



**CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY
LYNCHBURG, VIRGINIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**



**CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY
LYNCHBURG, VIRGINIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

Prepared By:

The Accounting Department

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Table of Contents

	<u>Page</u>
Front Cover	1
INTRODUCTORY SECTION	
Title Page	2
Table of Contents	3-4
Authority Members	5
Letter of Transmittal	6-9
Organizational Chart	10
GFOA Certificate	11
FINANCIAL SECTION	
Independent Auditors' Report	12-15
Management's Discussion and Analysis	16-21
<u>Basic Financial Statements</u>	
Exhibit 1 Statement of Net Position	23-24
Exhibit 2 Statement of Revenues, Expenses, and Changes in Net Position	25
Exhibit 3 Statement of Cash Flows	26
Notes to Financial Statements	27-55
<u>Required Supplementary Information</u>	
Exhibit 4 Schedule of Changes in Net Pension Liability and Related Ratios	57-58
Exhibit 5 Schedule of Employer Contributions - Pension Plan	59
Exhibit 6 Notes to Required Supplementary Information - Pension Plan	60
Exhibit 7 Schedule of Authority's Share of Net OPEB Liability-Group Life Insurance Plan	61
Exhibit 8 Schedule of Employer Contributions-Group Life Insurance Plan	62
Exhibit 9 Notes to Required Supplementary Information-Group Life Insurance Plan	63
<u>Other Supplementary Information</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues and Expenses	65-67
Schedule 2 Schedule of Revenues - Central/Rustburg Division - Budget and Actual	68

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Table of Contents (Continued)

	<u>Page</u>
FINANCIAL SECTION: (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Supporting Schedules: (Continued)	
Schedule 3	69
Schedule 4	70-71
Schedule 5	72
Schedule 6	73
Schedule 7	74-75
 STATISTICAL SECTION	
Table 1	77
Table 2	78
Table 3	79
Table 4	80
Table 5	81
Table 6	82
Table 7	83
Table 8	84
Table 9	85
Table 10	86
Table 11	87
Table 12	88
Table 13	89
Table 14	90
 COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91-92

AUTHORITY MEMBERS

Donald L. Austin - Chairman

James R. Marstin - Vice-Chairman

Wilson L. Dickerson - (July 2024 through December 2024)

Charles A. Droog

Carter S. Elliott, Jr.

Joseph C. Kirkland

Robert Lee, III - (February 2025 - June 2025)

Daniel L. Richardson

Jeffrey S. Wells - Executive Director

April M. Farmer - Treasurer

Wendy C. Meese - Secretary

CAMPBELL COUNTY

EXECUTIVE DIRECTOR
JEFFREY S. WELLS, P.E.
jwells@ccusa-water.com



TELEPHONE
(434) 239-8654

UTILITIES AND SERVICE AUTHORITY

20644 TIMBERLAKE ROAD, LYNCHBURG, VIRGINIA 24502

February 26, 2026

To the Members of the Authority Board, Customers, and Interested Parties:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Campbell County Utilities and Service Authority (the "Authority") for the fiscal year ended June 30, 2025. The ACFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rests with the Authority, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations, and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unmodified ("clean") opinion on the financial statements of the Authority as of and for the year ended June 30, 2025. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and Specifications for audits of Authorities, Boards and Commissions, issued by the Auditor of Public Accounts for the Commonwealth of Virginia. The annual audit is planned and performed to obtain reasonable, rather than absolute, assurance that the basic financial statements of Campbell County Utilities and Service Authority are free of any material misstatement. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read with it.

Profile

The Authority was created by a resolution of the Board of Supervisors of Campbell County, Virginia (the “County”) in 1964 according to the Virginia Water and Waste Authorities Act. The Authority was created for the purposes of acquisition, construction, operation, and maintenance of a water system for the supply and distribution of water and of sewer and sewage disposal systems. If directed by the Campbell County Board of Supervisors, the Authority would also become responsible for stormwater management and/or garbage and refuse collection and disposal within Campbell County.

The Authority is a separate entity from Campbell County and financial data included in the accompanying ACFR is not included in the financial information of Campbell County. It is commonly misinterpreted that the Authority receives tax revenue and other assistance from the County, but the Authority operates using its own revenue sources. There have been two projects over the past 20 years that the County saw as beneficial to its overall Master Plan that were not financially conducive to the Authority, so the County agreed through moral obligation to fund the financing of these two projects.

