

A photograph of two men standing on a grassy bank next to a calm lake. The man on the left is younger, with a beard, wearing a light blue button-down shirt and khaki pants. The man on the right is older, balding with a grey beard and glasses, wearing a teal button-down shirt, black suspenders, and black pants. The background is a dense forest of green trees under a cloudy sky. The text is overlaid on the image in a white, serif font with a black outline.

RAPIDAN SERVICE AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2025

**SERVING ORANGE & MADISON
COUNTIES, VIRGINIA**

The scene at White Oak Lake illustrates a passing of responsibility shaped by mentorship. Tim Clemons, retiring after 26 years of leadership, remains an anchoring presence, while David Jarrell steps into the foreground with confidence gained through direct guidance. The image conveys respect, preparation, and continuity, showing how experience is transferred rather than lost when leadership evolves from within.

**RAPIDAN SERVICE AUTHORITY
MADISON, VIRGINIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025**

Serving Orange and Madison Counties, Virginia

Prepared by the Accounting Department

**RAPIDAN SERVICE AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025**

TABLE OF CONTENTS

		<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
Front Cover		1-2
Title Page		3
Table of Contents		4-5
Authority Board of Members		6
Letter of Transmittal, Chairman		7
Letter of Transmittal, General Manager		8-11
Certificate of Achievement		12
Organization Chart		13
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		14-16
Management's Discussion and Analysis		17-23
<u>Basic Financial Statements:</u>	<u>Exhibit</u>	<u>Page</u>
Statement of Net Position	1	25-26
Statement of Revenues, Expenses, and Changes in Net Position	2	27
Statement of Cash Flows	3	28
Notes to Financial Statements		29-62
<u>Required Supplementary Information:</u>		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Pension Plan	4	64
Schedule of Employer Contributions – Pension Plan	5	65
Notes to Required Supplementary Information – Pension Plan	6	66
Schedule of Authority's Share of Net OPEB Liability (Asset) – VLDP Program	7	67
Schedule of Employer Contributions – VLDP Program	8	68
Notes to Required Supplementary Information – VLDP Program	9	69
<u>Other Supplementary Information:</u>	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Comparative Schedule of Revenues—Budget and Actual	1	72
Comparative Schedule of Operating Expenses—Budget and Actual	2	73-74

**RAPIDAN SERVICE AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025**

TABLE OF CONTENTS (Continued)

	Table	Page
<u>STATISTICAL SECTION</u>		
Net Position by Component, Last Ten Fiscal Years	1	76
Change in Net Position, Last Ten Fiscal Years	2	77
Operating Revenues by Source, Last Ten Fiscal Years	3	78
Operating Expenses by Source, Last Ten Fiscal Years	4	79
Nonoperating Revenues and Expenses, Last Ten Fiscal Years	5	80
Water Consumed and Wastewater Treated, Last Ten Fiscal Years	6	81
Annual Number of EDU's Purchased, Last Ten Fiscal Years	7	82
Number of Water and Sewer Accounts by Type, Last Ten Fiscal Years	8	83
Water and Sewer Rates, Last Ten Fiscal Years	9	84
Schedule of Rates, At December 31, 2025	10	85
Five Largest Customers, Current Year and Nine Years Ago	11	86
Ratio of Outstanding Debt, Last Ten Fiscal Years	12	87
Pledged-Revenue Coverage, Last Ten Fiscal Years	13	88
Demographic and Economic Statistics, Last Ten Years	14	89
Construction Permits, Last Ten Calendar Years	15	90
Principal Employers, Current Year and Nine Years Ago	16	91
Number of Employees by Identifiable Activity, Last Ten Fiscal Years	17	92
Operating and Capital Indicators, Last Ten Fiscal Years	18	93
Fact Sheet		94-95
Madison County— Informational Map		96
Orange County— Informational Map		97
		Page
<u>COMPLIANCE SECTION</u>		
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 <i>Government Auditing Standards</i>		98-99

RAPIDAN SERVICE AUTHORITY

BOARD MEMBERS

Madison County: Pete Elliott
 Troy Copping, Vice Chairman

Orange County: David L. Davies
 Keith Marshall
 Mark Johnson, Chairman

OFFICERS

David Jarrell, Assistant Secretary-Treasurer

Timothy L. Clemons, Secretary-Treasurer

Timothy L. Clemons, General Manager



May 8, 2026

TO: Madison County Board of Supervisors
Orange County Board of Supervisors
Towns of Gordonsville, Madison, and Orange
Citizens of Madison, Orange

As Chairman of Rapidan Service Authority (RSA) and representing its Board of Members, it gives me great pride to present you with our "Annual Comprehensive Financial Report" for the year ended 2025.

As you leaf through the report you will discover a wealth of information that is unlike the typical audit report prepared for a municipality. In addition to the various tables, charts and graphs found in this report, of special note is the letter of transmittal prepared by the General Manager and his staff that presents the highlights for the year. Another source of information that the reader will find valuable is the Management's Discussion and Analysis (MD&A) which immediately follows the Independent Auditor's Report.

Included in the report you will see the award of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for RSA's 2024 Annual Report. RSA has been a consistent recipient of this nationally recognized award. The value of this Certificate cannot be understated, as we have found, in securing funding for our construction programs. RSA shall also submit this report for consideration by GFOA. The Certificate is only valid for one (1) year and therefore each report must be reviewed annually.

I thank you for taking the time to review our Annual Report and please feel free to forward any comments or questions to your representative on the Board of Members. You are invited to join us at any time at our regular monthly meetings.

Sincerely,

R. Mark Johnson
Chairman, Board of Members
Rapidan Service Authority



May 8, 2026

Board of Members
Rapidan Service Authority
Madison, Virginia

The Annual Comprehensive Financial Report of the Rapidan Service Authority (“RSA” or “the Authority”) for the fiscal year ended December 31, 2025, is hereby submitted. This report has been prepared, on what we believe to be, in conformity with the reporting and accounting standards promulgated by the Government Finance Officers Association's (GFOA), Governmental Accounting, Auditing, and Financial Reporting for Enterprise Funds of Governmental Units, with such modifications as apply to our status as an independently chartered corporation.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

I would also invite you to review the Management’s Discussion and Analysis (MD&A) immediately following the Independent Auditors’ Report. This analysis provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization

RSA is organized under the auspices of Orange and Madison Counties. Each County's Board of Supervisors appoints representatives to serve on the RSA Board of Members. Orange County appoints three members, and Madison County appoints two members. The Authority's chartered responsibility in its geographical area is the provision of water, sewer, and solid waste services. These activities are reported in their entirety in this report.

The Authority has determined that it is a jointly governed organization of the Counties of Orange and Madison. These governmental entities do not have an ongoing financial responsibility to the Authority. The Authority is perpetual and no participating government has access to either its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds. The Authority is not a component unit of any of the participating governments.

Services Provided

RSA provides service through approximately 222 miles of water and sewer mains along with five water and wastewater treatment plants within its chartered service area. Water and sewer service in Madison County is available primarily within the Town limits and its immediate surroundings. In Orange County, RSA provides water service along Route 15 and to the Town of Gordonsville as well as the Route 20 airport area. Sewer service is also available in the Town of Gordonsville. In the eastern end of Orange County, water and sewer service is provided in Lake of the Woods, Wilderness Shores, Somerset Farms and along the Route 3 corridor.

RSA maintains its water and sewer facilities through its own operation and maintenance program. Other responsibilities include constructing extensions, upgrading existing facilities, and inspecting water distribution and sewer collection systems installed by developers. RSA maintains all contributed and constructed facilities.

Economic Condition & Outlook

The two Counties that comprise RSA's service area are typically rural with a majority of the population commuting to jobs outside of the Counties. Both counties are expected to see some future growth. The Weldon Cooper Center for Public Service is estimating a 2% increase in population from 2020 to 2030 for Madison County and Orange County, the largest county in RSA's service area, having a growth rate of 6% from 2020 to 2030.

Accounting and Budgetary Controls

RSA maintains its accounting records on an accrual basis according to generally accepted accounting principles. Inherent in the Authority's accounting system is a system of strong internal controls. Internal accounting controls are designed to give reasonable, but not absolute assurance that:

- Assets are adequately safeguarded against loss from unauthorized use, and
- Financial records are reliable for preparing financial statements and maintaining accountability.

This concept of reasonable assurance for internal accounting control recognizes that the costs associated therein should not exceed the benefits and that the evaluation of the controls includes the judgment of management. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is exercised at the departmental level, with the understanding that budget amounts (both revenues and expenses) are projections of anticipated service levels; expenses over budget estimates are examined to ensure that they are properly related to the delivery level of Authority services in the applicable accounting period.

Relevant Financial Policies

There were no financial policies that had a significant impact on our current period's financial statements, that hasn't had an impact on any other periods. With that said, the Authority's careful eye on spending and its enforcement of collection policies have helped minimize, to some degree, the effects of the difficult economy all businesses and government agencies have been forced to face.

General Operations

Water and sewer revenues accounted for approximately 95% of the RSA's total operating revenue of \$10.5 million in 2025. Water revenue increased by 53.7% and sewer revenue increased by 31.5% compared to 2024. Overall, total operating revenue rose by \$2.89 million, or 38%, from the prior year. This increase was primarily driven by the implementation of a rate study developed by NewGen Strategies & Solutions, a nationally recognized utility consulting firm known for its strong reputation and highly qualified experts. The resulting rate program was designed to address the ongoing maintenance and improvement needs of the existing infrastructure across all RSA service areas. Fiscal year 2025 represents the first year of the five-year strategy and carries the highest replanned financial impact across all customer bases.

In 2025, RSA's operating expenses totaled approximately \$10.7 million. Operations and maintenance accounted for 66% of operating expenses, with depreciation representing 20%, and administrative expenses comprised the remaining 15%. Total operating expenses increased by \$798 thousand, or 8% compared to 2024.

For fiscal year 2025, RSA reported an operating loss of \$203,044, a significant improvement compared to the operating loss of \$2,296,495 in 2024. The decrease in operating loss is primary attributable to RSA's transitional phase following its separation from Greene County.

Debt Administration

Debt service coverage (gross revenue less direct operating expenses) was 7.05 times the annual debt service. Section 5.2 of the Authority's Revenue Bonds requires coverage of 1.15. Principal payments made on long-term indebtedness were \$703,333 in FYE 2025 and \$673,334 in FYE 2024. Interest and principal payments in 2025 totaled \$858,978. At December 31, 2025, long-term outstanding debt totaled \$3,833,316 which includes compensated absences.

Independent Audit

State statutes and the Authority's bond documents require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates performed the audit for 2025. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance.

Certificate of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rapidan Service Authority for its annual comprehensive financial report for the fiscal year ended December 31, 2024. RSA has received this prestigious award 41 of the last 42 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and accordingly, we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

I would like to thank the Board of Members for their dedicated and conscientious management of the Authority's operations; their efforts are reflected in the information that follows.

