

MAURY SERVICE AUTHORITY

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

Maury Service Authority

Officers
At June 30, 2025

Chairperson
Jonathan Goad

Vice-Chairperson
Charles Aligood

Secretary/Treasurer
Albert “Jay” Lewis

Board Members

Mary Beth Manjerovic

Jonathan Goad

Charles Aligood

Albert “Jay” Lewis

Jennifer Humphrey

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Board of Directors
Maury Service Authority
Lexington, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Maury Service Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Maury Service 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 Maury Service Authority, as of June 30, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maury 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 2 to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2025, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 101. Our opinions are 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 Maury 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 Maury 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 Maury Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information 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 Maury Service Authority's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2026, on our consideration of the Maury 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 Maury 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 Maury Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

April 24, 2026

As management of the Maury Service Authority (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2025.

Overview of the Financial Statements

This discussion and analysis is 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 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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. 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 fund 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.

The basic enterprise fund financial statements can be found on pages 12 through 14 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 15 through 40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for the schedules of pension and OPEB funding related to the Virginia Retirement System benefits. Other supplementary information presented includes budgetary comparison schedules.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$27,880,646 (net position). Of this amount \$4,986,695 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net position increased by \$1,126,636 during the year.
- The Authority's total long-term debt had a net decrease of \$195,996 during the current fiscal year. Of this amount, \$488,637 is due to principal payments on its indebtedness and \$292,641 is proceeds from issuance of new debt in FY25.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,880,646 at the close of the most recent fiscal year.

Financial Analysis (Continued)

By far the largest portion of the Authority's net position (80 percent) reflects its net investment in capital assets. The Authority uses these 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.

	Net Position	
	2025	2024
Assets:		
Current and other assets	\$ 6,772,548	\$ 6,346,648
Capital assets	30,365,687	29,743,631
Total Assets	\$ 37,138,235	\$ 36,090,279
Total Deferred Outflows of Resources	\$ 75,670	\$ 106,730
Liabilities:		
Long-term liabilities outstanding	\$ 7,818,648	\$ 8,038,667
Other liabilities	1,328,600	1,235,349
Total Liabilities	\$ 9,147,248	\$ 9,274,016
Total Deferred Inflows of Resources	\$ 186,011	\$ 101,256
Net position:		
Net investment in capital assets	\$ 22,191,821	\$ 21,349,797
Restricted for debt service and bond covenants	340,606	329,986
Restricted for pension benefits	361,524	312,697
Unrestricted	4,986,695	4,829,257
Total Net Position	\$ 27,880,646	\$ 26,821,737

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

	Change in Net Position	
	2025	2024
Revenues:		
Sales - City of Lexington	\$ 3,903,128	\$ 3,376,479
Sales - Rockbridge County PSA	2,200,951	1,881,764
Contribution for debt service payments	358,627	358,627
Investment income	91,132	9,115
Other revenue	130,947	134,589
Total revenues	\$ 6,684,785	\$ 5,760,574
Expenses:		
Operating expenses (excluding depreciation)	\$ 4,458,887	\$ 4,626,193
Depreciation expense	1,178,373	1,168,421
Bond issuance costs	6,000	-
Special projects and studies	204	57,076
Interest expense	120,441	123,722
Total expenses	\$ 5,763,905	\$ 5,975,412
Capital contributions	\$ 205,756	\$ 144,224
Increase (decrease) in net position	\$ 1,126,636	\$ (70,614)
Net position—July 1, as previously reported	\$ 26,821,737	\$ 26,892,351
Restatement*	(67,727)	-
Net position—July 1, as restated	\$ 26,754,010	\$ 26,892,351
Net position—June 30	\$ 27,880,646	\$ 26,821,737

*FY25 beginning balance restatement of position for implementation of GASB Statement No. 101

Financial Analysis (Continued)

The Authority's net position increased by \$1,126,636 during the current year. Operating revenues increased by \$842,194 and operating expenses (including depreciation) decreased by \$279,234 from FY 2024 levels. Key elements of these changes are explained in greater detail under the Review of Operations section.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2025 amounted to \$30,365,687 (net of accumulated depreciation). The investment in capital assets decreased by approximately 2.09% during the year. Below is a comparison of the items that make up capital assets as of June 30, 2025 with that of June 30, 2024.

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 910,971	\$ 910,971
Utility plant in service	28,650,372	28,642,535
Construction in progress	<u>804,344</u>	<u>190,125</u>
Total net capital assets	<u>\$ 30,365,687</u>	<u>\$ 29,743,631</u>

Additional information on the Authority's capital assets is presented in Note 4 of the Notes to Financial Statements.

Long-term Debt - At the end of the current fiscal year, the Authority had \$8,173,866 in bonds outstanding versus \$8,369,862 last year, a decrease of 2.30%. The net decrease is due to the retirement of debt in excess of the issuance of bonds for the construction projects.

Additional information on the Authority's long-term liabilities is presented in Note 5 of the Notes to Financial Statements.

Review of Operations

Operating Revenues

Water sales revenues increased by \$436,763, or 20.11%, over the previous year. Water rates increased by 8.94% during fiscal year 2025 to \$4.98. Additionally, there was a 51,682 gallon, or 10.95%, increase in consumption.

Sewage treatment revenues increased by \$394,098 or 12.29%, over the previous year. The sewage treatment rate increased by 6.02% to \$9.16. Additionally, there was a 24,378 gallon, or 6.82% increase in consumption.

Operating Expenses

Water operating expenses (excluding depreciation) increased by \$211,645 in fiscal year 2025 over 2024 amounts. This represents a 12.91% increase from the previous year. Maintenance and personnel costs increased by \$191,567 and \$42,022, respectively, over the prior year.