The management of the Authority is vested in a board of seven members appointed by the Campbell County Board of Supervisors. The Authority Board hired an Executive Director who is responsible for the daily functions of the Authority.

As of June 30, 2025, the Authority had 9,298 water connections and 3,322 sewer connections. A large portion of Campbell County remains rural, so it is not economically feasible to extend water or sewer lines to all of the population of Campbell County. The Authority serves 12,079 equivalent residential units (ERU’s); therefore, it is estimated that the Authority provides water to approximately 30,198 of the estimated 55,696 residents of Campbell County. Sewer main extensions are substantially more expensive, and the Authority provided sewer treatment services to approximately 4,631 ERU’s, or an estimated 11,578 Campbell County residents. These figures do not include connections to commercial, industrial, or governmental facilities.

Services Provided

The Authority provides service through 199.7 miles of water line and 57.79 miles of sewer mains. Prior to 1986, the Authority purchased all water from the City of Lynchburg to distribute to its customers; however, in the early 80’s, due to rising costs of purchasing water being out of the Authority’s control, the Authority Board and staff determined it was time to construct a water plant for the Authority to have some separation and independence from the City of Lynchburg. The Authority continues to purchase water from the City of Lynchburg to serve a small portion of its residential customers and along the Mount Athos corridor to serve a large business. The Authority has access to the City of Lynchburg supply in case of emergency.

The Authority provides sewer treatment services to the Rustburg area within Campbell County, for 215 customers. This number includes residential, commercial, and governmental. The treatment for the remaining customers in Campbell County is provided by purchasing these services from the City of Lynchburg. The Authority currently owns one million gallons per day of capacity in the Lynchburg Regional Water Resource Recovery Facility and could purchase more capacity if it becomes necessary in the future. The Authority pays for the treatment services as well as a portion of the sewer capital expenses for the City.

The Authority has a contract to serve the County and Town of Appomattox on a wholesale basis with a minimum daily requirement of 31,000 gallons per day, but current usage exceeds the minimum requirement.

The Authority has a contract to serve the Town of Altavista on a wholesale basis with a minimum daily requirement of 75,000 gallons per day from April 1 to October 31 of each year. There is no minimum requirement November 1 to March 31 of each year.

*Economic
Conditions
and
Outlook*

Campbell County experienced an explosion of growth in 2008, but now experiences modest growth and has much opportunity for future growth. The Authority has benefited from growth of a local university and multi-family housing developments.

Campbell County Board of Supervisors has a Master Plan for Campbell County that attempts to balance residential growth with commercial development. All proposed developments must first be approved by Campbell County to ensure it fits into Campbell County's Master Plan.

In 2012, the Authority created a base fee for sewer customers to offset the cyclical nature of growth. Before the base fee was created, Authority water customers subsidized wastewater capital projects. The Authority also slightly increased the water base fee to fund water capital projects. In July 2023, the Authority increased usage rates for water and sewer as well as base fees for both water and sewer for the first time since July 1, 2012. The Authority's overall fees remain competitive with other Authorities surrounding Campbell County.

*Internal
Control
Structure
and
Budgetary
Controls*

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that those financial records for preparing financial statements and preparing financial statements and maintaining asset accountability are reliable. Accounting functions are separated to the extent possible for a small-sized staff.

The Authority prepares an annual budget for current expenses and capital outlays, but also uses reasonable estimates of upcoming expenses to prepare a five-year plan which is used to assure that short and long-term financial objectives are being met. The Authority ensures that deficits and surpluses will be balanced during that five-year budget projection.

The proposed budget is presented to the Board for review and a Budget Committee of two Board members is assigned to evaluate each budgetary item.

Division managers participate in the budgeting process and are responsible for the budgetary items that are controllable within their division. The Finance Director is responsible for general Authority costs as well as monitoring expenses of the Authority as a whole. Budgetary control is exercised with the understanding that budget amounts (both revenue and expenses) are projections of anticipated service levels. Expenses are evaluated at year-end, whether they are under- or over-budget, to ensure they were made consistently with Authority policies.

*Relevant
Financial
Policies*

Investments are made according to limitations outlined in the Authority's Agreement of Trust with its Bond Trustee. Investments are made to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the Code of Virginia.

