ 12.00	$ 12.00
Rates for normal sewer customers:			
Lovingston, Schuyler Gladstone	$ 69.70	$ 69.70	$ 60.60
Wintergreen	$ 69.70	$ 69.70	$ 60.60
Each additional 1,000 gallons - water	$ 12.00	$ 12.00	$ 11.30
Each additional 1,000 gallons - sewer	$ 11.30	$ 11.30	$ 11.30

General Trends and Significant Events: (Continued)

The Authority's service area in Nelson County has the potential for growth. The County is over two hundred years old and has available land that continues to be developed. Growth from the new development is not expected to significantly increase the Authority's water and sewage disposal revenues in any given year.

The number of the Authority's combined water and sewer connections remained consistent in fiscal year 2025.

It is anticipated that the Authority's growth in the near future will be limited by the current state of the economy.

Financial Condition

The Authority's financial condition remained good at year-end with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future water quality requirements are well balanced and under control.

Total assets increased by $1,367,119, and net position increased by $465,974 from FY2024.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2025 amounts to $33,156,692 (net of accumulated depreciation). Investment in Capital Assets increased 4.85% during the year. Below is a comparison of the items that make up Capital Assets as of June 30, 2025 with that of June 30, 2024 and 2023. More detailed information about the Authority's capital assets is presented in Note 3 to the financial statements.

	2025	2024	2023
Land and improvements	$ 279,551	$ 279,551	$ 279,551
Utility system and equipment	32,702,423	14,786,508	10,581,061
Construction in Progress	174,718	16,558,191	15,361,263
Total Capital Assets	$ 33,156,692	$ 31,624,250	$ 26,221,875

At year-end the Authority had $20.55 million in long-term debt with $975,302 coming due in 2025. More detailed information about the Authority's long-term debt is presented in Note 5 to the financial statements.

Results of Operations

The Authority's revenues from operations fall into three main categories: 1) Water and Sewage disposal charges to customers in Nelson County which are based upon metered and unmetered water consumption which is billed monthly. 2) Miscellaneous revenue including penalties, Nelson County shared expense reimbursements, and other revenue. 3) Nonoperating revenues including interest, gain on sale of assets and other revenue. Revenues from the three main categories totaled $5,321,618 for fiscal year 2025. Fiscal year 2024 totaled $5,367,291.

Operating expenses before depreciation were $3.93 million, compared to $3.41 and $3.49 million for fiscal years 2024 and 2023.

Future

Fiscal year 2025 continued the trend of improved financial performance by the Authority. This improvement is needed in order for the Authority to maintain flexibility in future borrowing decisions, ensuring that there is an appropriate reserve for operating expenses, expansion, and that resources are available to provide for the effects of time and usage on the significant investment in equipment.

Contacting the Authority's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Nelson County Service Authority's Executive Director, P.O. Box 249, Lovingston, VA 22949.

Financial Statements

NELSON COUNTY SERVICE AUTHORITY

Statement of Net Position
At June 30, 2025
(With Comparative Totals for the Prior Year)

	At June 30, 2025			At June 30,
	Water	**Sewer**	**Total**	**2024**
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ 5,856,519	$ 5,856,519	$ 5,838,942
Accounts receivable (net of allowance for uncollectibles)	299,730	316,411	616,141	697,390
Inventory of materials and supplies, at cost	44,011	111,248	155,259	161,523
Total current assets	$ 343,741	$ 6,284,178	$ 6,627,919	$ 6,697,855
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	$ 44,296	$ 94,351	$ 138,647	$ 51,477
Other Assets:				
Net pension asset	$ 320,941	$ 320,941	$ 641,882	$ 591,350
Capital Assets:				
Land and improvements	$ 276,431	$ 3,120	$ 279,551	$ 279,551
Water and sewer systems	15,989,857	28,362,291	44,352,148	27,547,500
Equipment	995,519	6,222,880	7,218,399	7,481,625
Accumulated depreciation	(9,747,024)	(9,121,100)	(18,868,124)	(20,242,617)
Sub-total	$ 7,514,783	$ 25,467,191	$ 32,981,974	$ 15,066,059
Construction work in progress	87,000	87,718	174,718	16,558,191
Net capital assets	$ 7,601,783	$ 25,554,909	$ 33,156,692	$ 31,624,250
Total noncurrent assets	$ 7,967,020	$ 25,970,201	$ 33,937,221	$ 32,267,077
Total assets	$ 8,310,761	$ 32,254,379	$ 40,565,140	$ 38,964,932
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 35,484	$ 35,484	$ 70,968	$ 30,026
OPEB related items	16,992	16,992	33,984	39,010
Total deferred outflows of resources	$ 52,476	$ 52,476	$ 104,952	$ 69,036
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 282,247	$ 553,698	$ 835,945	$ 486,026
Compensated absences	45,832	49,367	95,199	85,069
Accrued expenses	6,455	33,770	40,225	24,804
Retainage payable	-	708,043	708,043	657,486
Accrued interest payable	38,381	10,898	49,279	58,340
Unearned revenue	18,000	36,000	54,000	23,200
Revenue bonds-current portion	249,362	725,940	975,302	971,435
Total current liabilities	$ 640,277	$ 2,117,716	$ 2,757,993	$ 2,306,360
Noncurrent Liabilities:				
Revenue bonds-net of current portion	$ 3,813,511	$ 15,766,472	$ 19,579,983	$ 18,913,502
Net OPEB liabilities	96,222	96,221	192,443	204,912
Total noncurrent liabilities	$ 3,909,733	$ 15,862,693	$ 19,772,426	$ 19,118,414
Total liabilities	$ 4,550,010	$ 17,980,409	$ 22,530,419	$ 21,424,774
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 75,694	$ 75,694	$ 151,388	$ 96,028
OPEB related items	38,835	38,836	77,671	68,526
Total deferred inflows of resources	$ 114,529	$ 114,530	$ 229,059	$ 164,554
NET POSITION				
Net investment in capital assets	$ 3,538,910	$ 8,153,586	$ 11,692,496	$ 10,994,436
Restricted for debt service	44,296	94,351	138,647	51,477
Restricted for pension benefits	320,941	320,941	641,882	591,350
Unrestricted (deficit)	(205,449)	5,643,038	5,437,589	5,807,377
Total net position	$ 3,698,698	$ 14,211,916	$ 17,910,614	$ 17,444,640

The accompanying notes to financial statements are an integral part of this statement.