Sewer operating expenses (excluding depreciation) decreased by \$378,951 in fiscal year 2025 from 2024 amounts. This represents a 12.69% decrease from the previous year. Payroll expenses and maintenance decreased by \$65,865 and \$362,650, respectively, over the prior year. Whereas, chemicals increased by \$43,283 from the prior year.

Review of Operations (Continued)

Long-Term Considerations

Water: The MSA has aging and failing water treatment facilities that have gone past the end of their useful life. This is a challenge the MSA staff works tirelessly to overcome to sustainably provide clean water. The water demand also fluctuates due to the aging distribution system of the MSA customers. This fluctuation in demand is difficult to manage.

Wastewater: The MSA has aging and failing wastewater treatment facilities that have gone past the end of their useful life. This is a challenge the MSA staff works tirelessly to overcome to sustainably provide clean water. The operating revenues will continue to fluctuate with the rainfall until the Infiltration and Inflow (I&I) is significantly reduced in the customer's collection systems. The MSA also experiences significantly higher strength waste streams to the wastewater treatment facilities that is contributing to overloading of the facilities.

Projects

Wastewater and Water: The MSA has completed a Water Facilities Assessment Report and a Wastewater Facilities Assessment Report to understand the needs of the MSA facilities and begin developing a plan to address these needs. The MSA completed the Water Storage and Transmission System PER, the Water Treatment Plant Improvement PER, and Raw Water Pumping Station Replacement PER. The MSA has also completed the design of the Rt. 11 Water Line Replacement Project, and project is expected to be completed at the beginning of FY27. MSA is working with engineering firms on several designs of water transmission main replacement projects. The MSA has started the UV Disinfection Improvements Project PER and the Solids Handling Improvement Project Phase 1 PER.

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 Executive Director at 130 Osage Lane, Lexington, VA 24450.

Financial Statements

MAURY SERVICE AUTHORITY

 Statement of Net Position
 As of June 30, 2025

	Water	Wastewater	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,186,390	\$ 2,579,822	\$ 3,766,212
Accounts receivable	831,334	1,148,983	1,980,317
Accounts receivable - Commonwealth of Virginia	-	21,396	21,396
Amounts due from other funds	-	268,688	268,688
Prepaid expenses	17,901	15,904	33,805
Total Current Assets	\$ 2,035,625	\$ 4,034,793	\$ 6,070,418
Noncurrent Assets:			
Restricted Assets:			
Cash and cash equivalents	\$ 340,606	\$ -	\$ 340,606
Other Assets:			
Net pension asset	\$ 135,029	\$ 226,495	\$ 361,524
Capital Assets:			
Land and improvements	\$ 276,046	\$ 634,925	\$ 910,971
Construction in progress	454,344	350,000	804,344
Plant, lines and equipment	15,958,434	34,286,629	50,245,063
Total Capital Assets	\$ 16,688,824	\$ 35,271,554	\$ 51,960,378
Accumulated depreciation	6,871,317	14,723,374	21,594,691
Net Capital Assets	\$ 9,817,507	\$ 20,548,180	\$ 30,365,687
Total Noncurrent Assets	\$ 10,293,142	\$ 20,774,675	\$ 31,067,817
Total Assets	\$ 12,328,767	\$ 24,809,468	\$ 37,138,235
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 18,358	\$ 34,157	\$ 52,515
OPEB related items	8,899	14,256	23,155
Total Deferred Outflows of Resources	\$ 27,257	\$ 48,413	\$ 75,670
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 336,613	\$ 163,504	\$ 500,117
Accrued payroll liabilities	18,003	32,805	50,808
Accrued interest payable	8,141	-	8,141
Amounts due to other funds	268,688	-	268,688
Compensated absences - current portion	1,142	7,718	8,860
Revenue bonds - current portion	168,977	323,009	491,986
Total Current Liabilities	\$ 801,564	\$ 527,036	\$ 1,328,600
Long-term Liabilities:			
Compensated absences - net of current portion	\$ 10,278	69,466	\$ 79,744
Revenue bonds payable - net of current portion	6,066,838	1,615,042	7,681,880
Net OPEB Liability	22,154	34,870	57,024
Total Long-term Liabilities	\$ 6,099,270	\$ 1,719,378	\$ 7,818,648
Total Liabilities	\$ 6,900,834	\$ 2,246,414	\$ 9,147,248
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 23,239	\$ 34,194	\$ 57,433
OPEB related items	4,480	7,052	11,532
Deferred revenue - 3M settlement	117,046	-	117,046
Total Deferred Inflows of Resources	\$ 144,765	\$ 41,246	\$ 186,011
NET POSITION			
Net investment in capital assets	\$ 3,581,692	\$ 18,610,129	\$ 22,191,821
Restricted for debt service and bond covenants	340,606	-	340,606
Restricted for pension benefits	135,029	226,495	361,524
Unrestricted	1,253,098	3,733,597	4,986,695
Total Net Position	\$ 5,310,425	\$ 22,570,221	\$ 27,880,646