Respectfully submitted,



Timothy L. Clemons
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Rapidan Service Authority
Virginia**

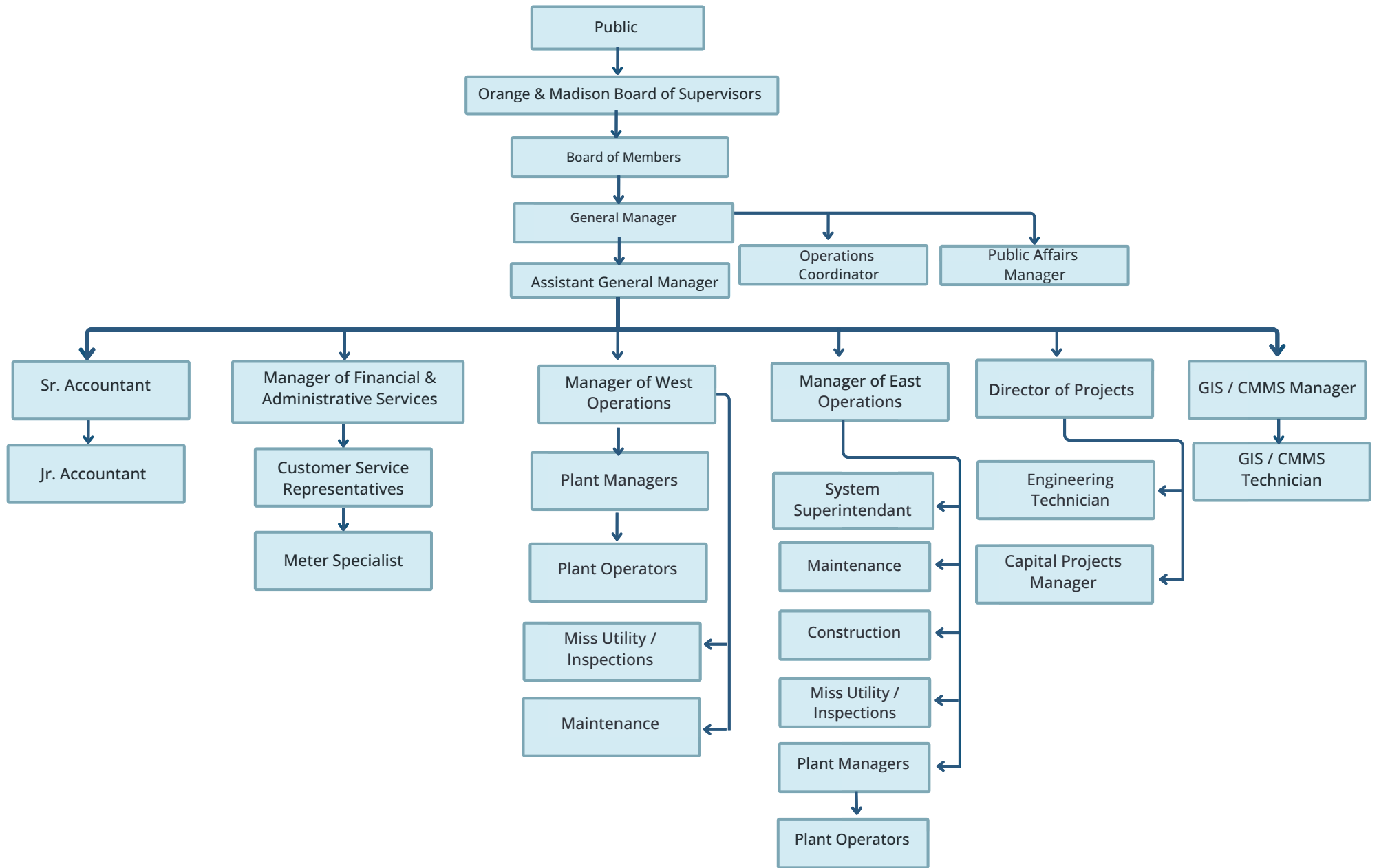
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

RAPIDAN SERVICE AUTHORITY ORGANIZATIONAL CHART





Independent Auditors' Report

**To the Board of Members
Rapidan Service Authority
Madison, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Rapidan Service Authority as of and for the year ended December 31, 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 Rapidan Service Authority as of December 31, 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 Rapidan 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.

Restatement of Beginning Balance

As described in Note 15 to the financial statements, in 2025, the Authority restated beginning balances in order to correct the compensated absences liability. 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 Rapidan 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 Rapidan 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 Rapidan 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited Rapidan Service Authority's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived, except as described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2026, on our consideration of Rapidan 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 Rapidan 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 Rapidan Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates
(Charlottesville, Virginia)
May 8, 2026

Management's Discussion and Analysis

To the Board of Members Rapidan Service Authority

As management of the Rapidan Service Authority ("RSA" or "the Authority"), we offer readers of our financial statements this narrative, overview, and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8 through 11 of this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Enterprise fund financial statements

The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as the sum of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The basic enterprise fund financial statements can be found on pages 25 through 28 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 29 through 62 of this report. Notes 12 and 13 present certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,932,014 (net position). Of this amount, \$10,890,372 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's deferred outflows of resources increased by \$52,849.
- The Authority's total net position increased by \$5,302,528.
- The Authority's restricted assets increased from \$450.07 thousand to \$511.3 thousand during the current fiscal year.

Financial Analysis

Net Position

The Authority's net position increased by \$5.3 million during the fiscal year 2025, representing an 8.5% increase compared to the prior fiscal year. As of December 31, 2025, total net position was \$67.9 million, up from \$62.6 million at December 31, 2024.

	<u>Condensed Statements of Net Position</u>			
	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Current and other assets	\$ 13,407,714	\$ 11,826,445	\$ 1,581,269	13.4 %
Capital assets	60,124,109	56,879,639	3,244,470	5.7
Total assets	<u>\$ 73,531,823</u>	<u>\$ 68,706,084</u>	<u>\$ 4,825,739</u>	<u>7.0 %</u>
Deferred charge on refunding	\$ -	\$ 1,008	\$ (1,008)	(100.0) %
Other deferred outflows of resources	93,693	39,836	53,857	135.2
Total deferred outflows of resources	<u>\$ 93,693</u>	<u>\$ 40,844</u>	<u>\$ 52,849</u>	<u>129.4 %</u>
Total assets and deferred outflows of resources	<u>\$ 73,625,516</u>	<u>\$ 68,746,928</u>	<u>\$ 4,878,588</u>	<u>7.1 %</u>
Long-term liabilities outstanding	\$ 3,583,943	\$ 3,794,250	\$ (210,307)	(5.5) %
Other liabilities	1,793,351	1,962,026	(168,675)	(8.6)
Total liabilities	<u>\$ 5,377,294</u>	<u>\$ 5,756,276</u>	<u>\$ (378,982)</u>	<u>(6.6) %</u>
Deferred inflows of resources	<u>\$ 316,208</u>	<u>\$ 361,166</u>	<u>\$ (44,958)</u>	<u>(12.5) %</u>
Net position:				
Net investment in capital assets	\$ 57,031,438	\$ 53,019,165	\$ 4,012,273	7.6 %
Restricted	10,204	2,396	7,808	325.9
Unrestricted	<u>10,890,372</u>	<u>9,607,925</u>	<u>1,282,447</u>	<u>13.3</u>
Total net position	<u>\$ 67,932,014</u>	<u>\$ 62,629,486</u>	<u>\$ 5,302,528</u>	<u>8.5 %</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 73,625,516</u>	<u>\$ 68,746,928</u>	<u>\$ 4,878,588</u>	<u>7.1 %</u>

As described in Note 14 beginning net position was restated

Financial Analysis: (Continued)

Net investment in capital assets

The Authority uses capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In comparing fiscal years 2025 and 2024, net position invested in capital assets, net of related debt, totaled \$57.03 million at December 31, 2025, representing 84.0% of total net position. This category increased by \$4.0 million, or 7.6%, from fiscal year 2024, primarily due to an increase in capital assets.

Unrestricted net position

Unrestricted net position is used by the Authority to finance day-to-day operations without restrictions established by debt covenants or other requirements. Unrestricted cash and investments consist of government securities, bank deposits and other cash-equivalents.

In comparing fiscal years 2025 and 2024, unrestricted net position increased from \$9.6 million to \$10.9 million during the fiscal year 2025, representing a 13.3% increase over the prior year. Unrestricted net position accounted for 16.0% of total net position at December 31, 2025.

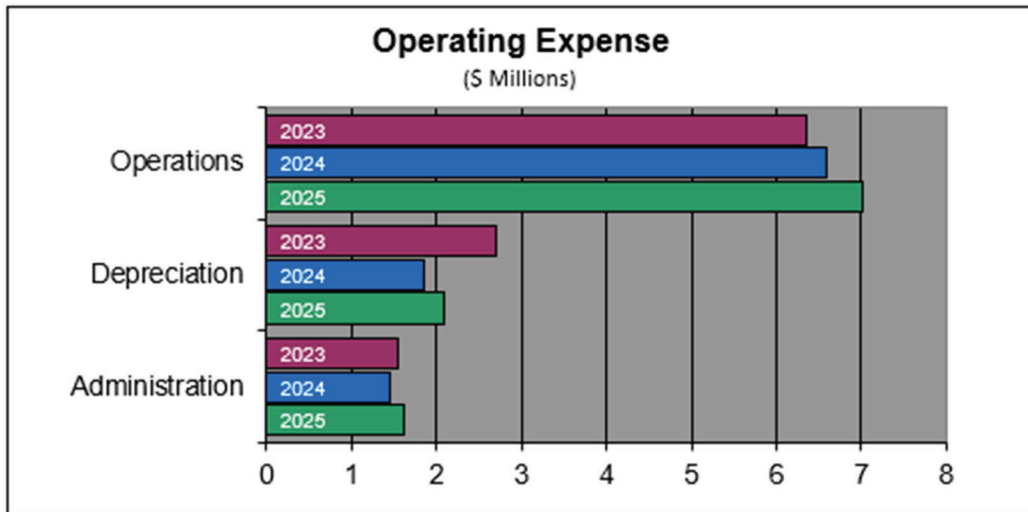
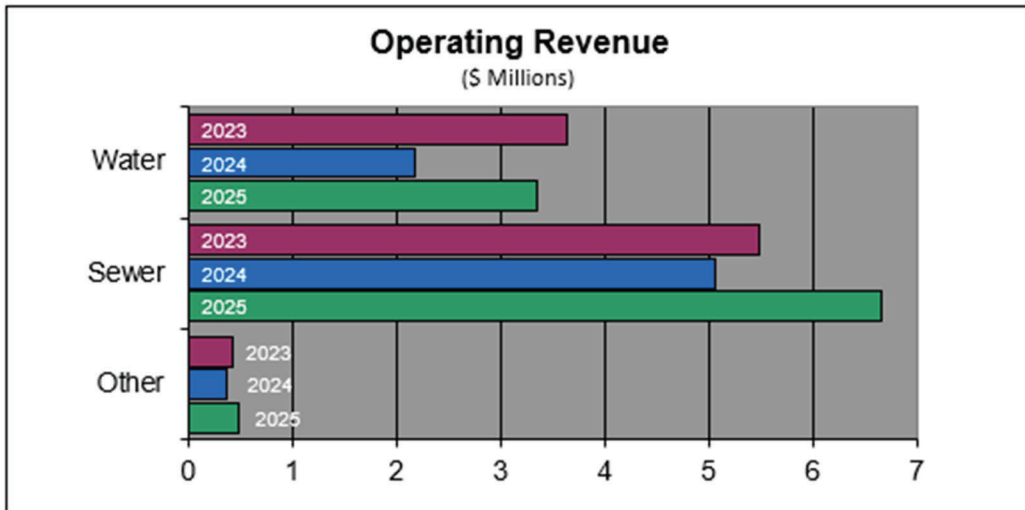
Changes in Revenues, Expenses & Changes in Net Position

While the Statements of Net Position reflect the change in the Authority's financial position, the Statements of Revenues, Expenses and Changes in Net Position provide insight as to the nature and source of those changes. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 1 under Supporting Schedules of the Financial Section.

The following table summarizes changes in revenues and expenses between fiscal year 2025 and 2024.

	Condensed Statements of Revenues, Expenses & Change in Net Position			
	2025	2024	Increase (Decrease)	% Change
Revenues:				
Operating revenues	\$ 10,501,955	\$ 7,610,273	\$ 2,891,682	38.0 %
Nonoperating revenue - availability fees	2,960,000	4,320,000	(1,360,000)	(31.5)
Nonoperating revenue - VDH ARPA	268,860	1,608,015	(1,339,155)	(83.3)
Nonoperating revenue - other	646,503	562,381	84,122	15.0
Total revenues	<u>\$ 14,377,318</u>	<u>\$ 14,100,669</u>	<u>\$ 276,649</u>	<u>2.0</u>
Expenses:				
Operating expenses	\$ 8,621,034	\$ 8,050,758	\$ 570,276	7.1
Depreciation expense	2,083,965	1,856,010	227,955	12.3
Nonoperating expense - other	131,380	118,232	13,148	11.1
Total expenses	<u>\$ 10,836,379</u>	<u>\$ 10,025,000</u>	<u>\$ 811,379</u>	<u>8.1</u>
Income (loss) before capital contributions	\$ 3,540,939	\$ 4,075,669	\$ (534,730)	(13.1)
Capital contributions	\$ 1,761,589	\$ 6,568,610	\$ (4,807,021)	(73.2)
Increase (decrease) in net position	\$ 5,302,528	\$ 10,644,279	\$ (5,341,751)	(50.2)
Net position, beginning of year, as restated	<u>62,629,486</u>	<u>51,985,207</u>	<u>10,644,279</u>	<u>20.5</u>
Net position, end of year	<u>\$ 67,932,014</u>	<u>\$ 62,629,486</u>	<u>\$ 5,302,528</u>	<u>8.5 %</u>

Changes in Revenues, Expenses & Changes in Net Position (Continued)



Operating revenues

Operating revenue consists of water and sewer service charges, penalties, and late fees as well as other operating revenues.

In comparing fiscal years 2025 and 2024, operating revenues increased by \$2.89 million, or 38.0% to \$10.50 million. Water and sewer revenue increased by \$2.77 million, or 38.2%, while other revenue - primarily new service installations - increased by \$126.2 thousand, or 34.4%, compared to fiscal year 2024. The increase in operating revenue was primarily attributable to a rate increase implemented across all service areas.

