



RAPIDAN SERVICE AUTHORITY

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2024

**SERVING ORANGE & MADISON
COUNTIES, VIRGINIA**

**RAPIDAN SERVICE AUTHORITY
RUCKERSVILLE, VIRGINIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2024**

Serving Orange and Madison Counties, Virginia

Prepared by the Accounting Department

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2024**

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RAPIDAN SERVICE AUTHORITY

BOARD MEMBERS

Madison County: Troy Copping, Vice Chairman
 Pete Elliott

Orange County: Mark Johnson, Chairman
 Keith Marshall
 Theodore "Ted" Voorhees

OFFICERS

Timothy L. Clemons, Secretary-Treasurer

Timothy L. Clemons, General Manager



June 6, 2025

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

As Chairman of Rapidan Service Authority (RSA) and representing its Board of Members, it gives me great pride to present you with our "Annual Comprehensive Financial Report" for the year ended 2024.

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

Included in the report you will see the award of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for RSA's 2023 Annual Report. RSA has been a consistent recipient of this nationally recognized award. The value of this Certificate cannot be understated, as we have found, in securing funding for our construction programs. RSA shall also submit this report for consideration by GFOA. The Certificate is only valid for one (1) year and therefore each report must be reviewed annually.

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

Sincerely,

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



June 6, 2025

Board of Members
Rapidan Service Authority
Madison, Virginia

The Annual Comprehensive Financial Report of the Rapidan Service Authority (“RSA” or “the Authority”) for the fiscal year ended December 31, 2024, is hereby submitted. This report has been prepared, on what we believe to be, in conformity with the reporting and accounting standards promulgated by the Government Finance Officers Association's (GFOA), Governmental Accounting, Auditing, and Financial Reporting for Enterprise Funds of Governmental Units, with such modifications as apply to our status as an independently chartered corporation.

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

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

Organization

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

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

Services Provided

RSA provides service through approximately 221 miles of water and sewer mains along with five water and wastewater treatment plants within its chartered service area. Water and sewer service in Madison County is available primarily within the Town limits and its immediate surroundings. In Orange County, RSA provides water service along Route 15 and to the Town of Gordonsville as well as the Route 20 airport area. Sewer service is also available in the Town of Gordonsville. In the eastern end of Orange County, water and sewer service is provided in Lake of the Woods, Wilderness Shores, Somerset Farms and along the Route 3 corridor.

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

Economic Condition & Outlook

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

Accounting and Budgetary Controls

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

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

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

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

Relevant Financial Policies

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

General Operations

Water and sewer revenues make up 95% of the RSA's operating revenue in 2024. Water revenue decreased by 40.1% from 2023 and sewer revenue decreased by 7.9% from 2023. For the year, total operating revenue decreased \$1.89 million or 21% from 2023. The decrease was due to the exit of Greene County from the Authority.

In 2024, RSA's operating expenses totaled approximately \$10.11 million. Operations and maintenance accounted for 67% of operating expenses, with depreciation representing 18% of the total and administration accounting for 15%. For the year, RSA's total operating expenses decreased by \$508.2 thousand, or 5% from 2023.

FY 2024, RSA incurred \$2,495,114 in operating loss as compared to an operating loss of \$1,039,350 in 2023. The decrease was due to the exit of Greene County from the Authority.

Debt Administration

Debt service coverage (gross revenue less direct operating expenses) was 5.36 times the annual debt service. Section 5.2 of the Authority's Revenue Bonds requires coverage of 1.15. Principal payments made on long-term indebtedness were \$673,334 in FYE 2024 and \$646,667 in FYE 2023. Interest and principal payments in 2024 totaled \$859,115. At December 31, 2024, long-term outstanding debt totaled \$4,404,101 which includes compensated absences.

Independent Audit

State statutes and the Authority's bond documents require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates performed the audit for 2024. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance.

Certificate of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rapidan Service Authority for its annual comprehensive financial report for the fiscal year ended December 31, 2023. RSA has received this prestigious award 40 of the last 41 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink that reads "Timothy L. Clemons GM/RSA". The signature is written in a cursive style.

Timothy L. Clemons
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

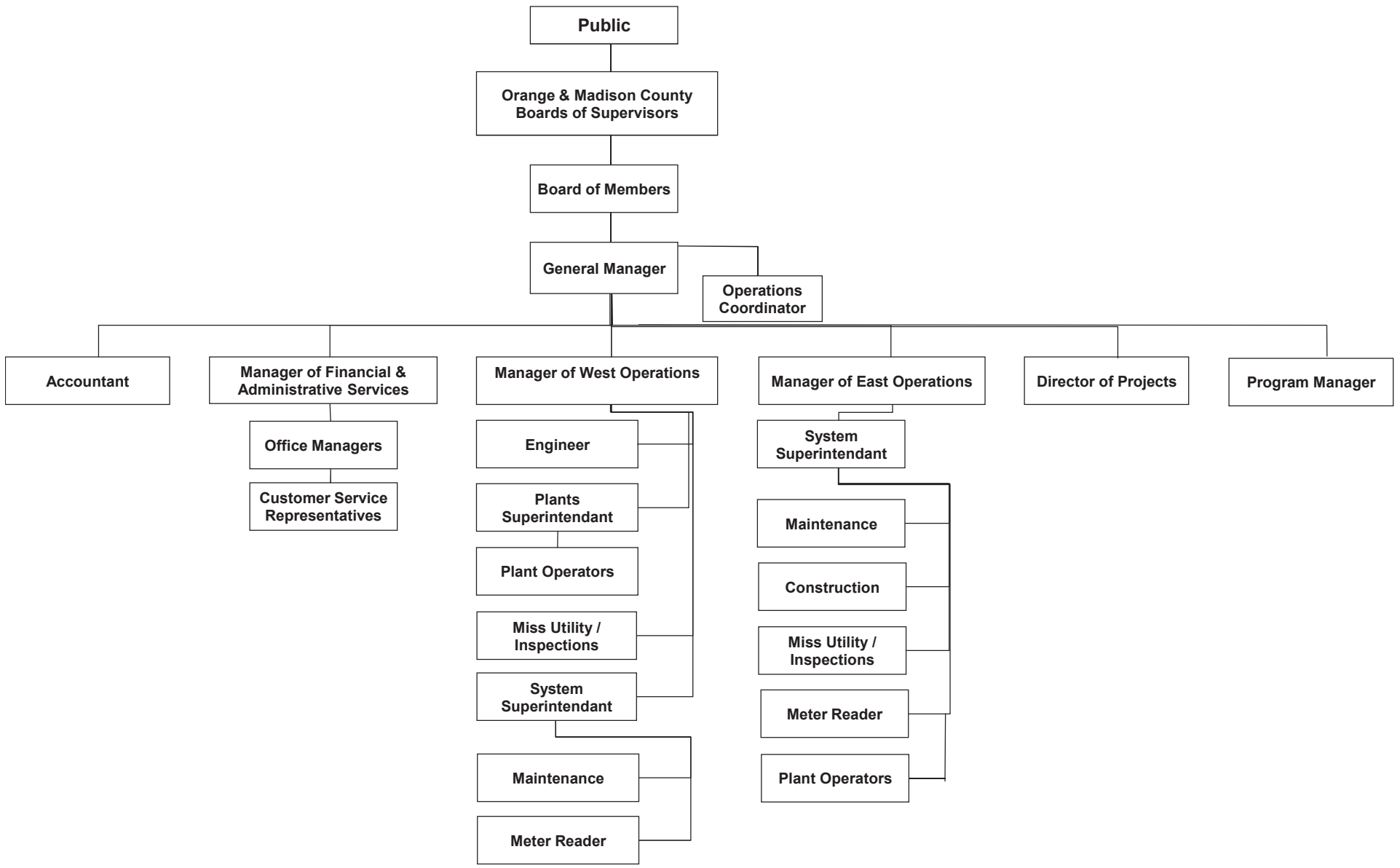
**Rapidan Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morrill

Executive Director/CEO





Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Rapidan Service Authority as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rapidan Service Authority as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2024, Rapidan Service Authority adopted new accounting guidance, GASB Statement Nos. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 12 to the financial statements, in 2024, the Authority restated beginning balances in order to correct net pension liability and pension related deferred inflows. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the *Specifications for Audits of Authorities, Boards, and Commissions* we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rapidan Service Authority's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited Rapidan Service Authority's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived, except as described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025, on our consideration of Rapidan Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rapidan Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rapidan Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

June 6, 2025

Management's Discussion and Analysis

To the Board of Members Rapidan Service Authority

As management of the Rapidan Service Authority ("RSA" or "the Authority"), we offer readers of our financial statements this narrative, overview, and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 7 through 10 of this report.

Overview of the Financial Statements

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

Enterprise fund financial statements

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

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

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 29 through 60 of this report. Notes 13 and 14 present certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$62,792,928 (net position). Of this amount, \$9,773,763 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's deferred outflows of resources increased by \$36,859.
- The Authority's total net position increased by \$10,644,279.
- The Authority's restricted assets decreased \$3.0 thousand to \$450.7 thousand during the current fiscal year.

Financial Analysis

Net Position

The Authority's net position increased by \$10.6 million during the fiscal year 2024, which represents a 20.0% increase from the prior fiscal year ending net position. At December 31, 2024, total net position was \$62.79 million as compared to \$52.19 million the previous year.

	Condensed Statements of Net Position			
	2024	2023	Increase (Decrease)	% Change
Current and other assets	\$ 11,826,445	\$ 11,429,675	\$ 396,770	3.5 %
Capital assets	56,879,639	47,100,187	9,779,452	20.8
Total assets	<u>\$ 68,706,084</u>	<u>\$ 58,529,862</u>	<u>\$ 10,176,222</u>	<u>17.4</u>
Deferred charge on refunding	\$ 1,008	\$ 3,985	\$ (2,977)	(74.7)
Other deferred outflows of resources	39,836	-	39,836	200.0
Total deferred outflows of resources	<u>\$ 40,844</u>	<u>\$ 3,985</u>	<u>\$ 36,859</u>	<u>924.9</u>
Total assets and deferred outflows of resources	<u>\$ 68,746,928</u>	<u>\$ 58,533,847</u>	<u>\$ 10,213,081</u>	<u>17.4 %</u>
Long-term liabilities outstanding	\$ 3,794,250	\$ 4,454,509	\$ (660,259)	(14.8) %
Other liabilities	<u>1,798,584</u>	<u>1,701,902</u>	<u>96,682</u>	<u>5.7</u>
Total liabilities	<u>\$ 5,592,834</u>	<u>\$ 6,156,411</u>	<u>\$ (563,577)</u>	<u>(9.2)</u>
Deferred inflows of resources	<u>\$ 361,166</u>	<u>228,787</u>	<u>\$ 132,379</u>	<u>100.0</u>
Net position:				
Net investment in capital assets	\$ 53,019,165	\$ 42,506,295	\$ 10,512,870	24.7
Unrestricted	<u>9,773,763</u>	<u>9,642,354</u>	<u>131,409</u>	<u>1.4</u>
Total net position	<u>\$ 62,792,928</u>	<u>\$ 52,148,649</u>	<u>\$ 10,644,279</u>	<u>20.4</u>
Total liabilities and net position	<u>\$ 68,746,928</u>	<u>\$ 58,533,847</u>	<u>\$ 10,213,081</u>	<u>17.4 %</u>

Financial Analysis: (Continued)

Net investment in capital assets

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

In a comparison of 2024-2023, the net position invested in capital assets, net of related debt was \$53.02 million at December 31, 2024 and represents 84% of total net position. The net position invested in capital assets increased by 24.7% or \$10.51 million from 2023.