NELSON COUNTY SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025
(With Comparative Totals for the Prior Year)

	Year Ended June 30, 2025			Year Ended June 30, 2024
	Water	Sewer	Total	
Operating Revenues:				
Water and sewer charges	$ 2,195,374	$ 2,647,965	$ 4,843,339	$ 4,824,737
Availability fees	12,530	17,352	29,882	30,702
Connection fees	16,000	4,000	20,000	62,000
Other fees	43,566	97,699	141,265	203,183
Total operating revenues	$ 2,267,470	$ 2,767,016	$ 5,034,486	$ 5,120,622
Operating Expenses:				
Personnel	$ 829,516	$ 582,630	$ 1,412,146	$ 1,230,760
Depreciation	353,325	696,603	1,049,928	719,044
Maintenance	282,449	261,670	544,119	380,506
Fringe benefits	180,934	117,822	298,756	283,987
Operations	140,559	320,504	461,063	349,763
Power pumping	112,325	193,797	306,122	242,484
Raw water	444,494	-	444,494	461,715
General and administrative	73,505	62,616	136,121	121,722
Insurance	27,667	33,845	61,512	59,590
Contractual services	70,032	62,993	133,025	113,309
Grinder pump parts	-	125,930	125,930	166,286
Uniforms	3,679	4,828	8,507	4,874
Small tools	456	517	973	732
Total operating expenses	$ 2,518,941	$ 2,463,755	$ 4,982,696	$ 4,134,772
Operating income (loss)	$ (251,471)	$ 303,261	$ 51,790	$ 985,850
Nonoperating Revenues (Expenses):				
Interest income	$ 79,678	$ 1,074	$ 80,752	$ 40,669
Gain (loss) on sale of assets	152	228	380	-
Fire protection fees-Nelson County	206,000	-	206,000	206,000
Interest expense	(157,201)	(43,913)	(201,114)	(91,766)
Total nonoperating revenues (expenses)	$ 128,629	$ (42,611)	$ 86,018	$ 154,903
Income (loss) before contributions and grants	$ (122,842)	$ 260,650	$ 137,808	$ 1,140,753
Capital contributions and construction grants	170,705	157,461	328,166	2,085,183
Change in net position	$ 47,863	$ 418,111	$ 465,974	$ 3,225,936
Net position, beginning of year	3,650,835	13,793,805	17,444,640	14,218,704
Net position, end of year	$ 3,698,698	$ 14,211,916	$ 17,910,614	$ 17,444,640

The accompanying notes to financial statements are an integral part of this statement.

NELSON COUNTY SERVICE AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2025
(With Comparative Totals for the Prior Year)

	Year Ended June 30, 2025			Year Ended June 30, 2024
	Water	Sewer	Total	
Cash flows from operating activities:				
Receipts from customers and users	$ 2,232,448	$ 2,741,027	$ 4,973,475	$ 4,947,562
Payments to suppliers	(885,694)	(840,265)	(1,725,959)	(2,857,928)
Payments to employees	(998,720)	(687,707)	(1,686,427)	(1,465,990)
Net cash provided by (used for) operating activities	$ 348,034	$ 1,213,055	$ 1,561,089	$ 623,644
Cash flows from capital and related financing activities:				
Additions to utility plant	$ (402,436)	$ (2,129,377)	$ (2,531,813)	$ (6,121,419)
Proceeds from the sale of assets	152	228	380	-
Proceeds - debt service revenues	206,000	-	206,000	206,000
Principal payments on bonds	(246,918)	(39,965)	(286,883)	(826,717)
Proceeds from construction line of credit	-	957,231	957,231	-
Contributions in aid of construction	170,705	157,461	328,166	2,085,183
Proceeds from indebtedness	-	-	-	6,207,234
Interest payments	(159,659)	(50,516)	(210,175)	(232,982)
Net cash provided by (used for) capital and related financing activities	$ (432,156)	$ (1,104,938)	$ (1,537,094)	$ 1,317,299
Cash flows from investing activities:				
Interest income	$ 79,678	$ 1,074	$ 80,752	$ 40,669
Increase (decrease) in cash and cash equivalents	$ (4,444)	$ 109,191	$ 104,747	$ 1,981,612
Cash and cash equivalents at beginning of year (including $51,477 and $70,643, respectively reported in restricted accounts)	48,740	5,841,679	5,890,419	3,908,807
Cash and cash equivalents at end of year (including $138,647 and $51,477, respectively reported in restricted accounts)	$ 44,296	$ 5,950,870	$ 5,995,166	$ 5,890,419
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (251,471)	$ 303,261	$ 51,790	$ 985,850
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	353,325	696,603	1,049,928	719,044
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:				
(Increase) decrease in accounts receivable	74,802	6,447	81,249	(154,364)
(Increase) decrease in inventories	(8,586)	14,850	6,264	(13,684)
(Increase) decrease in net pension asset	(25,266)	(25,266)	(50,532)	(13,750)
(Increase) decrease in pension deferred outflows of resources	(20,471)	(20,471)	(40,942)	394,400
(Increase) decrease in OPEB deferred outflows of resources	2,513	2,513	5,026	4,262
Increase (decrease) in accounts payable	189,162	160,757	349,919	(862,987)
Increase (decrease) in accrued expenses	1,650	13,771	15,421	(47)
Increase (decrease) in compensated absences	4,558	5,572	10,130	3,358
Increase (decrease) in unearned revenue	1,800	29,000	30,800	(43,800)
Increase (decrease) in net OPEB liabilities	(6,234)	(6,235)	(12,469)	(4,156)
Increase (decrease) in pension deferred inflows of resources	27,680	27,680	55,360	(396,456)
Increase (decrease) in OPEB deferred inflows of resources	4,572	4,573	9,145	5,974
Net cash provided by (used for) operating activities	$ 348,034	$ 1,213,055	$ 1,561,089	$ 623,644
Schedule of noncash investing, capital and financing activities:				
(Increase) decrease in capital related payables	$ -	$ (113,477)	$ (113,477)	$ 973,607
(Increase) decrease in retainage payable for capital projects	-	(50,557)	(50,557)	(80,977)
	$ -	$ (164,034)	$ (164,034)	$ 892,630