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

MAURY SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenue:			
Sales:			
Lexington	\$ 1,408,857	\$ 2,494,271	\$ 3,903,128
Rockbridge County Service Authority	1,199,487	1,001,464	2,200,951
Miscellaneous revenue	19,358	111,589	130,947
Total Operating Revenue	\$ <u>2,627,702</u>	\$ <u>3,607,324</u>	\$ <u>6,235,026</u>
Operating Expenses:			
Personnel and benefits	\$ 800,409	\$ 1,116,553	\$ 1,916,962
Electricity	221,344	304,124	525,468
Chemicals	123,627	237,583	361,210
Insurance	49,615	53,909	103,524
Maintenance	415,561	471,913	887,474
Professional fees	134,060	84,632	218,692
Other expenses	106,486	339,071	445,557
Depreciation	389,086	789,287	1,178,373
Total Operating Expenses	\$ <u>2,240,188</u>	\$ <u>3,397,072</u>	\$ <u>5,637,260</u>
Operating Income (loss)	\$ <u>387,514</u>	\$ <u>210,252</u>	\$ <u>597,766</u>
Nonoperating Revenues (Expenses):			
Contribution for debt service payments	\$ 35,618	\$ 323,009	\$ 358,627
Interest income	28,582	62,550	91,132
Bond issuance costs	(6,000)	-	(6,000)
Special projects and studies	(204)	-	(204)
Interest expense	<u>(120,441)</u>	<u>-</u>	<u>(120,441)</u>
Total Nonoperating Revenues (Expenses)	\$ <u>(62,445)</u>	\$ <u>385,559</u>	\$ <u>323,114</u>
Income (loss) before capital contributions	\$ <u>325,069</u>	\$ <u>595,811</u>	\$ <u>920,880</u>
Capital contributions	\$ <u>-</u>	\$ <u>205,756</u>	\$ <u>205,756</u>
Change in net position	\$ 325,069	\$ 801,567	\$ 1,126,636
Net position, beginning, as previously reported	\$ 4,985,357	\$ 21,836,380	\$ 26,821,737
Restatement	<u>(1)</u>	<u>(67,726)</u>	<u>(67,727)</u>
Net position, beginning, as restated	\$ 4,985,356	\$ 21,768,654	\$ 26,754,010
Net position, end of year	\$ <u>5,310,425</u>	\$ <u>22,570,221</u>	\$ <u>27,880,646</u>

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

MAURY SERVICE AUTHORITY

Statement of Cash Flows

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 2,357,934	\$ 3,222,736	\$ 5,580,670
Payments to suppliers	(766,794)	(1,551,134)	(2,317,928)
Payments to and for employees	(838,905)	(1,230,536)	(2,069,441)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 752,235</u>	<u>\$ 441,066</u>	<u>\$ 1,193,301</u>
Cash Flows from Noncapital Financing Activities:			
Contribution for debt service payments	\$ 35,618	\$ 323,009	\$ 358,627
Interfund loans	11,428	(11,428)	-
Net Cash Provided By (Used for) Noncapital Financing Activities	<u>\$ 47,046</u>	<u>\$ 311,581</u>	<u>\$ 358,627</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from indebtedness	\$ 292,641	\$ -	\$ 292,641
Purchase and construction of assets	(574,253)	(1,250,148)	(1,824,401)
Capital contributions from governments	-	328,584	328,584
Principal payments on bonds	(165,628)	(323,009)	(488,637)
Bond issuance costs	(6,000)	-	(6,000)
Interest paid on indebtedness	(120,668)	-	(120,668)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (573,908)</u>	<u>\$ (1,244,573)</u>	<u>\$ (1,818,481)</u>
Cash Flows from Investing Activities:			
Interest income	\$ 28,582	\$ 62,550	\$ 91,132
Net Cash Provided by (Used for) Investing Activities	<u>\$ 28,582</u>	<u>\$ 62,550</u>	<u>\$ 91,132</u>
Increase (decrease) in cash and cash equivalents	\$ 253,955	\$ (429,376)	\$ (175,421)
Cash and cash equivalents - beginning - including restricted	<u>1,273,041</u>	<u>3,009,198</u>	<u>4,282,239</u>
Cash and cash equivalents - ending - including restricted	<u><u>\$ 1,526,996</u></u>	<u><u>\$ 2,579,822</u></u>	<u><u>\$ 4,106,818</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 387,514	\$ 210,252	\$ 597,766
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	389,086	789,287	1,178,373
Payments for special projects and studies	(204)	-	(204)
(Increase) decrease in accounts receivable	(269,768)	(384,588)	(654,356)
(Increase) decrease in prepaid expenses	(6,054)	(3,484)	(9,538)
(Increase) decrease in net pension asset	(33,715)	(15,112)	(48,827)
(Increase) decrease in pension deferred outflows	19,612	10,740	30,352
(Increase) decrease in OPEB deferred outflows	(709)	1,417	708
Increase (decrease) in accounts payable	173,111	(56,418)	116,693
Increase (decrease) in accrued payroll liabilities	(8,907)	(3,016)	(11,923)
Increase (decrease) in compensated absences	(14,780)	(73,856)	(88,636)
Increase (decrease) in net OPEB liability	3,075	(4,937)	(1,862)
Increase (decrease) in pension deferred inflows	(3,726)	(28,290)	(32,016)
Increase (decrease) in OPEB deferred inflows	654	(929)	(275)
Increase (decrease) in deferred revenue	117,046	-	117,046
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 752,235</u></u>	<u><u>\$ 441,066</u></u>	<u><u>\$ 1,193,301</u></u>
Schedule of non-cash capital and related financing activities:			
Construction payables decrease	\$ -	\$ (23,972)	\$ (23,972)

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025

Note 1—Formation of the Maury Service Authority:

The Maury Service Authority was formed on August 7, 1970 as a political subdivision of the Commonwealth of Virginia by the Cities of Buena Vista and Lexington and the County of Rockbridge pursuant to the Virginia Water and Sewer Authorities Act (1950 as amended). The Authority is governed by a Board of Directors appointed by the founding localities. The Authority is responsible for acquiring, financing, constructing, and maintaining facilities for the improvement, treatment, storage and transmission of potable water. The Authority also provides wastewater treatment services to the participating jurisdictions.

Financial Reporting Entity - The Authority's financial statements include all of its funds and accounts. There are no potential component units which should be included in the reporting entity. The Authority is construed as a joint venture between the localities listed above.