Unrestricted net position

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

In a comparison of 2024-2023, unrestricted net position increased \$131.4 thousand during the fiscal year 2024 to \$9.77 million, an 1.4% increase from the prior year. Unrestricted net position is 16% of the total net position.

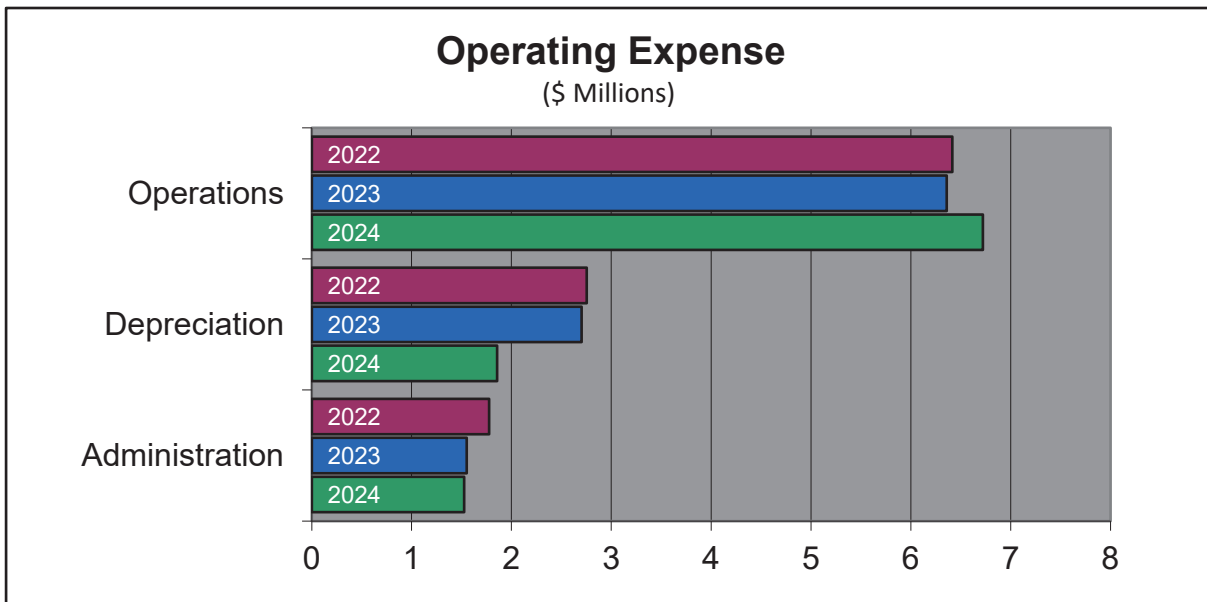
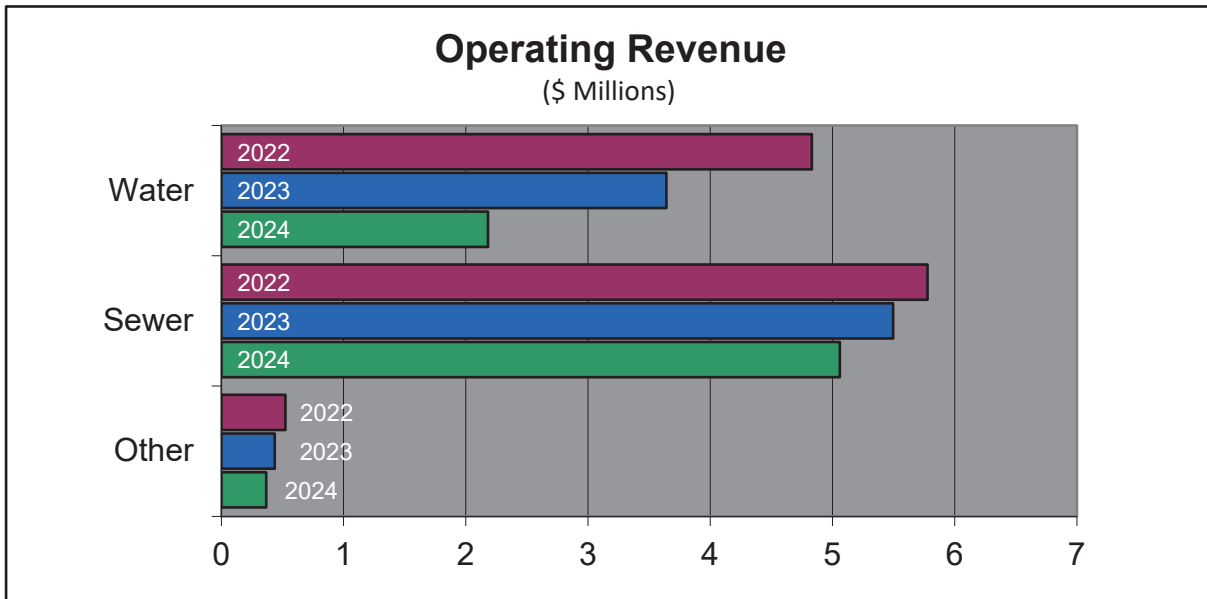
Changes in Revenues, Expenses & Changes in Net Position

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

The following table summarizes changes in revenues and expenses between fiscal year 2024 and 2023.

	Condensed Statements of Revenues, Expenses & Change in Net Position			
	2024	2023	Increase (Decrease)	% Change
Revenues:				
Operating revenues	\$ 7,610,273	\$ 9,574,276	\$ (1,964,003)	(20.5) %
Nonoperating revenue - Availability fees	4,320,000	2,590,000	1,730,000	66.8
Nonoperating revenue - VDH ARPA	1,608,015	-	1,608,015	100.0
Nonoperating revenue - other	562,381	1,002,710	(440,329)	(43.9)
Total revenues	<u>\$ 14,100,669</u>	<u>\$ 13,166,986</u>	<u>\$ 933,683</u>	<u>7.1</u>
Expenses:				
Operating expenses	\$ 8,050,758	\$ 7,911,560	\$ 139,198	1.8
Depreciation expense	1,856,010	2,702,066	(846,056)	(31.3)
Nonoperating expense - Greene County Settlement	-	1,350,000	(1,350,000)	(100.0)
Nonoperating expense - other	118,232	1,311,944	(1,193,712)	(91.0)
Total expenses	<u>\$ 10,025,000</u>	<u>\$ 13,275,570</u>	<u>\$ (3,250,570)</u>	<u>(24.5)</u>
Income (loss) before capital contributions	\$ 4,075,669	\$ (108,584)	\$ 4,184,253	(3,853.5)
Capital contributions	\$ 6,568,610	\$ 4,800,548	\$ 1,768,062	36.8
Transfer of operations	-	(18,919,351)	18,919,351	(100.0)
Increase (decrease) in net position	\$ 10,644,279	\$ (14,227,387)	\$ 5,952,315	(41.8)
Net position, beginning of year, as restated	52,148,649	66,376,036	(14,227,387)	(21.4)
Net position, end of year	<u>\$ 62,792,928</u>	<u>\$ 52,148,649</u>	<u>\$ (8,275,072)</u>	<u>(15.9) %</u>

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



Operating revenues

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

In a comparison of 2024-2023, operating revenues decreased by \$1.96 million or -20.5% to \$7.61 million. Water and sewer revenue decreased \$1.89 million or -20.7% whereas other revenue, primarily new service installations, decreased \$69.1 thousand or -15.8% from the year ending 2023. The decrease in revenue was due to losing the Greene County service area in June of 2023.

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

Nonoperating revenues & capital contributions

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

In a comparison of 2024-2023, other nonoperating revenue increased by \$2,897 thousand or 80.7% to \$6,490.3 thousand. Availability fees were up \$1.73 million or 66.8% to \$4.32 million. Capital contributions for 2024 totaled \$6.6 million, compared to \$4.8 million in 2023.

Operating & nonoperating expenses

Operating expenses consist of personnel services, contractual services, materials and supplies, utilities, insurance, and other operating expenses that keep the Authority running on a day-to-day basis. Nonoperating expenses consist of interest expense and other costs that are incurred that do not fall under operating expense. A comparison of the current fiscal year's actual and budgeted expenses is found on Schedule 2 under Supporting Schedules of the Financial Section.

In a comparison of 2024-2023, operating expenses increased \$139.2 thousand or 1.8% to \$8.05 million at the end of 2024. Depreciation expense totaled \$1.86 million at the end of 2024. Interest expense was down \$33.1 thousand or -21.9% to \$118.2 thousand at year end.

Capital Assets and Debt Administration:

Capital assets

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

As of December 31, 2024, capital assets net of accumulated depreciation was \$56.88 million, a increase of \$9.78 million or 20.8% from FYE 2023. As of December 31, 2023, capital assets net of accumulated depreciation was \$47.1 million, a decrease of \$12.33 million or -20.7% from FYE 2022.

Capital Assets and Debt Administration: (Continued)

Capital assets: (Continued)

The following table summarizes the Authority's capital assets, net of accumulated depreciation, and the changes therein for the years ended December 31, 2024 and 2023.

Capital Assets, Net of Accumulated Depreciation				
	2024	2023	Increase (Decrease)	% Change
Land	\$ 579,616	\$ 579,616	\$ -	- %
Water and sewer systems	44,609,906	39,499,070	5,110,836	13
Buildings	1,165,741	75,651	1,090,090	1,441
Vehicles and equipment	925,377	737,780	187,597	25
Office equipment	221,588	28,615	192,973	674
Construction in progress	<u>9,377,411</u>	<u>6,179,454</u>	<u>3,197,957</u>	<u>52</u>
Total capital assets	<u>\$ 56,879,639</u>	<u>\$ 47,100,186</u>	<u>\$ 9,779,453</u>	<u>20.8 %</u>

Major capital asset activity for the current fiscal year included:

Current Year Projects:

	2024
Madison Water System Upgrades	\$ 1,961,206
East Water System Upgrades	1,036,673
East Sewer System Upgrades	595,390
Computer hardware/software upgrades	341,050
Madison Sewer	212,639

Long-Term Debt

Long-term debt is used by the Authority to finance capital projects due to growth in the system, aging equipment and lines or changes in regulations. The Authority has two VRA bond issues outstanding which are rated A+ from Standard & Poor's. Other long-term obligations of the Authority include employee pension and accrued leave. More detailed information on the Authority's long-term liabilities is presented in Note 4 of the Notes to the Financial Statements.