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Nelson County Service Authority was established by Nelson County under the Water and Sewer Authorities Act of 1950 of the Commonwealth of Virginia. The Authority provides water and sewer services to the Lovingston, Schuyler, Gladstone and Wintergreen Communities in Nelson County.

Financial Reporting Entity - The Nelson County Service Authority is a related organization to the County of Nelson. The Authority is a legally separate entity from the County. The County appoints the Authority's board of directors; however, the Authority is essentially fiscally independent.

Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Changes in Net Pension Liability and Related Ratios
  - Schedule of Employer Contributions-Pension Plan
  - Notes to Required Supplementary Information-Pension Plan
  - Schedule of Nelson County Service Authority's Share of Net OPEB Liability-Group Life Insurance Plan
  - Schedule of Employer Contributions-Group Life Insurance Plan
  - Notes to Required Supplementary Information-Group Life Insurance Plan
  - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Health Insurance
  - Notes to Required Supplementary Information – Health Insurance

Basis of Accounting - The Nelson County Service Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable GASB pronouncements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Restricted Assets - Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The amount reported as "restricted for debt service" represents resources set aside to make up potential future deficiencies in the revenue bond payment account.

Revenue – The Authority records water and sewer revenue as billed to its customers principally on a quarterly cycle basis. At year end the Authority accrues a pro-rata portion of the unbilled cycle. The Authority has established an allowance for uncollectible accounts equal to $116,094 at June 30, 2025.

Cash and Cash Equivalents – The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory – Inventory consists of grinder pumps, parts, and supplies on hand at year-end and is reported at actual cost determined on first-in, first-out basis. Inventory is generally used for construction and for operation and maintenance work, and is not held for resale. Components are charged to construction or operations as they are removed from inventory.

Capital Assets - Capital assets, which include property, plant, equipment, land and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
General equipment	3-5
Wells	10
Water pumping and treatment equipment	35
Water distribution equipment, meters and hydrants	35-40
Sewage collection and treatment	35

Compensated Absences – The vacation policy of the Authority provides for the accumulation of up to 66 hours per year of earned vacation leave, depending on years of service. Employees may carry over a maximum of 40 hours vacation leave to the succeeding year. Vacation leave is payable upon termination of employment, limited to the current year accumulation plus leave carried over from the prior year. At June 30, 2025, the accrued liability for accumulated vacation leave amounted to $95,199.

The Authority's sick leave policy provides for a maximum accumulation of 160 sick days earned, at the rate of one day per month of service; however, sick leave does not vest.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position - Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

- Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Net Position Flow Assumption - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net VRS GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plan fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets – The Authority adopts an annual budget for informative and fiscal planning purposes only. The budget is not intended to be a legal control on expenses. Budgets are adopted on the accrual basis of accounting with the exception that contributed capital, depreciation, and amortization are not budgeted.

Long-Term Obligations – Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred. Interest on obligations is recognized as an expense in the period incurred.

Prepaid Expenses – Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

NOTE 2—DEPOSITS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Authority has no formal deposit and investment policy.

NOTE 3—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2025 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
Capital assets not being depreciated:				
Land and improvements	$ 276,431	$ -	$ -	$ 276,431
Construction work in progress	-	87,000	-	87,000
Total capital assets not being depreciated	$ 276,431	$ 87,000	$ -	$ 363,431
Other Capital Assets:				
Water and sewer systems	$ 16,819,336	$ 85,378	$ 914,857	$ 15,989,857
Accumulated depreciation	(9,759,865)	(300,505)	(915,160)	(9,145,210)
Equipment	1,004,463	227,735	236,679	995,519
Accumulated depreciation	(787,693)	(52,820)	(238,699)	(601,814)
Other capital assets, net	$ 7,276,241	$ (40,212)	$ (2,323)	$ 7,238,352
Total Water	$ 7,552,672	$ 46,788	$ (2,323)	$ 7,601,783

NOTE 3—CAPITAL ASSETS: (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
Capital assets not being depreciated:				
Land and improvements	$ 3,120	$ -	$ -	$ 3,120
Construction work in progress	16,558,191	32,233	16,502,706	87,718
Total capital assets not being depreciated	$ 16,561,311	$ 32,233	$ 16,502,706	$ 90,838
Other Capital Assets:				
Water and sewer systems	$ 10,728,164	$ 18,576,571	$ 942,444	$ 28,362,291
Accumulated depreciation	(8,229,593)	(626,949)	(942,724)	(7,913,818)
Equipment	6,477,162	73,220	327,502	6,222,880
Accumulated depreciation	(1,465,466)	(69,654)	(327,838)	(1,207,282)
Other capital assets, net	$ 7,510,267	$ 17,953,188	$ (616)	$ 25,464,071
Total Sewer	$ 24,071,578	$ 17,985,421	$ 16,502,090	$ 25,554,909
Grand Totals	$ 31,624,250	$ 18,032,209	$ 16,499,767	$ 33,156,692