Changes in Revenues, Expenses & Changes in Net Position (Continued)

Nonoperating revenues & capital contributions

Nonoperating revenues consist of availability fees, investment income and other nonoperating revenues. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 6 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds. Capital contributions from developers include water and sewer mains, pump stations, and other infrastructure from developers and governmental entities. Contributions are recognized upon the assignment of the assets and fluctuations from year to year are due to the number of completed projects in a given year.

In a comparison of fiscal years 2025 and 2024, other nonoperating revenue increased by \$84.1 thousand or 15.0%, to \$646.5 thousand. Availability fee revenue decreased by \$1.36 million, or 31.5%, to \$2.96 million. During fiscal year 2025, the Authority received the final disbursement of its American Rescue Plan Act (ARPA) grant. Capital contributions totaled \$1.8 million in 2025, compared to \$6.6 million in 2024, attributable to differences in the timing and completion of development projects between two fiscal years.

Operating & nonoperating expenses

Operating expenses consist of personnel services, contractual services, materials and supplies, utilities, insurance, and other costs necessary to support the Authority's day-to-day operations. Nonoperating expenses consist primarily of interest expense and other costs that are not classified as operating expenses. A comparison of the current fiscal year's actual and budgeted expenses is presented in Schedule 2 under Supporting Schedules in the Financial Section.

In a comparison of fiscal years 2025 and 2024, operating expenses increased by \$570.3 thousand, or 7.1%, to \$8.6 million at the end of fiscal year 2025. Depreciation expense totaled \$2.08 million in 2025. Interest expense decreased from \$118.2 thousand in 2024 to \$83.0 thousand in 2025, primarily due to the retirement of one of the Authority's long-term bond obligations.

Capital Assets and Debt Administration:

Capital assets

The Authority's investment in capital assets consists of a broad range of capital assets, such as land, buildings, water and sewer lines, water storage facilities, water and wastewater plants, pump stations, machinery, equipment, computers, and vehicles. More information on the Authority's capital assets is presented in Notes 7 and 8 of the Notes to the Financial Statements.

As of December 31, 2025, capital assets, net of accumulated depreciation were \$60.1 million, an increase of \$3.2 million or 5.7% from FYE 2024. As of December 31, 2024, capital assets, net of accumulated depreciation, were \$56.9 million, an increase of \$9.8 million or 20.8% from FYE 2023.

Capital Assets and Debt Administration: (Continued)

Capital assets: (Continued)

The following table summarizes the Authority's capital assets, net of accumulated depreciation, and the changes therein for the years ended December 31, 2025 and 2024.

Capital Assets, Net of Accumulated Depreciation				
	2025	2024	Increase (Decrease)	% Change
Land	\$ 579,616	\$ 579,616	\$ -	- %
Water and sewer systems	44,840,605	44,609,906	230,699	0.5
Buildings	1,120,786	1,165,741	(44,955)	(3.9)
Vehicles and equipment	792,006	925,377	(133,371)	(14.4)
Office equipment	295,312	221,588	73,724	33.3
Construction in progress	12,495,784	9,377,411	3,118,373	33.3
Total capital assets	\$ 60,124,109	\$ 56,879,639	\$ 3,244,470	5.7 %

Major capital asset activity for the current fiscal year included:

Current Year Projects:

	2025
Madison Water System Upgrades	\$ 365,877
East Water System Upgrades	1,113,105
East Sewer System Upgrades	696,153
East Office Building	752,708
Madison Sewer	210,698
Route 20 Meter Vault	35,203

Long-Term Obligations

Long-term debt is used by the Authority to finance capital projects resulting from system growth, aging equipment and distribution lines, and changes in regulatory requirements. During the fiscal year ended 2025, the Authority had two Variable Rate Demand Obligation (VRDO) bond issues outstanding, both rated A+ by Standard & Poor's. Other long-term obligations of the Authority include employee pension liabilities and compensated absences. Additional information regarding the Authority's long-term liabilities is presented in Note 4 to the Financial Statements.

At the end of the current fiscal year, the Authority had \$3,092,671 in bonds and notes outstanding compared to \$3,861,482 last year, representing a 19.9% decrease.

Long-Term Trends:

Connection Growth

New water connections over the last 10 Fiscal Years are located in Table 8 of the Statistical Section of this report. The annual average growth of water customers has been 2.6% over this 10-year period.

Revenue and Expense Growth

Presented in Tables 2, 3 and 4 of the Statistical Section is the trend information on Revenues and Operating Expenses. With the growth that has been seen over the last 10 years and the expected growth in the future, the Authority is diligent in anticipating the needs of its customers.

Long-Term Debt

The Authority has been involved in major construction projects and has used long-term debt to finance the majority of its capital asset growth. The low interest rate environment and the ability of the Authority to participate in the state's loan and grant programs have resulted in low cost debt. Table 13, the Table of Pledged Revenue Coverage for the Last 10 Fiscal Years is presented in the Statistical Section. Bond covenants require the Authority to maintain a Debt Service Coverage Ratio of 1.15.

Cash and Cash Equivalents

The Authority's use and management of its cash accounts are predicated on the following criteria: self-funding of smaller construction and of our larger operations and maintenance projects to reduce the Authority's dependency on the bond/loan market, a requisite operations and maintenance reserve fund, unforeseen contingencies, and finally, to enhance favorable financing terms with its creditors.

Requests for Information:

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 2445 S. Seminole Trl., Madison, VA 22727.

Basic Financial Statements

Statement of Net Position
 At December 31, 2025
 (With Comparative Totals for the Prior Year)

	At December 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,314,315	\$ 9,950,061
Accounts receivable (net of allowance for uncollectible accounts) (Note 2)	906,913	622,164
Lease receivable-Current Portion (Note 10)	88,987	77,651
Inventory of materials and supplies, at cost	272,393	346,529
Prepaid items	99,033	88,806
Restricted current assets:		
Cash and cash equivalents (Note 6)	511,345	450,694
Total current assets	\$ 13,192,986	\$ 11,535,905
Noncurrent assets:		
Net OPEB asset (Note 13)	\$ 10,204	\$ 2,396
Lease Receivable - Non-current (Note 10)	204,524	288,144
Capital assets: (Note 7)		
Land and improvements	\$ 579,616	\$ 579,616
Water and sewer system	79,898,878	77,812,478
Buildings	1,183,030	1,232,791
Vehicles and equipment	2,678,976	2,550,619
Office equipment	460,928	459,016
Accumulated depreciation	(37,173,103)	(35,132,292)
Subtotal	\$ 47,628,325	\$ 47,502,228
Construction in progress (Note 8)	12,495,784	9,377,411
Net capital assets	\$ 60,124,109	\$ 56,879,639
Total noncurrent assets	\$ 60,338,837	\$ 57,170,179
Total assets	\$ 73,531,823	\$ 68,706,084
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ -	\$ 1,008
Pension related items (Note 12)	82,873	30,032
OPEB related items (Note 13)	10,820	9,804
Total deferred outflows of resources	\$ 93,693	\$ 40,844

Statement of Net Position
 At December 31, 2025 (Continued)
 (With Comparative Totals for the Prior Year)

	At December 31,	
	2025	2024
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 689,548	\$ 389,518
Accrued payroll	118,604	94,837
Accrued payroll taxes	49,598	39,674
Retirement plan and benefits plan payable	30,393	28,621
Accrued interest payable	29,798	37,945
Compensated absences - current portion (Note 4)	74,065	70,306
Current Liabilities (payable from restricted assets):		
Customer deposits	511,345	450,694
Bond principal - current portion (Note 4)	290,000	768,810
Total current liabilities	<u>\$ 1,793,351</u>	<u>\$ 1,880,405</u>
Noncurrent liabilities:		
Compensated absences - noncurrent portion (Note 4)	\$ 666,580	\$ 632,755
Bond principal - noncurrent portion (Note 4)	2,802,671	3,092,672
Net pension liability (Note 12)	114,692	150,444
Total noncurrent liabilities	<u>\$ 3,583,943</u>	<u>\$ 3,875,871</u>
Total liabilities	<u>\$ 5,377,294</u>	<u>\$ 5,756,276</u>
DEFERRED INFLOWS OF RESOURCES		
Leases (Note 10)	\$ 253,027	\$ 341,889
Pension related items (Note 12)	58,414	17,617
OPEB related items (Note 13)	4,767	1,660
Total deferred inflows of resources	<u>\$ 316,208</u>	<u>\$ 361,166</u>
NET POSITION		
Net investment in capital assets	\$ 57,031,438	\$ 53,019,165
Restricted	10,204	2,396
Unrestricted	10,890,372	9,607,925
Total net position	<u>\$ 67,932,014</u>	<u>\$ 62,629,486</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2025
(With Comparative Totals for the Prior Year)

	Year Ended December 31,	
	2025	2024
Operating revenues:		
Water Revenues	\$ 3,352,728	\$ 2,181,999
Sewer Revenues	6,655,596	5,060,856
Other Revenues	493,631	367,418
Total operating revenues	<u>\$ 10,501,955</u>	<u>\$ 7,610,273</u>
Operating expenses:		
Administrative	\$ 1,610,360	\$ 1,455,949
Operations and maintenance	7,010,674	6,594,809
Depreciation expense	2,083,965	1,856,010
Total operating expenses	<u>\$ 10,704,999</u>	<u>\$ 9,906,768</u>
Operating income (loss)	<u>\$ (203,044)</u>	<u>\$ (2,296,495)</u>
Nonoperating revenues (expenses):		
Interest revenue	\$ 411,501	\$ 399,120
Interest expense	(83,028)	(118,232)
Gain (Loss) on disposal of assets	(48,352)	-
Lease revenue	125,762	113,155
Insurance recoveries	109,240	50,106
VDH ARPA grant	268,860	1,608,015
Availability fees	2,960,000	4,320,000
Total nonoperating revenues (expenses)	<u>\$ 3,743,983</u>	<u>\$ 6,372,164</u>
Income (loss) before capital contributions and special items	<u>\$ 3,540,939</u>	<u>\$ 4,075,669</u>
Capital contributions	\$ 1,761,589	\$ 6,568,610
Change in net position	<u>\$ 5,302,528</u>	<u>\$ 10,644,279</u>
Net position, beginning of year, as originally reported	\$ 62,792,928	\$ 52,148,649
Restatement for correction of error	(163,442)	(163,442)
Net position, beginning of year, as restated	<u>\$ 62,629,486</u>	<u>\$ 51,985,207</u>
Net position, end of year	<u><u>\$ 67,932,014</u></u>	<u><u>\$ 62,629,486</u></u>

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

RAPIDAN SERVICE AUTHORITY
Exhibit 3

Statement of Cash Flows

Year Ended December 31, 2025

(With Comparative Totals for the Prior Year)

	Year Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,217,206	\$ 7,617,273
Payments to suppliers	(5,464,455)	(5,233,880)
Payments to and on behalf of employees	(2,651,623)	(2,433,106)
Net cash provided by (used for) operating activities	<u>\$ 2,101,128</u>	<u>\$ (49,713)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	\$ (3,566,846)	\$ (5,066,853)
Proceeds from capital grants	268,860	1,608,015
Principal payments on loans and bonds	(703,333)	(673,334)
Availability fees	2,960,000	4,320,000
Proceeds from insurance recovery	109,240	58,831
Interest payments	(155,645)	(185,782)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,087,724)</u>	<u>\$ 60,877</u>
Cash flows from investing activities:		
Interest received	\$ 411,501	\$ 399,120
Net cash provided by (used for) investing activities	<u>\$ 411,501</u>	<u>\$ 399,120</u>
Increase (decrease) in cash and cash equivalents	\$ 1,424,905	\$ 246,842
Cash and cash equivalents at beginning of year (including \$450,694 and \$453,686, respectively reported in restricted accounts)	<u>10,400,755</u>	<u>10,153,913</u>
Cash and cash equivalents at end of year (including \$511,345 and \$450,694, respectively reported in restricted accounts)	<u>\$ 11,825,660</u>	<u>\$ 10,400,755</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (203,044)	\$ (2,296,495)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	2,083,965	1,856,010
Lease revenue	125,762	113,155
Other income (expenses)	(48,352)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(284,749)	7,000
(Increase) decrease in Net OPEB asset	(7,808)	(2,396)
(Increase) decrease in lease receivable	72,284	(120,913)
(Increase) decrease in prepaid items	(10,227)	(42,522)
(Increase) decrease in inventories	74,136	178
(Increase) decrease in deferred outflows of resources - pension related items	(52,841)	(30,032)
(Increase) decrease in deferred outflows of resources - OPEB related items	(1,016)	(9,804)
Increase (decrease) in net pension liability	(35,752)	(41,208)
Increase (decrease) in compensated absences	37,584	264,831
Increase (decrease) in payables and accrued expenses	396,144	127,071
Increase (decrease) in lease deferred inflows of resources	(88,862)	113,102
Increase (decrease) in deferred inflows of resources - pension related items	40,797	10,650
Increase (decrease) in deferred inflows of resources - OPEB related items	3,107	1,660
Net cash provided by (used for) operating activities	<u>\$ 2,101,128</u>	<u>\$ (49,713)</u>
Supplemental Disclosure:		
Noncash investing, capital, and financing activities:		
Capital assets contributed	<u>\$ 1,761,589</u>	<u>\$ 6,568,610</u>

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025

NOTE 1—BASIS OF PRESENTATION:

In the interest of efficient water quality management, the Rapidan Service Authority (the Authority) was organized under the auspices of Orange and Madison Counties as a jointly governed organization. The Authority is responsible for acquiring, financing, constructing and maintaining facilities for the improvement, treatment, storage and transmission of potable water, and for the interception, treatment and discharge of wastewater for the Counties.