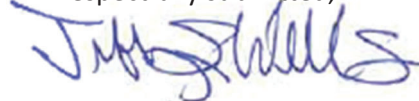
Awards

The accompanying ACFR is the thirteenth to be submitted to the Government Finance Officers Association (GFOA) on behalf of the Authority. To be awarded, the Authority had to publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements. The Authority was awarded its first Certificate of Achievement for fiscal year 2012.

A Certificate of Achievement (if awarded) would be valid for a period of one year only. We believe that our ACFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the Authority.

We would like to thank the Authority Board Members for their dedicated and conscientious management of the Authority's operations and being diligent stewards of funds on behalf of the customers of Campbell County Utilities and Service Authority. These efforts are reflected in the accompanying information.

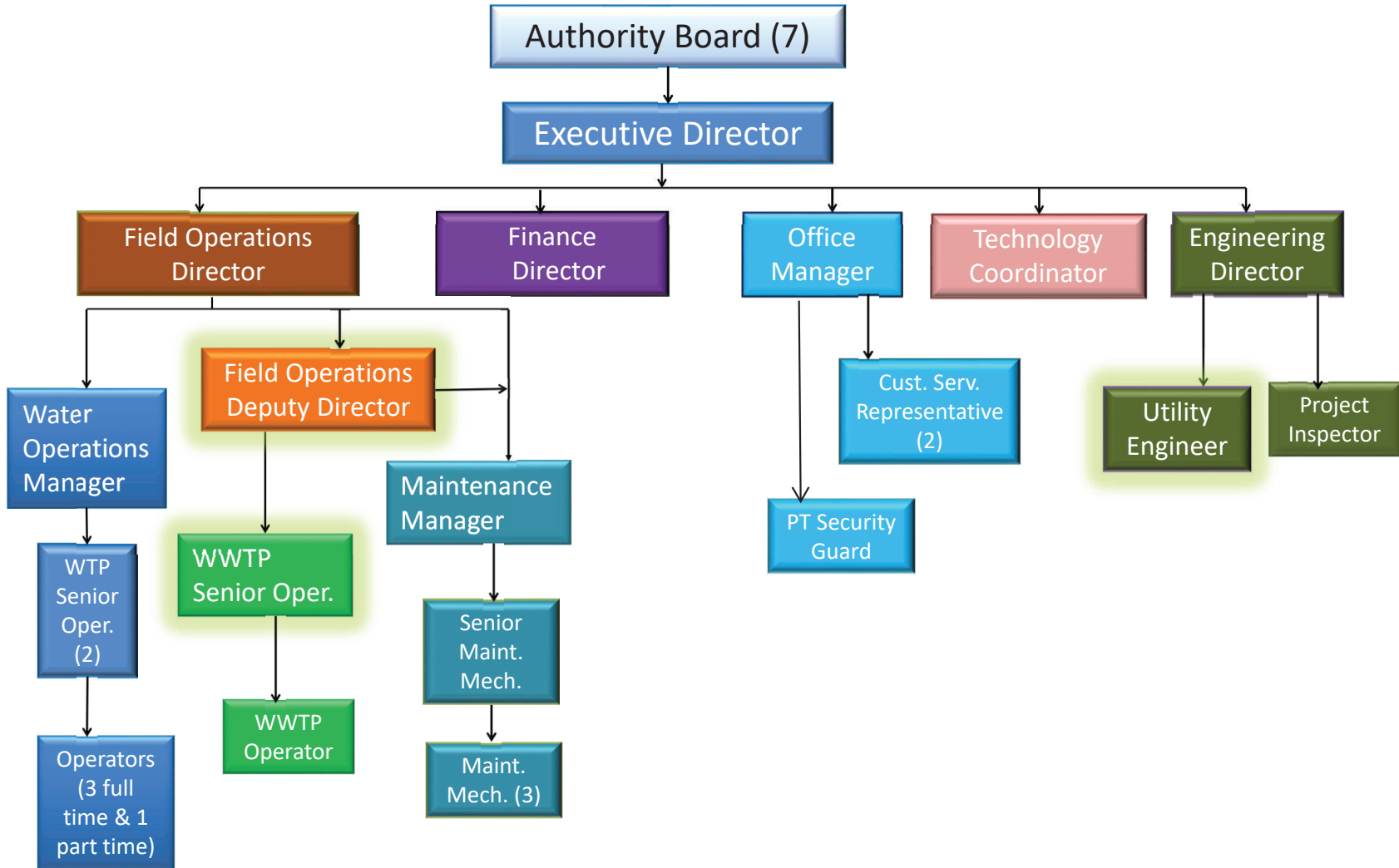
Respectfully submitted,



Jeffrey S. Wells, P. E.
Executive Director

CCUSA ORGANIZATIONAL CHART

As of June 30, 2025





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Campbell County Utilities and Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