Construction Work in Progress

The Authority has several uncompleted construction projects shown as an asset, Construction Work in Progress, at June 30, 2025. Presented below is a list of the major projects showing the expenditures, transfers of completed projects to asset accounts and the ending balances of each project during the last year:

Water Projects:

Description	Balance July 1, 2024	Expenditures	Transfers	Balance June 30, 2025
Lead Service Line Inventory	$ -	$ 87,000	$ -	$ 87,000
Totals	$ -	$ 87,000	$ -	$ 87,000

Sewer Projects:

Description	Balance July 1, 2024	Expenditures	Transfers	Balance June 30, 2025
Wintergreen Wastewater Treatment Plant	$ 16,502,705	$ 1,986,620	$ 18,489,325	$ -
Lovingston Sewer Line	55,486	32,232	-	87,718
Totals	$ 16,558,191	$ 2,018,852	$ 18,489,325	$ 87,718

NOTE 4—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

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, as detailed below.

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 4—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	5
Non-vested inactive members	5
Inactive members active elsewhere in VRS	8
Total inactive members	18
Active members	19
Total covered employees	44

NOTE 4—PENSION PLAN: (CONTINUED)

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 political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2025 was 0.00% 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 the Authority were $0 and $0 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $11,754 for the year ended June 30, 2025. 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 $1,292 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,175,356 for the year ended June 30, 2025.

Net Pension Asset

The net pension asset (NPA) 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. For the Authority, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.5%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

NOTE 4—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTE 4—PENSION PLAN: (CONTINUED)

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%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP-Public Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.5% 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 7.10%, 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 expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of actuarially determined contribution

NOTE 4—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at June 30, 2023	$ 4,496,702	$ 5,088,052	$ (591,350)
Changes for the year:			
Service cost	$ 85,075	$ -	$ 85,075
Interest	305,646	-	305,646
Differences between expected and actual experience	101,037	-	101,037
Contributions - employee	-	51,364	(51,364)
Net investment income	-	494,023	(494,023)
Benefit payments, including refunds of employee contributions	(107,366)	(107,366)	-
Administrative expenses	-	(3,202)	3,202
Other changes	-	105	(105)
Net changes	$ 384,392	$ 434,924	$ (50,532)
Balances at June 30, 2024	$ 4,881,094	$ 5,522,976	$ (641,882)

NOTE 4—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability (asset) of the Authority using the discount rate of 6.75%, as well as what the Authority'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%)
Authority's Net Pension Liability (Asset)	$ 79,564	$ (641,882)	$ (1,226,843)

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

For the year ended June 30, 2025, the Authority recognized pension income of $36,114. At June 30, 2025, the Authority 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	$ 70,968	$ 9,094
Net difference between projected and actual earnings on pension plan investments	-	142,294
Employer contributions subsequent to the measurement date	-	-
Total	$ 70,968	$ 151,388

$0 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2026	$ (95,204)
2027	71,571
2028	(26,273)
2029	(30,514)
2030	-

NOTE 4—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 5—LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	Balance July 1, 2024	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2025	Due within One Year
Water:					
Revenue Bonds Payable:					
Direct borrowings and					
direct placements	$ 4,309,791	$ -	$ 246,918	$ 4,062,873	$ 249,362
Net OPEB liabilities	102,456	-	6,234	96,222	-
Totals	$ 4,412,247	$ -	$ 253,152	$ 4,159,095	249,362

	Balance July 1, 2024	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2025	Due within One Year
Sewer:					
Revenue Bonds Payable:					
Direct borrowings and					
direct placements	$ 15,575,146	$ 957,231	$ 39,965	$ 16,492,412	$ 725,940
Net OPEB liabilities	102,456	-	6,235	96,221	-
Totals	$ 15,677,602	$ 957,231	$ 46,200	$ 16,588,633	$ 725,940

NOTE 5–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

		Total Amount		Amount Due Within One Year
Revenue Bonds-Direct Borrowings and Direct Placements-Water:				
$125,000 Water and Sewer Revenue Bonds for Gladstone Water Project, dated October 2, 2009, payable in monthly installments of $419 beginning November 2, 2011 including interest at 2.5% through September 2050.	$	91,325	$	2,764
$1,500,000 Water Revenue Bond for the Route 29 Corridor Sewer dated February 18, 2000, payable in semi-annual installments of $25,000 through March 2030. No interest.		250,000		50,000
$412,000 Water Revenue Bonds for Black Creek dated April 25, 2012 payable in monthly installments of $1,269, including interest at 2% through April 2050.		146,353		12,405
$3,663,594 Water Revenue Refunding Bond, Series 2021, dated July 29, 2021, payable in semi-annual installments of $20,555 including interest at 2.89% through July 2042.		3,224,268		154,743
$572,000 Water Revenue Bond for the Schuyler Water Plant Project Series 2016, dated January 5, 2016, payable in monthly installments of $3,158 including interest at 2.50% through January 5, 2036.		350,927		29,450
Total Revenue Bonds - Water	$	4,062,873	$	249,362
Net OPEB liabilities		96,222		-
Less current portion		(249,362)		(249,362)
Total Long-Term Obligations - Water	$	3,909,733	$	-

NOTE 5–LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations: (Continued)

