



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year ended June 30, 2025

ALBEMARLE COUNTY SERVICE AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2025

ALBEMARLE COUNTY SERVICE AUTHORITY
CHARLOTTESVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 2025*

Prepared by:

Department of Finance
168 Spotnap Road
Charlottesville, Virginia 22911
(434) 977-4511

ALBEMARLE COUNTY SERVICE AUTHORITY

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	vi
Directory of Principal Officials.....	vii
Organizational Chart	viii
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	5a
<u>Basic Financial Statements</u>	
Exhibit 1 Statement of Net Position	6
Exhibit 2 Statement of Revenues, Expenses, and Changes in Fund Net Position	7
Exhibit 3 Statement of Cash Flows	8
Notes to Financial Statements.....	10
<u>Required Supplementary Information</u>	
Exhibit 4 Schedule of Changes in Net Pension Liability and Related Ratios	40
Exhibit 5 Schedule of Pension Contributions	41
Exhibit 6 Schedule of Changes in OPEB Liability and Related Ratios-Local Plan	42
Exhibit 7 Schedule of OPEB Contributions.....	43
Exhibit 8 Schedule of Employer’s Share of Net OPEB Liability.....	44
Notes to Required Supplementary Information.....	45

ALBEMARLE COUNTY SERVICE AUTHORITY

TABLE OF CONTENTS (Continued)

	Page
STATISTICAL SECTION	
Table 1 Net Position by Component.....	46
Table 2 Changes in Net Position.....	47
Table 3 Water and Sewer Sold by Type of Customer.....	48
Table 4 Water and Sewer Rates.....	49
Table 5 Top Ten Revenue Payers.....	50
Table 6 Outstanding Debt per Connection, per Capita, and Debt per Capita as a Percentage of Income per Capita	51
Table 7 Pledged-Revenue Coverage.....	52
Table 8 County Demographic and Economic Statistics	53
Table 9 Ten Largest Employers (Albemarle County)	54
Table 10 Full-Time Employees	55
Table 11 Operating Indicators	56
Table 12 Capital Asset Statistics	57
Table 13 Revenues by Source	58
Table 14 Expenses by Function.....	59
Table 15 Schedule of Insurance in Force	60
Table 16 Billed Services and Connections	61
Table 17 Construction Activity, Property Value, and Cash Equivalents.....	62
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Summary of Compliance Matters	65

INTRODUCTORY SECTION



November 4, 2025

Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Ladies and Gentlemen:

The Annual Comprehensive Financial Report of the Albemarle County Service Authority (Authority) is submitted herewith. With such modifications as apply to our status as an enterprise fund of governmental units, and as an independently chartered corporation, this report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing, and Financial Reporting*.

Based upon a comprehensive framework of internal control that has been established for this purpose, the Authority management assumes full responsibility for the accuracy of the data and for the completeness and reliability of the information contained in this report. The information in this report is believed by Authority management to be sufficient to fully represent the financial result of the Authority's operations for the year ended June 30, 2025, and to provide an accurate and useful picture of the Authority's status as of that date.

State law and outstanding bond resolutions require an annual audit of the books and records of the Authority. This requirement has been satisfied by the engagement of independent certified public accountants, Brown, Edwards and Company, LLP, whose opinion is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis of the basic financial statements immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization and Function

Located in central Virginia, 100 miles southwest of Washington, DC and less than 65 miles west of Richmond, the Authority was established in 1964, pursuant to the *Virginia Water and Waste Authorities Act*, to provide water and sewer service to those jurisdictional areas in the County of Albemarle (County) designated by the County's Board of Supervisors. The current service areas include the urbanized ring around the City of Charlottesville (City), the communities of

Organization and Function (continued)

Crozet and Scottsville, Red Hill, and the Village of Rivanna. A six-member Board of Directors, appointed by the Albemarle County Board of Supervisors for renewable four-year terms, appoints the Executive Director and governs Authority operations and policies. We have determined, after an examination of the factors involved in the Governmental Accounting Standards Board's definition of "component unit" for financial reporting purposes, that we are not a component unit of Albemarle County and will not be included in their financial report. Justification for this decision is outlined in Note 1 to the financial statements.

In June 1973, the Authority and the City entered into a Service Agreement with the Rivanna Water and Sewer Authority (RWSA), which wholesales finished water and sewer treatment services to the Authority and to the City. In 1975, the Authority purchased from the City the facilities to serve all current water and sewer customers outside the City limits; since then, it has been the sole public retailer of these services in the County.

In addition to retailing finished water distribution and sewer collection services, the Authority constructs pumping stations and line extensions; purchases, connects to the system, and upgrades private water systems; installs water supply and sewage collector systems; inspects water delivery and sanitary sewage systems installed and contributed to it by developers; and maintains these constructed and contributed facilities.

Economic Conditions

In the Albemarle Community Profile⁽¹⁾ most recent update, the Virginia Employment Commission's Economic Information Services Division (VEC) reported the County's and State 2025 unemployment rate of 2.6% as compared to the United States' rate of 4.0%. The total number of jobs in Albemarle County was 64,666. The relative stability of the local economy is attributed to positive trends in the unemployment rate compared to the National percentage. The housing market weakened compared to last year, with home sales decreasing 4% compared to a year earlier, while median home sale prices were up 8% from one year ago⁽²⁾.

Residential and commercial growth within the Authority's Urban and Crozet service areas remains robust. New connections to the Authority's system remain strong (2023 – 543 connections, 2024 – 502 connections, 2025 – 424 connections), with a three-year average of 490 new connections⁽³⁾.

⁽¹⁾ Virginia Community Profile – Albemarle County, Virginia Employment Commission, updated August 15, 2025;

⁽²⁾ CAAR (Charlottesville Area Association of REALTORS) 2025 2nd Quarter Report

⁽³⁾ Albemarle County Service Authority Annual Comprehensive Financial Report 2025, Table 11

Major Initiatives and Accomplishments

- ◆ Developed an operating and capital improvement budget for fiscal year 2025 that aligned with our strategic plan and considered current and future impacts of system growth, planned maintenance, and operational needs. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses by modestly increasing water and sewer volume charges, and to ensure that current operating expenses will be paid with current operating revenues; 2) to keep customer buy-in and connection charges constant while maintaining our policy of “growth paying for growth;” and 3) to maintain, improve, and extend system infrastructure through capital investments.
- ◆ The Authority proactively manages its investment in infrastructure with many projects in various stages of completion. Major capital improvement projects completed during the fiscal year include:
 - Supervisory Control and Data Acquisition (SCADA) Phase 1
 - Vulnerability Assessment Improvements
 - Biscuit Run Sewer Replacement Project
 - Installation of Sewer Comminuters at Pump Stations
- ◆ Future and ongoing projects of the Authority include replacement and upgrades to water mains in Crozet, upgrades to the Madison Park Pump Station, and construction of the ACSA’s Avon Operations Center; continued addition to system redundancy and renewal; and a facility master plan which includes a satellite maintenance/office facilities on the ACSA’s Avon Street property.

Operations

For Fiscal Year 2025, Operating Revenues (\$41,414,515) from water and sewer sales and service connection fees increased by 5.4% as compared to Fiscal Year 2024. Associated operating expenses (\$49,172,010) reflected an increase of 12.0% as compared to Fiscal Year 2024, primarily driven by an increase in water/sewer treatment expenses from the Rivanna Water and Sewer Authority and departmental increases.

Unlike the revenues derived from customer buy-in and connection fees, the difference in projected and actual operating revenues and expenses is more predictable except for wastewater treatment plant charges. While weather conditions can play a large role in discretionary use of water, such as irrigation usage, domestic usage is typically more predictable. Please refer to Page 14 for detailed information related to operating and non-operating revenues and expenses.

Accounting, Budgetary Controls, and Long-term Financial Planning

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and financial records for preparing financial statements and maintaining asset accountability are reliable. The concept of reasonable assurance recognizes that estimates and judgments made by management are required to assess the expected benefits and related costs of internal accounting control procedures and that the cost of the control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

The Authority is required by Trust Agreements for its Bond to prepare and adopt an annual operating budget. On a fiscal year basis, department heads prepare preliminary operating budgets and submit them to the Executive Director for consideration. Rates are established based upon required revenue projections and associated costs, which include operating expenses, debt service, capital projects, and reserves. An adequate operating reserve is important to furnish funds for unplanned minor or significant repairs; it can also be utilized during unusually wet years, when anticipated revenues are reduced due to less than anticipated consumption levels. An adequate repair, replacement, and rehabilitation reserve (3R) is important to furnish funds for unexpected major repairs, as well as planned replacement or rehabilitation of equipment or other major capital assets. The Executive Director submits a proposed budget and rate recommendation to the Board of Directors for adoption.

After adoption, increases or decreases to the budget are made only upon Board approval, and the budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific re-appropriations for funds committed at year-end for which goods and/or services have not been received. Department heads and the Board of Directors receive monthly reports on revenues and expenses.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Albemarle County Service Authority for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the 42nd consecutive year that the Authority has achieved this prestigious award. 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.

Awards and Acknowledgements (continued)

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

The preparation of this report would not have been possible without the support of Authority staff and the Leadership and Management team at the ACSA; their dedication is very much appreciated. We would like to express our gratitude and appreciation to Ms. Tonya Foster, Ms. Jennifer Bryant, and Ms. Emily Roach, who have each made significant contributions to the Annual Comprehensive Financial Report, and also to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Sincerely,

A handwritten signature in black ink, appearing to read "Quin Lunsford". The signature is fluid and cursive, with the first name "Quin" and last name "Lunsford" clearly distinguishable.

Quin G Lunsford
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Albemarle County Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

ALBEMARLE COUNTY SERVICE AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2025

BOARD MEMBERS

Mr. Richard Armstrong, Chairman

Mr. Charles Tolbert, Vice-Chairman

Ms. Lizbeth Palmer

Mr. John Parcels

Mr. Clarence W. Roberts

Ms. Kimberly Swanson

EXECUTIVE DIRECTOR

Mr. Quin G. Lunsford

DIRECTORS OF FINANCE

Mr. Quin G. Lunsford and Ms. Emily Roach

TRUSTEE

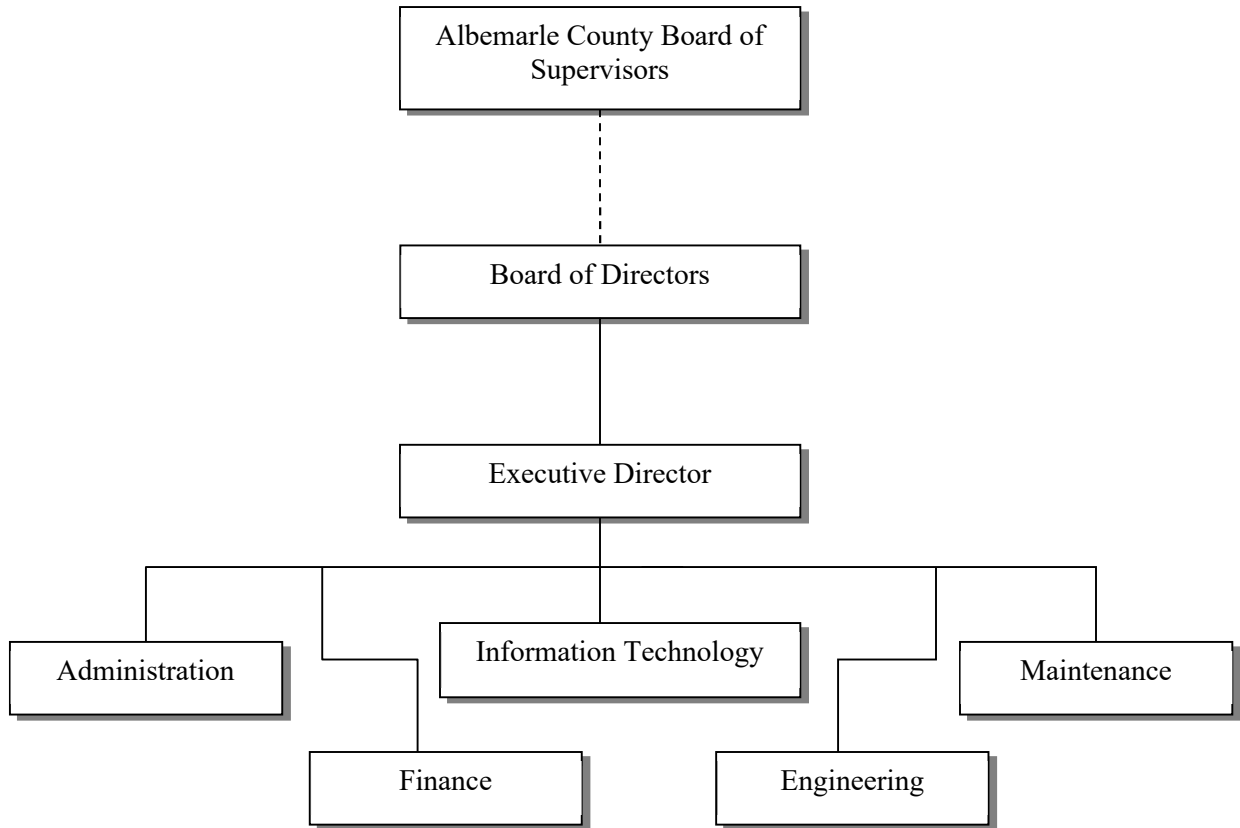
Bank of New York Mellon

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

ALBEMARLE COUNTY SERVICE AUTHORITY

ORGANIZATIONAL CHART



FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

Independent Auditor's Report

To the Honorable Members of the Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Albemarle County Service Authority (the "Authority") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for 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 *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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair



presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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.