At the end of the current fiscal year, the Authority had \$3,861,482 in bonds and notes outstanding compared to \$4,597,877 last year, a 16% decrease.

Long-Term Trends:

Connection Growth

New water connections over the last 10 Fiscal Years are located in Table 8 of the Statistical Section of this report. The annual average growth of water customers has been 1.41% over this 10-year period.

Revenue and Expense Growth

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

Long-Term Debt

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

Cash and Cash Equivalents

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

Requests for Information:

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

Basic Financial Statements

Statement of Net Position
 At December 31, 2024
 (With Comparative Totals for the Prior Year)

	At December 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,950,061	\$ 9,700,227
Accounts receivable (net of allowance for uncollectible accounts) (Note 2)	622,164	629,164
Insurance receivable	-	8,725
Lease receivable-Current Portion (Note 10)	77,651	105,661
Inventory of materials and supplies, at cost	346,529	346,707
Prepaid items	88,806	46,284
Restricted current assets:		
Cash and cash equivalents (Note 6)	450,694	453,686
 Total current assets	 \$ 11,535,905	 \$ 11,290,454
Noncurrent assets:		
Net OPEB asset (Note 14)	\$ 2,396	\$ -
Lease Receivable - Non-current (Note 10)	288,144	139,221
Capital assets: (Note 7)		
Land and improvements	\$ 579,616	\$ 579,616
Water and sewer system	77,812,478	71,022,899
Buildings	1,232,791	137,574
Vehicles and equipment	2,550,619	2,312,710
Office equipment	459,016	144,216
Accumulated depreciation	(35,132,292)	(33,276,282)
 Subtotal	 \$ 47,502,228	 \$ 40,920,733
Construction in progress (Note 8)	9,377,411	6,179,454
 Net capital assets	 \$ 56,879,639	 \$ 47,100,187
 Total noncurrent assets	 \$ 57,170,179	 \$ 47,239,408
 Total assets	 \$ 68,706,084	 \$ 58,529,862
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 1,008	\$ 3,985
Pension related items (Note 13)	30,032	-
OPEB related items (Note 14)	9,804	-
Total deferred outflows of resources	\$ 40,844	\$ 3,985

Statement of Net Position
 At December 31, 2024 (Continued)
 (With Comparative Totals for the Prior Year)

	At December 31,	
	2024	2023
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 389,518	\$ 286,188
Accrued payroll	94,837	76,263
Accrued payroll taxes	39,674	32,241
Retirement plan and benefits plan payable	28,621	27,895
Accrued interest payable	37,945	45,412
Compensated absences - current portion (Note 4)	53,962	43,823
Current Liabilities (payable from restricted assets):		
Customer deposits	450,694	453,686
Bond principal - current portion (Note 4)	768,810	736,394
Total current liabilities	\$ 1,864,061	\$ 1,701,902
Noncurrent liabilities:		
Compensated absences - noncurrent portion (Note 4)	\$ 485,657	\$ 394,407
Bond principal - noncurrent portion (Note 4)	3,092,672	3,861,483
Net pension liability (Note 13)	150,444	191,652
Total noncurrent liabilities	\$ 3,728,773	\$ 4,447,542
Total liabilities	\$ 5,592,834	\$ 6,149,444
DEFERRED INFLOWS OF RESOURCES		
Leases (Note 10)	\$ 341,889	\$ 228,787
Pension related items (Note 13)	17,617	6,967
OPEB related items (Note 14)	1,660	-
Total deferred inflows of resources	\$ 361,166	\$ 235,754
NET POSITION		
Net investment in capital assets	\$ 53,019,165	\$ 42,506,295
Unrestricted	9,773,763	9,642,354
Total net position	\$ 62,792,928	\$ 52,148,649

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2024
(With Comparative Totals for the Prior Year)

	Year Ended December 31,	
	2024	2023
Operating revenues:		
Water Revenues	\$ 2,181,999	\$ 3,641,714
Sewer Revenues	5,060,856	5,496,047
Other Revenues	367,418	436,515
Total operating revenues	\$ <u>7,610,273</u>	\$ <u>9,574,276</u>
Operating expenses:		
Administrative	\$ 1,455,949	\$ 1,552,358
Operations and maintenance	6,594,809	6,359,202
Depreciation expense	1,856,010	2,702,066
Total operating expenses	\$ <u>9,906,768</u>	\$ <u>10,613,626</u>
Operating income (loss)	\$ <u>(2,296,495)</u>	\$ <u>(1,039,350)</u>
Nonoperating revenues (expenses):		
Interest revenue	\$ 399,120	\$ 423,637
Interest expense	(118,232)	(151,307)
Lease revenue	113,155	190,406
Insurance recoveries	50,106	388,667
VDH ARPA grant	1,608,015	-
Greene County Settlement	-	(1,350,000)
Other income (expenses)	-	(1,160,637)
Availability fees	4,320,000	2,590,000
Total nonoperating revenues (expenses)	\$ <u>6,372,164</u>	\$ <u>930,766</u>
Income (loss) before capital contributions and special items	\$ <u>4,075,669</u>	\$ <u>(108,584)</u>
Capital contributions	\$ 6,568,610	\$ 4,800,548
Transfer of operations	-	(18,919,351)
Change in net position	\$ <u>10,644,279</u>	\$ <u>(14,227,387)</u>
Net position, beginning of year, as originally reported	\$ 52,347,268	\$ 66,574,655
Restatement for correction of error	<u>(198,619)</u>	<u>(198,619)</u>
Net position, beginning of year, as restated	\$ <u>52,148,649</u>	\$ <u>66,574,655</u>
Net position, end of year	\$ <u><u>62,792,928</u></u>	\$ <u><u>52,148,649</u></u>

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

Statement of Cash Flows
Year Ended December 31, 2024
(With Comparative Totals for the Prior Year)

	Year Ended December 31,	
	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,617,273	\$ 10,604,092
Payments to suppliers	(5,233,880)	(7,467,622)
Payments to and on behalf of employees	(2,596,548)	(2,537,505)
Net cash provided by (used for) operating activities	\$ (213,155)	\$ 598,965
Cash flows from noncapital financing activities		
Special items	\$ -	\$ (1,350,000)
Net cash provided by (used for) noncapital financing activities	\$ -	\$ (1,350,000)
Cash flows from capital and related financing activities:		
Purchases of capital assets	\$ (5,066,853)	\$ (4,489,001)
Proceeds from capital grants	1,608,015	-
Principal payments on loans and bonds	(673,334)	(646,666)
Availability fees	4,320,000	2,590,000
Proceeds from insurance recovery	58,831	379,942
Interest payments	(185,782)	(214,719)
Net cash provided by (used for) capital and related financing activities	\$ 60,877	\$ (2,380,444)
Cash flows from investing activities:		
Interest received	\$ 399,120	\$ 423,637
Net cash provided by (used for) investing activities	\$ 399,120	\$ 423,637
Increase (decrease) in cash and cash equivalents	\$ 246,842	\$ (2,707,842)
Cash and cash equivalents at beginning of year (including \$453,686 and \$630,326, respectively reported in restricted accounts)	10,153,913	12,861,755
Cash and cash equivalents at end of year (including \$450,694 and \$453,686, respectively reported in restricted accounts)	\$ 10,400,755	\$ 10,153,913
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (2,296,495)	\$ (1,039,350)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,856,010	2,702,066
Lease revenue	113,155	190,406
Other income (expenses)	-	(1,160,637)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	7,000	1,029,815
(Increase) decrease in Net OPEB asset	(2,396)	-
(Increase) decrease in lease receivable	(120,913)	221,892
(Increase) decrease in prepaid items	(42,522)	(9,290)
(Increase) decrease in inventories	178	25,168
(Increase) decrease in deferred outflows of resources pension related items	(30,032)	-
(Increase) decrease in deferred outflows of resources OPEB related items	(9,804)	-
Increase (decrease) in net pension liability	(41,208)	-
Increase (decrease) in compensated absences	101,389	(985)
Increase (decrease) in payables and accrued expenses	127,071	-
Increase (decrease) in lease deferred inflows of resources	113,102	(225,463)
Increase (decrease) in deferred inflows of resources pension related items	10,650	-
Increase (decrease) in deferred inflows of resources OPEB related items	1,660	(1,134,657)
Net cash provided by (used for) operating activities	\$ (213,155)	\$ 598,965
Supplemental Disclosure:		
Noncash investing, capital, and financing activities:		
Capital assets contributed	\$ 6,568,610	\$ 4,800,548

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024

NOTE 1—BASIS OF PRESENTATION:

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

Financial Reporting Entity

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

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

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Basic Financial Statements

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

- Management’s Discussion and Analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required supplementary information
 - Pension and OPEB Funding Information

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

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

Accounts Receivable - Accounts receivable consist of water and sewer billings. The provision for uncollectibility was \$111,263 of gross receivables of \$714,639 in 2024.

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Capital Assets and Depreciation: (Continued)

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

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

No depreciation is taken on assets in the year placed in service. Depreciation expense for the year ended December 31, 2024 amounted to \$1,856,010.

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

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Legal Compliance: (Continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority recognizes availability fees as capital contributions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Compensated Absences: (Continued)

Leave balances at year end are as follows:

<u>Liability For</u>	<u>2024</u>	<u>2023</u>
Annual Leave	\$ 346,597	\$ 283,167
Sick Leave	<u>193,022</u>	<u>155,063</u>
Total Compensated Absences	<u>\$ 539,619</u>	<u>\$ 438,230</u>

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

Deferred Charge on Refunding:

In fiscal year 2024, the Authority amortized \$2,977 of deferred refunding on revenue bonds. The deferred charge on refunding remaining at December 31, 2024 is \$1,008.

Net Position:

Net Position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net Position Flow Assumption:

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Deferred Outflows/Inflows of Resources:

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

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

Leases

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

Lessor

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

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

Leases: (Continued)

Key Estimates and Judgments

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

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.
- The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Comparative Amounts:

Comparative amounts for the prior year are presented for informational purposes only. The 2023 balances were restated to reflect the net pension liability and related deferred inflows at December 31, 2023.