Financial Reporting Entity

The Rapidan Service Authority was established for the purposes stated above. The County of Orange and County of Madison are participating governments. These governmental entities do not have an ongoing financial responsibility to the Authority.

The Authority's governing body is composed of three members from Orange County and two members from Madison County appointed by each of the Counties.

The Authority is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Rapidan Service Authority has been determined to be a jointly governed organization of the County of Orange and County of Madison. The Authority is not a component unit of any of the participating governments.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The accounts of the Rapidan Service Authority are maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. All Authority budgets are prepared on the accrual basis.

Financial Reporting - The financial statements of the Authority are prepared as an "enterprise" commercial unit to conform to financial reporting practices as recommended in Water Utility Accounting published jointly by the Municipal Finance Officers Association and The American Water Works Association.

Budgetary Control - Although a budget is not legally required to be adopted, a fiscal year budget is prepared for management and fiscal planning purposes. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Any changes to the budget as adopted require Board approval.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basic Financial Statements

Because 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
 - Pension and OPEB Funding Information

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers cash and cash equivalents to include cash on hand, cash on demand deposit and short-term investments purchased with an original maturity of three months or less.

Investments - Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)), and external investment pools are measured at amortized cost. All other investments are reported at fair value. The Authority invests in the Local Government Investment Pool and the Virginia Investment Pool, which are considered cash equivalents.

Accounts Receivable - Accounts receivable consist of water and sewer billings. The provision for uncollectibility was \$136,144 of gross receivables of \$1,043,057 in 2025.

Capital Assets and Depreciation - Capital assets are defined by the Authority as assets with an initial and individual cost of more than \$1,000 and a useful life of more than 2 years.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets and Depreciation: (Continued)

Depreciation of capital assets was computed by the straight-line method using the following estimated useful lives as a basis:

<u>Items</u>	<u>Years</u>
Source of supply structures	50
Water treatment building	50
Distribution reservoirs and standpipes	50
General structures and improvements	50
Water/sewer pumping equipment	10
Water treatment plant	20
Plastic mains and accessories	40
Transmission mains and accessories	66-2/3
Services	33-1/3
Meters	33-1/3
Hydrant and accessories	66-2/3
Office furniture and fixtures	10
Other general equipment	10
Motor vehicles	4

No depreciation is taken on assets in the year placed in service. Land and construction in progress are not depreciated. Depreciation expense for the year ended December 31, 2025 amounted to \$2,083,965.

Legal Compliance - As required by Board resolution, the Authority maintains restricted cash funds to account for meter deposits. These accounts are disclosed in the Statements of Net Position.

The Borrower covenants and agrees that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System, and will from time to time revise such rates, fees and other charges (so that in each Fiscal Year Net Revenues Available for Debt Service will equal at least 115% of the amount required during the Fiscal Year to pay the principal of and interest on the Local Bonds and all other indebtedness of the Borrower) including, without limitation, indebtedness under leases which are treated as capital assets under generally accepted accounting principles, payable from Revenues. (If, for any reason, the revenues are insufficient to satisfy the foregoing covenant, the Borrower shall within ninety days adjust and increase its rates, fees and other charges or reduce its Operation and Maintenance Expenses so as to provide sufficient revenues to satisfy such requirement.)

"Net Revenues Available for Debt Service" means the revenues less amounts necessary to pay Operation and Maintenance Expenses.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Legal Compliance: (Continued)

“Operation and Maintenance Expenses” mean the costs of operating and maintaining the System determined under generally accepted accounting principles, exclusive of: (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefore, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority recognizes availability fees as capital contributions. Operating expenses for enterprise funds 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.

Interest on Indebtedness - Interest costs of the Authority are treated as nonoperating expenses. All interest on indebtedness will be expensed as a nonoperating expense.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the enterprise fund financial statements.

Inventories - Inventories are stated at cost, and cost is determined on the first-in, first-out basis.

Bond Issuance Costs - Costs of issuing indebtedness are expensed when incurred.

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. The liability for compensated absences is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences - Employees accrue annual and sick leave as follows:

Leave Type	Years of Service	Annual Leave Per Pay Period	Total Accrued Hours per Year/Days per Year	Maximum Annual Accrued Hours per Year/Days per Year
<i>Vacation</i>	0-4 Years	3.69 Hours	96 Hours/12 Days	480 Hours/60 Days
	5-9 Years	4.62 Hours	120 Hours/15 Days	480 Hours/60 Days
	10-14 Years	5.54 Hours	144 Hours/18 Days	480 Hours/60 Days
	15-19 Years	6.46 Hours	168 Hours/21 Days	480 Hours/60 Days
	20+ Years	7.39 Hours	192 Hours/24 Days	480 Hours/60 Days
<i>Sick</i>	0+ Years	3.69 Hours	96 Hours/12 Days	250 Hours/31.25 Days

Each regular full-time employee will be entitled to one paid personal day a year. The personal day does not carry over from year to year.

Compensated absences at year end are as follows:

<u>Liability For</u>	<u>2025</u>	<u>2024</u>
Annual Leave	\$ 374,042	\$ 346,597
Sick Leave	<u>366,603</u>	<u>356,464</u>
Total Compensated Absences	<u>\$ 740,645</u>	<u>\$ 703,061</u>

Restricted Assets - Certain resources of the Authority are set aside for the repayment of customer deposits and are classified as restricted assets on the Statement of Net Position because their use is limited by customers. Other assets are restricted as required per bond agreements.

Deferred Charge on Refunding:

In fiscal year 2025, the Authority amortized \$1,008 of deferred refunding on revenue bonds. The deferred charge on refunding remaining at December 31, 2025 was \$0.

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.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net Position Flow Assumption:

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan'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 related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VLDP Plans and the additions to/deductions from the VRS OPEB Plans' 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.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item 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 multiple items that qualify for reporting in this category. One item related to leases is reported as a deferred inflows of resources. The other item is comprised of certain items related to pension and OPEB. For more detailed information on this item, reference the related notes.

Leases

Rapidan Service Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Authority recognizes leases receivable and deferred inflows of resources. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Leases: (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.

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

Comparative Amounts:

Comparative amounts for the prior year are presented for informational purposes only. The 2024 balances were restated to reflect the compensated absences liability in accordance with GASB 101 at December 31, 2024.

NOTE 3—UTILITY PLANT IN SERVICE:

The Rapidan Service Authority has acquired the "capital assets" contained in its operating system from two different sources, contributions in aid of construction and projects financed by the Authority. Property, plant and equipment purchased are stated at historical cost. Donated property and similar items and property received in a service concession arrangement are recorded at acquisition value prevailing at date of donation. In accordance with generally accepted accounting principles, it was necessary for the Authority to capitalize these expenditures and record depreciation on such assets over their useful lives. The value of the construction projects was ascertained from the accounting records.

However, the value of the contributions in aid of construction which consist of donations or contributions in cash, services or property from corporations, individuals and others for the construction and extension of water and sewer facilities was determined by the General Manager of the Authority with the assistance of the Authority's consulting engineers, using acquisition value at the date of donation as basis for valuation.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 4—LONG-TERM LIABILITIES:

Annual requirements to amortize long-term liabilities and related interest are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Direct Borrowings and Direct Placements</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 290,000	\$ 181,311
2027	300,000	164,149
2028	315,000	146,404
2029	325,000	127,770
2030	340,000	108,539
2031-2034	1,495,000	225,091
Total	\$ <u>3,065,000</u>	\$ <u>953,264</u>

Long-term liabilities include the following at December 31:

	<u>Principal</u>
Direct Borrowings and Direct Placements:	
Revenue Bonds:	
\$6,320,000 2009B revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$209,184 - \$251,171, bearing interest at a rate of 3.068% to 5.918% through 2034. The proceeds were used to finance construction of water and sewer system projects.	\$ 3,065,000
Premiums on Bonds Issued	27,671
Total revenue bonds	<u>\$ 3,092,671</u>
Compensated Absences	<u>\$ 740,645</u>
Net Pension Liability	<u>\$ 114,692</u>
Total long-term obligations	<u>\$ 3,948,008</u>

The total debt service for the refunding debt is \$4,049,058, whereas the total debt service of the refunded debt was \$4,470,816, a savings of \$421,758. The economic gain on the transaction of the 2019 advance refunding of the 2009 revenue bonds was \$388,372.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (CONTINUED)

Changes in Long-term Liabilities for the year ended December 31, 2025:

	<u>Balance</u> <u>January 1,</u> <u>2025</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2025</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Direct Borrowings and Direct Placements:					
Revenue Bonds	\$ 3,768,333	\$ -	\$ 703,333	\$ 3,065,000	\$ 290,000
Net Pension Liability	150,444	-	35,752	114,692	-
Compensated Absences	539,619	201,026	-	740,645	74,065
Totals	<u>\$ 4,458,396</u>	<u>\$ 201,026</u>	<u>\$ 739,085</u>	<u>\$ 3,920,337</u>	<u>\$ 364,065</u>
Premiums on Bonds Issued	<u>93,149</u>	<u>-</u>	<u>65,478</u>	<u>27,671</u>	<u>5,263</u>
Total obligations for financial statement presentation	<u>\$ 4,551,545</u>	<u>\$ 201,026</u>	<u>\$ 804,563</u>	<u>\$ 3,948,008</u>	<u>\$ 369,328</u>

The following is a summary of long-term liabilities accounts:

	<u>Amount</u>
Revenue Bonds:	
2009B Series	\$ 3,065,000
Unamortized Premium	27,671
Less Current Portion	<u>(295,263)</u>
Long Term 2009B Series Revenue Bond	<u>\$ 2,797,408</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (CONTINUED)

Prior-Years Defeasance of Debt:

In prior years, the Authority defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2025, there were no bonds outstanding that are considered defeased.

Other Postemployment Benefits

The Authority offers postemployment benefits to its employees and, therefore, has recorded an asset for such benefits required to be reported under GASB 75.

Compliance with Legal Debt Coverage

Section 5.2 of the Authority's revenue bond agreements requires gross revenue less direct operating expenses over the annual debt service of 1.15. The Authority was in compliance as of December 31, 2025.

NOTE 5—RETIREMENT PLAN:

The Authority adopted the "Rapidan Service Authority Retirement Plan," a defined contribution retirement plan, in January 1986. The plan rolled over to and has been administered by ICMA-RC since 2004. The Authority will match up to 6.0% of employee's regular earnings if the employee elects to make a contribution. Vesting begins after three years of service, and employee accounts are fully vested after seven full years of service. The Authority has authorized the RSA Board to establish and amend all plan provisions.

The total payroll for all Rapidan Service Authority employees for 2025 was \$2,992,911. The payroll for those covered by the plan was \$1,661,935.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 5—RETIREMENT PLAN: (CONTINUED)

In 2025, the Rapidan Service Authority contributed \$41,513 for its covered employees, or 2.67%, of the covered payroll. The employees contributed \$106,874, or 6.81%, of their covered payroll. Employees may elect to contribute in excess of 6.0% of their regular salaries (excluding overtime), although Rapidan Service Authority will not match that portion. There are no loans from the plan to the Authority.

<u>Plan Assets - ICMA-RC</u>	
Balance, January 1, 2025	\$ 4,642,227
Contributions:	
Employer	41,217
Employee	41,559
Plus:	
Unrealized gain (loss)	505,967
Less:	
Distributions	<u>(780,426)</u>
Balance, December 31, 2025	<u>\$ 4,450,544</u>

NOTE 6—DEPOSITS AND INVESTMENTS:

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.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 6—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments)

The Authority does not have an investment policy addressing custodial credit risk.

The Authority's investments at December 31, 2025 were held by the Authority or in the Authority's name by the Authority's custodial banks.

Credit Risk of Debt Securities

The Authority does not have an investment policy addressing credit risk of debt securities.

The Authority's rated debt investments as of December 31, 2025 were rated by Standard & Poor's using Standard & Poor's rating scale.