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 auditor's report thereon. Our opinions on the basic financial statements do 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 the Authority's 2024 financial statements, and our report dated October 25, 2024, expressed an unmodified opinion on those financial statements. The 2024 financial information is provided for comparative purposes only. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is



an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 4, 2025

Management's Discussion and Analysis

The management of the Albemarle County Service Authority (the "Authority") presents this analysis of the Authority's financial performance during the fiscal year ended June 30, 2025, as a supplement to the Authority's basic financial statements. This analysis should be read in conjunction with the basic financial statements that follow, as well as the Letter of Transmittal, which can be found on pages i through vi of this financial report.

Overview of the Financial Statements

The annual financial report is presented in four sections: introductory, financial, statistical, and compliance.

The introductory section includes a letter of transmittal submitted by the Authority's Executive Director and Director of Finance, a listing of the Authority's Board of Directors and organizational chart as of the end of the past fiscal year, and a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting that has been awarded to the Authority for the fiscal year ended June 30, 2024.

The financial section consists of the Independent Auditor's Report, Management's Discussion and Analysis, and the Authority's basic financial statements, including notes to the statements and required supplementary information, which are discussed below.

The *Statement of Net Position* reports the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, providing information about the nature and amounts of investments in resources (assets), consumption of net assets that applies to future periods (deferred outflows), obligations to creditors (liabilities), an acquisition of net assets that applies to future periods (deferred inflows). These statements may be used to evaluate the capital structure, liquidity, and financial flexibility of the Authority. The *Statement of Revenues, Expenses and Changes in Fund Net Position* reflect revenue and expense activity of the Authority for the fiscal year. This statement allows the user to measure the Authority's profitability and creditworthiness by the financial performance of the Authority's operations, and to determine whether the Authority has successfully recovered its operating costs through user fees and other charges. The *Statement of Cash Flows* presents the Authority's inflows and outflows of cash during the financial reporting period, by reporting cash receipts, cash payments, and the net changes in cash. Cash flows are categorized by operating, non-capital financing, capital and related financing, and investing activities. The *Notes to the Financial Statements* and the *Required Supplementary Information* provide necessary disclosures that are essential to a full understanding of the data provided in the aforementioned basic financial statements.

The statistical section includes selected financial, operational, and demographic information presented on a multi-year basis.

The Authority operates as an enterprise fund. Enterprise funds are a type of proprietary fund and function similar to a private business in that user charges and fees are expected to cover costs. The Authority's basic financial statements are presented using the accrual basis of accounting, which provides for revenue recognition in the period in which water and reclamation services are provided and expense recognition when goods and services are received. Additionally, the Authority's basic financial statements utilize the flow of economic resources measurement focus, in which all assets and liabilities are reflected on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position includes all transactions, such as revenues and expenses that increase or decrease net position.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$242,337,860 (*net position*). Of this amount \$54,475,231 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total liabilities as a percentage of net position increased from 7.7% at June 30, 2024, to 8.0% at June 30, 2025.
- Fiscal year 2025 operating revenues increased 5.4% to \$41,414,515 as compared to fiscal year 2024 while operating expenses increased 12.0% to \$49,172,010 during the same period.
- System development and capacity charges remained strong during the fiscal year and totaled \$8,773,102 for fiscal year 2025. This is a decrease of \$879,362 or 9.1% compared to the prior fiscal year. While this is a decrease when compared to the prior fiscal year, the Authority's service area continues to develop. These charges can vary from year to year based on construction schedules, weather, and material availability. We anticipate that system development and capacity charges will remain strong for the foreseeable future.
- The Authority realized a gain on investments in the current fiscal year, totaling \$2,880,166. This is a slight increase in comparison to the prior fiscal year.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority's activities to determine if, overall, the financial position improved over the year. These two statements report the net position of the Authority and changes in them. Analyzing the Authority's net position is one way to measure financial health. Non-financial factors such as economic conditions, population growth and new or changed government legislation need to be considered as well. The Authority improved its financial position in fiscal year 2025.

Net Position

The Authority's net position increased by \$5,628,321 during fiscal year 2025, which represents a 2.4% increase from the beginning of the fiscal year net position. At June 30, 2025, total net position was \$242,337,860 as compared to the prior year net position of \$236,709,539. It should be noted that the Authority adopted GASB **Statement No. 101, *Compensated Absences***, which requires liabilities for compensated absence to be recognized when leave has not been used and may be paid in future periods. Implementation of the statement required a restatement of net position in the earliest year presented and as such, has restated Net position, as of July 1, 2023

FINANCIAL ANALYSIS (continued)

The following table depicts the Authority's condensed summary of net position at June 30, 2025 and 2024.

Condensed Statement of Net Position		
	2025	2024
Current Assets	\$ 34,427,233	\$ 37,938,395
Investments	33,042,180	31,405,020
Noncurrent lease receivable	12,052	27,742
Capital assets, net	193,016,115	185,136,870
Total Assets	260,497,580	254,508,027
Deferred Outflows of Resources	2,226,231	1,166,713
Current Liabilities	9,363,376	8,897,138
Long-term Liabilities	10,134,604	9,268,933
Total Liabilities	19,497,980	18,166,071
Deferred Inflows of Resources	887,971	799,130
Net investment in capital assets	187,525,026	178,591,470
Restricted for debt service	337,603	331,089
Unrestricted	54,475,231	57,786,980
Total Net Position	\$ 242,337,860	\$ 236,709,539

FINANCIAL ANALYSIS (continued)

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

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position

	<u>2025</u>	<u>2024</u>
Revenues:		
Operating Revenues:		
Water Sales	\$ 22,876,443	\$ 21,719,767
Sewer Service	18,362,595	17,399,595
Other	175,477	178,849
Non-operating Revenue:		
Investment income	2,880,166	2,810,568
Miscellaneous revenues	546,330	424,691
Lease revenue	16,335	16,334
Total Revenues	<u><u>\$ 44,857,346</u></u>	<u><u>\$ 42,549,804</u></u>
Expenses:		
Operating Expenses:		
Purchase of bulk water	\$ 19,012,443	\$ 16,266,189
Purchase of sewer treatment	12,356,107	11,319,500
Depreciation	4,792,018	4,354,813
Administration	1,301,385	1,179,165
Engineering	2,545,829	2,233,966
Finance	2,782,629	2,708,841
Information Technology	1,818,914	1,610,566
Maintenance	4,562,685	4,215,771
Non-operating Expenses:		
Interest and fiscal charges	76,289	86,671
Miscellaneous expenses	71,255	676,936
Total Expenses	<u><u>\$ 49,319,554</u></u>	<u><u>\$ 44,652,418</u></u>
Loss before capital contributions	\$ (4,462,208)	\$ (2,102,614)
Capital Contributions	<u>10,090,529</u>	<u>10,495,354</u>
Change in net position	5,628,321	8,392,740
Net position – beginning of year	<u>236,709,539</u>	<u>228,316,799</u>
Net position – end of year	<u><u>\$ 242,337,860</u></u>	<u><u>\$ 236,709,539</u></u>

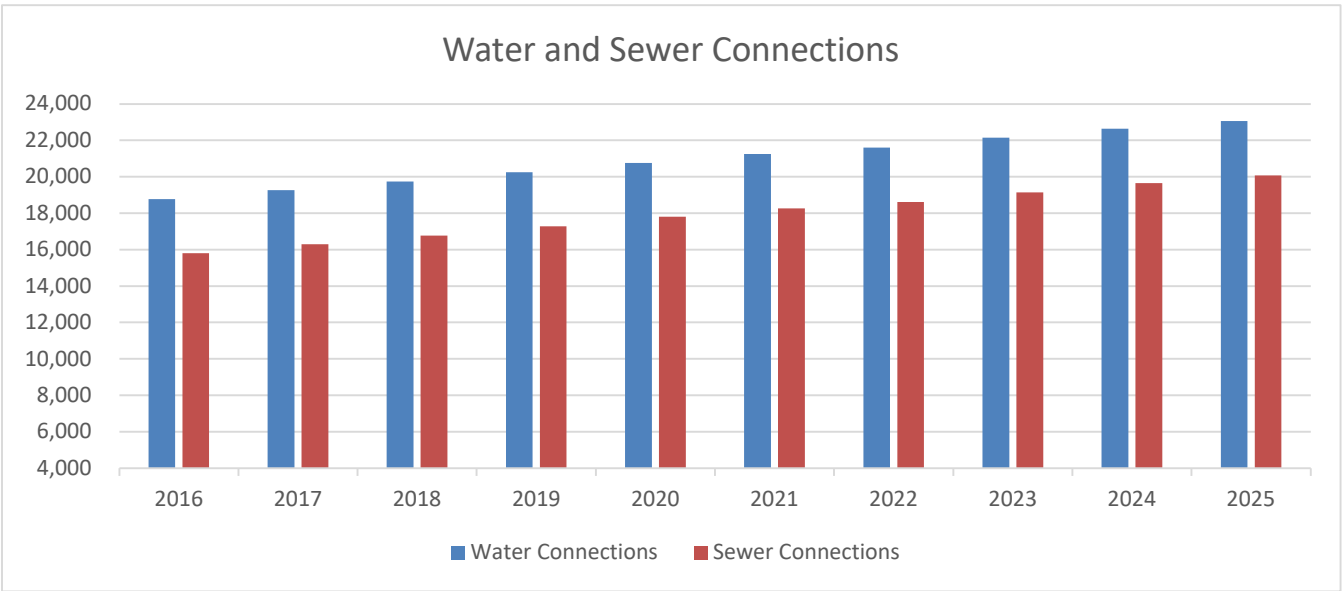
Operating Revenues and Expenses

Operating revenues totaled \$41,414,515 in fiscal year 2025, an increase of \$2,116,304 from 2024. Operating expenses totaled \$49,172,010 in 2025, an increase of \$5,283,199 largely driven by increases in purchased water and sewer treatment costs from the Rivanna Water and Sewer Authority (RWSA).

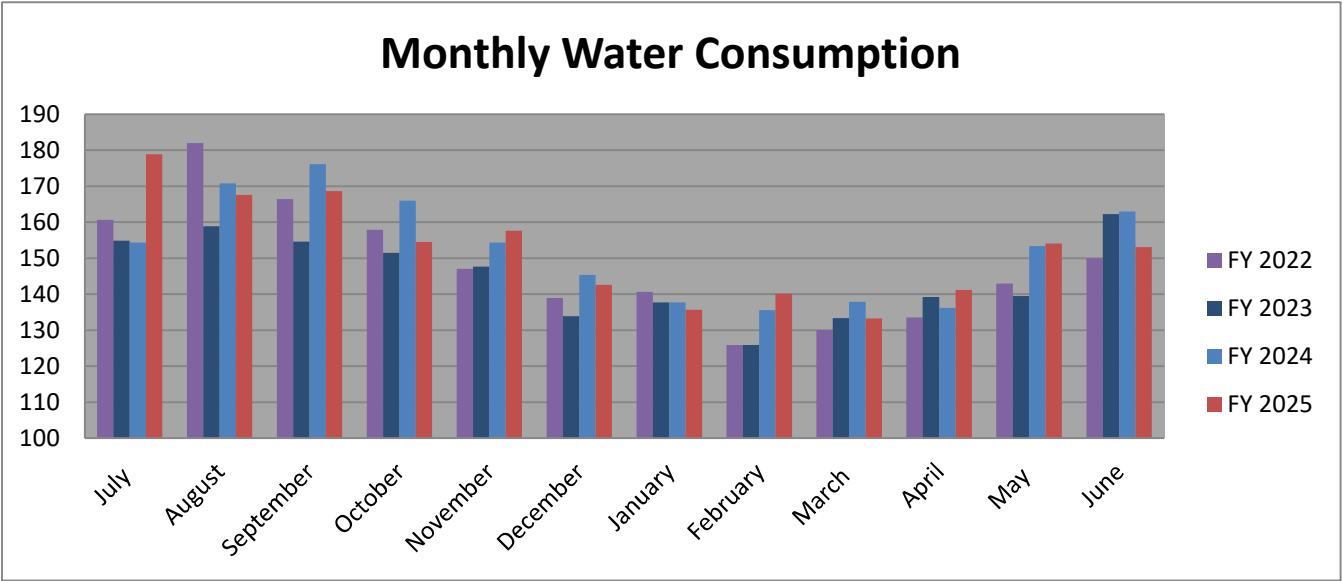
Review of Operations

The Authority’s water customer base grew to 23,064 accounts by the end of the 2025 fiscal year, an increase from the prior year total of 22,640. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 38,430 housing units, businesses, industries, and institutions, which is an increase of 3.1%.