NOTE 3—UTILITY PLANT IN SERVICE:

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 4—LONG-TERM LIABILITIES:

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

<u>Year Ending December 31,</u>	<u>Direct Borrowings and Direct Placements</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 703,333	\$ 219,043
2026	290,000	181,311
2027	300,000	164,149
2028	315,000	146,404
2029	325,000	127,770
2030-2034	<u>1,835,000</u>	<u>333,630</u>
Total	<u>\$ 3,768,333</u>	<u>\$ 1,172,307</u>

Long-term liabilities include the following at December 31:

	<u>Principal</u>
Direct Borrowings and Direct Placements:	
Revenue Bonds:	
\$6,320,000 2009B revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$209,184 - \$251,171, bearing interest at a rate of 3.068% to 5.918% through 2034. The proceeds were used to finance construction of water and sewer system projects.	\$ 3,345,000
\$2,263,333 2019 revenue bonds, payable to Virginia Resources Authority in variable semi-annual installments of \$444,500 - \$447,333, bearing interest at a rate of 5.00% through 2025. The proceeds were used to advance refund the 2009 revenue bonds. ¹	423,333
Premiums on Bonds Issued	<u>93,149</u>
Total revenue bonds	<u>\$ 3,861,482</u>
Compensated Absences	<u>\$ 539,619</u>
Net Pension Liability	<u>\$ 150,444</u>
Total long-term obligations	<u>\$ 4,551,545</u>

¹ The total debt service for the refunding debt is \$4,049,058, whereas the total debt service of the refunded debt was \$4,470,816, a savings of \$421,758. The economic gain on the transaction of the 2019 advance refunding of the 2009 revenue bonds is \$388,372.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (CONTINUED)

Changes in Long-term Liabilities for the year ended December 31, 2024:

	<u>Balance</u> <u>January 1,</u> <u>2024</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2024</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Direct Borrowings and Direct Placements:					
Revenue Bonds	\$ 4,441,667	\$ -	\$ 673,334	\$ 3,768,333	\$ 703,333
Net Pension Liability	191,652	-	41,208	150,444	-
Compensated Absences	438,230	203,894	102,505	539,619	53,962
Totals	<u>\$ 5,071,549</u>	<u>\$ 203,894</u>	<u>\$ 817,047</u>	<u>\$ 4,458,396</u>	<u>\$ 757,295</u>
Premiums on Bonds Issued	<u>156,210</u>	<u>-</u>	<u>63,061</u>	<u>93,149</u>	<u>65,477</u>
Total obligations for financial statement presentation	<u>\$ 5,227,759</u>	<u>\$ 203,894</u>	<u>\$ 880,108</u>	<u>\$ 4,551,545</u>	<u>\$ 822,772</u>

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

	<u>Amount</u>
Revenue Bonds:	
2009B Series	\$ 3,345,000
Unamortized Premium	33,416
Less Current Portion	<u>(285,744)</u>
Long Term 2009B Series Revenue Bond	<u>\$ 3,092,672</u>
2019B Series	\$ 423,333
Unamortized Premium	59,733
Less Current Portion	<u>(483,066)</u>
Long Term 2019B Series Revenue Bond	<u>\$ -</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 4—LONG-TERM LIABILITIES: (CONTINUED)

Prior-Years Defeasance of Debt:

In prior years, the Authority defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2024, there were no bonds outstanding that are considered defeased.

Other Postemployment Benefits

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

Compliance with Legal Debt Coverage

Section 5.2 of the Authority's revenue bond agreements requires gross revenue less direct operating expenses over the annual debt service of 1.15. The Authority was in compliance as of December 31, 2024.

NOTE 5—RETIREMENT PLAN:

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

The total payroll for all Rapidan Service Authority employees for 2024 was \$2,719,021. The payroll for those covered by the plan was \$1,607,557.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 5—RETIREMENT PLAN: (CONTINUED)

In 2024 the Rapidan Service Authority contributed \$41,513 for its covered employees or 2.67% of the covered payroll. The employees contributed \$106,874, or 6.81% of their covered payroll. Employees may elect to contribute in excess of 6.0% of their regular salaries (excluding overtime) although Rapidan Service Authority will not match that portion. There are no loans from the plan to the Authority.

Plan Assets - ICMA-RC	
Balance, January 1, 2024	\$ 4,226,983
Contributions:	
Employer	42,917
Employee	41,513
Employee roll-in	-
Plus:	
Unrealized gain (loss)	469,953
Less:	
Distributions	<u>(139,139)</u>
Balance, December 31, 2024	<u>\$ 4,642,227</u>

NOTE 6—DEPOSITS AND INVESTMENTS:

Deposits

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 6—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Custodial Credit Risk (Investments)

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

The Authority’s investments at December 31, 2024 were held by the Authority or in the Authority’s name by the Authority’s custodial banks.

Credit Risk of Debt Securities

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

The Authority’s rated debt investments as of December 31, 2024 were rated by Standard & Poor’s using Standard & Poor’s rating scale.

Authority's Rated Debt Investments - 2024		
<u>Rated Debt Investments Value</u>	<u>Fair Quality Rating</u>	
	<u>AAAm</u>	<u>AA+f</u>
Local Government Investment Pool	\$ 2,883,230	\$ -
VML/VACO Virginia Investment Pool Bond Fund	-	5,093,530
Total	\$ <u>2,883,230</u>	\$ <u>5,093,530</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 6—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Maturities - 2024*			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
VML/VACO Virginia Investment Pool	\$ 5,093,530	\$ -	\$ 5,093,530
Local Government Investment Pool	2,883,230	2,883,230	-
Total	<u>\$ 7,976,760</u>	<u>\$ 2,883,230</u>	<u>\$ 5,093,530</u>

* Weighted average maturity in years

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority has measured fair value of the Virginia Investment Pool at the net asset value (NAV).

Redemption Restrictions

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

External Investment Pool

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents customer deposits.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 7—CAPITAL ASSETS:

Details of changes in capital assets for the year ended December 31, 2024 are as follows:

	<u>Balance January 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2024</u>
Capital assets not being depreciated:				
Land and improvements	\$ 579,616	\$ -	\$ -	\$ 579,616
Construction in progress	<u>6,179,454</u>	<u>4,146,958</u>	<u>949,001</u>	<u>9,377,411</u>
Total capital assets not being depreciated	<u>\$ 6,759,070</u>	<u>\$ 4,146,958</u>	<u>\$ 949,001</u>	<u>\$ 9,957,027</u>
Capital assets, being depreciated:				
Water system	\$ 19,854,708	\$ 2,135,943	\$ -	\$ 21,990,651
Accumulated depreciation	<u>(12,796,028)</u>	<u>(530,112)</u>	<u>-</u>	<u>(13,326,140)</u>
Total	<u>\$ 7,058,680</u>	<u>\$ 1,605,831</u>	<u>\$ -</u>	<u>\$ 8,664,511</u>
Sewer system	\$ 51,168,191	\$ 4,653,636	\$ -	\$ 55,821,827
Accumulated depreciation	<u>(18,727,801)</u>	<u>(1,148,631)</u>	<u>-</u>	<u>(19,876,432)</u>
Total	<u>\$ 32,440,390</u>	<u>\$ 3,505,005</u>	<u>\$ -</u>	<u>\$ 35,945,395</u>
Buildings	\$ 137,574	\$ 1,095,217	\$ -	\$ 1,232,791
Accumulated depreciation	<u>(61,922)</u>	<u>(5,128)</u>	<u>-</u>	<u>(67,050)</u>
Total	<u>\$ 75,652</u>	<u>\$ 1,090,089</u>	<u>\$ -</u>	<u>\$ 1,165,741</u>
Vehicles and equipment	\$ 2,312,710	\$ 237,909	\$ -	\$ 2,550,619
Accumulated depreciation	<u>(1,574,931)</u>	<u>(160,223)</u>	<u>-</u>	<u>(1,735,154)</u>
Total	<u>\$ 737,779</u>	<u>\$ 77,686</u>	<u>\$ -</u>	<u>\$ 815,465</u>
Office equipment	\$ 144,216	\$ 314,800	\$ -	\$ 459,016
Accumulated depreciation	<u>(115,600)</u>	<u>(11,916)</u>	<u>-</u>	<u>(127,516)</u>
Total	<u>\$ 28,616</u>	<u>\$ 302,884</u>	<u>\$ -</u>	<u>\$ 331,500</u>
Capital assets, net	<u>\$ 47,100,187</u>	<u>\$ 10,728,453</u>	<u>\$ 949,001</u>	<u>\$ 56,879,639</u>

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
 At December 31, 2024 (Continued)

NOTE 8—CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the year ended December 31, 2024 are as follows:

Description	Balance January 1, 2024	Cost of Construction	Expense/ Transfer to Capital assets	Balance December 31, 2024
Gordonsville Sewer System	\$ 1,625	\$ -	\$ -	\$ 1,625
Route 15 Meter Rehab	-	2,393	-	2,393
East Water System Upgrades	5,309,266	1,036,673	52,581	6,293,358
East Sewer System Upgrades	273,396	595,390	161,487	707,299
Rte 20 Wtr - Meter Rehab	27,107	46,936	74,043	-
Madison WTP - Intake Upgrade	166,370	1,725,644	9,530	1,882,484
East Office Building	120,614	20,625	2,525	138,714
Madison Water System Upgrades	38,954	8,294	-	47,248
Madison Sewer System Upgrades	43,359	212,640	-	255,999
GIS System	36,963	121,647	158,610	-
Lead Service Line Inventory	-	8,480	-	8,480
Utility Billing System	17,000	-	17,000	-
Rte 20 Water System	-	14,561	-	14,561
East Maintenance Shop	15,150	12,625	2,525	25,250
West Maintenance Shop	120,591	-	120,591	-
West Office Relocation and Improvements	9,059	341,050	350,109	-
Total	\$ 6,179,454	\$ 4,146,958	\$ 949,001	\$ 9,377,411

NOTE 9—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction, of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 10—LEASES RECEIVABLE:

On Jan 1, 2022, the Authority recorded an initial lease receivable and deferred inflow of resources of \$708,030, as the present value of the future minimum rent payments expected to be received during the lease term. In fiscal year 2024, the Authority recognized lease and interest revenue in the amount of \$113,155 and \$12,080, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Remaining Lease Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Ending Balance</u>
Water Tower	8/30/2028	56 months	monthly	4.19%	\$ 119,880
Water Tower	6/1/2034	125 months	annual	1.30%	225,924
Water Tower	10/31/2028	58 months	annual	4.69%	19,991
				Total	<u>\$ 365,795</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 77,651	\$ 14,630	\$ 92,281
2026	76,581	12,279	88,860
2027	82,333	8,859	91,192
2028	76,653	5,240	81,893
2029	52,577	2,410	54,987
Total	<u>\$ 365,795</u>	<u>\$ 43,418</u>	<u>\$ 409,213</u>

NOTE 11—NEW FINANCIAL REPORTING PRONOUNCEMENTS:

Rapidan Service Authority implemented provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* during the fiscal year ended December 31, 2024. No restatement was necessary as there was no significant impact on beginning balances.

Upcoming Pronouncements

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 12—RESTATEMENT OF NET POSITION:

The Authority restated beginning balances in order to correct net pension liability and pension related deferred inflows.