Authority's Rated Debt Investments - 2025

<u>Rated Debt Investments Value</u>	<u>Fair Quality Rating</u>	
	<u>AAAm</u>	<u>AA+f</u>
Local Government Investment Pool	\$ 2,958,498	\$ -
VML/VACO Virginia Investment Pool Bond Fund	-	5,347,775
Total	\$ <u>2,958,498</u>	\$ <u>5,347,775</u>

Interest Rate Risk

The Authority does not have a policy addressing interest rate risk.

Investment Maturities - 2025*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
VML/VACO Virginia Investment Pool	\$ 5,347,775	\$ -	\$ 5,347,775
Local Government Investment Pool	2,958,498	2,958,498	-
Total	\$ <u>8,306,273</u>	\$ <u>2,958,498</u>	\$ <u>5,347,775</u>

* Weighted average maturity in years

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 6—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County/City/Town/Authority/Board Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County/City/Town/Authority/Board/Commission maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Redemption Restrictions

VML/VACO Virginia Investment Pool allows the Authority to have the option to have access to withdraw funds twice a month, with a five day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources with one time outlays (disasters, immediate capital needs, state budget cuts, etc.).

External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent customer deposits.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 7—CAPITAL ASSETS:

Details of changes in capital assets for the year ended December 31, 2025 are as follows:

	<u>Balance January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2025</u>
Capital assets not being depreciated:				
Land and improvements	\$ 579,616	\$ -	\$ -	\$ 579,616
Construction in progress	9,377,411	3,183,996	65,623	12,495,784
Total capital assets not being depreciated	<u>\$ 9,957,027</u>	<u>\$ 3,183,996</u>	<u>\$ 65,623</u>	<u>\$ 13,075,400</u>
Capital assets being depreciated:				
Water system	\$ 21,990,651	\$ 1,172,952	\$ -	\$ 23,163,603
Accumulated depreciation	<u>(13,326,140)</u>	<u>(583,545)</u>	<u>-</u>	<u>(13,909,685)</u>
Total	<u>\$ 8,664,511</u>	<u>\$ 589,407</u>	<u>\$ -</u>	<u>\$ 9,253,918</u>
Sewer system	\$ 55,821,827	\$ 913,448	\$ -	\$ 56,735,275
Accumulated depreciation	<u>(19,876,432)</u>	<u>(1,272,156)</u>	<u>-</u>	<u>(21,148,588)</u>
Total	<u>\$ 35,945,395</u>	<u>\$ (358,708)</u>	<u>\$ -</u>	<u>\$ 35,586,687</u>
Buildings	\$ 1,232,791	\$ 31,785	\$ 81,546	\$ 1,183,030
Accumulated depreciation	<u>(67,050)</u>	<u>(23,025)</u>	<u>(27,831)</u>	<u>(62,244)</u>
Total	<u>\$ 1,165,741</u>	<u>\$ 8,760</u>	<u>\$ 53,715</u>	<u>\$ 1,120,786</u>
Vehicles and equipment	\$ 2,550,619	\$ 143,680	\$ 15,323	\$ 2,678,976
Accumulated depreciation	<u>(1,735,154)</u>	<u>(167,139)</u>	<u>(15,323)</u>	<u>(1,886,970)</u>
Total	<u>\$ 815,465</u>	<u>\$ (23,459)</u>	<u>\$ -</u>	<u>\$ 792,006</u>
Office equipment	\$ 459,016	\$ 1,912	\$ -	\$ 460,928
Accumulated depreciation	<u>(127,516)</u>	<u>(38,100)</u>	<u>-</u>	<u>(165,616)</u>
Total	<u>\$ 331,500</u>	<u>\$ (36,188)</u>	<u>\$ -</u>	<u>\$ 295,312</u>
Capital assets, net	<u>\$ 56,879,639</u>	<u>\$ 3,363,808</u>	<u>\$ 119,338</u>	<u>\$ 60,124,109</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
 At December 31, 2025 (Continued)

NOTE 8—CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the year ended December 31, 2025 are as follows:

Description	Balance January 1, 2025	Cost of Construction	Expense/ Transfer to Capital assets	Balance December 31, 2025
Gordonsville Sewer - Camera Work	\$ 1,625	\$ -	\$ -	\$ 1,625
Route 15 Meter Rehab	2,393	1,411	-	3,804
East WTP Upgrades	6,293,358	1,113,105	24,628	7,381,835
Madison WTP - Intake Upgrade ARPA	1,882,484	267,472	-	2,149,956
East Office Building	138,714	752,708	-	891,422
LOW Vacuum Sewer Upgrades	707,299	224,254	-	931,553
East Maintenance Shop	25,250	-	-	25,250
Madison - Water Main Upgrades	47,248	98,406	995	144,659
Madison - WWTP Upgrade	255,999	210,698	34,200	432,497
Lead Service Line Inventory	8,480	-	-	8,480
East Sewer System	-	382,358	-	382,358
Rte 20 Water System	14,561	38,244	-	52,805
West Office Relocation & Improvements	-	5,800	5,800	-
LOW Pump Station Upgrades	-	89,540	-	89,540
Total	\$ 9,377,411	\$ 3,183,996	\$ 65,623	\$ 12,495,784

NOTE 9—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 carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 10—LEASES RECEIVABLE:

On Jan 1, 2022, the Authority recorded an initial lease receivable and deferred inflow of resources of \$708,030, as the present value of the future minimum rent payments expected to be received during the lease term. In fiscal year 2025, the Authority recognized lease and interest revenue in the amount of \$125,762 and \$14,630, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Remaining Lease Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Ending Balance</u>
Water Tower	8/30/2028	32 months	monthly	4.19%	\$ 88,987
Water Tower	6/1/2029	42 months	annual	1.30%	188,949
Water Tower	10/31/2028	34 months	annual	4.69%	15,575
				Total	<u>\$ 293,511</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 76,581	\$ 12,279	\$ 88,860
2027	82,333	8,859	91,192
2028	76,653	5,240	81,893
2029	57,944	2,410	60,354
Total	<u>\$ 293,511</u>	<u>\$ 28,788</u>	<u>\$ 322,299</u>

NOTE 11—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 for 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.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—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.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—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, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members:	
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>3</u>
Total inactive members	8
Active members	<u>40</u>
Total covered employees	<u><u>48</u></u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—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 December 31, 2025 was 2.44% 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 \$33,501 and \$30,032 for the years ended December 31, 2025 and December 31, 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 \$2,792,937 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 \$25,632 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$4,922 for the year ended June 30, 2025.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Net Pension Liability

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

Actuarial Assumptions – 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, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

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

Mortality rates:

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

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, 2024 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 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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
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	<u>100.00%</u>		<u>7.07%</u>
		Expected arithmetic nominal return**	<u>7.07%</u>

* 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%.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

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 the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2024	\$ 798,114	\$ 647,670	\$ 150,444
Changes for the year:			
Service cost	\$ 125,149	\$ -	\$ 125,149
Interest	62,057	-	62,057
Differences between expected and actual experience	(26,350)	-	(26,350)
Assumption changes	61,183	-	61,183
Contributions - employer	-	61,964	(61,964)
Contributions - employee	-	116,206	(116,206)
Net investment income	-	79,926	(79,926)
Benefit payments, including refunds	(7,800)	(7,800)	-
Administrative expenses	-	(328)	328
Other changes	-	23	(23)
Net changes	\$ 214,239	\$ 249,991	\$ (35,752)
Balances at June 30, 2025	\$ 1,012,353	\$ 897,661	\$ 114,692

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority’s net pension 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's Net Pension Liability (Asset)	\$ 286,515	\$ 114,692	\$ (15,516)

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

For the year ended December 31, 2025, the Authority recognized pension expense of \$17,637. At December 31, 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	\$ -	\$ 21,263
Change in assumptions	49,372	-
Net difference between projected and actual earnings on pension plan investments	-	37,151
Employer contributions subsequent to the measurement date	33,501	-
Total	<u>\$ 82,873</u>	<u>\$ 58,414</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 12–PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$33,501 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 December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ending December 31</u>	
2026	\$ (4,210)
2027	(4,209)
2028	(2,468)
2029	632
2030	1,213
Thereafter	-

Pension Plan Data

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

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

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

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended December 31, 2025 was 0.74% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate 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 from the Authority to the VRS Political Subdivision VDLP were \$18,845 and \$18,384 for the years ended December 31, 2025 and December 31, 2024, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At December 31, 2025, the Authority reported an asset of \$2,396 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2024, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB 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 Authority's proportion of the VLDP was 0.2829% as compared to 0.1489% at June 30, 2023.

For the year ended December 31, 2025, the Authority recognized VLDP OPEB expense of \$13,559. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,212	\$ 2,150
Net difference between projected and actual earnings on VLDP OPEB program investments	-	923
Change in assumptions	-	237
Changes in proportionate share	39	1,457
Employer contributions subsequent to the measurement date	<u>9,569</u>	<u>-</u>
Total	<u>\$ 10,820</u>	<u>\$ 4,767</u>

\$9,569 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ending December 31</u>	
2026	\$ (1,228)
2027	(366)
2028	(570)
2029	(766)
2030	(578)
Thereafter	(8)

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

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:

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

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 General 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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (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 VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 12,230
Plan Fiduciary Net Position	15,837
Political Subdivision VLDP Net OPEB Liability (Asset)	<u>\$ (3,607)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	129.49%

The total Political Subdivision VLDP OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Political Subdivision VLDP 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.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS 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 - 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%.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 13–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by the Authority for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Authority’s Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority’s proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Authority’s proportionate share of the net VLDP 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the VLDP Net OPEB Liability (Asset) \$	(7,420) \$	(10,204) \$	(12,654)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2025-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2025 (Continued)

NOTE 14–LITIGATION:

The Authority is party to a legal matter (threatened litigation) filed by the Town of Gordonsville, Virginia related to a water and sewer services agreement. As of the date of this report, the legal matter is outstanding, and the probability of an outcome is unknown. The Authority’s legal counsel intends to defend the Authority in this matter.

NOTE 15–RESTATEMENT OF NET POSITION:

The Authority restated beginning balances in order to correct the compensated absences liability in accordance with GASB 101:

	<u>Net Position</u>
Net Position as of December 31 , 2024, as previously reported	\$ 62,792,928
Restatement of net position for compensated absences	<u>(163,442)</u>
Net Position as of December 31, 2024, as restated	<u>\$ 62,629,486</u>

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2023 through June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total pension liability:			
Service cost	\$ 125,149	\$ 96,436	\$ -
Interest	62,057	50,466	-
Changes in benefit terms	-	-	651,212
Differences between expected and actual experience	(26,350)	-	-
Changes of assumptions	61,183	-	-
Benefit payments	(7,800)	-	-
Net change in total pension liability	<u>\$ 214,239</u>	<u>\$ 146,902</u>	<u>\$ 651,212</u>
Total pension liability - beginning	798,114	651,212	-
Total pension liability - ending (a)	<u><u>\$ 1,012,353</u></u>	<u><u>\$ 798,114</u></u>	<u><u>\$ 651,212</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 61,964	\$ 46,633	\$ 399,454
Contributions - employee	116,206	90,362	36,465
Net investment income	79,926	51,133	23,428
Benefit payments	(7,800)	-	-
Administrator charges	(328)	(41)	201
Other	23	23	12
Net change in plan fiduciary net position	<u>\$ 249,991</u>	<u>\$ 188,110</u>	<u>\$ 459,560</u>
Plan fiduciary net position - beginning	647,670	459,560	-
Plan fiduciary net position - ending (b)	<u><u>\$ 897,661</u></u>	<u><u>\$ 647,670</u></u>	<u><u>\$ 459,560</u></u>
Authority's net pension liability (asset) - ending (a) - (b)	<u><u>\$ 114,692</u></u>	<u><u>\$ 150,444</u></u>	<u><u>\$ 191,652</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.67%	81.15%	70.57%
Covered payroll	\$ 2,539,476	\$ 2,387,606	\$ 1,817,072
Authority's net pension liability (asset) as a percentage of covered payroll	4.52%	6.30%	10.55%

Schedule is intended to show information for 10 years.