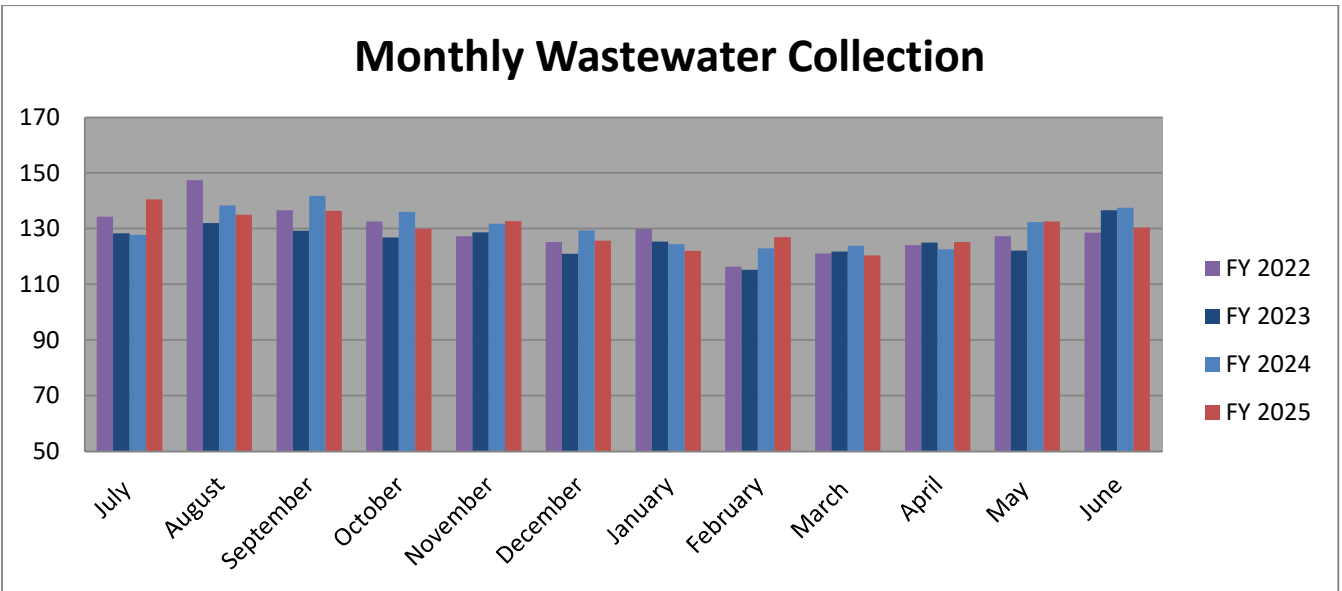
The Authority’s system grew in water connections for 2025 with 424 new connections. The connections for 2025 are 8% less than the Authority’s ten-year average annual increase in new connections. Continued growth is attributable to the continued expansion of existing residential neighborhoods and continued commercial and multi-family development.



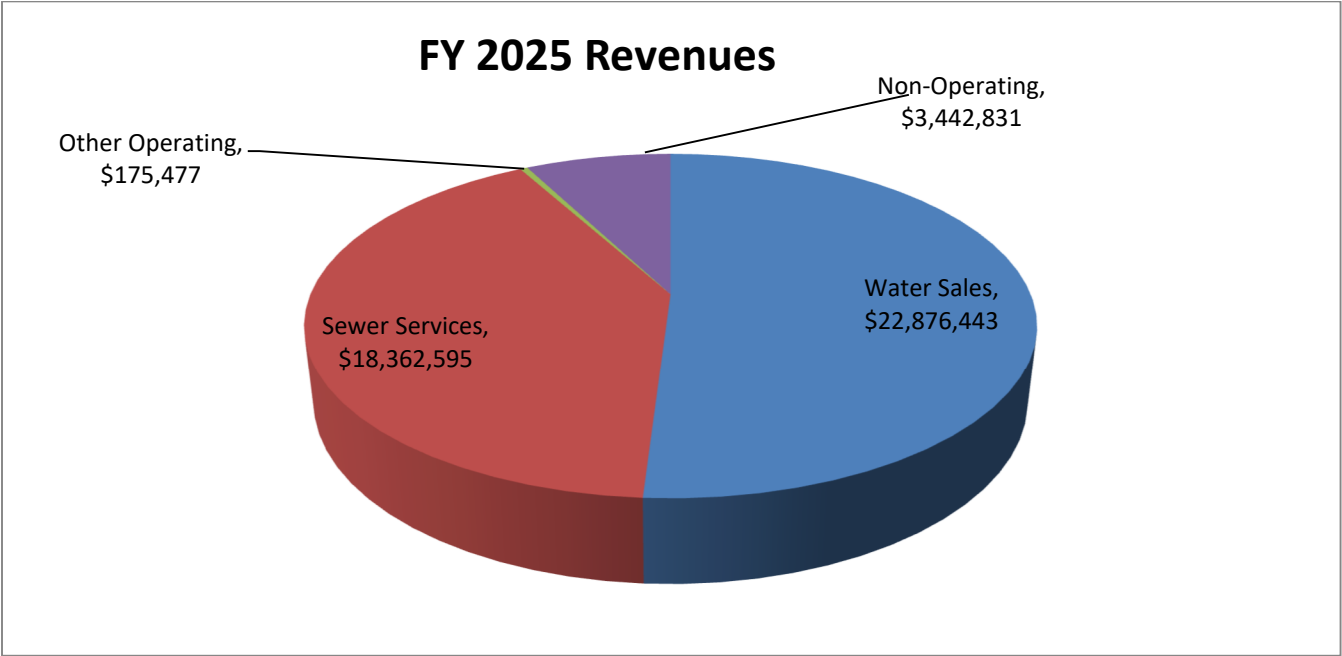
Billed water usage in fiscal year 2025 decreased by 16 million gallons as compared to fiscal year 2024. Billed water usage in fiscal year 2025 was 1.80 billion gallons and was 0.9% less than billed water usage in fiscal year 2024 (1.81 billion gallons). Seasonal variations in water consumption can be seen in the chart below.



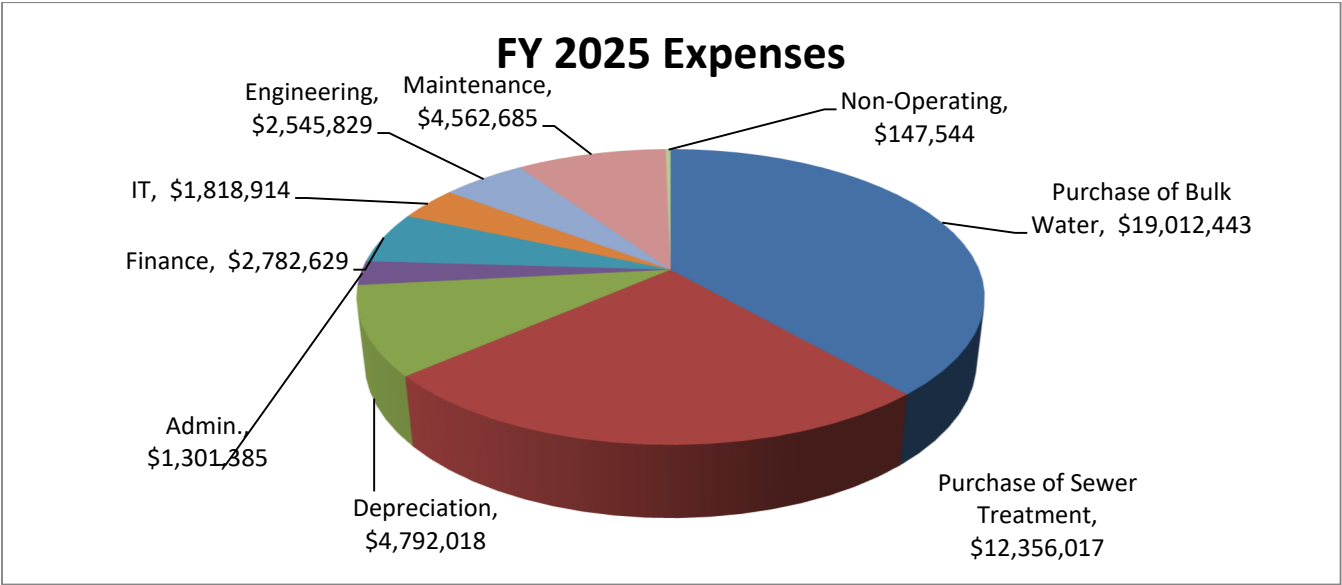
The Authority’s wastewater customer base grew to 20,076 by the end of the fiscal year, up from 19,650 connections at the end of the fiscal year 2024. Billed wastewater collections decreased by nearly 11 million gallons as compared to fiscal year 2024. Billed wastewater collections in fiscal year 2025 was 1.56 billion gallons and 0.7% less than billed wastewater collections in fiscal year 2024 (1.57 billion gallons). Seasonal variations in wastewater collections can be seen in the chart below.



Revenues. Revenues for fiscal year 2025 increased in comparison with fiscal year 2024. Total revenues for 2025 were \$44,857,346 as compared to \$42,549,804 in 2024, a 5.4% increase year to year. This increase is due largely to increases in water/sewer rates charged to customers.



Expenses. Total expenses for fiscal year 2025 were \$49,319,554 as compared to \$44,652,418 in 2024, a 10.5% increase, which was primarily due to increases in the cost of purchased water/wastewater treatment from the Rivanna Water and Sewer Authority and increases in departmental expenses. In 2025, the total cost of purchased water was \$19,012,443 which is 16.9% greater than the 2024 total of \$16,266,189. The total cost of sewer treatment in fiscal year 2025 was \$12,356,107 and increased 9.2% in comparison to fiscal year 2024. These costs are based on a variety of factors and can vary significantly based upon Authority consumption for a given period and the Authority’s proportional allocation of costs based on our flow in comparison to the Authority’s water/wastewater treatment provider’s other customer. The increases in RWSA expenses were largely driven by RWSA’s cost allocation which is calculated using Authority and the City of Charlottesville billed consumption, continued investment in water/wastewater infrastructure, and operational cost increases.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2025, amounted to \$193,016,115 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction in progress, leased equipment, and subscription assets. The total increase in the Authority's investment in capital assets for the current fiscal year was 4.3%. Additional information related to capital assets can be found in Note 4.

Capital Assets

	<u>2025</u>	<u>2024</u>
Land (including easements)	\$ 1,914,876	\$ 1,914,876
Structures and improvements	242,438,351	236,617,809
Equipment	7,262,818	6,532,254
Equipment - Leases	51,124	56,744
Subscription right-to-use	231,119	231,119
Construction in progress	<u>18,888,152</u>	<u>13,011,706</u>
Total book value	270,786,440	258,364,508
Less accumulated depreciation and amortization	<u>(77,770,325)</u>	<u>(73,227,638)</u>
Net capital assets	<u><u>\$ 193,016,115</u></u>	<u><u>\$ 185,136,870</u></u>

Long-Term Debt. Outstanding debt includes one Taxable Water and Sewer System Revenue Refunding Bond that was issued in August of 2021 (refunded the Water and Sewer System Revenue Bond (Taxable – Build America Bond) that was issued in November of 2010) for \$4,495,000. Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 22.28 in fiscal year 2025. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2025, outstanding long-term debt of the refunded bond, including the current amount payable, totaled \$2,975,000. Details of this indebtedness may be found in Note 5 of the financial statements. The refunding issuance resulted in a realized net budgetary savings of \$1,242,262.

RESERVES

Operating Reserve. The Authority has established an operating reserve to provide funds for minor unplanned repairs or significant cash outlays. This type of reserve is also valuable when less than anticipated water consumption occurs, during unusually wet years (less outdoor watering occurs), which generally results in less revenue. As part of the budgeting process, a review of the reserve is performed. This reserve, combined with the 3R Reserve, the Capacity/System Development Reserve and unrestricted cash and investments is to maintain a day's cash on hand floor of 270 days of operating expenses as calculated from the previous fiscal year. Water and wastewater rates are to be set accordingly to ensure these reserves maintain this 270-day target.

Capital Costs and 3R Reserve. The Authority has established a Repair, Replacement and Rehabilitation (3R) Reserve to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets. This reserve is calculated based on the estimated useful life and replacement cost of equipment held by the Authority. For fiscal year 2025, the Authority budgeted \$373,000 for this purpose.

Capacity and System Development Reserve. The Authority has established a Capacity and System Development Reserve to provide funds for capacity or growth-related system development costs or charges. These reserves are funded by the RWSA Capacity Charge and the ACSA System Development Charge which have been designed to offset growth related capital costs of backbone capacity in the ACSA water and sewer system and costs associated with the RWSA's charges to the ACSA that are related to increases in capacity.

LONG-TERM TRENDS

Operations. Careful planning and budgeting in combination with the use of established reserves has been a stabilizing factor in our rate-setting process for many years. This process has allowed our customers (through the years) to realize relatively low rates for the provision of their water and sewer service, particularly as compared to other regional utilities.

With new development, in combination with aging infrastructure, comes the challenge of meeting both the water supply and the sewer treatment needs and requirements of the growing Albemarle community. Since the Authority employs a "pay-as-you-go" methodology of recovering the costs of operations and most capital projects, increased costs will be passed on to our customers through higher rates and fees. Current customers bear the current cost of operations, while future customers, through new development, bear the cost of expansion through connection, development, and capacity fees.