	Total Amount	Amount Due Within One Year
Revenue Bonds-Direct Borrowing and Direct Placements-Sewer:		
$266,921 Sewer Revenue Refunding Bond, Series 2021, dated July 29, 2021, payable in semi-annual installments of $6,745 including interest at 2.89% through July 2042.	$ 170,610	$ 8,463
$17,814,567 Sewer Revenue Bond for Wintergreen WWTP, dated November 1, 2021, payable in monthly installments of $64,457 including interest at .5% beginning July 1, 2025 through 2046.	15,012,857	688,691
$1,174,000 Sewer Revenue Loan, Schuyler WWTP Series 2022A, dated March 18, 2020, payable in monthly payments of $3,393, including interest at 1.625%, beginning February 12, 2024 through 2054.	1,142,948	22,217
$152,000 Sewer Revenue Loan, Schuyler WWTP Series 2022B, dated January 27, 2022, payable in monthly payments of $403, including interest at 1.26%, beginning February 12, 2023 through 2054.	144,795	3,035
$74,736 Water and Sewer Revenue Bond for Gladstone Sewer Project, dated March 17, 2011, payable in semi-annual installments of $1,868 beginning November 1, 2011 through May 1, 2031. No interest.	21,202	3,534
Total Revenue Bonds - Sewer	$ 16,492,412	$ 725,940
Net OPEB liabilities	96,221	-
Less current portion	(725,940)	(725,940)
Total Long-Term Obligations - Sewer	$ 15,862,693	$ -
Total Long-Term Obligations	$ 19,772,426	$ -

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize the revenue bonds and the related interest are as follows:

Year Ending June 30	Direct Borrowings and Direct Placements – Water Revenue Bonds Principal	Water Revenue Bonds Interest	Sewer Revenue Bonds Principal	Sewer Revenue Bonds Interest
2026	$ 249,362	$ 105,447	$ 725,940	$ 89,813
2027	254,935	99,873	704,382	86,119
2028	260,666	94,143	708,100	82,401
2029	266,558	88,250	711,843	78,658
2030	272,616	82,192	715,612	74,889
2031-2035	1,210,103	313,938	3,621,346	317,024
2036-2040	1,142,875	147,342	3,715,959	218,877
2041-2045	380,719	14,406	3,768,309	119,315
2046-2050	25,039	1,163	1,820,921	26,870
Total	$ 4,062,873	$ 946,754	$ 16,492,412	$ 1,093,966

All of the aforementioned bonds are collateralized by a pledge of revenues from the Authority's water and sewer systems. In addition, the 2000 bonds are guaranteed by a moral obligation pledge from Nelson County in the form of a Support Agreement. In fiscal year 2025, the County paid additional fire protection fees (for debt service) to the Authority in the amount of $206,000.

The bonds are governed by a number of general covenants relating to debt service requirements and other restrictions on assets including a revenue covenant. The rate covenant requires the Authority to have net revenues available for debt service in an amount at least equal to 115% of required debt service. The Authority satisfied the rate covenant in FY2025. Debt agreements do not specify remedies in the event of a default.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Medical and Dental Insurance – Pay-as-you-Go:

Plan Description

In addition to the pension benefits described in Note 4, the Authority administers a single-employer defined benefit healthcare plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical and Dental Insurance – Pay-as-you-Go: (Continued)

Benefits Provided

The Authority administers a single-employer healthcare plan ("the Retiree Plan"). The plan provides for participation by eligible retirees of the Authority and their dependents in the health insurance programs available to Authority employees. The Retiree Health Plan will provide retiring employees the option to continue health insurance offered by the Authority. An eligible Authority retiree may receive this benefit until the retiree is eligible to receive Medicare. Participants in the Nelson County Service Authority (Authority) must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants must also retire directly from active employment and meet one of the following VRS retirement eligibility requirements to be eligible for benefits:

General Employees Plan 1

Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Plan 2 and Hybrid Plan

Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014 or by member election.

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Health benefits are for medical, dental, and vision. Non-Medicare eligible retirees may elect one of the following medical options, with either comprehensive or preventative dental coverage.

- Anthem Key Advantage 250 (PPO)
- Anthem Key Advantage Expanded (PPO)

Medicare eligible retirees may only elect the following medical option:

- Anthem Advantage 65

A retiree may elect to also cover their spouse. Retiree health benefits are provided for the lifetime of the retiree and spouse. If the retiree predeceases the spouse, the spouse may elect to continue coverage.

In general, retirees are responsible for 100% of the premium cost.

Effective July 1, 2018, the Authority implemented the Retiree Health Insurance Assistance Program. Retirees with 15 or more years of service (5 or more years of service if retiring due to a disability) with the Authority or any of its predecessors receive a subsidy equal to $2.50 per year of service (up to a maximum of 30 years) toward post-65 health insurance costs.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical and Dental Insurance – Pay-as-you-Go: (Continued)

Benefits Provided: (Continued)

General Employees Plan 2 and Hybrid Plan: (Continued)

There are no age or service requirements for disabled retirees. Disabled retirees are eligible for the same employer contributions as healthy retirees.

The benefits, employee contributions and the employer contributions are governed by the Board of Directors of the Nelson Country Service Authority and can be amended through Board action. The Retiree Health Plan does not issue a publicly available financial report.

Plan Membership

At July 1, 2024 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	18
Total retirees with coverage	1
Total	19

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2025 was $1,856.

Total OPEB Liability

The Authority's Total OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of July 1, 2024
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service.
Discount Rate	3.93% for accounting and funding disclosures as of June 30, 2024 5.20% for accounting and funding disclosures as of June 30, 2025

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical and Dental Insurance - Pay-as-you-Go: (Continued)

Pre-Retirement Mortality Rates

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement Mortality Rates

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

The date of the most recent actuarial experience study for which significant assumptions were based is June 30, 2016.