Schedule of Employer Contributions

Pension Plan

For the Years Ended December 31, 2023 through December 31, 2025

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2025	\$ 33,501	\$ 33,501	\$ -	\$ 2,681,605	1%
2024	30,032	30,032	-	2,387,606	1%
2023	38,161	38,161	-	1,817,072	2%

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

Schedule is intended to show information for 10 years. Information prior to the 2023 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended December 31, 2025

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, 2024 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 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

Schedule of Authority's Share of Net OPEB Liability (Asset)
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2023 through June 30, 2024

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2024	0.2829%	\$ (10,204)	\$ 2,317,276	-0.44%	129.49%
2023	0.1489%	(2,396)	1,795,919	-0.13%	116.89%

Schedule is intended to show information for 10 years. Information prior to the 2023 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended December 31, 2023 through December 31, 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	\$ 18,845	\$ 18,845	\$ -	\$ 2,546,651	1%
2024	18,384	18,384	-	2,317,276	1%
2023	15,240	15,240	-	1,795,919	1%

Schedule is intended to show information for 10 years. Information prior to the 2023 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended December 31, 2025

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 and Non-Hazardous Duty 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

Other Supplementary Information

Supporting Schedules

Comparative Schedule of Revenues--Budget and Actual
 Years Ended December 31, 2025

	2025		
	Budget	Actual	Variance Favorable (Unfavorable)
Water Sales & Penalties	\$ 3,451,000	\$ 3,352,728	\$ (98,272)
Sewer Operations	6,929,800	6,655,596	(274,204)
Sale of Materials & Supplies	20,000	13,413	(6,587)
Maintenance Revenue	21,000	5,040	(15,960)
Inspection Fees	20,000	6,906	(13,094)
Miscellaneous/Other	102,500	152,884	50,384
Service Installations	200,000	230,950	30,950
Lake of The Woods Non-User Fees	90,500	84,438	(6,062)
Totals	\$ 10,834,800	\$ 10,501,955	\$ (332,845)

Comparative Schedule of Operating Expenses--Budget and Actual
Years Ended December 31, 2025

	2025		
	Budget	Actual	Variance Favorable (Unfavorable)
Administrative:			
Personnel	\$ 1,041,000	\$ 945,191	\$ 95,809
Maintenance	79,500	117,120	(37,620)
Rent Expense	42,000	35,000	7,000
Insurance	151,500	169,617	(18,117)
Billing and Collection	114,300	102,972	11,328
Audit and Consulting	37,000	77,323	(40,323)
Wtr/Swr Regulatory Fees	42,700	40,289	2,411
Legal/Bond/Bank Fees	73,000	185,860	(112,860)
Depreciation	68,158	68,158	-
Board Member Compensation	8,000	7,038	962
Training and Education	21,300	16,246	5,054
Office Supplies and Postage	32,750	17,894	14,856
Utilities	12,000	8,108	3,892
Communications	72,500	93,726	(21,226)
Advertising	13,900	5,758	8,142
Transportation Vehicle Expense	13,000	9,879	3,121
Restatement for Correction	-	(163,442)	163,442
Total Administrative	\$ 1,822,608	\$ 1,736,737	\$ 85,871
Route 15 and Route 20			
Water Operations:			
Operating Labor	\$ 32,600	\$ 27,643	\$ 4,957
Engineering and Design	38,300	23,700	14,600
Maintenance	108,500	101,174	7,326
Treatment Supplies and Materials	4,600	2,728	1,872
Vehicle Expense/Gas and Oil	600	171	429
Utilities	4,000	7,502	(3,502)
Purchased Water	596,800	723,254	(126,454)
Testing/Biosolids Mgmt	3,000	4,081	(1,081)
Depreciation	20,348	20,348	-
Total Route 15 and Route 20			
Water Operations	\$ 808,748	\$ 910,601	\$ (101,853)
Madison Water & Sewer Operations:			
Operating Labor	\$ 381,200	\$ 319,535	\$ 61,665
Engineering and Design	27,300	18,596	8,704
Maintenance	94,600	110,904	(16,304)
Vehicle Expense/Gas & Oil	6,100	671	5,429
Utilities	42,000	37,468	4,532
Treatment Supplies & Materials	57,800	84,488	(26,688)
Testing Biosolids Mgmt	19,500	18,459	1,041
Depreciation	113,367	113,367	-
Total Madison Water & Sewer Operations	\$ 741,867	\$ 703,488	\$ 38,379

Comparative Schedule of Operating Expenses--Budget and Actual
Years Ended December 31, 2025

	2025		Variance Favorable (Unfavorable)
	Budget	Actual	
Gordonsville Sewer Operations:			
Operating Labor	\$ 165,700	\$ 160,611	\$ 5,089
Engineering and Design	34,500	18,097	16,403
Maintenance	109,000	126,556	(17,556)
Treatment Supplies & Materials	64,000	43,142	20,858
Vehicle Expense/Gas & Oil	7,500	6,410	1,090
Purchased Water	1,000	552	448
Utilities	65,000	53,407	11,593
Testing Biosolids Mgmt	20,000	23,139	(3,139)
Depreciation	98,797	98,797	-
Total Gordonsville Sewer Operations	\$ 565,497	\$ 530,711	\$ 34,786
Engineering:			
Operating Labor	\$ 168,800	\$ 219,055	\$ (50,255)
Maintenance	500	394	106
Vehicle Expense/Gas & Oil	4,100	5,502	(1,402)
Depreciation	5,989	5,989	-
Total Engineering	\$ 179,389	\$ 230,940	\$ (51,551)
Maintenance:			
Operating Labor	\$ 187,900	\$ 169,025	\$ 18,875
Maintenance	22,000	43,524	(21,524)
Materials for Resale	4,200	2,218	1,982
Vehicles	15,000	15,928	(928)
Gas and Oil	18,000	11,844	6,156
Depreciation	31,090	31,090	-
Total Maintenance	\$ 278,190	\$ 273,629	\$ 4,561
Orange East Water & Sewer Operations:			
Operating Labor	\$ 1,670,800	\$ 1,438,064	\$ 232,736
Engineering and Design	79,000	67,649	11,351
Maintenance	789,400	886,486	(97,086)
New Service Installations	141,700	107,829	33,871
Treatment Supplies & Materials	1,089,100	976,926	112,174
Utilities	844,500	886,039	(41,539)
Rental Expense	-	10,021	(10,021)
Vehicle Expense/Gas & Oil	90,000	101,293	(11,293)
Testing/Biosolids Mgmt	80,000	98,369	(18,369)
Depreciation	1,746,215	1,746,216	(1)
Total Orange East Water & Sewer Operations	\$ 6,530,715	\$ 6,318,892	\$ 211,823
TOTALS	\$ 10,927,014	\$ 10,704,999	\$ 222,015

Net Position by Component
Last Ten Fiscal Years

Primary Government	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net investment in capital assets	\$ 50,463,803	\$ 49,320,418	\$ 49,390,624	\$ 49,205,626	\$ 49,386,542	\$ 53,300,910	\$ 54,135,254	\$ 42,506,295	\$ 53,019,165	\$ 57,031,438
Restricted	-	-	-	-	-	-	-	-	2,396	10,204
Unrestricted	7,339,472	8,117,865	8,519,914	9,836,974	10,713,055	11,250,634	12,439,401	9,840,973	9,607,925	10,890,372
Total primary government net position	\$ 57,803,275	\$ 57,438,283	\$ 57,910,538	\$ 59,042,600	\$ 60,099,597	\$ 64,551,544	\$ 66,574,655	\$ 52,347,268	\$ 62,629,486	\$ 67,932,014

Corrected 2024 restricted net position for OPEB net position asset

Change in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2016	\$ 7,496,605	\$ 7,882,086	\$ (281,030)	\$ (666,511)	\$ 851,006	\$ 184,495
2017	7,744,683	8,173,542	(11,132)	(439,991)	75,000	(364,991)
2018	8,464,477	8,854,492	527,495	137,480	334,774	472,254
2019	9,949,749	9,590,949	243,328	602,128	529,934	1,132,062
2020	9,772,272	9,938,036	390,458	224,694	832,303	1,056,997
2021	10,219,692	10,685,308	1,717,563	1,251,947	3,200,000	4,451,947
2022	11,132,400	10,946,904	874,592	1,060,088	882,565	1,942,653
2023	9,574,276	10,613,626	(17,988,585)	(19,027,935)	4,800,548	(14,227,387)
2024	7,610,273	9,906,768	6,372,164	4,075,669	6,568,610	10,644,279
2025	10,501,955	10,704,999	3,743,983	3,540,939	1,761,589	5,302,528

2021 increase in net position related to capital contributions including water and sewer mains, pump stations, and other infrastructure from developers and governmental entities.

2023 decrease in net position due to loss on transfer of operations to Greene County.

2024 increase in net position related to capital contributions including water and sewer mains, pump stations, and other infrastructure from developers and governmental entities.

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year		Water Revenue		Sewer Revenue		Other Revenue		Total
2016	\$	2,694,009	\$	4,343,752	\$	458,844	\$	7,496,605
2017		2,768,061		4,579,082		397,540		7,744,683
2018		3,163,550		4,803,738		497,189		8,464,477
2019		4,337,250		5,059,002		553,497		9,949,749
2020		3,737,586		5,268,471		766,215		9,772,272
2021		3,724,803		5,763,090		731,799		10,219,692
2022		4,830,527		5,777,751		524,122		11,132,400
2023		3,641,714		5,496,047		436,515		9,574,276
2024		2,181,999		5,060,856		367,418		7,610,273
2025		3,352,728		6,655,596		493,631		10,501,955

Operating Expenses by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Employment Costs</u>	<u>Operations</u>	<u>Utilities</u>	<u>Administrative</u>	<u>Subtotal, Expenses before Depreciation</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2016	\$ 2,217,468	\$ 1,705,609	\$ 880,977	\$ 458,122	\$ 5,262,176	\$ 2,619,910	\$ 7,882,086
2017	2,264,856	1,993,057	807,665	427,940	5,493,518	2,680,024	8,173,542
2018	2,422,062	2,398,762	875,914	515,262	6,212,000	2,642,492	8,854,492
2019	2,738,982	2,649,030	924,961	610,437	6,923,410	2,667,539	9,590,949
2020	2,903,191	2,859,979	898,151	710,875	7,372,196	2,565,840	9,938,036
2021	3,049,581	3,074,115	831,405	1,134,226	8,089,327	2,595,981	10,685,308
2022	3,191,240	3,203,222	833,578	964,309	8,192,349	2,754,555	10,946,904
2023	3,824,537	2,403,715	1,019,595	663,713	7,911,560	2,702,066	10,613,626
2024	3,738,909	2,824,976	906,104	580,769	8,050,758	1,856,010	9,906,768
2025	4,117,750	2,858,305	985,415	659,564	8,621,034	2,083,965	10,704,999

Nonoperating Revenues and Expenses
Last Ten Fiscal Years

Fiscal Year	Investment Income	Interest Expense	Gain (loss) on Disposal of Assets	Other (Costs) Grants	Other Income (Expenses)	Lease Revenue	Availability Fees	Total Nonoperating Income/(Expenses)
2016	\$ 25,051	\$ (433,506)	\$ 1,351	\$ -	\$ (370,002)	\$ 191,076	\$ 305,000	\$ (281,030)
2017	37,807	(390,655)	1,250	-	(394,374)	194,640	540,200	(11,132)
2018	127,736	(344,138)	2,000	-	(446,435)	198,332	990,000	527,495
2019	245,447	(281,718)	33,348	(37,532)	(1,143,093)	208,876	1,218,000	243,328
2020	182,860	(243,339)	31,505	-	(218,846)	223,278	415,000	390,458
2021	(22,772)	(213,820)	214	-	225,454	248,487	1,480,000	1,717,563
2022	(93,539)	(183,142)	1,000	-	(783,897)	259,170	1,675,000	874,592
2023	423,637	(151,307)	(18,919,351)	(1,350,000)	(771,970)	190,406	2,590,000	(17,988,585)
2024	399,120	(118,232)	-	1,608,015	50,106	113,155	4,320,000	6,372,164
2025	411,501	(83,028)	(48,352)	268,860	109,240	125,762	2,960,000	3,743,983

2023 change due to loss on transfer of operations to Greene County.

2024 increase related to collection of availability fees of utility services.

Water Consumed and Wastewater Treated
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gallons of Water Purchased/ Treated (Millions)</u>	<u>Gallons of Wastewater Treated (Millions)</u>
2016	626.3	464.4
2017	596.6	458.1
2018	628.0	615.4
2019	641.9	556.9
2020	699.2	620.9
2021	738.3	536.4
2022	732.9	563.0
2023	619.3	571.8
2024	544.2	482.0
2025	572.7	488.0

Data internally compiled from Rapidan Service Authority.