	<u>Net Position</u>
Net Position as of December 31, 2023, as previously reported	\$ 52,347,268
Restatement of net position for deferred inflows of resources & net pension liability	<u>(198,619)</u>
Net Position as of December 31, 2023, as restated	<u>\$ 52,148,649</u>

NOTE 13—PENSION PLAN:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

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	-
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	
Total inactive members	<u>-</u>
Active members	<u>40</u>
Total covered employees	<u><u>40</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 Authority’s contractually required employer contribution rate for the year ended December 31, 2024 was 3.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$30,032 and \$38,161 for the years ended December 31, 2024 and December 31, 2023, respectively.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For Rapidan Service Authority, the net pension liability was measured as of June 30, 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 – General Employees

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 651,212	\$ 459,560	\$ 191,652
Changes for the year:			
Service cost	\$ 96,436	\$ -	\$ 96,436
Interest	50,466	-	50,466
Contributions - employer	-	46,633	(46,633)
Contributions - employee	-	90,362	(90,362)
Net investment income	-	51,133	(51,133)
Administrative expenses	-	(41)	41
Other changes	-	23	(23)
Net changes	\$ 146,902	\$ 188,110	\$ (41,208)
Balances at June 30, 2024	\$ 798,114	\$ 647,670	\$ 150,444

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Authority's Net Pension Liability (Asset)	\$ 284,422	\$ 150,444	\$ 49,062

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

For the year ended December 31, 2024, the Authority recognized pension expense of \$16,075. At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 17,617
Employer contributions subsequent to the measurement date	<u>30,032</u>	
Total	<u>\$ 30,032</u>	<u>\$ 17,617</u>

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 13–PENSION PLAN: (CONTINUED)

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

\$30,032 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended December 31</u>		
2025	\$	(4,840)
2026		(4,840)
2027		(4,839)
2028		(3,098)
2029		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <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 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

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

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

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended December 31, 2024 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS Political Subdivision VDLP were \$18,384 and \$15,240 for the years ended December 31, 2024 and December 31, 2023, respectively.

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

At December 31, 2024, the Authority reported an asset of \$2,396 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2023, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. A valuation with a more recent measurement is unavailable at this time. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority's proportion of the VLDP was 0.1489% as compared to 0.00% at June 30, 2022.

For the year ended December 31, 2024, the Authority recognized VLDP OPEB expense of \$6,097. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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

At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 900	\$ 1,439
Net difference between projected and actual earnings on VLDP OPEB program investments	6	-
Change in assumptions	16	219
Changes in proportionate share	48	2
Employer contributions subsequent to the measurement date	<u>8,834</u>	<u>-</u>
Total	<u>\$ 9,804</u>	<u>\$ 1,660</u>

\$8,834 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended December 31</u>	
2025	\$ (56)
2026	(387)
2027	67
2028	(41)
2029	(144)
Thereafter	(183)

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 9,525
Plan Fiduciary Net Position	11,134
Political Subdivision VLDP Net OPEB Liability (Asset)	<u>\$ (1,609)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	116.89%

The total Political Subdivision VLDP OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Political Subdivision VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

RAPIDAN SERVICE AUTHORITY

Notes to Financial Statements
At December 31, 2024 (Continued)

NOTE 14–VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):) (CONTINUED)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the Authority for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the VLDP Net OPEB Liability (Asset) \$	(1,256) \$	(2,396) \$	(3,396)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <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 15–SUBSEQUENT EVENT:

On April 1, 2025 the authority entered into an agreement for construction of Locust Grove Office Building. A contract price of \$628,758 has been agreed to by the parties. Final completion date is expected to be November 27, 2025.

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2023 through June 30, 2024

	<u>2024</u>	<u>2023</u>
Total pension liability:		
Service cost	\$ 96,436	\$ -
Interest	50,466	-
Changes in benefit terms	-	651,212
Net change in total pension liability	<u>\$ 146,902</u>	<u>\$ 651,212</u>
Total pension liability - beginning	651,212	-
Total pension liability - ending (a)	<u><u>\$ 798,114</u></u>	<u><u>\$ 651,212</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 46,633	\$ 399,454
Contributions - employee	90,362	36,465
Net investment income	51,133	23,428
Administrator charges	(41)	201
Other	23	12
Net change in plan fiduciary net position	<u>\$ 188,110</u>	<u>\$ 459,560</u>
Plan fiduciary net position - beginning	459,560	-
Plan fiduciary net position - ending (b)	<u><u>\$ 647,670</u></u>	<u><u>\$ 459,560</u></u>
Authority's net pension liability (asset) - ending (a) - (b)	<u><u>\$ 150,444</u></u>	<u><u>\$ 191,652</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81.15%	70.57%
Covered payroll	\$ 2,387,606	\$ 1,817,072
Authority's net pension liability (asset) as a percentage of covered payroll	6.30%	10.55%

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

Schedule of Employer Contributions

Pension Plan

For the Years Ended December 31, 2023 through December 31, 2024

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

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

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

Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended December 31, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

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

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended December 31, 2023 through December 31, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 18,384	\$ 18,384	\$ -	\$ 2,317,276	1%
2023	15,240	15,240	-	1,795,919	1%

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

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended December 31, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

Other Supplementary Information

Supporting Schedules

Comparative Schedule of Revenues--Budget and Actual
Year Ended December 31, 2024

	2024		
	Budget	Actual	Variance Favorable (Unfavorable)
Water Sales & Penalties	\$ 2,752,663	2,181,999	(570,664)
Sewer Operations	5,701,068	5,060,856	(640,212)
Sale of Materials & Supplies	39,000	17,655	(21,345)
Maintenance Revenue	26,000	8,280	(17,720)
Inspection Fees	20,200	12,183	(8,017)
Miscellaneous/Other	112,500	80,379	(32,121)
Service Installations	159,000	202,750	43,750
Lake of The Woods Non-User Fees	55,000	46,171	(8,829)
Totals	\$ 8,865,431	\$ 7,610,273	\$ (1,255,158)

Comparative Schedule of Operating Expenses--Budget and Actual
Year Ended December 31, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Administrative:			
Personnel	\$ 994,150	\$ 862,479	\$ 131,671
Maintenance	43,000	79,785	(36,785)
Rent Expense	-	50,725	(50,725)
Insurance	130,200	136,719	(6,519)
Billing and Collection	143,200	121,680	21,520
Audit and Consulting	34,000	75,120	(41,120)
Wtr/Swr Regulatory Fees	53,500	38,765	14,735
Legal/Bond/Bank Fees	69,500	85,106	(15,606)
Depreciation	37,097	37,097	-
Board Member Compensation	9,000	7,283	1,717
Training and Education	23,300	14,567	8,733
Office Supplies and Postage	15,500	37,940	(22,440)
Utilities	9,000	14,110	(5,110)
Communications	63,800	63,812	(12)
Advertising	3,400	3,355	45
Transportation Vehicle Expense	12,000	12,293	(293)
GASB Expense Adjustment	-	127,489	(127,489)
Total Administrative	\$ 1,640,647	\$ 1,768,325	\$ (127,678)
Route 15 and Route 20			
Water Operations:			
Operating Labor	\$ 28,100	\$ 17,699	\$ 10,401
Engineering and Design	14,400	19,300	(4,900)
Maintenance	82,300	72,286	10,014
Treatment Supplies and Materials	12,600	1,922	10,678
Vehicle Expense/Gas and Oil	800	139	661
Utilities	6,000	6,446	(446)
Purchased Water	487,082	556,676	(69,594)
Testing/Biosolids Mgmt	3,000	2,854	146
Depreciation	18,546	18,546	-
Total Route 15 and Route 20			
Water Operations	\$ 652,828	\$ 695,868	\$ (43,040)
Madison Water & Sewer Operations:			
Operating Labor	\$ 377,400	\$ 350,988	\$ 26,412
Engineering and Design	3,900	5,102	(1,202)
Maintenance	47,200	95,469	(48,269)
Vehicle Expense/Gas & Oil	4,800	17,668	(12,868)
Utilities	38,000	37,574	426
Treatment Supplies & Materials	95,000	68,407	26,593
Testing Biosolids Mgmt	20,500	17,005	3,495
Depreciation	113,367	113,367	-
Total Madison Water & Sewer Operations	\$ 700,167	\$ 705,580	\$ (5,413)

Comparative Schedule of Operating Expenses--Budget and Actual
Year Ended December 31, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Gordonsville Sewer Operations:			
Operating Labor	\$ 162,400	\$ 143,763	\$ 18,637
Engineering and Design	9,000	5,801	3,199
Maintenance	162,200	117,166	45,034
Treatment Supplies & Materials	87,000	80,304	6,696
Vehicle Expense/Gas & Oil	7,500	7,247	253
Purchased Water	1,000	12,409	(11,409)
Utilities	57,750	62,550	(4,800)
Testing Biosolids Mgmt	20,000	24,702	(4,702)
Depreciation	97,166	97,166	-
Total Gordonsville Sewer Operations	\$ 604,016	\$ 551,108	\$ 52,908
Engineering:			
Operating Labor	\$ 117,100	\$ 141,151	\$ (24,051)
Maintenance	200	-	200
Vehicle Expense/Gas & Oil	7,500	2,939	4,561
Depreciation	5,989	5,989	-
Total Engineering	\$ 130,789	\$ 150,079	\$ (19,290)
Maintenance:			
Operating Labor	\$ 162,100	\$ 165,590	\$ (3,490)
Maintenance	22,300	30,443	(8,143)
Materials for Resale	20,000	902	19,098
Utilities	3,000	-	3,000
Vehicles	15,000	26,003	(11,003)
Gas and Oil	18,000	12,859	5,141
Depreciation	21,301	21,301	-
Total Maintenance	\$ 261,701	\$ 257,098	\$ 4,603
Orange East Water & Sewer Operations:			
Operating Labor	\$ 1,375,892	\$ 1,229,139	\$ 146,753
Engineering and Design	34,800	25,384	9,416
Maintenance	786,000	1,024,792	(238,792)
New Service Installations	100,000	131,615	(31,615)
Treatment Supplies & Materials	1,090,000	1,016,113	73,887
Utilities	845,000	799,534	45,466
Rental Expense	-	4,818	(4,818)
Vehicle Expense/Gas & Oil	85,000	96,958	(11,958)
Testing/Biosolids Mgmt	100,000	86,432	13,568
Depreciation	1,562,544	1,562,544	-
Total Orange East Water & Sewer Operations	\$ 5,979,236	\$ 5,977,329	\$ 1,907
TOTALS	\$ 9,969,384	\$ 10,105,387	\$ (136,003)

Statistical Section

This part of the Rapidan Service Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends	Tables 1 through 5	Pages 74 through 78
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These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time as well as show how the revenue and expenses are split between the water and sewer departments.

Revenue Trends & Capacity	Tables 6 through 11	Pages 79 through 84
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These schedules contain trend information to help the reader assess the Authority's most significant revenue sources, user rates, and the growth in water and sewer connections.

Debt Service Trends & Capacity	Tables 12 through 13	Pages 85 through 86
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These schedules present trend information to help the reader assess the Authority's current levels of outstanding debt and the capacity to acquire additional debt with appropriate revenue coverage.