Note 2—Summary of Significant Accounting Policies:

- A. Basis of Accounting: The Maury Service Authority operates as enterprise funds and its financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

- B. Allowance for Doubtful Accounts: The Authority bills the City of Lexington and the Rockbridge County Public Service Authority for substantially all of its services and consequently no provision for doubtful accounts is considered necessary.
- C. Basic Financial Statements: Since the Authority is only engaged in business-type activities, it is only required to present 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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

D. Cash and Cash Equivalents: The Authority's cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

E. Capital Assets:

Capital assets are tangible and intangible assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$7,000 and an estimated useful life in excess of two years.

As the Authority constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water and Sewage treatment plant and equipment	10 to 50
Machinery and equipment	3 to 25
Office furniture and fixtures	10
Automobiles	5 to 10

F. Inventory: Consumption of materials and supplies is recorded as an expense when used. No inventory amounts are recorded as an asset, as available inventories are not significant.

G. Budgets and Budgetary Accounting: A budget is prepared for informational, fiscal planning purposes, and to provide the basis for setting wholesale rates. None of the participating entities are required to approve the budgets. The budgets are adopted as planning documents and are not legal controls over expenses.

The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant assets and amortization. A review of the budgetary comparison schedules presented herein will disclose how accurately the Authority was able to forecast its revenues and expenditures.

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

- I. Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one type of item that qualifies for reporting in this category. Deferred outflows are 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 also has items that qualify for reporting in this category. Certain items related to pension, OPEB, and 3M class-action settlement are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

- J. Long-term Obligations: Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.
- K. Net Position: The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.
- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
 - Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
 - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, 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.

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

L. Compensated Absences: (Continued)

Vacation

The Authority's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The Authority's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Authority and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

- M. Pensions: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- N. Other Postemployment Benefits (OPEB): For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- O. Adoption of Accounting Principles: During the current year, the Authority implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Authority now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences.

The change in accounting principle resulted in the following restatement of net position:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Net position, as reported, at June 30, 2024	\$ 4,985,357	\$ 21,836,380	\$ 26,821,737
Restatement for GASB 101 implementation	(1)	(67,726)	(67,727)
Net position, as restated, at June 30, 2024	<u>\$ 4,985,356</u>	<u>\$ 21,768,654</u>	<u>\$ 26,754,010</u>

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 3—Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize the Authority 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 a formal investment policy.

The Authority’s investments at June 30, 2025 were held by the Authority or in the Authority’s name by the Authority’s custodial banks.

Authority’s Rated Debt Investments	
<u>Rated Debt Investment Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 2,855,786
Total	<u>\$ 2,855,786</u>

Interest Rate Risk:

The Authority reports investments and the maturities as follows:

<u>Investment Type</u>	<u>Investment Maturity</u>	
	<u>Value</u>	<u>Less than 1 Year</u>
Local Government Investment Pool	\$ 2,855,786	\$ 2,855,786
Total investments	<u>\$ 2,855,786</u>	<u>\$ 2,855,786</u>

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 3—Deposits and Investments: (Continued)External Investment Pool:

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP 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.

Note 4—Capital Assets:

Details of changes in capital assets for the year ended June 30, 2025 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
WATER:				
Capital assets not being depreciated:				
Land and improvements	\$ 276,046	\$ -	\$ -	\$ 276,046
Construction in progress	<u>45,901</u>	<u>408,443</u>	<u>-</u>	<u>454,344</u>
Total capital assets not being depreciated	\$ <u>321,947</u>	\$ <u>408,443</u>	\$ <u>-</u>	\$ <u>730,390</u>
Capital assets being depreciated:				
Water plant and lines	\$ 15,438,977	\$ -	\$ -	\$ 15,438,977
Equipment, furniture and vehicles	<u>353,647</u>	<u>165,810</u>	<u>-</u>	<u>519,457</u>
Total capital assets being depreciated	\$ <u>15,792,624</u>	\$ <u>165,810</u>	\$ <u>-</u>	\$ <u>15,958,434</u>
Accumulated depreciation:				
Water plant and lines	\$ (6,279,787)	\$ (368,954)	\$ -	\$ (6,648,741)
Equipment, furniture and vehicles	<u>(202,444)</u>	<u>(20,132)</u>	<u>-</u>	<u>(222,576)</u>
Total accumulated depreciation	\$ <u>(6,482,231)</u>	\$ <u>(389,086)</u>	\$ <u>-</u>	\$ <u>(6,871,317)</u>
Total capital assets, being depreciated, net	\$ <u>9,310,393</u>	\$ <u>(223,276)</u>	\$ <u>-</u>	\$ <u>9,087,117</u>
Total water capital assets, net	\$ <u><u>9,632,340</u></u>	\$ <u><u>185,167</u></u>	\$ <u><u>-</u></u>	\$ <u><u>9,817,507</u></u>

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 4—Capital Assets: (Continued)