Post-Disablement Mortality Rates

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 5.20% as of the end of the fiscal year.

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2024	$	151,183
Changes for the year:		
Service cost		7,631
Interest		6,205
Effect of Assumptions Changes or Inputs		(18,593)
Benefit payments		(1,856)
Net changes	$	(6,613)
Balances at June 30, 2025	$	144,570

NOTE 6–OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical and Dental Insurance - Pay-as-you-Go: (Continued)

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current discount rate:

	Rate	
1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
$ 159,030	$ 144,570	$ 131,433

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing annually to an ultimate rate of 3.93%) or one percentage point higher (8.00% decreasing to an ultimate rate of 5.93%) than the current healthcare cost trend rates:

	Rates	
1% Decrease (6.00% decreasing to 3.93%)	Healthcare Cost Trend (7.00% decreasing to 4.93%)	1% Increase 8.00% decreasing to 5.93%)
$ 127,202	$ 144,570	$ 164,942

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the Authority recognized OPEB expense in the amount of $9,300. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 19,942	$ 37,363
Difference between projected and actual experience	-	29,429
Total	$ 19,942	$ 66,792

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Medical and Dental Insurance - Pay-as-you-Go: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30		
2026	$	(4,536)
2027		(4,536)
2028		(6,136)
2029		(7,724)
2030		(7,312)
Thereafter		(16,606)

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Group Life Insurance (GLI) Plan (OPEB Plan)

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI 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.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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. The minimum benefit adjusted for the COLA was $9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan 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, 2025 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. Contributions to the Group Life Insurance Plan from the entity were $5,524 and $5,954 for the years ended June 30, 2025 and June 30, 2024, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2025, the entity reported a liability $47,873 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00429% as compared to .00448% at June 30, 2023.

NOTE 6–OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

For the year ended June 30, 2025, the participating employer recognized GLI OPEB income of $5,742. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB income was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer 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	$ 7,551	$ 1,169
Net difference between projected and actual earnings on GLI OPEB plan investments	-	4,035
Change in assumptions	273	2,372
Changes in proportion	694	3,303
Employer contributions subsequent to the measurement date	5,524	-
Total	$ 14,042	$ 10,879

$5,524 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2026	$ 2,505
2027	230
2028	(277)
2029	307
2030	398
Thereafter	-

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	$	1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the GLI OPEB

NOTE 6–OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate (Continued)

will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 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.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 74,449	$ 47,873	$ 26,403

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

OPEB Aggregate Totals

	Deferred Outflows of Resources	Net OPEB Liabilities	Deferred Inflows of Resources	(Income) Expense
Retiree Plan	$ 19,942	$ 144,570	$ 66,792	$ 3,722
GLI	14,042	47,873	10,879	(5,742)
Totals	$ 33,984	$ 192,443	$ 77,671	$ (2,020)

NOTE 7–RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers' compensation and other insurance coverages. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

NOTE 8–COMMITMENTS AND CONTINGENCIES:

By agreement dated October 5, 2012, the Authority amended its Raw Water Supply Agreement (Agreement) with Wintergreen Partners, Inc. The Amended Agreement provides an additional 5 million gallons of raw water storage capacity to the Authority in providing redundancy to the system and to allocate the use of all stored and raw water to the Authority during a water emergency. Under the terms of the Agreement, the Authority will pay a monthly surcharge of $12.70363 per thousand gallons of raw water provided each month (maximum $12,703.63 per month).

The Authority is replacing the Wintergreen wastewater treatment plant and making improvements to the sewer collection system at a cost of approximately $17,800,000. This project is being funded through loans from the Virginia Department of Environmental Quality or other sources. Contracts have been signed and loan funds have been advanced at June 30, 2025. Outstanding balances on contracts were $1,803,637 at June 30, 2025.

NOTE 9–ADOPTION OF ACCOUNTING PRINCIPLES:

During the current year, the Authority implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the Authority now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. Since the impact of the change in accounting principle was not significant, there was no restatement of beginning balances.

NOTE 10–UPCOMING PRONOUNCEMENTS:

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. The requirements of this Statement are effective of fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets,* requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025,* effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

NELSON COUNTY SERVICE AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020
Total pension liability					
Service cost	$ 85,075	$ 83,066	$ 64,050	$ 76,824	$ 74,149
Interest	305,646	289,296	268,307	246,572	229,701
Differences between expected and actual experience	101,037	(27,280)	66,209	(26,406)	18,489
Changes in assumptions	-	-	-	58,840	-
Benefit payments, including refunds of employee contributions	(107,366)	(102,364)	(110,895)	(84,866)	(59,949)
Net change in total pension liability	$ 384,392	$ 242,718	$ 287,671	$ 270,964	$ 262,390
Total pension liability - beginning	4,496,702	4,253,984	3,966,313	3,695,348	3,432,958
Total pension liability - ending (a)	$ 4,881,094	$ 4,496,702	$ 4,253,984	$ 3,966,312	$ 3,695,348
Plan fiduciary net position					
Contributions - employer	$ -	$ -	$ 11,652	$ 11,586	$ 13,124
Contributions - employee	51,364	48,897	44,139	43,284	44,487
Net investment income	494,023	312,909	(5,550)	1,062,926	72,890
Benefit payments, including refunds of employee contributions	(107,366)	(102,364)	(110,895)	(84,866)	(59,949)
Administrative expense	(3,202)	(3,094)	(3,046)	(2,606)	(2,435)
Other	105	119	114	100	(87)
Net change in plan fiduciary net position	$ 434,924	$ 256,467	$ (63,586)	$ 1,030,424	$ 68,030
Plan fiduciary net position - beginning	5,088,052	4,831,585	4,895,171	3,864,750	3,796,720
Plan fiduciary net position - ending (b)	$ 5,522,976	$ 5,088,052	$ 4,831,585	$ 4,895,174	$ 3,864,750
Authority's net pension asset - ending (a) - (b)	$ (641,882)	$ (591,350)	$ (577,601)	$ (928,862)	$ (169,402)
Plan fiduciary net position as a percentage of the total pension liability	113.15%	113.15%	113.58%	123.42%	104.58%
Covered payroll	$ 1,102,619	$ 1,055,328	$ 956,138	$ 923,988	$ 942,032
Authority's net pension asset as a percentage of covered payroll	-58.21%	-56.03%	-60.41%	-100.53%	-17.98%