Demographic & Economic Information	Tables 14 through 16	Pages 87 through 89
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These schedules offer demographic and economic indicators for Greene, Madison and Orange Counties to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information	Tables 17 through 18	Pages 90 through 91
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This schedule contains service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year.

Net Position by Component
Last Ten Fiscal Years

Primary Government	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net investment in capital assets	\$ 50,848,315	\$ 50,463,803	\$ 49,320,418	\$ 49,390,624	\$ 49,205,626	\$ 49,386,542	\$ 53,300,910	\$ 54,135,254	\$ 42,506,295	\$ 53,019,165
Unrestricted	6,770,465	7,339,472	8,117,865	8,519,914	9,836,974	10,713,055	11,250,634	12,439,401	9,840,973	9,773,763
Total primary government net position	<u>\$ 57,618,780</u>	<u>\$ 57,803,275</u>	<u>\$ 57,438,283</u>	<u>\$ 57,910,538</u>	<u>\$ 59,042,600</u>	<u>\$ 60,099,597</u>	<u>\$ 64,551,544</u>	<u>\$ 66,574,655</u>	<u>\$ 52,347,268</u>	<u>\$ 62,792,928</u>

Change in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2015	\$ 7,348,675	\$ 8,090,928	\$ (443,866)	\$ (1,186,119)	\$ 776,497	(409,622)
2016	7,496,605	7,882,086	(281,030)	(666,511)	851,006	184,495
2017	7,744,683	8,173,542	(11,132)	(439,991)	75,000	(364,991)
2018	8,464,477	8,854,492	527,495	137,480	334,774	472,254
2019	9,949,749	9,590,949	243,328	602,128	529,934	1,132,062
2020	9,772,272	9,938,036	390,458	224,694	832,303	1,056,997
2021	10,219,692	10,685,308	1,717,563	1,251,947	3,200,000	4,451,947
2022	11,132,400	10,946,904	874,592	1,060,088	882,565	1,942,653
2023	9,574,276	10,613,626	(17,988,585)	(19,027,935)	4,800,548	(14,227,387)
2024	7,610,273	10,105,387	4,764,149	2,269,035	8,176,625	10,445,660

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

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

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

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Water Revenue	Sewer Revenue	Other Revenue	Total
2015	\$ 2,654,797	\$ 4,235,103	\$ 458,775	\$ 7,348,675
2016	2,694,009	4,343,752	458,844	7,496,605
2017	2,768,061	4,579,082	397,540	7,744,683
2018	3,163,550	4,803,738	497,189	8,464,477
2019	4,337,250	5,059,002	553,497	9,949,749
2020	3,737,586	5,268,471	766,215	9,772,272
2021	3,724,803	5,763,090	731,799	10,219,692
2022	4,830,527	5,777,751	524,122	11,132,400
2023	3,641,714	5,496,047	436,515	9,574,276
2024	2,181,999	5,060,856	367,418	7,610,273

Operating Expenses by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Employment Costs</u>	<u>Operations</u>	<u>Utilities</u>	<u>Administrative</u>	<u>Subtotal, Expenses before Depreciation</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2015	\$ 2,292,486	\$ 1,746,612	\$ 955,282	\$ 429,054	\$ 5,423,434	\$ 2,667,494	\$ 8,090,928
2016	2,217,468	1,705,609	880,977	458,122	5,262,176	2,619,910	7,882,086
2017	2,264,856	1,993,057	807,665	427,940	5,493,518	2,680,024	8,173,542
2018	2,422,062	2,398,762	875,914	515,262	6,212,000	2,642,492	8,854,492
2019	2,738,982	2,649,030	924,961	610,437	6,923,410	2,667,539	9,590,949
2020	2,903,191	2,859,979	898,151	710,875	7,372,196	2,565,840	9,938,036
2021	3,049,581	3,074,115	831,405	1,134,226	8,089,327	2,595,981	10,685,308
2022	3,191,240	3,203,222	833,578	964,309	8,192,349	2,754,555	10,946,904
2023	3,824,537	2,403,715	1,019,595	663,713	7,911,560	2,702,066	10,613,626
2024	3,620,482	3,070,892	906,104	651,899	8,249,377	1,856,010	10,105,387

Nonoperating Revenues and Expenses
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Investment Income</u>	<u>Interest Expense</u>	<u>Gain (loss) on Disposal of Assets</u>	<u>Other Costs</u>	<u>Other Income (Expenses)</u>	<u>Lease Revenue</u>	<u>Availability Fees</u>	<u>Total Nonoperating Income/(Expenses)</u>
2015	\$ 25,101	\$ (550,870)	\$ -	\$ 76,385	\$ (272,421)	\$ 187,939	\$ 90,000	(443,866)
2016	25,051	(433,506)	1,351	-	(370,002)	191,076	305,000	(281,030)
2017	37,807	(390,655)	1,250	-	(394,374)	194,640	540,200	(11,132)
2018	127,736	(344,138)	2,000	-	(446,435)	198,332	990,000	527,495
2019	245,447	(281,718)	33,348	(37,532)	(1,143,093)	208,876	1,218,000	243,328
2020	182,860	(243,339)	31,505	-	(218,846)	223,278	415,000	390,458
2021	(22,772)	(213,820)	214	-	225,454	248,487	1,480,000	1,717,563
2022	(93,539)	(183,142)	1,000	-	(783,897)	259,170	1,675,000	874,592
2023	423,637	(151,307)	(18,919,351)	(1,350,000)	(771,970)	190,406	2,590,000	(17,988,585)
2024	399,120	(118,232)	-	-	50,106	113,155	4,320,000	4,764,149

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

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

Water Consumed and Wastewater Treated
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gallons of Water Purchased/ Treated (Millions)</u>	<u>Gallons of Wastewater Treated (Millions)</u>
2015	638.3	503.3
2016	626.3	464.4
2017	596.6	458.1
2018	628.0	615.4
2019	641.9	556.9
2020	699.2	620.9
2021	738.3	536.4
2022	732.9	563.0
2023	619.3	571.8
2024	544.2	482.0

Data internally compiled from Rapidan Service Authority.

Annual Number of EDU's Purchased
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water EDUs*</u>	<u>Sewer EDUs*</u>	<u>Total EDUs*</u>
2015	38	31	69
2016	56	74	130
2017	28	61	89
2018	51	50	101
2019	60	61	121
2020	54	62	116
2021	132	16	148
2022	70	98	168
2023	138	120	258
2024	215	217	432

* Equivalent Dwelling Units
Data internally compiled from Rapidan Service Authority

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

Fiscal Year	Water										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2015	2,526	96	133	4,445	177	278	20	13	72	112	7,872
2016	2,566	97	135	4,477	177	281	20	13	72	112	7,950
2017	2,585	97	135	4,528	177	281	20	13	72	112	8,020
2018	2,630	97	136	4,611	177	281	20	13	73	112	8,150
2019	2,708	97	136	4,736	177	281	20	13	73	112	8,353
2020	2,711	98	138	4,833	177	282	20	13	75	112	8,459
2021	2,722	98	139	5,008	177	283	20	13	75	112	8,647
2022	2,736	99	139	5,094	178	283	20	13	75	112	8,749
2023	2,741	100	139	5,244	178	283	20	13	75	112	8,905
2024	N/A	100	139	5,465	178	N/A	20	13	77	112	6,104

Fiscal Year	Sewer										Total
	Residential					Non-Residential					
	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	Greene	Rte 15 G'ville	Rte 20	LOW / Wilderness	Madison	
2015	792	691	0	4,478	91	114	14	0	74	84	6,338
2016	835	717	0	4,510	91	117	14	0	74	84	6,442
2017	854	749	0	4,561	92	117	14	0	74	84	6,545
2018	862	749	0	4,644	92	117	14	0	75	84	6,637
2019	864	749	0	4,769	92	177	14	0	75	84	6,824
2020	875	749	0	4,866	92	180	14	0	77	84	6,937
2021	883	749	0	5,041	92	182	14	0	77	84	7,122
2022	898	778	0	5,126	92	182	14	0	77	84	7,251
2023	903	783	0	5,276	93	182	14	0	77	84	7,412
2024	N/A	785	0	5,497	83	N/A	14	0	79	84	6,542

Non-Users		
Fiscal Year	Greene County	LOW / Wilderness
2015	36	509
2016	36	483
2017	36	453
2018	36	442
2019	36	402
2020	36	361
2021	36	298
2022	36	251
2023	36	231
2024	N/A	209

Data internally compiled from Rapidan Service Authority

Greene County withdrew from the Authority in 2023.

Water and Sewer Rates
Last Ten Years

Water Rate per 1,000 Gallons

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Greene County	\$ 3.47	\$ 3.47	\$ 3.47	\$ 4.22	\$ 4.97	\$ 5.57	\$ 6.17	\$ 6.67	\$ 6.67	N/A
Rte 15	5.10	5.10	6.12	6.12	6.12	7.34	7.34	7.34	7.34	7.34
Rte 20	2.36	2.36	2.83	2.83	2.83	3.40	3.40	3.40	3.40	3.40
LOW/Wilderness	3.08	3.08	3.70	3.70	3.70	4.44	4.44	4.44	4.44	4.44
Madison County	5.59	5.59	5.59	8.27	9.27	10.27	11.27	12.27	12.27	12.27
Gordonsville (Contract)	4.30	4.30	5.16	5.55	5.60	5.81	5.81	6.22	6.62	6.62

Sewer Rate per 1,000 Gallons

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Greene County	\$ 8.38	\$ 8.38	\$ 8.38	\$ 8.78	\$ 9.18	\$ 9.68	\$ 10.08	\$ 10.38	\$ 10.38	N/A
Gordonsville	6.83	6.83	8.54	8.54	8.54	8.54	8.54	12.77	12.77	12.77
LOW/Wilderness	11.39	11.39	12.53	12.53	12.53	13.78	13.78	13.78	13.78	13.78
Madison County	10.45	10.45	10.45	16.35	17.35	18.35	19.35	20.35	20.35	20.35

Please see Table 10 for a full listing of RSA's current rates

Data internally compiled from Rapidan Service Authority

Greene County withdrew from the Authority in 2023.