Details of changes in capital assets for the year ended June 30, 2025 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
WASTEWATER:				
Capital assets not being depreciated:				
Land and improvements	\$ 634,925	\$ -	\$ -	\$ 634,925
Construction in Progress	<u>144,224</u>	<u>205,776</u>	<u>-</u>	<u>350,000</u>
Total capital assets not being depreciated	<u>\$ 779,149</u>	<u>\$ 205,776</u>	<u>\$ -</u>	<u>\$ 984,925</u>
Capital assets being depreciated:				
Wastewater treatment plant	\$ 28,838,024	\$ 715,065	\$ -	\$ 29,553,089
Equipment, furniture and vehicles	<u>4,428,205</u>	<u>305,335</u>	<u>-</u>	<u>4,733,540</u>
Total capital assets being depreciated	<u>\$ 33,266,229</u>	<u>\$ 1,020,400</u>	<u>\$ -</u>	<u>\$ 34,286,629</u>
Accumulated depreciation:				
Wastewater treatment plant	\$ (11,378,516)	\$ (596,018)	\$ -	\$ (11,974,534)
Equipment, furniture and vehicles	<u>(2,555,571)</u>	<u>(193,269)</u>	<u>-</u>	<u>(2,748,840)</u>
Total accumulated depreciation	<u>\$ (13,934,087)</u>	<u>\$ (789,287)</u>	<u>\$ -</u>	<u>\$ (14,723,374)</u>
Total capital assets, being depreciated, net	<u>\$ 19,332,142</u>	<u>\$ 231,113</u>	<u>\$ -</u>	<u>\$ 19,563,255</u>
Total wastewater capital assets, net	<u>\$ 20,111,291</u>	<u>\$ 436,889</u>	<u>\$ -</u>	<u>\$ 20,548,180</u>
Total capital assets, net	<u>\$ 29,743,631</u>	<u>\$ 622,056</u>	<u>\$ -</u>	<u>\$ 30,365,687</u>

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 5—Long-term Liabilities:

On June 1, 2025, the Authority issued \$4,500,000 of Series 2025 water revenue bonds through Rural Development to be used for the Rt. 11 Waterline Project. The first draw of \$292,641 was paid to the Authority in June 2025, with the final draw anticipated in October 2026. Payments will be due in semi-annual installments of \$149,847 beginning on October 1, 2026, at an interest rate of 2.75%.

A. Changes in Long-term Liabilities:

The following is a summary of long-term liabilities transactions for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Revenue Bonds	\$ 6,108,802	\$ 292,641	\$ 165,628	\$ 6,235,815	\$ 168,977
Compensated absences*	26,200	-	14,780	11,420	1,142
Net OPEB Liability	19,079	16,825	13,750	22,154	-
Total Water Long-term Liabilities	<u>\$ 6,154,081</u>	<u>\$ 309,466</u>	<u>\$ 194,158</u>	<u>\$ 6,269,389</u>	<u>\$ 170,119</u>
Wastewater Revenue Bonds	\$ 2,261,060	\$ -	\$ 323,009	\$ 1,938,051	\$ 323,009
Compensated absences*	151,040	-	73,856	77,184	7,718
Net OPEB Liability	39,807	20,505	25,442	34,870	-
Total Wastewater Long-term Liabilities	<u>\$ 2,451,907</u>	<u>\$ 20,505</u>	<u>\$ 422,307</u>	<u>\$ 2,050,105</u>	<u>\$ 330,727</u>
Totals	<u>\$ 8,605,988</u>	<u>\$ 329,971</u>	<u>\$ 616,465</u>	<u>\$ 8,319,494</u>	<u>\$ 500,846</u>

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

The Authority implemented the provisions of GASB Statement No. 101, accordingly the beginning balance reported for compensated absences has been restated.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 5—Long-term Liabilities: (Continued)

B. Details of Long-term Liabilities:

Direct Borrowings and Direct Placements - Water Revenue Bonds:

\$7,598,000 Water Revenue Bond, Series 2012, issued through Rural Development dated June 5, 2012 bearing interest at 2%. Payments of interest only are due on June 5, 2013 and 2014. Beginning July 5, 2014, monthly payments of combined principal and interest of \$23,858 are due through June 5, 2052.

\$ 5,943,174

\$4,500,000 Water Revenue Bond, Series 2025, issued through Rural Development dated June 1, 2025 bearing interest at 2.75%. Beginning October 1, 2027, semi-annual payments of combined principal and interest of \$149,847 are due through October 1, 2046.

Amount reflects loan draws in FY2025.

292,641

Total Direct Borrowings and Direct Placements - Water Revenue Bonds

\$ 6,235,815

Compensated Absences

\$ 11,420

Net OPEB Liability

\$ 22,154

Total Water Long-term Liabilities

\$ 6,269,389

Direct Borrowings and Direct Placements - Wastewater Revenue Bonds:

\$6,543,947 Wastewater Revenue bond, Series 2009, dated May 7, 2009 due in semi-annual installments of principal of \$163,599 commencing on December 1, 2011 through June 1, 2031. No interest.

\$ 1,938,051

Compensated Absences

\$ 77,184

Net OPEB Liability

\$ 34,870

Total Wastewater Long-term Liabilities

\$ 2,050,105

Total Long-Term Liabilities

\$ 8,319,494

C. Default Provisions:

In the event of default on revenue bonds, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 5—Long-term Liabilities: (Continued)

D. Annual Amortization of Long-term Liabilities:

The annual requirements to amortize all long-term debt outstanding as of June 30, 2025 are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Water Revenue Bonds		Wastewater Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 168,977	\$ 117,319	\$ 323,009	\$ -
2027	172,388	113,908	323,009	-
2028	175,867	110,429	323,009	-
2029	179,417	106,879	323,008	-
2030	183,038	103,258	323,008	-
2031	186,733	99,563	323,008	-
2032	190,502	95,794	-	-
2033	194,347	91,949	-	-
2034	198,270	88,026	-	-
2035	202,272	84,024	-	-
2036	206,355	79,941	-	-
2037	210,520	75,776	-	-
2038	214,769	71,527	-	-
2039	219,104	67,192	-	-
2040	223,526	62,770	-	-
2041	228,038	58,258	-	-
2042	232,641	53,655	-	-
2043	237,337	48,959	-	-
2044	242,127	44,169	-	-
2045	247,014	39,282	-	-
2046	252,000	34,296	-	-
2047	257,087	29,209	-	-
2048	262,276	24,020	-	-
2049	267,569	18,726	-	-
2050	272,970	13,326	-	-
2051	278,480	7,816	-	-
2052	239,550	2,232	-	-
Total	\$ 5,943,174	\$ 1,742,303	\$ 1,938,051	\$ -
VRA Series 2025 Loan drawdown	\$ 292,641	\$ -	\$ -	\$ -
Total	\$ 6,235,815	\$ 1,742,303	\$ 1,938,051	\$ -

For the year ended June 30, 2025 the City of Lexington and County of Rockbridge each contributed one-half of the Wastewater Revenue Bond debt payment.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 6—Interfund Balances:

Amounts reported as due to and from other funds totaled \$268,688 at June 30, 2025. This balance represents water fund expenses that were paid for by the wastewater fund.