NELSON COUNTY SERVICE AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024 (Continued)

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	$ 68,474	$ 74,178	$ 75,984	$ 86,559	$ 92,489
Interest	226,958	209,385	197,968	183,830	173,319
Differences between expected and actual experience	(194,480)	29,459	39,406	(17,550)	(71,530)
Changes in assumptions	119,338	-	(94,164)	-	-
Benefit payments, including refunds of employee contributions	(59,179)	(64,767)	(47,432)	(54,300)	(33,953)
Net change in total pension liability	$ 161,111	$ 248,255	$ 171,762	$ 198,539	$ 160,325
Total pension liability - beginning	3,271,847	3,023,592	2,851,830	2,653,291	2,492,966
Total pension liability - ending (a)	$ 3,432,958	$ 3,271,847	$ 3,023,592	$ 2,851,830	$ 2,653,291
Plan fiduciary net position					
Contributions - employer	$ 13,153	$ 25,549	$ 26,373	$ 45,009	$ 45,587
Contributions - employee	42,632	44,352	44,575	44,193	44,779
Net investment income	240,013	246,811	361,227	51,396	124,624
Benefit payments, including refunds of employee contributions	(59,179)	(64,767)	(47,432)	(54,300)	(33,953)
Administrative expense	(2,315)	(2,090)	(2,023)	(1,741)	(1,626)
Other	(151)	(221)	(324)	(21)	(26)
Net change in plan fiduciary net position	$ 234,153	$ 249,634	$ 382,396	$ 84,536	$ 179,385
Plan fiduciary net position - beginning	3,562,567	3,312,933	2,930,537	2,846,001	2,666,616
Plan fiduciary net position - ending (b)	$ 3,796,720	$ 3,562,567	$ 3,312,933	$ 2,930,537	$ 2,846,001
Authority's net pension asset - ending (a) - (b)	$ (363,762)	$ (290,720)	$ (289,341)	$ (78,707)	$ (192,710)
Plan fiduciary net position as a percentage of the total pension liability	110.60%	108.89%	109.57%	102.76%	107.26%
Covered payroll	$ 902,216	$ 930,093	$ 926,850	$ 907,286	$ 902,864
Authority's net pension asset as a percentage of covered payroll	-40.32%	-31.26%	-31.22%	-8.67%	-21.34%

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	$ -	$ -	$ -	$ 1,175,356	0.00%
2024	-	-	-	1,102,619	0.00%
2023	-	-	-	1,055,328	0.00%
2022	11,652	11,652	-	956,138	1.22%
2021	11,577	11,577	-	923,988	1.25%
2020	13,123	13,123	-	942,032	1.39%
2019	13,310	13,310	-	902,216	1.48%
2018	25,524	25,524	-	930,093	2.74%
2017	26,460	26,460	-	926,850	2.85%
2016	45,010	45,010	-	907,286	4.96%

*Excludes contributions (mandatory and match on voluntary) to be defined contribution portion of the Hybrid plan.

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

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

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NELSON COUNTY SERVICE AUTHORITY

Schedule of Nelson County Service Authority's Share of Net OPEB Liability
Group Life Insurance Plan
Measurement Dates of June 30, 2018 through 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.00429%	$ 47,873	$ 1,102,619	4.34%	73.41%
2023	0.00448%	53,729	1,055,328	5.09%	69.30%
2022	0.00440%	52,980	956,138	5.54%	67.21%
2021	0.00450%	52,159	923,988	5.64%	67.45%
2020	0.00458%	76,432	942,032	8.11%	52.64%
2019	0.00460%	74,854	902,216	8.30%	52.00%
2018	0.00488%	74,000	930,093	7.96%	51.22%
2017	0.50200%	76,000	926,850	8.20%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

NELSON COUNTY SERVICE AUTHORITY

Schedule of Employer Contributions
Group Life Insurance Plan
Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	$ 5,524	$ 5,524	$ -	$ 1,175,356	0.54%
2024	5,954	5,954	-	1,102,619	0.54%
2023	5,699	5,699	-	1,055,328	0.54%
2022	5,125	5,125	-	956,138	0.54%
2021	4,952	4,952	-	923,988	0.52%
2020	4,898	4,898	-	942,032	0.52%
2019	4,728	4,728	-	902,216	0.52%
2018	4,427	4,427	-	930,093	0.48%
2017	4,820	4,820	-	926,850	0.52%
2016	4,355	4,355	-	907,286	0.48%