Schedule of Rates
At December 31, 2024

	Water	Sewer
Orange County, Rte. 15 Water System		
Minimum Monthly Charge 0-2000 gal.	\$17.68	
Rate Per 1000 Gallons:	\$7.34	
Availability Fee Per EDU	\$10,000	
Town of Gordonsville Wholesale Rate	\$6.62	
Orange County, Rte. 20 Water System		
Minimum Monthly Charge 0-2000 gal.	\$9.80	
Rate Per 1000 Gallons:	\$3.40	
Availability Fee Per EDU	\$10,000	
Gordonsville Sewer System		
Minimum Monthly Charge 0-2000 gal.		\$28.54
Rate Per 1000 Gallons		\$12.77
% of Water Usage		90%
Availability Fee Per EDU		\$10,000
East Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal. (Inside LOW)	\$11.88	\$44.56
Minimum Monthly Charge 0-2000 gal. (Outside LOW)	\$11.88	\$37.56
Rate Per 1000 Gallons	\$4.44	\$13.78
% of Water Usage		90%
Monthly Non-User Fee	\$3.00	\$17.00
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee (Inside LOW)		\$94.17
Unmetered Accounts - Flat Fee (Outside LOW)		\$87.17
Madison Water & Sewer Systems		
Minimum Monthly Charge 0-2000 gal.	\$27.54	\$43.70
Rate Per 1000 Gallons	\$12.27	\$20.35
% of Water Usage		90%
Availability Fee Per EDU	\$10,000	\$10,000
Unmetered Accounts - Flat Fee		\$116.96
Summer Conservation Surcharge (All water systems)		
Water billed for usage over 6000 gallons (July-October)	Additional \$1.00/1000 Gallons	
Hydrant Sales		
Rate Per 1000 Gallons	\$15.00	
Septage Hauling		
Rate Per 1000 Gallons		\$100.00

Five Largest Customers
Current Year and Nine Years Ago

2015		
Customer	Type	Annual Consumption
Customer 1	Municipality	79,197,000
Customer 2	Nursing Home	4,970,900
Customer 3	Public School System	4,485,700
Customer 4	Mobile Home Park	4,317,500
Customer 5	Public School System	3,101,000

2024		
Customer	Type	Annual Consumption
Customer 1	Municipality	89,068,900
Customer 2	Public School System	3,127,400
Customer 3	HOA/Golf Course	2,213,400
Customer 4	Campground	2,213,100
Customer 5	Nursing Home	1,589,400

Data internally compiled from Rapidan Service Authority

Ratio of Outstanding Debt
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Revenue Note</u>	<u>Premium on Bonds</u>	<u>Total Debt (1)</u>	<u>Number of Accounts (2)</u>	<u>Debt per Account</u>
2015	\$ 11,237,858	\$ 140,000	\$ 331,313	\$ 11,709,171	14,755	\$ 794
2016	10,123,926	120,000	265,852	10,509,778	14,911	705
2017	8,891,823	100,000	209,567	9,201,390	15,507	593
2018	7,686,806	80,000	167,856	7,934,662	15,718	505
2019	6,868,333	60,000	387,308	7,315,641	16,068	455
2020	6,300,000	40,000	332,636	6,672,636	16,246	411
2021	5,705,000	20,000	275,965	6,000,965	16,556	362
2022	5,088,333	-	217,311	5,305,644	16,740	317
2023	4,441,667	-	156,210	4,597,877	17,037	270
2024	3,768,333	-	93,149	3,861,482	12,855	300

Data internally compiled from Rapidan Service Authority

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Year Ended December 31,</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Available for Debt Service</u>	<u>Principal</u>	<u>Debt Service Requirements Interest</u>	<u>Total</u>	<u>Coverage</u>
2015	\$ 7,379,294	\$ 5,347,049	\$ 2,032,245	\$ 1,181,348	\$ 550,870	\$ 1,732,218	1.17
2016	7,649,081	5,262,176	2,386,905	1,133,932	433,506	1,567,438	1.52
2017	8,124,206	5,493,518	2,630,688	1,252,103	390,655	1,642,758	1.60
2018	9,336,110	6,212,000	3,124,110	1,225,017	344,138	1,569,155	1.99
2019	10,512,327	6,923,410	3,588,917	603,450	281,718	885,168	4.05
2020	10,406,069	7,372,196	3,033,873	588,333	243,339	831,672	3.65
2021	12,151,075	8,089,327	4,061,748	615,000	236,592	851,592	4.77
2022	12,190,134	8,192,349	3,997,785	636,667	183,142	819,809	4.88
2023	12,006,349	7,911,560	4,094,789	646,667	151,307	797,974	5.13
2024	12,492,654	8,249,377	4,243,277	673,333	118,232	791,565	5.36

(1) Includes availability fees & WQIF Grant funds received

(2) Excludes depreciation

Demographic and Economic Statistics
Last Ten Years

Greene County (4)						
Calendar Year	Population (1)		Per Capita Income		Total Personal Income (2)	Unemployment Rate (3)
2015	19,840	\$	36,873	\$	701,736,000	3.0%
2016	19,785		39,681		760,363,000	2.9%
2017	19,985		40,175		778,226,000	3.5%
2018	19,959		43,055		844,388,000	2.6%
2019	20,097		44,383		877,585,000	2.3%
2020	20,323		46,529		922,167,000	3.4%
2021	21,030		48,573		977,817,000	1.9%
2022	21,165		51,152		not available	2.3%
2023	21,370		51,629		1,089,723,000	2.4%
2024	N/A		N/A		N/A	N/A

Madison County						
Calendar Year	Population (1)		Per Capita Income		Total Personal Income (2)	Unemployment Rate (3)
2015	13,099	\$	41,194	\$	541,990,000	2.9%
2016	13,099		43,773		574,942,000	2.7%
2017	13,190		47,435		620,349,000	3.2%
2018	13,278		47,022		624,316,000	2.5%
2019	13,251		48,822		649,082,000	2.2%
2020	13,342		48,577		644,173,000	2.8%
2021	13,871		51,608		687,012,000	1.6%
2022	14,017		55,148		not available	1.8%
2023	14,026		56,535		791,493,000	2.2%
2024	13,982		60,259		851,333,000	2.0%

Orange County						
Calendar Year	Population (1)		Per Capita Income		Total Personal Income (2)	Unemployment Rate (3)
2015	34,015	\$	39,190	\$	1,372,657,000	4.0%
2016	33,777		42,166		1,492,044,000	3.7%
2017	34,521		43,679		1,552,063,000	4.4%
2018	35,582		46,293		1,669,934,000	3.3%
2019	35,921		49,010		1,795,932,000	3.0%
2020	36,286		50,642		1,876,329,000	4.1%
2021	36,341		53,217		2,006,018,000	2.5%
2022	37,109		57,849		not available	2.7%
2023	37,629		58,942		2,239,270,000	3.0%
2024	38,778		62,886		2,425,767,000	2.7%

(1) Data compiled through the Weldon Cooper Center for Public Service and is subject to changes as estimates are refined
 (2) Data compiled through the Bureau of Economic Analysis and is subject to changes as estimates are refined
 (3) Data compiled through the Virginia Employment Commission and is subject to changes as estimates are refined
 (4) Greene County withdrew from the Authority in 2023.

Construction Permits
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Greene</u>	<u>Madison</u>	<u>Orange</u>
2015	98	45	93
2016	98	41	145
2017	67	67	181
2018	139	69	200
2019	N/A	N/A	190
2020	284	47	200
2021	112	71	388
2022	120	N/A	264
2023	N/A	53	N/A
2024	N/A	N/A	410

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

Principal Employers
Current Year and Nine Years Ago

		2015		2024	
	Employer	# of Employees	Employer	# of Employees	
Madison County	Madison County School Board	250 - 499 Employees	Madison County School Board	250 - 499 Employees	
	Plow & Hearth LLC	250 - 499 Employees	Woodberry Forest School	250 - 499 Employees	
	Woodberry Forest School	250 - 499 Employees	MWP Supply, Inc.	100 - 249 Employees	
	County of Madison	100 - 249 Employees	County of Madison	100 - 249 Employees	
	Autumn Corporation	100 - 249 Employees	Madison Wood Preservers, Inc	50 - 99 Employees	
Orange County	Orange County School Board	500 - 999 Employees	Orange County School Board	500 - 999 Employees	
	American Woodmark Corporation	250 - 499 Employees	County of Orange	250 - 499 employees	
	Von Holtzbrinck Publishing	250 - 499 employees	Von Holtzbrink Publishing	250 - 499 employees	
	Germanna Community College	250 - 499 employees	Aerojet General Corp	250 - 499 employees	
	County of Orange	250 - 499 employees	Wal Mart	250 - 499 employees	

Data compiled through Virginia Employment Commission using 3rd quarter 2024 and 2nd quarter 2015 figures

Number of Employees by Identifiable Activity
Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Plant Operators	15	14	14	14	14	14	14	13	13	14
Maintenance / Construction	14	13	14	14	14	14	17	13	13	14
Admin/Customer Service/Engineering	10	10	11	12	12	12	11	12	13	14
Total	<u>39</u>	<u>37</u>	<u>39</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>42</u>	<u>38</u>	<u>39</u>	<u>42</u>

Data internally compiled from Rapidan Service Authority

Operating and Capital Indicators
Last Ten Fiscal Years

Drinking Water	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Produced/Purchased (millions of gallons)										
Greene	220.1	210.4	205.9	203.7	212.4	233.6	239.9	230.1	115.2	N/A
Rte. 15	110.7	101.1	81.0	108.3	99.9	103.2	118.4	114.9	113.0	123.8
Rte 20	7.4	6.5	6.7	7.8	7.5	8.0	8.0	6.9	6.5	8.6
LOW/Wilderness	231.5	282.5	274.8	280.1	294.7	330.1	346.5	350.2	353.0	381.7
Madison	25.9	25.8	28.2	28.1	27.4	24.3	25.5	30.8	31.6	30.1
Water Storage Capacity (gallons)										
Greene	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	2,512,000	N/A
Rte. 15/G'ville	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Rte 20	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
LOW/Wilderness	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,250,000	1,250,000	1,250,000
Madison	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Miles of Water Mains										
Greene	77	77	77	77	77	77	77	81	81	N/A
Rte. 15/G'ville	13	13	13	13	13	13	13	13	13	13
Rte. 20	5	5	5	5	5	5	5	5	5	5
LOW/Wilderness	73	73	73	73	73	74	74	75	77	78
Madison	8	8	8	8	8	8	8	8	8	8
Number of Treatment Plants	3	3	3	3	3	3	3	3	3	2
Wastewater Treatment										
Miles of Sewer Line										
Greene	42	42	42	42	42	42	42	43	44	N/A
Gordonsville	18	18	18	18	18	18	18	18	18	18
LOW/Wilderness	90	90	90	90	90	92	92	93	95	96
Madison	3	3	3	3	3	3	3	3	3	3
Number of Treatment Plants	5	5	5	5	5	5	5	5	5	3
Amount Treated Annually (millions of gallons)										
Greene	71.8	66.8	72.0	83.8	72.5	82.4	79.3	92.9	45.2	N/A
Gordonsville	126.0	112.1	87.0	200.9	173.0	200.6	146.0	154.7	211.7	148.6
LOW/Wilderness	282.9	260.2	273.6	295.8	284.6	313.2	290.4	295.9	295.2	315.3
Madison	22.6	25.3	25.1	34.7	26.8	24.7	20.7	19.5	19.7	18.1

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

Fact Sheet

The Rapidan Service Authority (RSA) presently employs 42 personnel and maintains two administrative offices. The West office is located on Route 29 in Madison. Located on Route 3, the East office is one-half mile west of the Lake of the Woods subdivision. The General Manager's administrative staff includes a Director of Administration, Director of Operations, West Manager, East Manager, four (3) Customer Service Representatives, and Accountant. Engineering staff includes the Director of Projects and Engineering Technician. The West Manager and East Manager oversee the maintenance of the water and wastewater systems. RSA East and West maintain separate storage facilities for inventory and equipment.