Note 7—Concentration of Revenue:

The Maury Service Authority receives substantially all its revenues from the City of Lexington and the Rockbridge County Public Service Authority. For the year ended June 30, 2025, the Water Fund had sales of \$1,408,857 and \$1,199,487 with the City of Lexington and Rockbridge County Service Authority, respectively, while the Wastewater Fund had sales of \$2,494,271 and \$1,001,464 with the City and Authority, respectively. As of June 30, 2025, the Water Fund had receivables from the City and Authority of \$326,248 and \$368,682, respectively and the Wastewater Fund had receivables from the City and Authority of \$759,416 and \$389,568, respectively.

Note 8—Risk Management:

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

Note 9—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.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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. 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. 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.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—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	7
Inactive members:	
Vested inactive members	4
Non-vested inactive members	9
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	17
Active members	<u>19</u>
Total covered employees	<u><u>43</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 June 30, 2025 was 2.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$39,522 and \$57,562 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$11,006 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$12,995 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,100,645 for the year ended June 30, 2025.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)

Net Pension Asset

The net pension liability (asset) (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

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

Inflation	2.50%
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% 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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—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. 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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total 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.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)***Discount Rate (Continued)***

For the year ended June 30, 2024, 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, 2023 actuarial valuations, whichever was greater. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 678,836	\$ 991,533	\$ (312,697)
Changes for the year:			
Service cost	\$ 102,461	\$ -	\$ 102,461
Interest	51,017	-	51,017
Differences between expected and actual experience	9,151	-	9,151
Contributions - employer	-	57,453	(57,453)
Contributions - employee	-	56,158	(56,158)
Net investment income	-	98,375	(98,375)
Benefit payments, including refunds of employee contributions	(50,975)	(50,975)	-
Administrative expenses	-	(554)	554
Other changes	-	24	(24)
Net changes	\$ 111,654	\$ 160,481	\$ (48,827)
Balances at June 30, 2024	\$ 790,490	\$ 1,152,014	\$ (361,524)

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)***Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's Net Pension Asset	\$ (253,034)	\$ (361,524)	\$ (447,594)

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

For the year ended June 30, 2024, the Authority recognized pension expense of \$(11,077). At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,734	\$ 29,927
Changes of assumptions	1,796	-
Net difference between projected and actual earnings on pension plan investments	-	24,043
Changes in proportionate share	3,463	3,463
Employer contributions subsequent to the measurement date	39,522	-
Total	\$ 52,515	\$ 57,433

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 9—Pension Plan: (Continued)

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

\$39,522 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2026	\$	(39,924)
2027		7,051
2028		(5,696)
2029		(5,871)
2030		-
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 <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$6,610 and \$7,090 for the years ended June 30, 2025 and June 30, 2024, respectively.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

At June 30, 2025, the entity reported a liability of \$57,024 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00511% as compared to .00491% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$5,179. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,994	\$ 1,393
Net difference between projected and actual earnings on GLI OPEB plan investments	-	4,806
Change of assumptions	325	2,826
Changes in proportionate share	7,226	2,507
Employer contributions subsequent to the measurement date	<u>6,610</u>	<u>-</u>
Total	<u>\$ 23,155</u>	<u>\$ 11,532</u>

\$6,610 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$ (90)
2027	1,675
2028	1,281
2029	901
2030	1,246
Thereafter	-

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

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

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

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

- Pre-Retirement:
 Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

** On June 15, 2013, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

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

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 88,679	\$ 57,024	\$ 31,450

GLI Plan Fiduciary Net Position

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

Note 11—Compensated Absences:

The Authority has accrued the liability arising from outstanding compensated absences. Full-time employees accrue paid leave at varying rates as services are provided. The balance was \$88,604 at year-end.

Note 12—Contract Obligations:

The Authority had several projects underway during the year including feasibility work on the aging infrastructure. Contracts totaling \$1,545,476 were outstanding at June 30, 2025 for the various projects.

MAURY SERVICE AUTHORITY

Notes to Financial Statements
As of June 30, 2025 (Continued)

Note 13—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis, assessments for future periods are deferred.

In 2025, the Authority recognized \$117,046 of deferred revenue related to a class-action settlement with 3M which is expected to be received in fiscal year 2026.

Note 14—Upcoming Pronouncements:

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

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

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

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

Note 15—Subsequent Events:

In July 2025, the Board approved the ratification of the contract to purchase real estate adjoining the Authority's current property at a contracted purchase price of \$850,000.

In July 2025, the Authority was approved to receive \$4.83M in the form of a forgiveness loan from the Department of Environmental Quality (DEQ) as funding towards the solids handling and storage rehab project. \$4.589M is categorized as principal forgiveness, and \$241K is categorized as low interest loan. The principal forgiveness is equivalent to grant funding as the principal amount will be forgiven at completion of the project, and only the interest amount will be repaid.