The Authority team is actively engaged in the development of a long-term financial plan which will focus on financial sustainability and affordability for our customers while continuing to address infrastructure and operational needs.

Capital Program. Water capital improvement project projections per year for the next five years range from \$7,400,000 to \$12,900,000 and sewer capital improvement project cost projections per year for the next five years range from \$1,900,000 to \$10,400,000, and facility/non-utility capital project projections per year for the next five years range from \$100,000 - \$8,600,000. The Authority intends to fund these projects using established reserves while evaluating possible debt funding opportunities.

Requests for Information. This financial report is designed to provide a general overview of the Albemarle County Service 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 168 Spotnap Road, Charlottesville, Virginia 22911, through our website www.serviceauthority.org or by telephone (434) 977-4511.

BASIC FINANCIAL STATEMENTS

ALBEMARLE COUNTY SERVICE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	2025	(For Comparative Purposes Only) 2024
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 26,384,489	\$ 29,934,220
Accounts receivable, net (Note 3)	6,037,392	6,046,030
Lease receivable (Note 3)	17,342	18,418
Inventory	686,105	835,623
Prepays	503,813	346,047
Cash and cash equivalents, restricted (Notes 1,2)	798,092	758,057
Total current assets	34,427,233	37,938,395
Noncurrent assets		
Investments (Note 2)	33,042,180	31,405,020
Non-current lease receivable (Note 3)	12,052	27,742
Capital assets: (Note 4)		
Nondepreciable	20,803,028	14,926,582
Depreciable and amortizable, net	172,213,087	170,210,288
Total noncurrent assets	226,070,347	216,569,632
Total assets	260,497,580	254,508,027
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	9,146	10,671
Deferred outflows related to pensions (Note 7)	1,985,199	1,019,374
Deferred outflows related to other postemployment benefits (Notes 8,9)	231,886	136,668
Total deferred outflows of resources	2,226,231	1,166,713
LIABILITIES		
Current liabilities		
Accounts payable	4,703,368	4,060,035
Accrued liabilities	13,535	21,582
Customer deposits	316,920	298,114
Interest payable	38,117	28,956
Compensated absences (Note 5)	323,315	320,015
Unearned revenues	3,406,210	3,511,903
Other post-employment benefits liability due in one year (note 9)	17,933	50,989
Current maturities of long-term debt (Note 5)	543,978	605,544
Total current liabilities	9,363,376	8,897,138
Long-term liabilities		
Compensated absences (Note 5)	1,712,089	1,617,733
Net pension liability (Note 7)	4,150,155	3,030,688
Net other post-employment benefits liability (Notes 8,9)	1,233,560	1,037,734
Long-term debt – due in more than one year (Note 5)	3,038,800	3,582,778
Total long-term liabilities	10,134,604	9,268,933
Total liabilities	19,497,980	18,166,071
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 7)	566,156	294,420
Deferred inflows related to other postemployment benefits (Notes 8,9)	294,002	460,562
Deferred inflows - leases (Note 3)	27,813	44,148
Total deferred inflows of resources	887,971	799,130
NET POSITION		
Net investment in capital assets	187,525,026	178,591,470
Restricted for debt service	337,603	331,089
Unrestricted	54,475,231	57,786,980
Total net position	\$ 242,337,860	\$ 236,709,539

The Notes to Financial Statements are
an integral part of this statement.

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
OPERATING REVENUES		
Water sales	\$ 22,876,443	\$ 21,719,767
Sewer service	18,362,595	17,399,595
Water and sewer connection fees	175,477	178,849
Total operating revenues	41,414,515	39,298,211
OPERATING EXPENSES		
Purchase of bulk water (Note 10)	19,012,443	16,266,189
Purchase of sewer treatment (Note 10)	12,356,107	11,319,500
Depreciation and amortization	4,792,018	4,354,813
Administration	1,301,385	1,179,165
Engineering	2,545,829	2,233,966
Finance	2,782,629	2,708,841
Information Technology	1,818,914	1,610,566
Maintenance	4,562,685	4,215,771
Total operating expenses	49,172,010	43,888,811
Operating loss	(7,757,495)	(4,590,600)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous revenues	546,330	424,691
Lease Revenue - GASB 87	16,335	16,334
Lease/Subscription interest expense	(2,260)	(4,421)
Investment income	2,880,166	2,810,568
Miscellaneous expenses	(71,255)	(676,936)
Bond interest charges	(74,029)	(82,250)
Total nonoperating revenues (expenses)	3,295,287	2,487,986
Loss before capital contributions	(4,462,208)	(2,102,614)
CAPITAL CONTRIBUTIONS (Note 6)	10,090,529	10,495,354
Change in net position	5,628,321	8,392,740
NET POSITION – BEGINNING AT JULY 1, as restated (Note 14)	236,709,539	228,316,799
NET POSITION – ENDING AT JUNE 30	<u>\$ 242,337,860</u>	<u>\$ 236,709,539</u>

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
OPERATING ACTIVITIES		
Cash received from customers	\$ 41,628,912	\$ 38,220,407
Cash paid for goods and services	(34,234,706)	(32,746,840)
Cash paid to employees	(8,782,002)	(8,353,476)
Other receipts	545,519	423,433
Net cash (used in) operating activities	(842,277)	(2,456,476)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributed by developers, customers, and local governments	8,480,456	11,347,105
Principal collected on leases	16,766	15,697
Acquisition of capital assets	(11,820,740)	(7,308,224)
Principal paid on long-term borrowings	(505,784)	(483,169)
Interest paid on long-term borrowings	(165,363)	(192,701)
Proceeds from sale of capital assets	84,240	28,242
Net cash provided by (used in) capital and related financing activities	(3,910,425)	3,406,950
INVESTING ACTIVITIES		
Purchase of investment securities	(21,030,901)	(23,717,083)
Proceeds from sale and maturity of investment securities	17,848,374	22,624,274
Interest received	4,425,533	2,299,029
Net cash provided by investing activities	1,243,006	1,206,220
Net increase (decrease) in cash and cash equivalents	(3,509,696)	2,156,694
CASH AND CASH EQUIVALENTS		
Beginning at July 1	30,692,277	28,535,583
Ending at June 30	\$ 27,182,581	\$ 30,692,277
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 26,384,489	\$ 29,934,220
Cash and cash equivalents, restricted	798,092	758,057
	\$ 27,182,581	\$ 30,692,277

(Continued)

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

	<u>2025</u>	<u>(For Comparative Purposes Only) 2024</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (7,757,495)	\$ (4,590,600)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	4,792,018	4,354,813
Excess of employer contributions over pension expense	425,378	316,743
Excess of employer contributions over other postemployment benefits expense	(99,008)	(165,560)
Other nonoperating revenues/expenses	407,447	349,462
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	8,638	(960,612)
Inventory	149,518	(266,928)
Prepays	(157,766)	(68,946)
Increase (decrease) in:		
Accounts payable	1,093,625	(1,295,051)
Accrued liabilities	(8,047)	(102,580)
Customer deposits	18,806	13,913
Compensated absences	97,656	89,975
Unearned connection fees	186,953	(131,105)
Net cash used in operating activities	<u>\$ (842,277)</u>	<u>\$ (2,456,476)</u>
NONCASH CAPITAL, INVESTING AND RELATED FINANCING ACTIVITIES		
Contributions of capital assets	<u>\$ 1,317,427</u>	<u>\$ 842,890</u>
Capital asset additions financed by accounts payable	<u>\$ 1,917,457</u>	<u>\$ 2,367,749</u>
Increase (decrease) in fair value of investments	<u>\$ (1,545,367)</u>	<u>\$ 511,539</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Albemarle County Service Authority (the Authority) was created by a resolution of the Board of Supervisors (BOS) of Albemarle County, Virginia (the County) in April 1964. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for undertaking projects as may be specified for the distribution and sale of potable water to retail customers and for the collection of wastewater from retail customers and delivery of such wastewater to the Rivanna Water and Sewer Authority (RWSA). The management of the Authority is vested in a board of six members appointed by the County's BOS.

To determine the appropriate reporting entity for the Authority, its relationship with the County was considered. Although the members of the Authority's Board of Directors are appointed by the Board of County Supervisors, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefits to, or impose specific financial burdens on, the County, and the Authority is not fiscally dependent on the County. Accordingly, based on these criteria, the Authority is not included as a component unit in the County's financial statements.

The following is a summary of the Authority's significant accounting policies:

(b) Basis of Presentation and Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary-type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The Authority's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control and accountability.

The Authority follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water consumption and wastewater treatment. Operating expenses consist of bulk water purchases, sewer treatment, administrative expenses, and depreciation of capital assets. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary services.

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, it is the Authority's policy to first apply restricted resources.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

(c) Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less. These amounts consist of reserves for debt service and deposits from customers for service.

Investments include United States government, agency obligations of the Commonwealth of Virginia and its subdivisions, municipal bonds, and commercial paper. All investments are stated at fair value. Interest income from investments is recorded in the year earned.

(d) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

(e) Accounts Receivable

All continuing service receivables are recognized when earned, net of an allowance for uncollectible accounts of \$100,000 at June 30, 2025.

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

(f) Inventory

Inventory is valued using the weighted-average method. Inventories are recorded as an operating expense when consumed rather than when purchased.

(g) Restricted Assets

Restricted assets represent resources designated for specific purposes and include developers' advances and customer deposits.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

(h) Capital Assets

The Authority capitalizes all property and permanent right-of-way easements, equipment, infrastructure assets, leases, and subscription assets with a cost greater than \$5,000 and an estimated useful life of more than one year.

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation and amortization for both purchased and contributed assets is recorded as depreciation and amortization expense on a straight-line basis over the following estimated useful lives:

Land improvements	10-20 years
Structures and improvements	10-60 years
Equipment	3-10 years

Intangible right of use leased assets are capitalized when the total amount of payments over the life of the contract exceed \$50,000 and assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the intangible right of use leased asset is not amortized.

Intangible right of use subscription assets are recorded under GASB Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITAs)*, net of accumulated amortization. SBITAs are capitalized when the total amount of payments over the life of the contract exceed \$50,000 and are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Capital assets, which include lease and subscription assets, are reported in the financial statements.

(i) Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets.

(j) Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for service 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 during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – annual and sick leave. The liability for compensated absences includes salary-related benefits, where applicable.

Annual Leave – Employees of the Authority are granted annual leave in varying amounts based on years of service. In the event of termination, an employee is reimbursed for accumulated annual leave in full.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Sick Leave – Employees of the authority are granted sick leave which accumulates but is not paid out upon an employee's separation of employment. The amount of sick leave that can be accumulated and carried to future years for employee's is capped based on their classification as a Plan 1, Plan 2, or Hybrid employee in Virginia Retirement System (VRS). The Authority uses a five-year look-back period to estimate the amount of sick leave that has been earned and will be used as sick leave over the employee's service period.

(k) Unearned Revenues

Unearned connection fees consist of advances to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay facility fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed. Also included in unearned revenues are over payments by customers that will be recognized as revenue as charges for water/sewer treatment are incurred.

(l) Deferred outflows/inflows of resources

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the Authority is lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relates to future periods, less any lease incentives paid to on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

(m) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pensions and OPEB plans information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Plans net fiduciary 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.

(n) Net Position

Net position is the difference between assets and deferred outflows of resources and 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. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(o) Capital Contributions

Capital contributions are recorded for the receipt of funds, property, lines and improvements by developers, customers, or other governments.

(p) Comparative Information

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

(q) Estimates

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

(r) Accounting Pronouncements

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement 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 as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital asset notes required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 2. 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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The fair value of the position in LGIP is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with GASB Statement No. 79. Due to the nature of LGIP, it is considered a cash and cash equivalent on the Statement of Net Position.

The Authority's investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described herein.

The Authority has recurring fair value measurements as of June 30, 2025. Those include U. S. Bonds, Municipal Notes, and Commercial Paper classified in Level 2 of the fair value hierarchy and valued using prices quoted in active markets for those bonds.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2. Deposits and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that the fair value of the securities in the portfolio will decline due to rising interest rates. Investments are limited to a maximum maturity of five (5) years from the transaction settlement date (with the exception of Agency Mortgage-Backed Securities (“MBS”) which must have a weighted average life (“WAL”) of no more than five (5) years). To manage the volatility of the Investment Portfolio, the Director of Finance shall determine an appropriate duration or weighted average maturity (“WAM”) target for each component of the Investment Portfolio. At no time shall the duration or WAM of any component of the Investment Portfolio exceed three (3) years.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to repay its obligations and may also apply where there is a loss of fair value of the investment due to a deterioration of an issuer’s credit rating.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investments held from a single issuer. The Authority’s investment portfolio as of June 30, 2025, is concentrated in securities issued by the U.S. Treasury (40.6%), Federal Agency Mortgage-Backed Securities (0.8%), Federal Agency Collateralized Mortgage Obligations (0.1%), Federal Agency Commercial Mortgage-Backed Security (13.0%), Supranational (1.2%), Municipal Notes (2%), Commercial Paper (10.5%), Certificate of Deposit (11.3%), Corporate Note (19.9%) and Money Market (0.6%).