Independent Auditors' Report

**To the Honorable Board Members
Campbell County Utilities and Service Authority
Lynchburg, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Campbell County Utilities and Service Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Campbell County Utilities and 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 Campbell County Utilities and 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 Campbell County Utilities and Service Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As described in Note 13 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 13 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 Campbell County Utilities and 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 Campbell County Utilities and 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 Campbell County Utilities and 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 Campbell County Utilities and 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2026, on our consideration of Campbell County Utilities and 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 Campbell County Utilities and 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 Campbell County Utilities and Service Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Board Members of
Campbell County Utilities and Service Authority
Lynchburg, Virginia

As management of Campbell County Utilities and Service Authority, (the "Authority"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended 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. The financial statements are comprised of only two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements

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

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

The basic financial statements can be found on pages 23 through 26 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 27 through 55 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Exhibits 4 through 9 of the Required Supplementary Information (pages 57 through 63).

Financial Highlights

- The Authority's total assets and deferred outflows of resources totaled \$88,752,625. Liabilities and deferred inflows of resources totaled \$6,262,340. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,490,285 (Total Net Position), of which \$13,182,876 is unrestricted and may be used to meet the Authority's ongoing obligations to customers and creditors compared to \$80,752,952 net position with \$13,104,324 unrestricted net position at the close of fiscal year 2024 and 76,581,407 net position with \$10,893,745 unrestricted net position at the close of fiscal year 2023.
- The Authority's total net position increased by \$1,737,333; however, 24.8% of this increase was attributable to one-time capital contributions from developers. The percentage of increase in total net position due to capital contributions was 44.0% in FY24 and 47.6% in FY23. Capital contributions from developers fluctuate from year to year based on growth and need for water and/or wastewater service.

Financial Highlights: (Continued)

- The Authority continues to invest in its own capital by upgrading aging lines, rehabilitating facilities, and replacing equipment; this capital outlay is not providing growth for the system but is ensuring reliable service is provided to Authority customers.
- The Authority is currently working with a Developer and secured ARPA funding from the Department of Environmental Quality (DEQ) to construct the Martin Drive Wastewater Pump Station, which will provide wastewater service to a densely populated area within the County. The Martin Drive Pump Station will eventually replace the Whitestone Pump Station, reducing expensive maintenance for an aging wastewater pump station.
- The Authority's total liabilities increased by \$240,052 this fiscal year from FY24 compared to an increase of \$308,575 in FY24 from FY23 and an increase of \$368,522 in FY23 from FY22. The increase in liabilities in FY25 is due to the inclusion of sick leave in compensated balances. While the Authority has experienced increases over the previous three fiscal years, total liabilities have decreased by \$4,732,387 over the last ten years.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position

Table 1
Summary of Statement of Net Position
At June 30, 2024 and 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Current assets	\$ 15,811,004	\$ 15,021,190
Capital assets	71,451,765	70,284,758
Other noncurrent assets	48,449	97,911
Restricted assets	<u>726,717</u>	<u>789,463</u>
Total assets	<u>\$ 88,037,935</u>	<u>\$ 86,193,322</u>
Deferred outflows	<u>\$ 714,690</u>	<u>704,125</u>
Total assets and deferred outflows	<u><u>\$ 88,752,625</u></u>	<u><u>\$ 86,897,447</u></u>
Current liabilities	\$ 1,318,701	\$ 1,377,341
Long-term liabilities	<u>4,669,958</u>	<u>4,371,267</u>
Total liabilities	<u>\$ 5,988,659</u>	<u>\$ 5,748,608</u>
Deferred inflows	<u>\$ 273,681</u>	<u>\$ 395,887</u>
Net investment in capital assets	\$ 68,807,409	\$ 67,148,628
Restricted	500,000	500,000
Unrestricted	<u>13,182,876</u>	<u>13,104,324</u>
Total net position	<u>\$ 82,490,285</u>	<u>\$ 80,752,952</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 88,752,625</u></u>	<u><u>\$ 86,897,447</u></u>

- The Authority's combined net position increased by \$1,737,333 during the year compared to an increase of \$4,171,545 in the previous fiscal year and \$2,418,411 in fiscal year 2023.