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NELSON COUNTY SERVICE AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
Measurement Dates of June 30, 2018 through 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	$ 7,631	$ 8,459	$ 8,477	$ 10,535	$ 10,762	$ 7,482	$ 8,407	$ 6,317
Interest	6,205	5,990	5,244	3,759	3,536	5,364	5,281	2,860
Effect of plan changes	-	-	-	-	-	-	-	18,304
Effect of Economic/Demographic Gains or Losses	-	(8,109)	-	(16,804)	-	(29,632)	-	-
Effect of Assumptions Changes or Inputs	(18,593)	(10,348)	3,379	(20,247)	1,106	21,573	5,991	26,846
Benefit payments	(1,856)	(897)	(1,332)	(782)	(1,553)	(1,083)	(2,823)	(530)
Net change in total OPEB liability	$ (6,613)	$ (4,905)	$ 15,768	$ (23,539)	$ 13,851	$ 3,704	$ 16,856	$ 53,797
Total OPEB liability - beginning	151,183	156,088	140,320	163,859	150,008	146,304	129,448	75,651
Total OPEB liability - ending	$ 144,570	$ 151,183	$ 156,088	$ 140,320	$ 163,859	$ 150,008	$ 146,304	$ 129,448
Covered-employee payroll	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Authority's total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Health Insurance
Year Ended June 30, 2025

Valuation Date: 7/1/2024
Measurement Date: 6/30/2025

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of pay
Discount Rate	5.20% as of June 30, 2025; 3.93% as of June 30, 2024
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 2.70% and gradually increases to 3.90% by year 2073
Salary Increase Rates	3.50% to 5.95% based on years of service and position
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Other Supplementary Information

Supporting Schedules

Schedule of Revenues and Expenses - Budget and Actual
Year Ended June 30, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Water and sewer charges	$ 4,618,000	$ 4,843,339	$ 225,339
Availability fees	27,000	29,882	2,882
Connection fees	64,000	20,000	(44,000)
Other	190,000	141,265	(48,735)
Total Operating Revenue	$ 4,899,000	$ 5,034,486	$ 135,486
Operating Expenses:			
Personnel	$ 1,317,000	$ 1,412,146	$ (95,146)
Depreciation	1,184,000	1,049,928	134,072
Maintenance	364,000	544,119	(180,119)
Fringe benefits	350,000	298,756	51,244
Operations	396,000	461,063	(65,063)
Power pumping	210,000	306,122	(96,122)
Raw water	452,444	444,494	7,950
General and administrative	168,232	136,121	32,111
Insurance	60,000	61,512	(1,512)
Contractual services	160,000	133,025	26,975
Grinder pump expenses	240,000	125,930	114,070
Uniforms	7,000	8,507	(1,507)
Small tools	1,500	973	527
Total Operating Expenses	$ 4,910,176	$ 4,982,696	$ (72,520)
Operating income (loss)	$ (11,176)	$ 51,790	$ 62,966
Nonoperating Revenues (Expenses):			
Interest income	$ 20,000	$ 80,752	$ 60,752
Fire protection fees - Nelson County	156,000	206,000	50,000
Additional fire fee	50,000	-	(50,000)
Gain (loss) on disposal of assets	-	380	380
Uncollectible accounts	(10,000)	-	10,000
Interest expense	(225,124)	(201,114)	24,010
Total nonoperating revenues (expenses)	$ (9,124)	$ 86,018	$ 95,142
Income (loss)	$ (20,300)	$ 137,808	$ 158,108

Schedule of Funding and Expenditures - Capital Budget
Year Ended June 30, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Funding:			
Income (loss) before contributed capital	$ (20,300)	$ 137,808	$ 158,108
Depreciation	1,184,000	1,049,928	(134,072)
Contributed capital	-	328,166	328,166
Total Funding	$ 1,163,700	$ 1,515,902	$ 352,202
Expenditures:			
Principal payments on debt	$ 50,000	$ 286,883	$ (236,883)
Capital expenditures	2,995,000	2,531,813	463,187
Total Expenditures	$ 3,045,000	$ 2,818,696	$ 226,304
Funding Over (Under) Expenditures	$ (1,881,300)	$ (1,302,794)	$ 578,506

Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2025	$ 5,115,238	$ 3,932,768	$ 1,182,470	$ 286,883	$ 201,114	$ 487,997	2.42
2024	5,161,291	3,415,728	1,745,563	826,717	91,766	918,483	1.90
2023	4,752,451	3,486,099	1,266,352	268,735	214,950	483,685	4.01
2022	4,667,403	3,082,446	1,584,957	202,670	192,292	394,962	4.01
2021	4,329,854	2,834,485	1,495,369	197,669	188,453	386,122	3.87
2020	4,319,570	2,942,305	1,377,265	253,191	220,988	474,179	2.90
2019	4,015,971	2,665,219	1,350,752	356,696	236,316	593,012	2.28
2018	4,074,134	2,825,956	1,248,178	702,026	250,467	952,493	1.31
2017	4,000,016	2,644,482	1,355,534	906,131	274,363	1,180,494	1.15
2016	4,038,777	2,612,224	1,426,553	727,389	277,964	1,005,353	1.42

Note: Gross revenue includes operating revenues and nonoperating interest income. Contributed capital is excluded from gross revenue. Direct operating expenses do not include interest, depreciation or amortization expenses.

Principal payments in fiscal year 2020 exclude an early retirement of indebtedness payment of $1,209,408.

Principal payments in fiscal year 2022 exclude an early retirement of indebtedness payment of $3,880,995.

Compliance

RFC
CPAs | Consultants

Robinson, Farmer, Cox Associates, PLLC
Certified Public Accountants

Independent Auditors' 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*

BOARD OF DIRECTORS
NELSON COUNTY SERVICE AUTHORITY
LOVINGSTON, VIRGINIA

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; 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 the business-type activities of Nelson County Service Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Nelson County Service Authority's financial statements and have issued our report thereon dated February 11, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nelson County Service Authority's internal control over financial reporting (internal control) as a basis for designing 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 Nelson County Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Nelson County Service Authority'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 that a material misstatement of the entity'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 that 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 Nelson County Service Authority'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 that are 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
February 11, 2026