The table below details the fair value and rating as determined by Standard & Poor’s for each issuer of the Authority’s investments as well as deposits, as of June 30, 2025:

	Deposits and Investments						
	AAA	A-1+/A-1	A+/A	AA+/AA/AA-	AAAm	Deposits	Total
U.S. Treasury	\$ -	\$ -	\$ -	\$ 13,497,215	\$ -	\$ -	\$ 13,497,215
Lcl Gov Inv Pool	-	-	-	-	18,928,104	-	18,928,104
Fed Agency MBS	-	-	-	259,399	-	-	259,399
Fed Agency CMO	-	-	-	52,649	-	-	52,649
Fed Agency CM-BS	-	-	-	4,329,438	-	-	4,329,438
Supranational	396,044	-	-	-	-	-	396,044
Municipal	-	-	-	655,317	-	-	655,317
Commercial Paper	-	3,496,594	-	-	-	-	3,496,594
Cert of Deposit	-	3,742,752	-	-	-	-	3,742,752
Corporate Note	258,334	628,086	2,111,716	3,614,636	-	-	6,612,772
Money Mkt Fund	-	-	-	-	205,927	-	205,927
Cash	-	-	-	-	-	8,048,550	8,048,550
Total Deposits and Investments	<u>\$ 654,378</u>	<u>\$ 7,867,432</u>	<u>\$ 2,111,716</u>	<u>\$ 22,408,654</u>	<u>\$ 19,134,031</u>	<u>\$ 8,048,550</u>	<u>\$ 60,224,761</u>

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents, unrestricted	\$ 26,384,489
Cash and cash equivalents, restricted	798,092
Investments	33,042,180
Total Deposits and Investments	<u>\$ 60,224,761</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 2. Deposits and Investments (Continued)

	Investment Maturities					
	1 Year	2 Years	3 Years	4 Years	5 Years	>5 Years
U.S. Treasury	\$ -	\$ 7,760,027	\$ 5,737,188	\$ -	\$ -	\$ -
Lcl Gov Inv Pool	18,928,104	-	-	-	-	-
Fed Agency MBS	-	-	-	46,227	-	213,172
Fed Agency CMO	-	-	-	-	-	52,649
Fed Agency CM-BS	580,791	1,787,787	1,860,389	100,471	-	-
Supranational	-	396,044	-	-	-	-
Municipal	81,137	388,764	185,416	-	-	-
Commercial Paper	3,496,594	-	-	-	-	-
Cert of Deposit	3,742,752	-	-	-	-	-
Corporate Note	2,084,766	2,016,777	2,511,229	-	-	-
Money Mkt Fund	205,927	-	-	-	-	-
Cash	8,048,550	-	-	-	-	-
Total Deposits and Investments	<u>\$ 37,168,621</u>	<u>\$ 12,349,399</u>	<u>\$ 10,294,222</u>	<u>\$ 146,698</u>	<u>\$ -</u>	<u>\$ 265,821</u>

Custodial credit risk: Custodial credit risk is the risk that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside custodial party. All securities purchased by the Authority are held in safekeeping by a third-party custodial bank or institution in the Authority's name, and therefore, the Authority is not exposed to custodial credit risk.

Note 3. Accounts and Leases Receivable

Accounts receivable net of allowance consists of the following:

	Billed	Unbilled	Total
Receivables, current:			
Water	\$ 1,637,619	\$ 1,537,883	\$ 3,175,502
Sewer	1,314,494	1,135,652	2,450,146
Other	411,744	-	411,744
	<u>\$ 3,363,857</u>	<u>\$ 2,673,535</u>	<u>\$ 6,037,392</u>

An allowance for doubtful accounts has been established at June 30, 2025, to recognize estimates related to bad debt. For Fiscal Year 2025 and 2024, the allowance for doubtful accounts totals \$100,000 and \$50,000, respectively.

The Authority is a lessor for the use agreement with American Tower. This agreement will expire on March 13, 2027. An initial lease receivable was recorded in the amount of \$76,518. As of June 30, 2025, the value of the lease receivable is \$29,394. The lessee is required to make monthly fixed payments of \$1,535. The lease has an interest rate of 5%. The value of the deferred inflow of resources as of June 30, 2025, was \$27,813.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 4. Capital Assets

Changes in capital assets for the year are as follows:

	Balance July 1, 2024	Additions	Reductions/ Reclassifications	Balance June 30, 2025
Capital assets, not being depreciated				
Land and land rights	\$ 1,914,876	\$ -	\$ -	\$ 1,914,876
Construction in progress	13,011,706	10,540,256	(4,663,810)	18,888,152
Total capital assets, not being depreciated	14,926,582	10,540,256	(4,663,810)	20,803,028
Capital/intangible assets being depreciated and amortized				
Structures and improvements	236,617,809	5,820,542	-	242,438,351
Equipment	6,532,254	990,771	(260,207)	7,262,818
Equipment-leases	56,744	-	(5,620)	51,124
Subscription right-to-use assets	231,119	-	-	231,119
Total capital/intangible assets being depreciated	243,437,926	6,811,313	(265,827)	249,983,412
Less accumulated depreciation and amortization for:				
Structures and improvements	(68,500,382)	(4,269,860)	-	(72,770,242)
Equipment	(4,573,976)	(445,519)	244,139	(4,775,356)
Equipment-lease	(30,016)	(15,008)	5,192	(39,832)
Subscription right-to-use assets	(123,264)	(61,631)	-	(184,895)
Total accumulated depreciation/amortization	(73,227,638)	(4,792,018)	249,331	(77,770,325)
Total capital assets being depreciated/amortization, net	170,210,288	2,019,295	(16,496)	172,213,087
Total capital assets, net	<u>\$ 185,136,870</u>	<u>\$ 12,559,551</u>	<u>\$ (4,680,306)</u>	<u>\$ 193,016,115</u>

Construction commitments:

The Authority's active construction projects as of June 30, 2025, are as follows:

Project	Spent-to-Date	Remaining Commitment
Water line replacements	\$ 6,128,695	\$ 346,573
Wastewater line rehabilitations or relinings	228,040	211,962
Other	4,670,512	12,885,277
	<u>\$ 11,027,247</u>	<u>\$ 13,443,812</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024*	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Refunding bond	\$3,390,000	\$ -	\$(415,000)	\$2,975,000	\$435,000
Issuance Premiums	698,320	-	(99,760)	598,560	99,760
Lease Equipment	24,278	-	(15,060)	9,218	9,218
Subscription Liability	75,724	-	(75,724)	-	-
Compensated absences**	1,937,748	97,656	-	2,035,404	323,315
	<u>\$ 6,126,070</u>	<u>\$ 97,656</u>	<u>\$ (605,544)</u>	<u>\$ 5,618,182</u>	<u>\$ 867,293</u>

*Balances have been restated as a result of GASB 101, *Compensated Absences*

**The change in compensated absences above is a net change for the year.

A single revenue bond for \$10,357,000 was issued as a Build America Bond (BAB) on November 1, 2010. Proceeds from the sale were used to (1) provide new money funding for the North Fork Regional Pump Station project and to (2) pay the cost of issuance. This issuance was refunded on July 21, 2021, through the Virginia Resources Authority (VRA) and its 2021B Pooled Bond issuance. All water and sewer revenues are pledged equally and ratably to secure payment of the principal and interest on the revenue bond. This Bond bears interest at the rate of 5.125%, payable semiannually.

The revenue bond, equipment lease, and subscription liability debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bond		Leases	
	Principal	Interest	Principal	Interest
2026	\$ 435,000	\$ 141,322	\$ 9,218	\$ 53
2027	460,000	118,388	-	-
2028	480,000	94,300	-	-
2029	505,000	69,059	-	-
2030	535,000	42,409	-	-
2031-2035	560,000	14,350	-	-
	<u>\$ 2,975,000</u>	<u>\$ 479,828</u>	<u>\$ 9,218</u>	<u>\$ 53</u>

Lease Liability:

VA Carrol Creek CCI 801475 – Tower Site

The Authority is the lessee for land use at VA Carroll Creek CCI 801475. An initial lease liability was recorded in the amount of \$21,502. As of June 30, 2025, the value of the lease liability is \$2,248. The Authority is required to make fixed monthly payments of \$500 through October 31, 2025, which increases by 4% each year. The Authority uses their incremental borrowing rate to measure their lease liability.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 5. Long-Term Liabilities – Lease Liability (Continued)

Norfolk Southern – Tower Site

The Authority is the lessee for land use at Norfolk Southern. An initial lease liability was recorded in the amount of \$26,024. As of June 30, 2025, the value of the lease liability is \$6,970. The Authority is required to make a fixed annual payment of \$6,490 through November 26, 2026. The Authority uses their incremental borrowing rate to measure their lease liability.

Subscription Liability:

The Authority has a subscription liability for a software platform expiring in 2026. The value of the right-to-use subscription asset and related accumulated amortization as of year-end is disclosed in Note 4. As of June 30, 2025, the Authority had no remaining payments to be made on the subscription required from the original contract. The Authority uses its estimated incremental borrowing rate as the discount rate for subscriptions.

Debt covenants and Federal arbitrage regulations:

The Authority is required to deliver to the Trustee for deposit both interest and principal amounts as prescribed in the Agreement of Trust. The Authority is in compliance with these covenants.

The Authority is required to adhere to the rebate and reporting requirements of the federal tax code pertaining to arbitrage. The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage have been deemed immaterial in relation to the financial statements.

Note 6. Capital Contributions

Capital contributions for the year are summarized as follows:

Developer and customer contributions of capital assets	\$ 1,317,427
Crozet water and sewer – System/capacity fees	1,659,620
Urban water and sewer – System/capacity fees	6,963,470
North Fork Regional Pump Station -- Special rate district fee	<u>150,012</u>
	<u>\$ 10,090,529</u>

Note 7. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of Albemarle County Service Authority, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (“VRS” or 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.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit Pension Plan (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefits structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/retirement-plans/defined-benefit/plan1/>
- <https://www.varetire.org/retirement-plans/defined-benefit/plan2/>
- <https://www.varetirement.org/hybrid.html> .

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>46</u>
Inactive members:	
Vested inactive members	16
Non-vested inactive members	31
Inactive members active elsewhere in VRS	<u>16</u>
Total inactive members	63
Active members	<u>71</u>
Total covered employees	<u><u>180</u></u>

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 Political Subdivision's contractually required contribution rate for the year ended June 30, 2025, was 9.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarial rate for the Political Subdivision's plan was 9.76%

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 Political Subdivision were \$639,687 and \$429,651 for the years ended June 30, 2025, and June 30, 2024, respectively.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit Pension Plan (Continued)

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 \$22,928 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 contribute rate up to 2.5%. This additional employer mandatory contribution totaled \$22,125 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$2,381,736 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability 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 Political Subdivisions, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 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 pension plan investment expense, including inflation

Mortality rates: General employees – 15% to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023, valuation was 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 are as follows:

General Employees - Largest 10 – Non-Hazardous Duty and all Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience, adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale, and no change to discount rate.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target 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 Partnership	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 for a one-year 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 rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14% including expected inflation of 2.50%.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit 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 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 rate. 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 (a) – (b)
Balances at June 30, 2023	\$ 23,821,018	\$ 20,790,330	\$ 3,030,688
Changes for the year:			
Service cost	459,211	-	459,211
Interest	1,591,397	-	1,591,397
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	1,743,112	-	1,743,112
Contributions – employer	-	411,892	(411,892)
Contributions – employee	-	281,764	(281,764)
Net investment income	-	1,993,685	(1,993,685)
Benefit payments, including refunds of employee contributions	(1,407,966)	(1,407,966)	-
Administrative expenses	-	(13,494)	13,494
Other changes	-	406	(406)
Net changes	2,385,754	1,266,287	1,119,467
Balances at June 30, 2024	\$ 26,206,772	\$ 22,056,617	\$ 4,150,155

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision'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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political Subdivision's net pension liability (asset)	\$ 7,741,634	\$ 4,150,155	\$ 1,233,722

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

For the year ended June 30, 2025, the Political Subdivision recognized pension expense of \$1,047,306. At June 30, 2025, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,345,512	\$ -
Net difference between projected and actual earnings on pension plan investments	-	566,156
Employer contributions subsequent to the measurement date	<u>639,687</u>	<u>-</u>
Total	<u>\$ 1,985,199</u>	<u>\$ 566,156</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$639,687 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2026	\$ 327,819
2027	687,339
2028	(112,826)
2029	(122,976)
2030	-
Thereafter	-

Pension Plan Data

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

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Authority also participates in a cost-sharing and agent multi-employer other postemployment benefit plan, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of the Authority are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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

Specific information for the GLI is available at at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB program was based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program is as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.41% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$30,810
June 30, 2024 Contribution	\$32,349

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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

The net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$ 260,345
June 30, 2024 proportion	.02333%
June 30, 2023 proportion	.02412%
June 30, 2025 expense	\$ 13,351

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,062	\$ 6,359
Change of assumptions	1,484	12,902
Net difference between projected and actual earnings on		
OPEB plan investments	-	21,944
Changes in proportionate share	15,852	8,202
Employer contributions subsequent to the		
measurement date	30,810	-
Total	<u>\$ 89,208</u>	<u>\$ 49,407</u>

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Group Life Insurance Program

Year Ended June 30,	Increase/(Reduction) to OPEB Expense
2026	\$ (7,075)
2027	7,425
2028	2,596
2029	3,430
2030	2,615
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, 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:	
• Locality- general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent the total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net OPEB liability (asset)	1,115,922
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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:

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

<u>Asset Class (Strategy)</u>	<u>Target 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	2.40	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 Partnership	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 %		<u>7.07 %</u>
*Expected arithmetic nominal return			<u>7.07 %</u>

- * The above allocation provides for 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 rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ <u>404,870</u>	\$ <u>260,345</u>	\$ <u>143,587</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9. Other Post-Employment Benefits Liability – Local Plan

Plan description

The Authority offers other post-employment benefits (OPEB) under a single employer plan by allowing qualifying retirees to continue to participate in the Authority's health insurance plan. Retirees must pay the cost of the premium but receive an implicit rate subsidy by virtue of participating in the Authority's plan. No assets are accumulated in a trust to pay benefits to the plan.