Financial Highlights: (Continued)

Statement of Net Position: (Continued)

The following table shows the revenues and expenses of the Authority during the fiscal year:

Table 2
Changes in Net Position
At June 30, 2024 and 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating revenues:		
Water sales, charges and sewer service charges	\$ 8,262,900	\$ 7,715,221
Total operating revenues	<u>\$ 8,262,900</u>	<u>\$ 7,715,221</u>
Operating expenses:		
Source of supply	\$ 1,338,632	\$ 1,219,845
Wastewater treatment	662,898	695,299
Maintenance and inspection	906,732	888,067
Personnel	3,077,051	2,874,288
Administrative and general	512,601	551,221
Depreciation	<u>2,130,215</u>	<u>1,824,334</u>
Total operating expenses	<u>\$ 8,628,129</u>	<u>\$ 8,053,054</u>
Net income (loss) from operations	<u>\$ (365,229)</u>	<u>\$ (337,833)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 486,885	\$ 358,876
Interest expense	(49,984)	(57,304)
Grant from Campbell County	93,475	92,415
Grant from VRA	61,128	-
Other nonoperating expenses	<u>(302,346)</u>	<u>(130,315)</u>
Total nonoperating revenues (expenses)	<u>\$ 289,158</u>	<u>\$ 263,672</u>
Net income (loss) before capital contributions	<u>\$ (76,071)</u>	<u>\$ (74,161)</u>
Capital contributions	<u>2,342,893</u>	<u>4,245,706</u>
Change in net position	<u>\$ 2,266,822</u>	<u>\$ 4,171,545</u>
Net position - beginning of year	<u>80,752,952</u>	<u>76,581,407</u>
Restatement	<u>\$ (529,489)</u>	<u>\$ -</u>
Net position - beginning of year, as restated	<u>80,223,463</u>	<u>76,581,407</u>
Net position - end of year	<u><u>\$ 82,490,285</u></u>	<u><u>\$ 80,752,952</u></u>

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. By far the largest portion of the Authority's net position (81.2%) reflects investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are *not* available for future spending.

Financial Analysis: (Continued)

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.

Operating revenues increased by \$547,679 and operating expenses before depreciation increased by \$269,194 from FY 2024. Key elements of these changes are as follows:

- Capital Contributions from developers in the form of dedicated facilities were \$430,999. These contributions included water transmission and distribution lines, sewer mains, service lines and laterals from projects that were completed and accepted into the Authority system in FY25.
- Sewer user rates and base fees were increased in FY25, but there was no increase to water rates. Water consumption and meter service charges exceeded budgeted projections by 2.2% and sewer revenue exceeded forecasts by 7.29%.
- Water Capital Recovery Fees fell short of budget projections by 2.1%, or \$12,787. Capital Recovery Fees for sewer exceeded budget projections by 0.6%, or \$3,469. The Budget Committee, which is comprised of Authority staff and two Authority Board members, is conservative when preparing the budget for Capital Recovery Fees and do not rely on one-time fees to fund ongoing operations.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2025, net of accumulated depreciation was \$68,807,409. Investment in Capital Assets grew approximately 2.5% during FY25. Investments in capital assets grew 3.0% during FY24 and 2.7% in FY23.

The Authority Board encumbered \$1,884,000 for capital projects throughout the year.

Additional information on the Authority's capital assets can be found in Note 3 to the financial statements.

Long-Term Debt - At the end of the fiscal year, the Authority had \$4,669,958 in Long-Term Debt. Long-term debt consists of bonds and notes outstanding, compensated absences and net pension liability. The Authority had \$4,371,267 long-term debt at the end of FY24, an increase of 6.8%. Campbell County pays a portion of the bond payments through a moral obligation agreement (\$93,475 in FY25, but Campbell County's portion has been satisfied and the Authority will not receive payment for this moral obligation in FY26 or future years). The noncurrent portion of compensated absences accounted for approximately 16.13% of long-term liabilities. Compensated balances increased significantly in FY25 due to the inclusion of sick leave required by GASB Statement No. 101 that took effect in FY25. If compensated balances had remained constant, the increase in Long-Term Debt would have reflected a decrease of 4.8% or (\$203,015)

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

Review of Operations:

Operating Revenues - Total Operating Revenue increased approximately 7.1%. Operating Revenue increased in FY24 from FY23 by 11.1%. A comparison of the current fiscal year's actual and budgeted income is found on Schedule 2 under Supporting Schedules of the Financial Section. Operating Revenues exceeded budget projections by \$279,100, or 3.5%.