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2017 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability								
Service cost	\$ 102,461	\$ 106,878	\$ 101,553	\$ 117,730	\$ 97,881	\$ 109,183	\$ 99,909	\$ -
Interest	51,017	45,207	43,303	28,799	20,977	13,463	(32)	(2)
Differences between expected and actual experience	9,151	(16,226)	(96,544)	(24,366)	15,588	(5,726)	95,699	-
Assumption changes	-	-	-	9,280	-	9,905	-	-
Benefit payments	(50,975)	(39,745)	(11,127)	(25,115)	(12,003)	(4,778)	(789)	(66)
Net change in total pension liability	\$ 111,654	\$ 96,114	\$ 37,185	\$ 106,328	\$ 122,443	\$ 122,047	\$ 194,787	\$ (68)
Total pension liability - beginning	<u>678,836</u>	<u>582,722</u>	<u>545,537</u>	<u>439,209</u>	<u>316,766</u>	<u>194,719</u>	<u>(68)</u>	<u>-</u>
Total pension liability - ending (a)	<u>\$ 790,490</u>	<u>\$ 678,836</u>	<u>\$ 582,722</u>	<u>\$ 545,537</u>	<u>\$ 439,209</u>	<u>\$ 316,766</u>	<u>\$ 194,719</u>	<u>\$ (68)</u>
Plan fiduciary net position								
Contributions - employer	\$ 57,453	\$ 51,972	\$ 56,619	\$ 50,720	\$ 122,108	\$ 103,141	\$ 76,397	\$ 68,109
Contributions - employee	56,158	50,417	47,811	42,899	47,046	39,120	34,076	30,602
Net investment income	98,375	60,483	(3,498)	161,525	8,401	21,566	10,462	6,570
Benefit payments	(50,975)	(39,745)	(11,127)	(25,115)	(12,003)	(4,778)	(789)	(66)
Administrator charges	(554)	(529)	(439)	(325)	(128)	(45)	6	60
Other	24	25	20	16	(12)	(15)	(14)	(10)
Net change in plan fiduciary net position	\$ 160,481	\$ 122,623	\$ 89,386	\$ 229,720	\$ 165,412	\$ 158,989	\$ 120,138	\$ 105,265
Plan fiduciary net position - beginning	<u>991,533</u>	<u>868,910</u>	<u>779,524</u>	<u>549,804</u>	<u>384,392</u>	<u>225,403</u>	<u>105,265</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,152,014</u>	<u>\$ 991,533</u>	<u>\$ 868,910</u>	<u>\$ 779,524</u>	<u>\$ 549,804</u>	<u>\$ 384,392</u>	<u>\$ 225,403</u>	<u>\$ 105,265</u>
Authority's net pension liability (asset) - ending (a) - (b)	<u>\$ (361,524)</u>	<u>\$ (312,697)</u>	<u>\$ (286,188)</u>	<u>\$ (233,987)</u>	<u>\$ (110,595)</u>	<u>\$ (67,626)</u>	<u>\$ (30,684)</u>	<u>\$ (105,333)</u>
Plan fiduciary net position as a percentage of the total pension liability	145.73%	146.06%	149.11%	142.89%	125.18%	121.35%	115.76%	-154801.47%
Covered payroll	\$ 1,312,844	\$ 1,157,338	\$ 1,083,910	\$ 951,200	\$ 1,027,725	\$ 831,960	\$ 699,040	\$ 618,940
Authority's net pension liability (asset) as a percentage of covered payroll	-27.54%	-27.02%	-26.40%	-24.60%	-10.76%	-8.13%	-4.39%	-17.02%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS pension plan on July 1, 2016.

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2017 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 39,522	\$ 39,522	\$ -	\$ 1,406,473	2.81%
2024	57,562	57,562	-	1,312,844	4.38%
2023	52,064	52,064	-	1,157,338	4.50%
2022	56,708	56,708	-	1,083,910	5.23%
2021	50,793	50,793	-	951,200	5.34%
2020	122,158	122,158	-	1,027,725	11.89%
2019	103,181	103,181	-	831,960	12.40%
2018	76,438	76,438	-	699,040	10.93%
2017	68,455	68,455	-	618,940	11.06%

* 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. The Authority began participation in the VRS pension plan on July 1, 2016.

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2025

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

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

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

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
				Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	
2024	0.00511% \$	57,024 \$	1,312,844	4.34%	73.41%
2023	0.00491%	58,886	1,157,338	5.09%	69.30%
2022	0.00498%	59,964	1,083,910	5.53%	67.21%
2021	0.00460%	53,673	951,200	5.64%	67.45%
2020	0.00499%	83,275	1,027,725	8.10%	52.64%
2019	0.00428%	69,647	838,825	8.30%	52.00%
2018	0.00372%	57,000	706,893	8.06%	51.22%
2017	0.00335%	51,000	618,940	8.24%	48.86%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS GLI plan on July 1, 2016.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2017 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 6,610	\$ 6,610	\$ -	\$ 1,406,473	0.47%
2024	7,090	7,090	-	1,312,844	0.54%
2023	6,250	6,250	-	1,157,338	0.54%
2022	5,853	5,853	-	1,083,910	0.54%
2021	5,136	5,136	-	951,200	0.54%
2020	5,344	5,344	-	1,027,725	0.52%
2019	4,362	4,362	-	838,825	0.52%
2018	3,676	3,676	-	706,893	0.52%
2017	3,218	3,218	-	618,940	0.52%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS GLI plan on July 1, 2016.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2025

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

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

Non-Largest Ten Locality Employers - General 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