Annual Number of EDU's Purchased
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water EDUs*</u>	<u>Sewer EDUs*</u>	<u>Total EDUs*</u>
2016	56	74	130
2017	28	61	89
2018	51	50	101
2019	60	61	121
2020	54	62	116
2021	132	16	148
2022	70	98	168
2023	138	120	258
2024	215	217	432
2025	147	149	296

* Equivalent Dwelling Units
Data internally compiled from Rapidan Service Authority

Number of Water and Sewer Accounts by Type
Last Ten Fiscal Years

Fiscal Year	Water										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2016	2,566	97	135	4,477	177	281	20	13	72	112	7,950
2017	2,585	97	135	4,528	177	281	20	13	72	112	8,020
2018	2,630	97	136	4,611	177	281	20	13	73	112	8,150
2019	2,708	97	136	4,736	177	281	20	13	73	112	8,353
2020	2,711	98	138	4,833	177	282	20	13	75	112	8,459
2021	2,722	98	139	5,008	177	283	20	13	75	112	8,647
2022	2,736	99	139	5,094	178	283	20	13	75	112	8,749
2023	2,741	100	139	5,244	178	283	20	13	75	112	8,905
2024	N/A	100	139	5,465	178	N/A	20	13	77	112	6,104
2025	N/A	100	141	5,648	179	N/A	20	13	77	112	6,290

Fiscal Year	Sewer										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2016	835	717	0	4,479	91	117	14	0	74	84	6,411
2017	854	749	0	4,530	92	117	14	0	74	84	6,514
2018	862	749	0	4,613	92	117	14	0	75	84	6,606
2019	864	749	0	4,738	92	177	14	0	75	84	6,793
2020	875	749	0	4,835	92	180	14	0	77	84	6,906
2021	883	749	0	5,010	92	182	14	0	77	84	7,091
2022	898	778	0	5,096	92	182	14	0	77	84	7,221
2023	903	783	0	5,246	93	182	14	0	77	84	7,382
2024	N/A	785	0	5,467	83	N/A	14	0	79	84	6,512
2025	N/A	790	0	5,650	83	N/A	14	0	79	84	6,700

Non-Users		
Fiscal Year	Greene County	LOW / Wilderness
2016	36	483
2017	36	453
2018	36	442
2019	36	402
2020	36	361
2021	36	298
2022	36	251
2023	36	231
2024	N/A	209
2025	N/A	185

Data internally compiled from Rapidan Service Authority

Greene County withdrew from the Authority in 2023.

Water and Sewer Rates
Last Ten Years

Water Rate per 1,000 Gallons

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Greene County	\$ 3.47	\$ 3.47	\$ 4.22	\$ 4.97	\$ 5.57	\$ 6.17	\$ 6.67	\$ 6.67	N/A	N/A
Rte 15	5.10	6.12	6.12	6.12	7.34	7.34	7.34	7.34	7.34	9.76
Rte 20	2.36	2.83	2.83	2.83	3.40	3.40	3.40	3.40	3.40	8.16
LOW/Wilderness	3.08	3.70	3.70	3.70	4.44	4.44	4.44	4.44	4.44	6.22
Madison County	5.59	5.59	8.27	9.27	10.27	11.27	12.27	12.27	12.27	15.71
Gordonsville (Contract)	4.30	5.16	5.55	5.60	5.81	5.81	6.22	6.62	6.62	8.28

Sewer Rate per 1,000 Gallons

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Greene County	\$ 8.38	\$ 8.38	\$ 8.78	\$ 9.18	\$ 9.68	\$ 10.08	\$ 10.38	\$ 10.38	N/A	N/A
Gordonsville	6.83	8.54	8.54	8.54	8.54	8.54	12.77	12.77	12.77	9.50
LOW/Wilderness	11.39	12.53	12.53	12.53	13.78	13.78	13.78	13.78	13.78	14.19
Madison County	10.45	10.45	16.35	17.35	18.35	19.35	20.35	20.35	20.35	23.81

Schedule of Rates
At December 31, 2025

	Water	Sewer
Orange County, Rte. 15 Water System		
Minimum Monthly Charge 0-2000 gal.	\$23.51	
Rate Per 1000 Gallons:	\$9.76	
Availability Fee Per EDU	\$10,000	
Town of Gordonsville Wholesale Rate	\$8.28	
Orange County, Rte. 20 Water System		
Minimum Monthly Charge 0-2000 gal.	\$23.52	
Rate Per 1000 Gallons:	\$8.16	
Availability Fee Per EDU	\$10,000	
Gordonsville Sewer System		
Minimum Monthly Charge 0-2000 gal.		\$22.00
Rate Per 1000 Gallons		\$9.50
% of Water Usage		90%
Availability Fee Per EDU		\$10,000
East Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal. (Inside LOW)	\$16.63	\$38.69
Rate Per 1000 Gallons	\$6.22	\$14.19
% of Water Usage		90%
LOW O&M Surcharge		\$10.00
LOW Capital Surcharge		\$23.50
LOW Non-User Fee	\$4.19	\$33.50
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee		\$89.79
Madison Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal.	\$35.25	\$51.13
Rate Per 1000 Gallons	\$15.71	\$23.81
% of Water Usage		90%
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee		\$136.85
Summer Conservation Surcharge (All water systems)		
Water billed for usage over 6000 gallons (July-October)	Additional \$2.00/1000 Gallons	
Hydrant Sales		
Rate Per 1000 Gallons	\$20.00	
Septage Hauling		
Rate Per 1000 Gallons		\$100.00

Five Largest Customers
Current Year and Nine Years Ago

2025		
Customer	Type	Annual Consumption
Customer 1	Municipality	102,013,600
Customer 2	Public School System	3,140,300
Customer 3	HOA/Golf Course	2,323,600
Customer 4	Campground	2,263,200
Customer 5	Nursing Home	2,587,600

2016		
Customer	Type	Annual Consumption
Customer 1	Municipality	67,953,500
Customer 2	Mobile Home Park	4,218,700
Customer 3	Nursing Home	4,107,800
Customer 4	Public School System	4,066,500
Customer 5	Public School System	3,110,100

Data internally compiled from Rapidan Service Authority

Ratio of Outstanding Debt
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Revenue Note</u>	<u>Premium on Bonds</u>	<u>Total Debt (1)</u>	<u>Number of Accounts (2)</u>	<u>Debt per Account</u>
2016	\$ 10,123,926	\$ 120,000	\$ 265,852	\$ 10,509,778	\$ 14,880	\$ 706
2017	8,891,823	100,000	209,567	9,201,390	15,476	595
2018	7,686,806	80,000	167,856	7,934,662	15,687	506
2019	6,868,333	60,000	387,308	7,315,641	16,037	456
2020	6,300,000	40,000	332,636	6,672,636	16,215	412
2021	5,705,000	20,000	275,965	6,000,965	16,525	363
2022	5,088,333	-	217,311	5,305,644	16,710	318
2023	4,441,667	-	156,210	4,597,877	17,007	270
2024	3,768,333	-	93,149	3,861,482	12,825	301
2025	3,065,000	-	27,671	3,092,671	13,175	235

Data internally compiled from Rapidan Service Authority

- (1) Does not include compensated absences or NPL
- (2) Accumulation of water, sewer and non-user accounts

Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Year Ended December 31,</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Available for Debt Service</u>	<u>Principal</u>	<u>Debt Service Requirements Interest</u>	<u>Total</u>	<u>Coverage</u>
2016	\$ 7,649,081	\$ 5,262,176	\$ 2,386,905	\$ 1,133,932	\$ 433,506	\$ 1,567,438	1.52
2017	8,124,206	5,493,518	2,630,688	1,252,103	390,655	1,642,758	1.60
2018	9,336,110	6,212,000	3,124,110	1,225,017	344,138	1,569,155	1.99
2019	10,512,327	6,923,410	3,588,917	603,450	281,718	885,168	4.05
2020	10,406,069	7,372,196	3,033,873	588,333	243,339	831,672	3.65
2021	12,151,075	8,089,327	4,061,748	615,000	236,592	851,592	4.77
2022	12,190,134	8,192,349	3,997,785	636,667	183,142	819,809	4.88
2023	12,006,349	7,911,560	4,094,789	646,667	151,307	797,974	5.13
2024	12,492,654	8,249,377	4,243,277	673,334	118,232	791,566	5.36
2025	14,328,966	8,784,476	5,544,490	703,333	83,028	786,361	7.05

(1) Includes availability fees & Grant funds received

(2) Excludes depreciation

Demographic and Economic Statistics
Last Ten Years

Greene County (4)					
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)	
2016	19,785	\$ 39,681	\$ 760,363,000	2.9%	
2017	19,985	40,175	778,226,000	3.5%	
2018	19,959	43,055	844,388,000	2.6%	
2019	20,097	44,383	877,585,000	2.3%	
2020	20,323	46,529	922,167,000	3.4%	
2021	21,030	48,573	977,817,000	1.9%	
2022	21,165	51,152	not available	2.3%	
2023	21,370	51,629	1,089,723,000	2.4%	
2024	N/A	N/A	N/A	N/A	
2025	N/A	N/A	N/A	N/A	

Madison County					
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)	
2016	13,099	\$ 43,773	\$ 574,942,000	2.7%	
2017	13,190	47,435	620,349,000	3.2%	
2018	13,278	47,022	624,316,000	2.5%	
2019	13,251	48,822	649,082,000	2.2%	
2020	13,837	48,577	644,173,000	2.8%	
2021	13,871	51,608	687,012,000	1.6%	
2022	14,017	55,148	not available	1.8%	
2023	14,026	56,535	791,493,000	2.2%	
2024	14,252	63,787	909,098,000	2.2%	
2025	14,012	not available	not available	2.9%	

Orange County					
Calendar Year	Population (1)	Per Capita Income	Total Personal Income (2)	Unemployment Rate (3)	
2016	33,777	\$ 42,166	\$ 1,492,044,000	3.7%	
2017	34,521	43,679	1,552,063,000	4.4%	
2018	35,582	46,293	1,669,934,000	3.3%	
2019	35,921	49,010	1,795,932,000	3.0%	
2020	36,254	50,642	1,876,329,000	4.1%	
2021	36,341	53,217	2,006,018,000	2.5%	
2022	37,109	57,849	not available	2.7%	
2023	37,629	58,942	2,239,270,000	3.0%	
2024	38,986	62,886	2,425,767,000	2.9%	
2025	39,382	not available	not available	2.2%	

(1) Data compiled through the Weldon Cooper Center for Public Service and is subject to changes as estimates are refined

(2) Data compiled through the Bureau of Economic Analysis and is subject to changes as estimates are refined

(3) Data compiled through the Virginia Employment Commission and is subject to changes as estimates are refined

(4) Greene County withdrew from the Authority in 2023.

Construction Permits
Last Ten Calendar Years

Fiscal Year	Greene	Madison	Orange
2016	98	41	145
2017	67	67	181
2018	139	69	200
2019	N/A	N/A	190
2020	284	47	200
2021	112	71	388
2022	120	N/A	264
2023	N/A	53	293
2024	N/A	83	410
2025	N/A	103	353

Data compiled from Greene, Madison and Orange Counties
Includes Single Family Residences and Apartments

Principal Employers
Current Year and Nine Years Ago

		2016		2025	
	Employer	# of Employees	Employer	# of Employees	
Madison County	Madison County School Board	250 - 499 Employees	Madison County School Board	250 - 499 Employees	
	Plow & Hearth LLC	250 - 499 Employees	Woodberry Forest School	250 - 499 Employees	
	Woodberry Forest School	250 - 499 Employees	MWP Supply, Inc.	100 - 249 Employees	
	County of Madison	100 - 249 Employees	County of Madison	100 - 249 Employees	
	Madison Wood Preservers, Inc	50 - 99 Employees	Madison Wood Preservers, Inc	50 - 99 Employees	
Orange County	Orange County School Board	500 - 999 Employees	Orange County School Board	500 - 999 Employees	
	American Woodmark Corporation	250 - 499 Employees	Aerojet General Corp	250 - 499 employees	
	Von Holtzbrinck Publishing	250 - 499 employees	County of Orange	250 - 499 employees	
	Germanna Community College	250 - 499 employees	Von Holtzbrink Publishing	250 - 499 employees	
	County of Orange	250 - 499 employees	Germanna Community College	150 - 249 employees	

Data compiled through Virginia Employment Commission using 3rd quarter 2025 and 2nd quarter 2016 figures

Number of Employees by Identifiable Activity
Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Plant Operators	14	14	14	14	14	14	13	13	14	16
Maintenance / Construction	13	14	14	14	14	17	13	13	14	16
Admin/Customer Service/Engineering	10	11	12	12	12	11	12	13	14	12
Total	<u>37</u>	<u>39</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>42</u>	<u>38</u>	<u>39</u>	<u>42</u>	<u>44</u>

Data internally compiled from Rapidan Service Authority

Operating and Capital Indicators
Last Ten Fiscal Years

Drinking Water	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Produced/Purchased (millions of gallons)										
Greene	210.4	205.9	203.7	212.4	233.6	239.9	230.1	115.2	N/A	N/A
Rte. 15	101.1	81.0	108.3	99.9	103.2	118.4	114.9	113.0	123.8	154.2
Rte 20	6.5	6.7	7.8	7.5	8.0	8.0	6.9	6.5	8.6	9.0
LOW/Wilderness	282.5	274.8	280.1	294.7	330.1	346.5	350.2	353.0	381.7	379.8
Madison	25.8	28.2	28.1	27.4	24.3	25.5	30.8	31.6	30.1	29.7
Water Storage Capacity (gallons)										
Greene	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	N/A	N/A
Rte. 15/G'ville	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Rte 20	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
LOW/Wilderness	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,250,000	1,250,000	1,250,000	1,250,000
Madison	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Miles of Water Mains										
Greene	77	77	77	77	77	77	81	81	N/A	N/A
Rte. 15/G'ville	13	13	13	13	13	13	13	13	13	13
Rte. 20	5	5	5	5	5	5	5	5	5	5
LOW/Wilderness	73	73	73	73	74	74	75	77	78	79
Madison	8	8	8	8	8	8	8	8	8	8
Number of Treatment Plants	3	3	3	3	3	3	3	3	2	2
Wastewater Treatment										
Miles of Sewer Line										
Greene	42	42	42	42	42	42	43	44	N/A	N/A
Gordonsville	18	18	18	18	18	18	18	18	18	18
LOW/Wilderness	90	90	90	90	92	92	93	95	96	96
Madison	3	3	3	3	3	3	3	3	3	3
Number of Treatment Plants	5	5	5	5	5	5	5	5	3	3
Amount Treated Annually (millions of gallons)										
Greene	66.8	72.0	83.8	72.5	82.4	79.3	92.9	45.2	N/A	N/A
Gordonsville	112.1	87.0	200.9	173.0	200.6	146.0	154.7	211.7	148.6	145.4
LOW/Wilderness	260.2	273.6	295.8	284.6	313.2	290.4	295.9	295.2	315.3	324.0
Madison	25.3	25.1	34.7	26.8	24.7	20.7	19.5	19.7	18.1	18.6

Data internally compiled from Rapidan Service Authority
Greene County withdrew from the Authority in 2023.