Review of Operations: (Continued)

Operating Expenses - Operating Expenses before depreciation and amortization were less than budget projections by 3.9% (or \$266,580). Operating Expenses before depreciation and amortization increased from FY24 Operating Expenses by approximately 4.3% (or \$269,194).

Overall expenses in the **Personnel division** increased by approximately 7.1%, or \$202,763. Authority employees were given a 5% cost of living adjustment and step increases were given to five employees according to longevity. Other than salaries, the Health Insurance, Retirement and FICA line items also experienced large increases.

Expenses in the **Administrative and General division** decreased by 7.1% for fiscal year 2025. Many of the lines decreased in FY25, the most significant being the Equipment Contracts line item. The Office Equipment Contracts line item contains several subcategories including but not limited to network equipment, warranties, system updates, and technology support. The line items for Legal Fees and Engineering Fees also reflected decreases in FY25. There were small increases in other line items, but the overall expenses for the division decreased by \$38,682 from FY24. Bank service fees increased because the Authority entered a contract with Invoice Cloud to provide online customer access in FY23, but the increase in bank fees was offset by the savings in the postage line item and the office supplies line item.

Expenses for the **Source of Supply division** (Expenses at the Water Treatment Plant) increased by 9.5% from fiscal year 2024. The main increase in this division was the increase in fees for water treatment from the City of Lynchburg. The Authority purchases water from the City of Lynchburg to serve BWXT and some residential customers located in the Vista Acres and Old Rustburg Road areas. The expense for purchases from the City of Lynchburg to serve BWXT are offset by the revenue collected from BWXT. There were also large increases in the Chemical, Electrical, Maintenance, and the Equipment and Supplies lines. The increase in this division from FY24 \$114,195 and was the second largest increase in expenses in FY25.

Expenses for the **Wastewater Treatment division** decreased 4.7% in FY25. The largest expense in this division is for Purchase Services Lynchburg line item, which includes treatment expenses for sewage treated at the Lynchburg Regional Wastewater Treatment Facility; however, there was very little change in this line item from the previous year. There were some small increases in individual lines within this division, but most lines experienced decreases from FY24. This division increased significantly from FY23 to FY24.

Expenses in the **Maintenance and Inspection division** increased 2.1% from FY24, or \$18,665. Leak repairs and other required labor in the system are charged to the "Maintenance" line item within this division, resulting in fluctuations in this line item from year to year. The Authority experienced increases in the Maintenance line and the Equipment and Supplies line in FY25, but many of the lines within this division decreased, offsetting a large portion of the increase in the Maintenance line item.

The **Naruna division** continues to be a small portion of overall Authority expenses with overall expenses of \$21,978 in FY25, an increase of less than \$5,000 from FY24, or 26.9%.

A summary of the current fiscal year's actual and budgeted expenses is found on Schedules 4 and 5 under Supporting Schedules of the Financial Section. A comparative summary of Authority financial data for FY25 and the previous nine years can be found in Table 2 in the Statistical Section which provides an overall summary of changes over the last ten years.

Non-Operating Income and Expenses - Non-Operating items are items not directly related to Operations; they reflect more how the business is financed. They include such items as interest income and interest expense, Capital Recovery Fees, grants, and contributions in aid to construction by various parties. Investments made by the Authority are tightly regulated as to the type of investments that can be made in the financial markets. Please see Note 2 in the Notes to Financial Statements for a discussion as to the statutes governing the investment of Authority funds. The Authority invested in U.S. Treasury notes in August 2023, resulting in interest income by approximately \$370,000 in FY25.