Schedule of Revenues and Expenses - Budget and Actual - Water Fund
For the Year Ended June 30, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Water sales	\$ 2,399,576	\$ 2,608,344	\$ 208,768
Interest income	10,000	28,582	18,582
Contribution for debt service payments	35,655	35,618	(37)
Miscellaneous	-	19,358	19,358
Total revenue	<u>\$ 2,445,231</u>	<u>\$ 2,691,902</u>	<u>\$ 246,671</u>
EXPENSES:			
Wages	\$ 616,318	\$ 580,215	\$ 36,103
Payroll taxes	47,072	41,752	5,320
VRS and ICMA	49,125	32,608	16,517
Insurance - health	158,129	119,686	38,443
Payroll HSA	-	15,180	(15,180)
Other payroll expenses	-	4,488	(4,488)
Employee appreciation	-	6,482	(6,482)
Accounting	7,692	9,540	(1,848)
Audit fee	10,000	10,500	(500)
Bank Fees	-	802	(802)
Chemicals	135,359	123,627	11,732
Contract services	10,600	7,112	3,488
Dues	4,920	5,710	(790)
Education	7,000	10,904	(3,904)
Electricity	205,000	221,344	(16,344)
Gas, grease, oil	5,200	3,286	1,914
Generator expense	5,000	4,791	209
Honoraria	3,870	-	3,870
Insurance - general	47,525	49,615	(2,090)
IT contract	9,874	7,793	2,081
Janitorial supplies	1,500	1,199	301
Lab supplies	6,150	10,977	(4,827)
Legal and advisory services	14,500	14,733	(233)
Maintenance	72,800	415,561	(342,761)
Monitoring	8,580	5,175	3,405
Office expenses	4,417	6,867	(2,450)
Professional fees	41,000	27,409	13,591
Project support	500,000	71,878	428,122
Safety	1,205	1,459	(254)
Solids handling	27,000	8,144	18,856
Special projects	35,000	204	34,796
Telephone (Communications)	12,420	12,086	334
Travel	7,277	5,552	1,725
Vehicles	3,500	2,928	572
Wearing apparel	7,175	5,099	2,076
Landfill contract	8,727	6,603	2,124
Loan payment on Loop Project:			
Principal	165,628	165,628	-
Interest	120,668	123,945	(3,277)
Asset repair and replacement	85,000	574,253	(489,253)
Total expenses	<u>\$ 2,445,231</u>	<u>\$ 2,715,135</u>	<u>\$ (269,904)</u>
Net income (loss)	<u>\$ -</u>	<u>\$ (23,233)</u>	<u>\$ (23,233)</u>
Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:			
Net income (loss) - Budgetary Basis	\$	(23,233)	
Principal payments on bonds and loans		165,628	
Depreciation		(389,086)	
Interest accrual		3,504	
Capital asset additions		574,253	
Bond issuance costs		(6,000)	
Rounding		3	
Change in Net Position - GAAP Basis	\$	<u>325,069</u>	

This schedule is presented on the Authority's budgetary basis of accounting. Depreciation is excluded from the schedule and loan payments are included.

Schedule of Revenues and Expenses - Budget and Actual - Wastewater Fund
For the Year Ended June 30, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Sewer sales	\$ 2,984,614	\$ 3,495,735	\$ 511,121
Interest	10,000	62,550	52,550
Contribution for debt service payments	-	323,009	323,009
Miscellaneous	5,000	111,589	106,589
Capital contributions	-	205,756	205,756
Total revenue	\$ 2,999,614	\$ 4,198,639	\$ 1,199,025
EXPENSES:			
Wages	\$ 1,029,466	\$ 902,495	\$ 126,971
Payroll taxes	78,677	66,405	12,272
VRS and ICMA	83,003	7,744	75,259
Insurance - health	274,352	110,584	163,768
Other payroll expenses	-	1,150	(1,150)
Employee appreciation	-	12,745	(12,745)
Payroll HSA	-	15,430	(15,430)
Accounting	7,692	10,278	(2,586)
Audit fee	10,000	10,500	(500)
Bank fees	-	228	(228)
Chemicals	283,825	237,583	46,242
Contract services	7,000	4,567	2,433
Dues	5,540	7,052	(1,512)
Education	16,000	13,539	2,461
Electricity	325,000	304,124	20,876
Gas, grease, oil	18,500	16,658	1,842
Generator expense	9,000	3,485	5,515
Honoraria	3,870	-	3,870
Insurance - general	53,453	53,909	(456)
Janitorial supplies	2,000	3,449	(1,449)
Lab supplies	71,108	62,940	8,168
Legal and advisory services	14,500	14,733	(233)
Maintenance	117,934	471,913	(353,979)
Monitoring	53,319	52,050	1,269
Office expenses	7,772	5,143	2,629
Permits expense	11,325	10,986	339
Professional fees	41,000	49,121	(8,121)
Safety	2,405	6,523	(4,118)
Solids handling	68,500	86,950	(18,450)
Special projects	35,000	0	35,000
Telephone (communications)	12,600	11,131	1,469
Travel	10,000	7,880	2,120
Vehicles	16,391	19,594	(3,203)
Wearing apparel	11,564	8,554	3,010
IT contract	10,586	10,159	427
Landfill contract	8,232	8,187	45
Project Support	50,000	-	50,000
Loan payment on sewer plant bonds:			
Principal	-	323,009	(323,009)
Asset repair and replacement	250,000	1,226,176	(976,176)
Total expenses	\$ 2,999,614	\$ 4,156,974	\$ (1,157,360)
Net income (loss)	\$ -	\$ 41,665	\$ 41,665
Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:			
Net income (loss) - Budgetary Basis	\$	41,665	
Principal payments on bonds		323,009	
Depreciation		(789,287)	
Capital asset additions		1,226,176	
Rounding		4	
Change in Net Position - GAAP Basis	\$	801,567	

This schedule is presented on the Authority's budgetary basis of accounting. Depreciation is excluded from the schedule and loan payments are included.

Compliance



**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 Directors
Maury Service Authority
Lexington, 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 Maury Service Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Maury Service Authority's financial statements and have issued our report thereon dated April 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Maury 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 Maury Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Maury 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 Maury 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
April 24, 2026