The Authority's Voluntary Early Retirement Incentive Program (VERIP) provides an additional health insurance subsidy for up to five years for employees who retire and meet the requirements of the plan.

VERIP participants may choose to apply this subsidy to Authority sponsored health insurance premiums or to purchase other insurance. For fiscal year 2025, the Authority's health and benefit contribution was \$870 per month. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first.

**ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Plan Description - Continued

Participants in the Authority's VERIP must meet the following requirements: employees must be eligible for early or full retirement under the provisions of the VRS, must have been employed by the Authority for 10 years prior to retirement, and must be at least 50 years of age. Any employees retiring under the disability provisions of VRS and/or Social Security will not be eligible for VERIP.

Employees Covered by Benefit Terms

As of the June 30, 2024, measurement date, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	1
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	1
Active plan members	<u>81</u>
Total employees covered by benefit terms	<u><u>82</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$991,148 was measured as of June 30, 2025, and was determined based on an actual valuation performed as of July 1, 2024 projected to June 30, 2025.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and other inputs

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

Salary increases, including inflation	3.50% plus the salary merit increases, which are based on the VRS actuarial valuation as of June 30, 2023
Healthcare cost trend rates	4.50% - 8.00%
Retirees' share of benefit-related costs	Retirees are responsible for the full cost of coverage less the VERIP subsidy for those who qualify
Mortality rates	Active employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021; Surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021; Disabled employees and retirees: SOA Pub-2010 Non-Safety Disability Headcount Weighted Mortality Table fully generational using Scale MP-2021

The actuarial assumptions used in the July 1, 2024, valuation was based on the results of an actuarial experience study for the period from July 1, 2024, through June 30, 2025. There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022.

Changes in assumptions and other inputs:

- The Discount rate as of the Measurement Date has been updated from 4.21% as of June 30, 2024, to 5.20% as of June 30, 2025, based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). This change has caused a significant decrease in the Authority's liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
- Health care trend rates have been updated to an initial trend of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5% according to the schedule in the Health Care Trend Rates section of the Actuarial Methods and Assumptions. This change caused an increase in the Authority's liabilities.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2024	
Changes for the year:	\$ 799,449
Service cost	23,485
Interest	34,272
Benefit changes	-
Assumptions or other input changes	9,537
Differences between expected and actual experience	142,338
Benefit payments	(17,933)
Balance at June 30, 2025	<u>\$ 991,148</u>

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

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

	<u>1.00% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1.00% Increase (6.20%)</u>
Total OPEB liability	<u>\$ 1,071,812</u>	<u>\$ 991,148</u>	<u>\$ 918,702</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current healthcare cost trend rates:

	<u>1.00% Decrease (7.00%)</u>	<u>Current Healthcare Cost Trend Rate (8.00%)</u>	<u>1.00% Increase (9.00%)</u>
Total OPEB liability	<u>\$ 901,442</u>	<u>\$ 991,148</u>	<u>\$ 1,093,515</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

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

For the year ended June 30, 2025, the Authority recognized OPEB income of (\$63,616). At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,264	\$ 98,889
Change in assumptions	18,414	145,706
Employer contributions subsequent to the measurement date	N/A	N/A
Total	<u>\$ 142,678</u>	<u>\$ 244,595</u>

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

Year Ending June 30,	(Reduction) to OPEB Expense
2026	\$ (22,026)
2027	(22,027)
2028	(27,014)
2029	(30,850)
2030	-
Thereafter	-

The plan is not administered through a trust, thus, a portion of the total OPEB liability is reported on the statement of net position as current, representing the full amount of benefit payments expected to be paid within one year.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Summary of Other Postemployment Benefit Elements

Deferred outflows of resources - OPEB

Differences between expected and actual experience	
VRS-Group Life Insurance	\$ 41,062
Local Plan	124,264
Changes in proportion	
VRS-Group Life Insurance	15,852
Employer contributions subsequent to the measurement date	
VRS-Group Life Insurance	30,810
Changes of assumptions	
VRS-Group Life Insurance	1,484
Local Plan	18,414
Total deferred outflows of resources - OPEB	<u>\$ 231,886</u>

Total OPEB liability

VRS-Group Life Insurance	\$ 260,345
Local Plan	991,148
Total OPEB liability	<u>\$ 1,251,493</u>

Deferred inflows of resources - OPEB

Differences between expected and actual experience	
VRS- Group Life Insurance	\$ 6,359
Local Plan	98,889
Changes of assumptions	
VRS-Group Life Insurance	12,902
Local Plan	145,706
Changes in proportion	
VRS-Group Life Insurance	8,202
Net difference between projected and actual earnings on plan investments	
VRS-Group Life Insurance	21,944
Total deferred inflows of resources - OPEB	<u>\$ 294,002</u>

OPEB Expense/(Income)

VRS-Group Life Insurance	\$ 13,351
Local Plan	(63,616)
Total OPEB Expense/(Income)	<u>\$ (50,265)</u>

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 10. Service Contracts

The Authority purchases all water and sewage treatment services from RWSA. These purchases amounted to \$19,012,443 for water and \$12,356,107 for sewage treatment services for the current year.

RWSA was formed in 1972 as a joint venture of the City of Charlottesville, the County of Albemarle, and the Authority. The RWSA operates under the terms of a Service Agreement which was signed in 1973 and is expected to continue indefinitely. Under the terms of the agreement, as well as several supplemental agreements since that time, the City of Charlottesville and the Authority have covenanted to purchase water and sewer services from RWSA. RWSA constructs and maintains the capital assets necessary to provide these water and sewer services and has issued debt to fund these projects. RWSA's charges to the Authority included a component for operations as well as a component for current and future estimated debt service.

In the current year, the charges that were associated with debt service were \$16,007,184.

Note 11. Risk Management

The Risk Management Programs of the Authority are as follows:

The Authority is a member of the Virginia Risk Sharing Association (V.R.S.A.). The liability coverage includes local government liability, auto, property, boiler/machinery, Cyber Liability, fidelity/crime, workers compensation and general liability coverages. VML Insurance program is a self-administered risk pool which, for premiums paid, protects Virginia State and local government entities. Settlement amount under these policies have not exceeded insurance coverage for the last three fiscal years.

The limits of the pools' liability to the Authority are as follows:

- Local Government Liability – \$1,000,000
- Auto – \$1,000,000
- Property – \$27,186,427
- Boiler/Machinery – \$15,000,000
- Cyber Liability - \$1,000,000
- Fidelity/Crime – \$250,000
- Excess Liability – \$1,000,000 (plus Excess of \$4,000,000)
- Workers Compensation – Specific excess limits as per statute, aggregate excess limits up to the limits of the Aggregate Excess Loss Fund. Employers' Liability: \$1,000,000 for each bodily injury accident for each employee.

The Authority continues to carry commercial insurance for all other risks of loss, namely employee health insurance. Claims have not exceeded coverage for the last three fiscal years.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Note 12. Deferred Compensation Plan

Since 1988 the Authority has offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a maximum of 100% of their salary or \$23,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 13. Contingency – Off-Site Extensions

Off-site extensions of water and/or sanitary sewer lines to serve new developments shall be the responsibility of the developer. An off-site extension is defined as an extension of a water and/or sanitary sewer line by a developer from the developer's property boundary as determined by the Authority to existing Authority facilities. Under specific circumstances, upon completion of the project and acceptance into the Authority's system, the Authority shall enter into a written agreement granting the developer credit against future water and/or sewer system development charges. The credit can only be used for the property for which the off-site extension is constructed. The credit does not constitute a priority for water or sewer service. As water and/or sewer connections are made, the developer must use its existing credit first. The credit shall expire ten years after acceptance of the off-site water and/or sewer line extension into the Authority's system. If all requirements for use of credits are met, the total amount of unrecorded but potential credits is \$572,940 at June 30, 2025.

Note 14. Restatement of Beginning Net Position

For the year ended June 30, 2025, the Authority adopted GASB **Statement No. 101, *Compensated Absences***, which requires liabilities for compensated absence to be recognized when leave has not been used and may be paid in future reporting periods. Implementation of the statement requires a restatement of net position in the earliest year presented. The Authority's restatement of net position is summarized below.

Net position, July 1 2023, as previously reported	\$ 229,521,670
Effects on adopting GASB 101	<u>(1,204,871)</u>
Net position, July 1, 2023, as restated	<u><u>\$ 228,316,799</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 4

ALBEMARLE COUNTY SERVICE AUTHORITY REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS June 30, 2025

	Fiscal Years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 459,211	\$ 445,651	\$ 351,756	\$ 337,400	\$ 334,646	\$ 288,386	\$ 282,089	\$ 302,117	\$ 306,250	\$ 319,994
Interest on total pension liability	1,591,397	1,502,954	1,397,239	1,287,748	1,177,200	1,117,629	1,062,604	1,021,852	971,270	945,438
Changes in assumptions	-	-	-	264,750	-	511,046	-	(261,995)	-	-
Difference between expected and actual experience	1,743,112	559,609	538,017	(11,769)	713,793	132,308	19,186	57,961	(77,660)	(456,292)
Benefit payments, including refunds of employee contributions	(1,407,966)	(1,015,058)	(614,462)	(601,130)	(574,638)	(576,372)	(579,237)	(496,301)	(458,221)	(421,994)
Net change in total pension liability	2,385,754	1,493,156	1,672,550	1,276,999	1,651,001	1,472,997	784,642	623,634	741,639	387,146
Total pension liability – beginning	23,821,018	22,327,862	20,655,312	19,378,313	17,727,312	16,254,315	15,469,673	14,846,039	14,104,400	13,717,254
Total pension liability – ending	26,206,772	23,821,018	22,327,862	20,655,312	19,378,313	17,727,312	16,254,315	15,469,673	14,846,039	14,104,400
Plan Fiduciary Net Position										
Contributions – employer	411,892	395,860	327,839	303,643	245,116	234,877	244,563	235,653	330,458	317,575
Contributions – employee	281,764	269,490	239,518	222,626	219,505	207,077	188,757	181,895	177,386	171,283
Net investment income (loss)	1,993,685	1,278,506	(27,011)	4,326,251	297,306	983,842	1,024,636	1,516,452	217,142	535,330
Benefit payments, including refunds of employee contributions	(1,407,966)	(1,015,058)	(614,462)	(601,130)	(574,638)	(576,372)	(579,237)	(496,301)	(458,221)	(421,994)
Administrative expenses	(13,494)	(12,816)	(12,336)	(10,552)	(10,040)	(9,615)	(8,793)	(8,670)	(7,476)	(7,154)
Other	406	515	467	410	(354)	(620)	(913)	(1,352)	(91)	(110)
Net change in plan fiduciary net position	1,266,287	916,497	(85,985)	4,241,248	176,895	839,189	869,013	1,427,677	259,198	594,930
Plan fiduciary net position – beginning	20,790,330	19,873,833	19,959,818	15,718,570	15,541,675	14,702,486	13,833,473	12,405,796	12,146,598	11,551,668
Plan fiduciary net position – ending	22,056,617	20,790,330	19,873,833	19,959,818	15,718,570	15,541,675	14,702,486	13,833,473	12,405,796	12,146,598
Net pension liability – ending	\$ 4,150,155	\$ 3,030,688	\$ 2,454,029	\$ 695,494	\$ 3,659,743	\$ 2,185,637	\$ 1,551,829	\$ 1,636,200	\$ 2,440,243	\$ 1,957,802
Plan fiduciary net position as a percentage of total pension liability	84%	87%	89%	97%	81%	88%	90%	89%	84%	86%
Covered payroll	\$ 5,990,471	\$ 5,681,014	\$ 5,018,813	\$ 4,653,342	\$ 4,596,106	\$ 4,325,421	\$ 3,922,995	\$ 3,757,862	\$ 3,635,900	\$ 3,474,178
Net pension liability as a percentage of covered payroll	69%	53%	49%	15%	80%	51%	40%	44%	67%	56%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2015 information was presented in the entity's fiscal year 2016 financial report.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2025