Fact Sheet

The Rapidan Service Authority (RSA) presently employs 44 personnel and maintains two administrative offices. The West office is located on Route 29 in Madison. The East office is one-half mile west of the Lake of the Woods subdivision. The General Manager's administrative staff includes an Assistant General Manager, Manager of Financial & Administrative Services, Public Affairs Manager, Accountant, West Operations Manager, East Operations Manager, and Operations Coordinator. Engineering staff includes the Director of Projects, Capital Projects Manager, and Engineering Technician. The West Manager and East Manager oversee the operations and maintenance of the water and wastewater systems. RSA East and West maintain separate storage facilities for inventory and equipment.

RSA owns and maintains the water distribution system on Route 15, between Orange and Gordonsville. The Town of Orange supplies the Route 15 system water via contract. In 2001, Orange County approved RSA to operate the Thomas E. Lee Industrial Park water system. In 2002, Orange County installed a 1,000,000 gallon storage tank with 12" and 16" mains between the new tank and the Lee Industrial Park with RSA operating the new system. The RSA Route 15 line consists of about 13 miles of PVC and asbestos-cement pipe and a 500,000-gallon steel ground storage tank located on the Sedwick's farm on Route 15 south of Orange. This system serves 120 customers including the Lee Industrial Park, EDM, MPS, the Town of Gordonsville, and includes 28 fire hydrants.

The Route 20 water system east of Orange is supplied by a well at the storage tank site on Porter Road and a well on May Lane. It was deeded to RSA in 1993, contains approximately 5 miles of line, a 150,000-gallon steel elevated storage tank, a 30 gpm well at the Porter Road tank site, 42 gpm well at the May Lane site and 22 fire hydrants. RSA installed a corrosion inhibitor system in 1993. This system serves 154 customers.

From November 1, 1984 through June 30, 1990, RSA contracted with the Town of Madison to operate their water and sewer treatment plants. On March 1, 1993, RSA became the owner of these systems. The Madison water plant has a rated capacity of 250,000 gpd and serves 291 connections. The water distribution system contains 8 miles of mains with a 500,000 gallon concrete ground tank. The 75,000 gallon steel elevated tank was removed in 2003. White Oak Lake reservoir is owned and maintained by RSA. The wastewater treatment plant has a licensed capacity of 80,000 gpd. In 2003, an additional concrete digester and three new solids drying beds were added to the wastewater treatment plant. The plant is currently undergoing an upgrade to modernize treatment and increase capacity to 160,000 gpd. The gravity sewer system includes 3 miles of 8" concrete & PVC pipe, two pump stations and serves 167 customers.

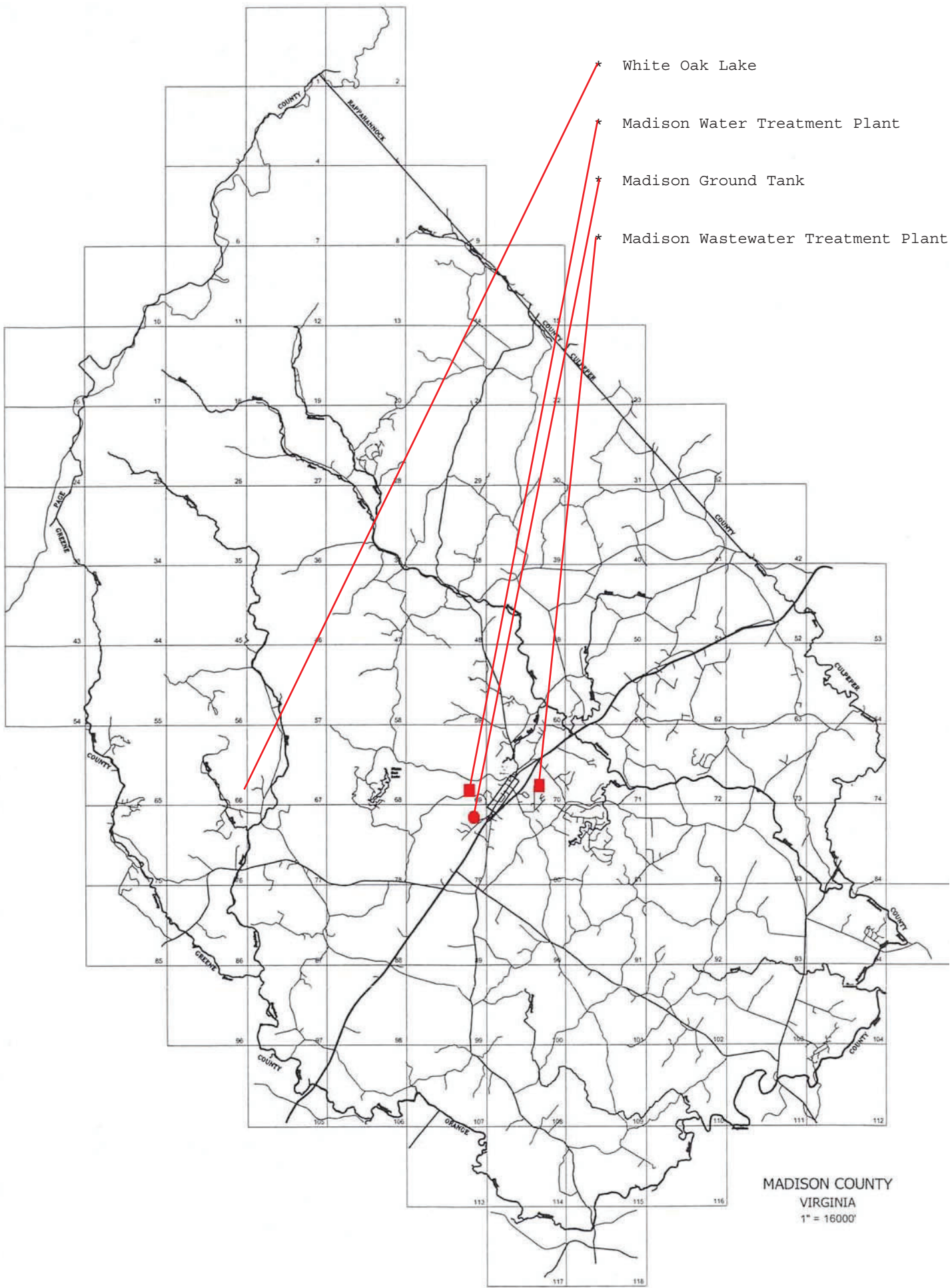
In August 1985, the Town of Gordonsville transferred ownership of the Gordonsville sewer treatment plant and collection system to RSA. The plant was under a State Water Control Board order to upgrade and meet more stringent discharge limitations. A new Wastewater Treatment Plant was put into service in July 1988 with a licensed capacity of 667,000 gpd. The new plant utilizes all facets of the old plant, but adds two storage ponds, three pump stations, approximately forty-five acres of spray terraces using overland flow treatment, and a final discharge. A post aeration system was added in 1994. The collection system consists of approximately 18 miles of PVC and concrete main, with approximately 190 manholes and three pump stations.

On November 1, 1987, RSA acquired ownership of the Lake of the Woods (LOW) water and sewer system. The original LOW system has been expanded and now includes Wilderness Shores, Somerset Farms, Germanna Community College, Germanna Heights, Twin Lakes, and commercial development along Route 3. The RSA East system is located 15 miles west of Fredericksburg, Virginia on State Route 3.

The East water system consists of 2½" to 12" PVC and AC mains and 190 fire hydrants. Water storage consists of two 500,000 gallon elevated steel tanks on Flat Run Road, and a 250,000 steel elevated tank in Wilderness Shores subdivision. In 1991, a 1.6 million gpd water treatment plant was put into service, consisting of dual train Neptune Microfloc treatment units. An upgrade beginning in 2023 added microfiltration membrane filtration to increase the plant capacity to 2.5 million gpd. The water source is the Rapidan River. The plant is connected to the LOW subdivision via 12' PVC transmission main along the Route 3. In 2002, RSA installed 12" PVC water main along Lakeview Parkway from Fairfax Lane to Gold Valley Road to enhance the transfer of water throughout the subdivision. In 2004, a new 500,000 gallon concrete clearwell tank and high service pump station were placed in service at the Wilderness Water Treatment Plant. In 2012, Orange County installed a new 500,000 gallon elevated water tank on the middle school site and upgraded 4,700 feet of 12" water main on Confederate Drive and Yorktown Boulevard. The water system consists of approximately 79 miles of water mains. There are approximately 5725 connections on the East system including 7 subdivisions and 3 shopping centers.

The East sewer system consists of a vacuum collection system with 13 vacuum stations and three lift stations. The system contains 4" to 10" vacuum mains, 10" concrete gravity mains, 3" to 8" PVC force mains and approximately 1,600 holding tanks. Sewage is held in these tanks until the vacuum pumps collect and transport the waste to the treatment plant. The previously existing 250,000 gpd treatment facility was in service until 1992. RSA also upgraded the trunk collection mains including 6" to 10" PVC, and 69 plug valves. The sewer system consists of approximately 96 miles of sewer mains. In 1992 and 1993, all thirteen vacuum stations were completely renovated. RSA continues to upgrade the vacuum system every year. Station R was constructed to transfer wastewater from the old plant to the new plant. The Wilderness Shores 15" gravity collection system was installed and the Germanna College sewer pump station and force main was completed. In 1999, Somerset Farms contributed a 12" water main and various water distribution mains along with a sewer pump station, 8" force main and 8" gravity mains to serve this 320-lot subdivision. In 1999, a new liner was installed in the original treatment pond on Route 3. This facility currently acts as a backup holding pond in the event of a system failure at the primary pump station. In 2000, the plant was re-rated to 715,000 gpd based on existing treatment. In 2001, vacuum stations in LOW were upgraded and equipped with primary and backup pumps. There are a total of 13 pump stations inside the Lake of the Woods development and 11 outside of Lake of the Woods with a total of 5729 connections.

In 2012, RSA completed the Wilderness wastewater treatment plant upgrade with an expanded capacity to 2.0 MGD, using state of the art treatment processes. This upgrade was required to meet the stringent Chesapeake Bay regulations for total nitrogen and total phosphorus removal. The treatment processes include a three train, five stage Bardenpho process contained in cast-in-place concrete tanks with common walls and individual tank mixers and fine bubble diffusers plus dechlorination for the two aerobic zones. Three Clarifiers capture the solids followed by a rapid mix flocculation tank, and a continuous backwashing tertiary sand filtration system. Finally, the effluent is disinfected using a hypochlorite solution and aerated by coarse bubble diffusers before being discharged to the Rapidan River. The treatment's captured solids are thickened and sent to two aerobic digesters in concrete tanks and pressed through a new plate and frame press.



- * White Oak Lake
- * Madison Water Treatment Plant
- * Madison Ground Tank
- * Madison Wastewater Treatment Plant

MADISON COUNTY
 VIRGINIA
 1" = 16000'



**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***

**To the Board of Members
Rapidan Service Authority
Madison, 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 Rapidan Service Authority as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Rapidan Service Authority's basic financial statements and have issued our report thereon dated May 8, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rapidan 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 Rapidan Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Rapidan 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 Rapidan 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

May 8, 2026