RSA owns and maintains the water distribution system on Route 15, between Orange and Gordonsville. The Town of Orange supplies the Route 15 system water via contract. In 2001, Orange County approved RSA to operate the Thomas E. Lee Industrial Park water system. In 2002, Orange County installed a 1,000,000 gallon storage tank with 12" and 16" mains between the new tank and the Lee Industrial Park with RSA operating the new system. The RSA Route 15 line consists of about 13 miles of PVC and asbestos-cement pipe and a 500,000-gallon steel ground storage tank located on the Sedwick's farm on Route 15 south of Orange. This system serves 118 customers including the Lee Industrial Park, EDM, MPS, the Town of Gordonsville, and includes 28 fire hydrants.

The Route 20 water system east of Orange is supplied by a well at the storage tank site on Porter Road and a well on May Lane. It was deeded to RSA in 1993, contains approximately 5 miles of line, a 150,000-gallon steel elevated storage tank, a 30 gpm well at the Porter Road tank site, 42 gpm well at the May Lane site and 22 fire hydrants. RSA installed a corrosion inhibitor system in 1993. This system serves 152 customers.

From November 1, 1984 through June 30, 1990, RSA contracted with the Town of Madison to operate their water and sewer treatment plants. On March 1, 1993, RSA became the owner of these systems. The Madison water plant has a rated capacity of 250,000 gpd and serves 290 connections. The water distribution system contains 8 miles of mains with a 500,000 gallon concrete ground tank. The 75,000 gallon steel elevated tank was removed in 2003. White Oak Lake reservoir is owned and maintained by RSA. The wastewater treatment plant has a licensed capacity of 80,000 gpd. In 2003, an additional concrete digester and three new solids drying beds were added to the wastewater treatment plant. The gravity sewer system includes 3 miles of 8" concrete & PVC pipe, two pump stations and serves 167 customers.

In August 1985, the Town of Gordonsville transferred ownership of the Gordonsville sewer treatment plant and collection system to RSA. The plant was under a State Water Control Board order to upgrade and meet more stringent discharge limitations. A new Wastewater Treatment Plant, costing three million dollars, was put into service in July 1988 with a licensed capacity of 667,000 gpd. The new plant utilizes all facets of the old plant, but adds two storage ponds, three pump stations, approximately forty-five acres of spray terraces using overland flow treatment, and a final discharge. A post aeration system was added in 1994. In 2003, the 12" gravity sewer interceptor line was relined from Main Street to High Street and in 2006 Faulconer Street's sewer main was relined. The collection system consists of approximately 18 miles of PVC and concrete main, with approximately 190 manholes and three pump stations.

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

The East water system consists of 2½" to 12" PVC and AC mains and 190 fire hydrants. Water storage consists of two 500,000 gallon elevated steel tanks on Flat Run Road, and a 250,000 steel elevated tank in Wilderness Shores subdivision. In 1991, a 1.6 million gpd water treatment plant was put into service, consisting of dual train Neptune Microfloc treatment units. The water source is the Rapidan River. The plant is connected to the LOW subdivision via 12' PVC transmission main along the Route 3. In 2002, RSA installed 12" PVC water main along Lakeview Parkway from Fairfax Lane to Gold Valley Road to enhance the transfer of water throughout the subdivision. In 2004, a new 500,000 gallon concrete clearwell tank and high service pump station were placed in service at the Wilderness Water Treatment Plant. In 2012, Orange County installed a new 500,000 gallon elevated water tank on the middle school site and upgraded 4,700 feet of 12" water main on Confederate Drive and Yorktown Boulevard. The water system consists of approximately 78 miles of water mains. There are approximately 5,542 connections on the East system including 7 subdivisions and 3 shopping centers.

The East sewer system consists of a vacuum collection system with 13 vacuum stations and three lift stations. The system contains 4" to 10" vacuum mains, 10" concrete gravity mains, 3" to 8" PVC force mains and approximately 1,600 holding tanks. Sewage is held in these tanks until the vacuum pumps collect and transport the waste to the treatment plant. The previously existing 250,000 gpd treatment facility was in service until 1992. RSA also upgraded the trunk collection mains including 6" to 10" PVC, and 69 plug valves. The sewer system consists of approximately 96 miles of sewer mains. In 1992 and 1993, all thirteen vacuum stations were completely renovated. RSA continues to upgrade the vacuum system every year. Station R was constructed to transfer wastewater from the old plant to the new plant. The Wilderness Shores 15" gravity collection system was installed and the Germanna College sewer pump station and force main was completed. In 1999, Somerset Farms contributed a 12" water main and various water distribution mains along with a sewer pump station, 8" force main and 8" gravity mains to serve this 320-lot subdivision. In 1999, a new liner was installed in the original treatment pond on Route 3. This facility currently acts as a backup holding pond in the event of a system failure at the primary pump station. In 2000, the plant was re-rated to 715,000 gpd based on existing treatment. In 2001, vacuum stations in LOW were upgraded and equipped with primary and backup pumps. There are a total of 13 pump stations inside the Lake of the Woods development and 11 outside of Lake of the Woods with a total of 5,576 connections.

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



* White Oak Lake

■ Madison Water Treatment Plant

■ Madison Ground Tank

● Madison Wastewater Treatment Plant

MADISON COUNTY
VIRGINIA
1" = 16000'

Wilderness Wastewater Treatment Plant

Wilderness Water Treatment Plant

Route 601 Water Tank

Fairway Drive Water Tank

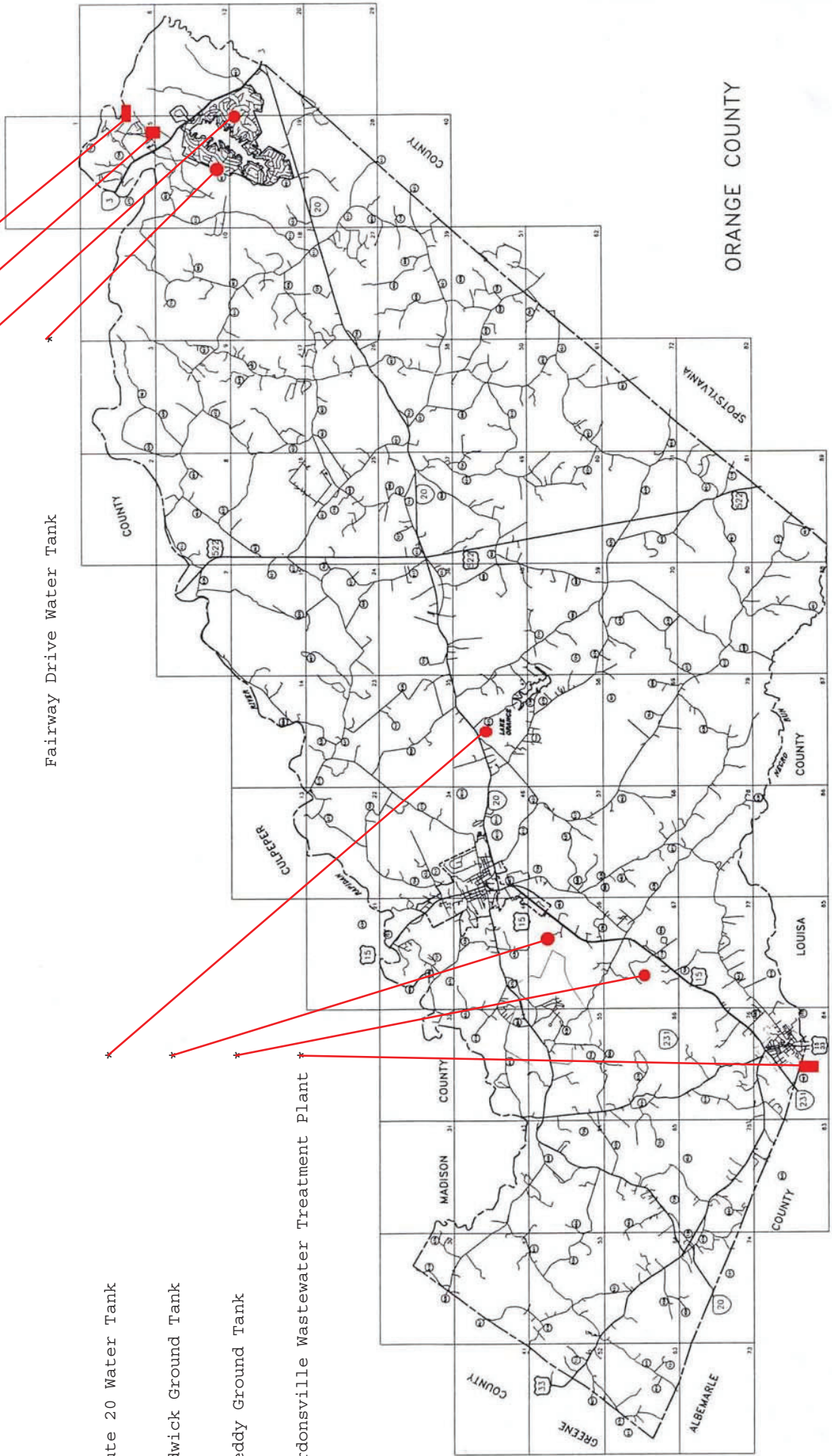
Route 20 Water Tank

Sedwick Ground Tank

Preddy Ground Tank

Gordonsville Wastewater Treatment Plant

ORANGE COUNTY





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rapidan Service Authority as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Rapidan Service Authority's basic financial statements and have issued our report thereon dated June 6, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer Cox Associates

Charlottesville, Virginia

June 6, 2025



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rapidan Service Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rapidan Service Authority's major federal programs for the year ended December 31, 2024. Rapidan Service Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rapidan Service Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rapidan Service Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rapidan Service Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rapidan Service Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rapidan Service Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rapidan Service Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Rapidan Service Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rapidan Service Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rapidan Service Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

June 6, 2025

RAPIDAN SERVICE AUTHORITY

Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2024

<u>Federal Grantor/State Pass - through Grantor/ Program Title or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of the Treasury: Pass-through payments: Virginia Department of Environmental Quality: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ <u>1,608,015</u>
Total Department of the Treasury			\$ <u>1,608,015</u>
Total Expenditures of Federal Awards			\$ <u><u>1,608,015</u></u>

RAPIDAN SERVICE AUTHORITY

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2024

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of Rapidan Service Authority under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Authority did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Total Federal revenues per financial statements - capital contributions	\$ <u>1,608,015</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,608,015</u>

RAPIDAN SERVICE AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with CFR section 200.516(a)? No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There were no prior year findings reported.