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a percentage of Covered Payroll
2016	\$ 330,458	\$ 330,458	\$ -	\$ 3,635,900	9.09%
2017	235,653	235,653	-	3,757,862	6.27%
2018	244,561	244,561	-	3,922,995	6.23%
2019	234,877	234,877	-	4,325,421	5.43%
2020	245,110	245,110	-	4,596,106	5.33%
2021	313,643	313,643	-	4,653,342	6.74%
2022	339,261	339,261	-	5,018,813	6.76%
2023	404,845	404,845	-	5,681,014	7.13%
2024	429,651	429,651	-	5,990,471	7.17%
2025	639,687	639,687	-	6,555,301	9.76%

ALBEMARLE COUNTY SERVICE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
June 30, 2025

	<u>Plan Year 2025</u>	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Total OPEB Liability							
Service cost	\$ 23,485	\$ 51,369	\$ 49,323	\$ 65,346	\$ 57,968	\$ 74,812	\$ 68,079
Interest on total OPEB liability	34,272	41,005	37,490	24,509	27,390	55,438	67,654
Difference between expected and actual experience	9,537	(68,918)	30,645	(120,515)	(4,522)	(632,618)	(250,714)
Changes in assumptions	142,338	(139,752)	(3,117)	(118,432)	39,416	36,551	41,846
Benefit payments	<u>(17,933)</u>	<u>(50,989)</u>	<u>(29,548)</u>	<u>(45,269)</u>	<u>(31,166)</u>	<u>(102,307)</u>	<u>(102,268)</u>
Net change in total OPEB liability	191,699	(167,285)	84,793	(194,361)	89,086	(568,124)	(175,403)
Total OPEB liability - beginning	<u>799,449</u>	<u>966,734</u>	<u>881,941</u>	<u>1,076,302</u>	<u>987,216</u>	<u>1,555,340</u>	<u>1,730,743</u>
Total OPEB liability - ending	<u>\$ 991,148</u>	<u>\$ 799,449</u>	<u>\$ 966,734</u>	<u>\$ 881,941</u>	<u>\$ 1,076,302</u>	<u>\$ 987,216</u>	<u>\$ 1,555,340</u>
 Covered employee payroll	 <u>\$ 6,771,724</u>	 <u>\$ 6,339,643</u>	 <u>\$ 5,916,996</u>	 <u>\$ 5,262,437</u>	 <u>\$ 4,686,463</u>	 <u>\$ 4,583,540</u>	 <u>\$ 4,404,509</u>
 Total OPEB liability as a percentage of covered payroll	 <u>14.6%</u>	 <u>12.6%</u>	 <u>16.3%</u>	 <u>16.8%</u>	 <u>23.0%</u>	 <u>21.5%</u>	 <u>35.3%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available. Assets are not accumulated or administered through a trust.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

June 30, 2025

Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
VRS - Group Life Insurance - General Employees					
2018	\$ 20,401	\$ 20,401	\$ -	\$ 3,922,995	0.52%
2019	22,492	22,492	-	4,325,421	0.52%
2020	23,898	23,898	-	4,596,106	0.52%
2021	25,130	25,130	-	4,653,342	0.54%
2022	27,102	27,102	-	5,018,813	0.54%
2023	30,677	30,677	-	5,681,014	0.54%
2024	32,349	32,349	-	5,990,471	0.54%
2025	30,810	30,810	-	6,555,301	0.47%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

June 30, 2025

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered- Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
VRS - Group Life Insurance - General Employees					
2018	0.02038%	\$ 307,000	\$ 3,757,862	8.17%	48.86%
2019	0.02063%	313,000	3,922,995	7.98%	51.22%
2020	0.02206%	358,975	4,325,421	8.30%	52.00%
2021	0.02233%	372,651	4,596,106	8.11%	52.64%
2022	0.02254%	262,427	4,653,342	5.64%	67.45%
2023	0.02307%	277,785	5,018,813	5.53%	67.21%
2024	0.02412%	289,274	5,681,014	5.09%	69.30%
2025	0.02333%	260,345	5,990,471	4.35%	73.41%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

ALBEMARLE COUNTY SERVICE AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2025

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation was 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:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdraw rates to better fit experience at each age and service through 9 years of service.
- No change in disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdraw rates to better fit experience at each age and service through 9 years of service.
- No change in disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Note 3. Local Voluntary Early Retirement Incentive Plan

Assets are not accumulated or administered through a trust.

STATISTICAL SECTION

The statistical section of the Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information say about the Authority's overall financial health. This information has not been audited by the independent auditor.

Contents

Financial Trends

Tables 1-2

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

Revenue Capacity

Tables 3-5

These schedules contain information to help the reader assess the Authority's most significant revenue sources.

Debt Capacity

Table 6-7

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

Demographic and Economic Information

Tables 8-9

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

Operating Information

Tables 10-17

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Table 1

**ALBEMARLE COUNTY SERVICE AUTHORITY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2016	2017	2018*	2019	2020	2021	2022	2023**	2024***	2025
Business-type activities										
Net investment in capital assets	\$ 126,311,674	\$ 131,997,020	\$ 140,238,885	\$ 148,180,254	\$ 156,610,823	\$ 165,640,741	\$ 172,031,606	\$ 175,247,805	\$ 178,591,470	\$ 187,525,026
Restricted for debt service	240,591	247,015	255,835	264,343	269,790	272,895	314,718	331,531	331,089	337,603
Unrestricted	24,423,916	29,077,339	36,007,519	37,580,516	43,394,497	46,047,071	47,742,895	53,942,334	57,786,980	54,475,231
Total business-type activities net position	<u>\$ 150,976,181</u>	<u>\$ 161,321,374</u>	<u>\$ 176,502,239</u>	<u>\$ 186,025,113</u>	<u>\$ 200,275,110</u>	<u>\$ 211,960,707</u>	<u>\$ 220,089,219</u>	<u>\$ 229,521,670</u>	<u>\$ 236,709,539</u>	<u>\$ 242,337,860</u>

* GASB Statement No. 75 was adopted in fiscal year 2018. Information from previous years presented is unavailable.

** GASB Statement No. 87 was adopted in fiscal year 2023. Information from previous years presented is unavailable.

***GASB Statement No. 101 was adopted in fiscal year 2025 and restated balances for 2024. Information from previous years presented is unavailable.

Table 2

ALBEMARLE COUNTY SERVICE AUTHORITY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating expenses										
Operating expenses:										
Water	\$ 11,872,889	\$ 12,816,458	\$ 13,029,366	\$ 13,762,043	\$ 14,934,749	\$ 15,418,833	\$ 17,649,112	\$ 20,218,241	\$ 23,311,634	\$ 26,898,663
Sewer	9,766,413	9,613,692	9,664,393	12,468,623	12,201,559	13,285,061	13,545,928	14,746,778	16,222,364	17,481,329
Other	3,158,144	3,302,779	3,336,765	3,625,254	3,669,899	3,898,244	4,114,076	4,305,016	4,354,813	4,792,018
Total operating expenses	<u>\$ 24,797,446</u>	<u>\$ 25,732,929</u>	<u>\$ 26,030,524</u>	<u>\$ 29,855,920</u>	<u>\$ 30,806,207</u>	<u>\$ 32,602,138</u>	<u>\$ 35,309,116</u>	<u>\$ 39,270,035</u>	<u>\$ 43,888,811</u>	<u>\$ 49,172,010</u>
Operating revenues										
Charges for services:										
Water	\$ 12,564,711	\$ 13,916,547	\$ 14,221,088	\$ 14,365,666	\$ 15,839,848	\$ 15,919,103	\$ 17,545,859	\$ 18,720,236	\$ 21,719,767	\$ 22,876,443
Sewer	10,895,970	11,869,460	12,232,244	12,688,282	13,662,193	13,964,581	15,279,189	15,332,086	17,399,595	18,362,595
Connection	329,384	359,660	331,838	356,398	367,451	141,043	131,415	178,642	178,849	175,477
Total operating revenues	<u>\$ 23,790,065</u>	<u>\$ 26,145,667</u>	<u>\$ 26,785,170</u>	<u>\$ 27,410,346</u>	<u>\$ 29,869,492</u>	<u>\$ 30,024,727</u>	<u>\$ 32,956,463</u>	<u>\$ 34,230,964</u>	<u>\$ 39,298,211</u>	<u>\$ 41,414,515</u>
Net (expense) revenue	<u>\$ (1,007,381)</u>	<u>\$ 412,738</u>	<u>\$ 754,646</u>	<u>\$ (2,445,574)</u>	<u>\$ (936,715)</u>	<u>\$ (2,577,411)</u>	<u>\$ (2,352,653)</u>	<u>\$ (5,039,071)</u>	<u>\$ (4,590,600)</u>	<u>\$ (7,757,495)</u>
Nonoperating revenues and expenses										
Investment earnings	\$ 215,035	\$ 59,576	\$ 348,572	\$ 946,599	\$ 733,385	\$ 82,900	\$ (631,795)	\$ 1,084,854	\$ 2,810,568	\$ 2,880,166
Miscellaneous revenues	363,029	412,944	552,586	51,050	333,752	548,486	381,926	462,076	441,025	562,665
Capital contributions	9,468,629	9,717,312	15,173,477	11,632,967	14,334,718	14,080,638	11,292,904	13,246,309	10,495,354	10,090,529
Other expenses	(288,381)	(257,377)	(293,343)	(662,168)	(215,143)	(449,016)	(561,870)	(321,717)	(763,607)	(147,544)
Total nonoperating revenues and expenses	<u>\$ 9,758,312</u>	<u>\$ 9,932,455</u>	<u>\$ 15,781,292</u>	<u>\$ 11,968,448</u>	<u>\$ 15,186,712</u>	<u>\$ 14,263,008</u>	<u>\$ 10,481,165</u>	<u>\$ 14,471,522</u>	<u>\$ 12,983,340</u>	<u>\$ 13,385,816</u>
Change in net position	<u>\$ 8,750,931</u>	<u>\$ 10,345,193</u>	<u>\$ 16,535,938</u>	<u>\$ 9,522,874</u>	<u>\$ 14,249,997</u>	<u>\$ 11,685,597</u>	<u>\$ 8,128,512</u>	<u>\$ 9,432,451</u>	<u>\$ 8,392,740</u>	<u>\$ 5,628,321</u>

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(IN MILLIONS OF GALLONS)**

48

Table 4

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER RATES
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Monthly Service Charge¹	\$ 7.40	\$ 7.73	\$ 7.92	\$ 8.16	\$ 8.57	\$ 8.57	\$ 9.00	\$ 9.45	\$ 10.40	\$ 11.13
Water Volume										
Single-family/Non-Residential										
0 - 3,000	3.80	3.99	4.11	4.27	4.48	4.48	4.70	5.05	5.56	5.95
3,001 - 6,000	7.60	7.98	8.22	8.55	8.98	8.98	9.43	10.14	11.15	11.93
6,000 - 9,000	11.40	11.97	12.33	12.82	13.46	13.46	14.13	15.19	16.71	17.88
Over 9,000	15.20	15.96	16.44	17.10	17.96	17.96	18.86	20.27	22.30	23.86
Multi-family/Non-Residential										
All Metered Consumption	7.33	7.70	7.93	8.25	8.66	8.66	9.09	10.14	11.15	11.93
Sewer Volume	8.10	8.50	8.67	8.93	9.47	9.47	9.94	10.24	11.06	11.83

¹ Monthly Service charge varies based on meter size. The amount represented here is for our standard 3/4" meters.

Table 5

**ALBEMARLE COUNTY SERVICE AUTHORITY
TOP TEN REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2025			Fiscal Year 2016		
	Water Billed (in gallons)	Rank	Percent of Total Water Sales	Water Billed (in gallons)	Rank	Percent of Total Water Sales
Martha Jefferson Hospital	26,121,926	1	1.45 %	19,754,000	5	1.23 %
PR Charger C'ville Holdings	25,905,902	2	1.44	18,254,600	8	1.13
University of Virginia	24,442,581	3	1.36	23,763,600	2	1.47
County of Albemarle	21,801,642	4	1.21	23,768,900	1	1
Four Seasons Apts.	21,463,056	5	1.19	17,770,000	9	1.10
Southwood Mobile Homes	21,208,830	6	1.18	20,674,000	3	1.28
Turtle Creek Apts.	19,137,135	7	1.07	-	-	0.00
SEMF Charleston	17,751,621	8	0.99	20,018,400	4	1
Westminster Canterbury	17,259,880	9	0.96	17,650,000	10	1.10
Barracks West Apartments	16,899,102	10	0.94	19,664,600	6	1.22
Alb./Charlottesville Regional Jail.	-	-	-	18,307,000	7	1.14
	211,991,675		11.80%	199,625,100		12.39%
Total water consumption:	1,796,772,022			1,611,141,900		
Customer	Fiscal Year 2025			Fiscal Year 2016		
	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales
PR Charger C'ville Holdings	25,905,902	1	1.66 %	18,254,600	5	1 %
University of Virginia	24,364,052	2	1.56	22,245,700	1	1.65
Southwood Mobile Homes	22,980,200	3	1.48	-	-	-
Four Seasons Apts.	21,463,056	4	1.38	17,770,000	6	1
Turtle Creek Apts.	19,080,246	5	1.23	17,301,000	7	1.28
SEMF Charleston	17,751,621	6	1.14	20,018,400	2	1.49
Barracks West Apartments	16,799,102	7	1.08	19,664,000	3	1.46
Martha Jefferson Hospital	16,684,758	8	1.07	-	-	-
Westminster Canterbury	16,445,880	9	1.06	17,129,000	8	1.27
Westgate Apts.	14,270,934	10	0.92	13,489,000	10	1.00
Alb./Charlottesville Regional Jail	-	-	-	18,307,000	4	1.36
County of Albemarle	-	-	-	15,019,700	9	1.11
	195,745,751		12.57%	179,198,400		13.30%
Total sewer usage:	1,557,280,916			1,347,671,169		

Table 6

**ALBEMARLE COUNTY SERVICE AUTHORITY
OUTSTANDING DEBT PER CONNECTION, PER CAPITA,
AND DEBT PER CAPITA AS A PERCENTAGE OF INCOME PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Outstanding Revenue Bond	Lease & Subscription	Total Long-Term Liabilities	Number of ¹ Connections	Debt per Connection (3) = (1)/(2)	Estimated ² Population Served (4) = (2) * 2.5	Debt per Capita (5) = (1)/(4)	Income ³ per Capita (6)	Debt per Capita as a % Income per Capita (7) = (5)/(6)
			(1)	(2)	(3)	(4)	(5)	(6)	(7)
2016	\$ 8,352,000	\$ -	\$ 8,352,000	18,764	\$ 445.11	46,910	\$ 178.04	\$ 60,294	0.2953 %
2017	7,903,000	-	7,903,000	19,257	410.40	48,143	164.16	60,964	0.2693
2018	7,440,000	-	7,440,000	19,738	376.94	49,345	150.78	67,630	0.2229
2019	6,963,000	-	6,963,000	20,252	343.82	50,630	137.53	74,613	0.1843
2020	6,472,000	-	6,472,000	20,787	311.35	51,968	124.54	74,613	0.1669
2021	5,966,000	-	5,966,000	21,238	280.91	53,095	112.36	77,657	0.1447
2022	5,057,840	-	5,057,840	21,595	234.21	53,988	93.69	77,606	0.1207
2023	4,583,080	188,171	4,771,251	22,138	215.52	55,345	86.21	85,867	0.1004
2024	4,088,320	100,002	4,188,322	22,640	185.00	56,600	74.00	91,201	0.0811
2025	3,573,560	9,218	3,582,778	23,064	155.34	57,660	62.14	102,987	0.0603

¹ Connections from Table 12

² The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 8 which is representative of the entire county.

³ Per capita income data from Table 8 (Source: U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area)

Note: The Authority is not subject to legal debt limitations, and has issued no debt which is overlapping with other jurisdictions during the last ten fiscal years.

Table 7

**ALBEMARLE COUNTY SERVICE AUTHORITY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Direct Operating Expense¹	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2016	\$ 33,965,596	\$ 21,639,302	\$ 12,326,294	\$ 436,000	\$ 395,056	\$ 831,056	14.83
2017	36,457,609	22,430,150	14,027,459	449,000	374,726	823,726	17.03
2018	42,975,439	22,693,759	20,281,680	463,000	353,776	816,776	24.83
2019	40,149,708	26,230,666	13,919,042	477,000	332,183	809,183	17.20
2020	45,373,703	27,136,308	18,237,395	491,000	309,946	800,946	22.77
2021	44,736,751	28,703,894	16,032,857	506,000	287,044	793,044	20.22
2022	43,999,498	31,195,040	12,804,458	335,000	235,937	570,937	22.43
2023	49,024,203	34,965,018	14,059,185	375,000	102,153	477,153	29.46
2024	53,045,158	39,533,998	13,511,160	395,000	82,250	477,250	28.31
2025	54,947,875	44,379,992	10,567,883	415,000	74,029	489,029	21.61

¹Excluding depreciation and amortization

Table 8

**ALBEMARLE COUNTY SERVICE AUTHORITY
COUNTY DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Calendar Year	Population ¹	Personal Income ²	Per Capita Income ²	Per Capita Income as Percent (%) of U.S. Average ²	School Enrollment ³	Unemployment Rate ⁴
2015	105,703	\$ 8,795,194,000	\$ 58,603	127 %	13,737	3.7 %
2016	106,878	9,182,721,000	60,294	125	13,792	3.5
2017	107,702	9,375,633,000	60,964	124	13,910	3.3
2018	108,718	10,531,351,000	67,630	131	14,013	2.7
2019	109,330	11,702,008,000	74,613	137	14,435	2.5
2020	112,395	12,160,701,000	77,657	138	13,532	5.4
2021	113,535	12,230,910,000	77,606	130	13,749	3.2
2022	114,534	13,670,666,000	85,867	134	13,970	2.7
2023	115,676	14,583,689,000	91,201	132	13,821	2.6
2024	117,313	16,545,814,000	102,987	140	14,173	3.7

¹ U.S. Census Bureau (estimates based on July 1)

² U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area, Personal Income, Population, Per Capita Personal Income

³ County of Albemarle, Department of Education

⁴ Virginia Labor Market Information, www.virginialmi.com

Calendar year 2025 statistics for the table above are not yet available.

Table 9

**ALBEMARLE COUNTY SERVICE AUTHORITY
TEN LARGEST EMPLOYERS (ALBEMARLE COUNTY)
CURRENT YEAR AND NINE YEARS AGO**

Employer	Estimated Product/Service	(1) Estimated Employment in 2025	Rank in 2025	(1) Estimated Employment in 2016	Rank in 2016
University of Virginia/Blue Ridge Hospital	Higher education	1,000 - over	1	1,000 - over	1
County of Albemarle	Local government	1,000 - over	2	1,000 - over	2
Sentara Healthcare/Martha Jefferson Hospital	Health care	1,000 - over	3	1,000 - over	3
U.S. Department of Defense	National security	1,000 - over	4	500-999	5
Crutchfield Corporation	Electronic retailers	500 - 999	5	250 - 499	9
Northrop Grumman Corporation	Computer & electronic mfg.	500 - 999	6	500 - 999	6
Wal-Mart	Department stores	250 - 499	7	250 - 499	8
Piedmont Virginia Community College	Higher education	250 - 499	8	500 - 999	7
Atlantic Coast Athletic Club	Fitness center	250 - 499	9	-	-
Boar's Head Inn	Hotel/resort	250 - 499	10	-	-
State Farm Insurance	Insurance Services	-	-	1,000 - over	4
University of Virginia Medical Center	Health Care	-	-	500- 999	10

Source: Virginia Employment Commission

(1) Actual number of employees not available

Table 10

**ALBEMARLE COUNTY SERVICE AUTHORITY
FULL-TIME EMPLOYEES
LAST TEN FISCAL YEARS**

Department	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration/I.T.	10	10	10	10	10	10	11	11	12	14
Finance	16	16	17	17	17	17	17	17	17	18
Engineering	16	16	16	17	17	17	17	17	17	18
Maintenance	32	33	33	33	33	34	34	34	34	34
Total	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>77</u>	<u>78</u>	<u>79</u>	<u>79</u>	<u>80</u>	<u>84</u>

Table 11

**ALBEMARLE COUNTY SERVICE AUTHORITY
OPERATING INDICATORS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
New connections	298	493	481	514	535	451	357	543	502	424
Water meters read ¹	231,275	235,879	241,978	248,182	254,786	260,699	265,753	271,418	277,998	283,742
Service orders processed ²	12,405	16,988	12,055	8,179	11,091	10,640	8,306	7,988	5,162	4,876
Water main breaks	6	5	11	12	6	9	6	14	10	7
Sewer overflows	3	2	4	7	2	6	8	6	3	5
Sewer blockages	3	2	5	8	2	5	1	3	3	7

¹ Number of meters read for billing.

² Includes new service requests, requests for disconnection, meter installations & exchanges, investigations, and miscellaneous customer requests.

Table 12

**ALBEMARLE COUNTY SERVICE AUTHORITY
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Number of water connections	18,764	19,257	19,738	20,252	20,787	21,238	21,595	22,138	22,640	23,064
Number of sewer connections	15,805	16,299	16,764	17,273	17,803	18,257	18,611	19,146	19,650	20,076
Miles of water lines	338.52	344.76	349.40	353.10	357.81	363.79	373.97	374.29	377.84	380.10
Miles of sewer lines	281.67	288.17	292.70	297.60	301.12	316.06	323.52	315.63	318.64	321.10
Fire hydrants	2,511	2,590	2,650	2,747	2,818	3,023	3,137	3,146	3,142	3,199
Water pumping stations	9	8	8	9	9	9	9	9	8	8
Sewer pumping stations	12	12	12	12	12	11	11	10	10	10
Water storage tanks	8	8	8	8	8	8	8	8	7	7

Table 13

**ALBEMARLE COUNTY SERVICE AUTHORITY
REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year		Service Charges		Connection Charges		Rental Income		Interest/Investment Earnings(Loss)		Other		Total
2016	\$	23,460,681	\$	117,728	\$	27,645	\$	215,035	\$	675,878	\$	24,496,967
2017		25,786,007		138,553		17,213		59,576		738,948		26,740,297
2018		26,453,332		140,451		16,603		348,572		843,004		27,801,962
2019		27,053,948		135,007		16,603		946,599		364,584		28,516,741
2020		29,502,041		147,876		16,603		733,385		639,080		31,038,985
2021		29,883,684		141,043		15,539		82,900		532,947		30,656,113
2022		32,825,048		131,415		18,357		(631,796)		363,569		32,706,593
2023		34,052,322		178,642		270		1,084,854		461,806		35,777,894
2024		39,119,362		178,849		-		2,810,568		441,025		42,549,804
2025		41,239,038		175,477		-		2,880,166		562,665		44,857,346

Table 14

**ALBEMARLE COUNTY SERVICE AUTHORITY
EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year		Water & Sewer Costs		Departmental Operating Expenses		Bond Interest Charges		Depreciation		Other		Total
2016	\$	14,795,643	\$	6,843,659	\$	395,056	\$	3,158,144	\$	22,163	\$	25,214,665
2017		14,928,569		7,501,581		374,726		3,302,779		4,761		26,112,416
2018		15,289,280		7,404,479		353,776		3,336,765		55,201		26,439,501
2019		18,154,657		8,076,009		332,183		3,625,254		438,731		30,626,834
2020		18,694,581		8,441,727		309,946		3,669,899		7,553		31,123,706
2021		19,858,509		8,845,385		287,044		3,898,244		161,972		33,051,154
2022		21,923,767		9,271,273		235,937		4,114,076		325,933		35,870,986
2023		24,189,739		10,775,280		102,153		4,305,016		219,564		39,591,752
2024		27,585,689		11,948,309		82,250		4,354,813		681,357		44,652,418
2025		31,368,550		13,011,442		74,029		4,792,018		73,515		49,319,554

Table 15

ALBEMARLE COUNTY SERVICE AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
June 30, 2025

Insurer	Type of Coverage	Policy Number	Policy Period From To	Annual Premium
Virginia Risk Sharing Association	Local Government Liability Boiler & Machinery Cyber Liability General Business Policy: Auto General Liability/Excess Property Fidelity & Crime Workers' Compensation	P-2024-2025-VRSA-0107-1	7/1/2024 6/30/2025	\$134,066

Table 16

**ALBEMARLE COUNTY SERVICE AUTHORITY
BILLED SERVICES AND CONNECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Water Connections	Water Billions Gallons	Consumption Ratio Water/Sewer	Sewer Billions Gallons	Sewer Connections
2016	18,764	1.61	1.2	1.35	15,805
2017	19,257	1.70	1.2	1.41	16,299
2018	19,738	1.68	1.2	1.41	16,764
2019	20,252	1.63	1.2	1.41	17,273
2020	20,787	1.68	1.2	1.45	17,803
2021	21,238	1.70	1.1	1.48	18,257
2022	21,595	1.78	1.1	1.55	18,611
2023	22,138	1.74	1.2	1.51	19,146
2024	22,640	1.81	1.2	1.57	19,650
2025	23,064	1.77	1.1	1.56	20,076

Table 17

**ALBEMARLE COUNTY SERVICE AUTHORITY
CONSTRUCTION ACTIVITY, PROPERTY VALUE, AND CASH EQUIVALENTS
LAST TEN FISCAL YEARS**

Fiscal Year		Construction		Property Value		Cash & Cash Equivalents
2015	\$	8,531,307	\$	120,017,051	\$	23,466,968
2016		8,420,418		125,645,948		24,367,711
2017		11,673,410		127,628,676		30,010,727
2018		6,325,642		140,750,579		38,385,906
2019		9,392,718		145,137,081		40,275,478
2020		8,448,320		154,012,341		45,017,607
2021		8,639,796		162,344,686		21,749,451
2022		15,581,064		161,494,661		23,200,232
2023		11,563,824		168,443,035		28,535,583
2024		13,011,706		172,125,164		30,692,277
2025		18,888,152		174,127,963		27,182,581

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

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

To the Honorable Members of the Board of the Board of Directors
Albemarle County Service Authority
Charlottesville, 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 Albemarle County Service Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 4, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified.**



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 4, 2025

Albemarle County Service Authority

Summary of Compliance Matters

Year Ended June 30, 2025

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Conflicts of Interest