Review of Operations: (Continued)

Interest Expense decreased approximately 12.8% this fiscal year. Revenue from Capital Recovery Fees exceeded budget projections for sewer but fell short of budget projections by approximately \$13,000 for water, as was previously explained in more detail under the heading “Financial Analysis.” Capital Recovery Fees are used to fund capital asset projects and to help pay interest expense on the long-term debt; however, in FY12, the Authority Board created a Base Fee for sewer customers so that Capital Recovery Fees would not be the sole source to fund capital asset projects. There was no increase in the Water Base Fee in FY25, but the Sewer Base Fee was increased by \$1 in FY25. The Authority increased sewer usage fees in FY25 by \$0.70 but there was no change to water usage fees.

Contributions in Aid to Construction (CIAC) recognized in FY25 totaled \$430,999. Developers construct water and sewer infrastructure as they develop properties and then the infrastructure is “dedicated” to the Authority for future maintenance.

An agreement with Campbell County directs that the Authority is to forward any Aid to Construction Fees that are collected in the Leesville Road Billing zone to the County as well as twenty percent of usage fees from all customers served in this billing zone until the bond to fund the project is paid in full (balance as of June 30, 2025 is \$485,188.70). This is in accordance with the agreement with the County to assist in the funding of the project.

Trends in Operations

Connection Growth - Table 14 on page 90 in the Statistical section of this report contains new connections over the last 10 Fiscal Years. The average growth of water customers over the last 10 years is approximately 1.82% per year. Growth reflected in new water connections made in FY25 was 1.4%. The average annual growth of sewer customers over the last 10 years was approximately 4.28%, but the Authority experienced growth of 3.3% in FY25.

User Rates - The Authority increased user rates and base fees for sewer customers in FY25, but there were no increases in water user rates or base fees. Table 4 on page 80 in the Statistical Section lists the user rates for water and sewer as well as existing connection, Capital Recovery Fees, and Construction Fees in place at fiscal year end.

Long Term Debt - The Authority refinanced its two 2011 Bond issues in December 2020, saving approximately \$235,000 over the life of the Bonds. The Revenue Bond Compliance report can be found on page 85 in the Statistical Section. Bond covenants require the Authority to maintain Debt Service Coverage Ratio of 1.15. The actual debt coverage achieved in FY25 was 20.6%. Approximately 5.4% of the Authority’s operating revenue was used to fund bond payments in fiscal year 2025 as compared to 7.4% in FY24.

Summary - The Authority had a successful year in its operations. The Authority had adequate debt service coverage for the year. The Authority had a positive change in net position of \$1,306,334 before capital contributions this year.

Requests for Information

This financial report is designed to provide a general overview of Campbell County Utilities and Service Authority’s finances for all those with an interest in 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, Mr. Jeffrey S. Wells, at 20644 Timberlake Road, Lynchburg, Virginia 24502.

Basic Financial Statements

Statement of Net Position
At June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,107,564
Investments	10,059,321
Accounts receivable	1,525,821
Leases receivable, current portion	49,463
Prepaid expenses	4,196
Inventory	<u>1,064,639</u>
Total current assets	<u>\$ 15,811,004</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents - debt service	<u>\$ 726,717</u>
--	-------------------

Leases receivable, net of current portion	<u>\$ 48,449</u>
---	------------------

Capital assets:

Land and land rights	\$ 324,183
Structures and improvements	28,140,774
Water and sanitary sewer mains and improvements other than structures	66,741,001
Machinery and equipment	6,352,230
Other	1,160,244
Lynchburg facilities capacity	4,182,394
Construction in progress	<u>5,698,761</u>
Total capital assets	\$ 112,599,587

Less accumulated depreciation	<u>(41,147,822)</u>
-------------------------------	---------------------

Net capital assets	<u>\$ 71,451,765</u>
--------------------	----------------------

Total noncurrent assets	<u>\$ 72,226,931</u>
-------------------------	----------------------

Total assets	<u>\$ 88,037,935</u>
--------------	----------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding	\$ 57,844
Pension deferrals	634,827
OPEB deferrals	<u>22,019</u>
Total deferred outflows of resources	<u>\$ 714,690</u>

Statement of Net Position
At June 30, 2025 (Continued)

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 779,657
Accrued interest payable	6,667
Advances for construction	15,865
Compensated absences, current portion	83,706
Notes payable, current portion	58,895
Revenue bonds payable, current portion	373,911
	<hr/>
Total current liabilities	\$ 1,318,701

Noncurrent liabilities:

Net pension liability	\$ 1,573,111
Net OPEB liability	74,097
Compensated absences, noncurrent portion	753,356
Notes payable, noncurrent portion	531,237
Revenue bonds payable, noncurrent portion	1,738,157
	<hr/>
Total noncurrent liabilities	\$ 4,669,958
	<hr/>
Total liabilities	\$ 5,988,659

DEFERRED INFLOWS OF RESOURCES

Pension deferrals	\$ 171,235
OPEB deferrals	13,271
Lease deferrals	89,175
	<hr/>
Total deferred inflows of resources	\$ 273,681

NET POSITION

Net investment in capital assets	\$ 68,807,409
Restricted:	
Debt service	500,000
Unrestricted	13,182,876
	<hr/>
Total net position	\$ 82,490,285

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

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

Operating revenues:	
Water sales, charges and sewer service charges	\$ <u>8,262,900</u>
Operating expenses:	
Source of supply	\$ 1,338,632
Wastewater treatment	662,898
Maintenance and inspection	906,732
Personnel	3,077,051
Administrative and general	<u>512,601</u>
Total operating expenses before depreciation	\$ <u>6,497,914</u>
Depreciation	\$ <u>2,130,215</u>
Operating income (loss)	\$ <u>(365,229)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 486,885
Interest expense	(49,984)
Grant from Campbell County	93,475
Grant from VRA	61,128
Other nonoperating expenses	<u>(302,346)</u>
Total nonoperating revenues (expenses)	\$ <u>289,158</u>
Income (loss) before capital contributions	\$ <u>(76,071)</u>
Capital contributions:	
Capital recovery fees	\$ 1,220,882
Connection fees	109,869
Sewer capacity fee	580,443
System development fee	700
Capital contributions	<u>430,999</u>
Total capital contributions	\$ <u>2,342,893</u>
Change in net position	\$ 2,266,822
Net position - beginning of year, as previously presented	<u>80,752,952</u>
Restatements	(529,489)
Net position - beginning of year, as restated	<u>80,223,463</u>
Net position - end of year	\$ <u><u>82,490,285</u></u>

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

Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,140,322
Payments to/for employees	(2,803,287)
Payments to suppliers/others	(4,138,014)
Net cash provided by (used for) operating activities	<u>\$ 1,199,021</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (2,866,223)
Contributions from governmental units	154,603
Capital recovery fees	1,220,882
Connection fees	109,869
Sewer capacity fee	580,443
System development fee	700
Proceeds from issuance of long-term debt	7,548
Retirement of indebtedness	(518,604)
Interest on long-term debt	(32,097)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,342,879)</u>
Cash flows from investing activities:	
Interest income	\$ 28,791
Sale of investments	647,417
Net cash provided by (used for) investing activities	<u>\$ 676,208</u>
Net increase (decrease) in cash and cash equivalents	\$ 532,350
Cash and cash equivalents at beginning of year (includes restricted cash)	<u>3,301,930</u>
Cash and cash equivalents at end of year (includes restricted cash)	<u>\$ 3,834,280</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (365,229)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	2,130,215
Other nonoperating expenses	(302,346)
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in:	
Accounts receivable	(136,843)
Leases receivable	206,060
Prepaid items	(4,196)
Inventory	(399,600)
Pension deferrals - deferred outflows of resources	(29,441)
OPEB deferrals - deferred outflows of resources	(406)
Increase (decrease) in:	
Accounts payable and accrued expenses	(9,625)
Net pension liability	100,233
Net OPEB liability	(6,017)
Advanced for Construction	(1,384)
Compensated absences	139,806
Lease deferrals - deferred inflows of resources	(191,795)
OPEB deferrals - deferred inflows of resources	83
Pension deferrals - deferred inflows of resources	69,506
Net cash provided by (used for) operating activities	<u>\$ 1,199,021</u>
Supplemental Disclosure:	
Noncash investing, capital, and financing activities:	
Capital assets contributed	<u>\$ 430,999</u>

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business and Reporting Entity:

Organization and Purpose:

The Campbell County Utilities and Service Authority (the “Authority”) was established on November 24, 1964 by resolution of the Board of Supervisors of Campbell County, Virginia (the “County”) and was chartered by the Commonwealth of Virginia State Corporation Commission in December 1964 to provide water and sewer services to County residents as permitted under the Code Virginia (1950) as amended (The “Enabling Act”).

The Enabling Act provides that the Authority is authorized, subject to the restrictions of the Authority’s articles of incorporation, among other things, (1) to acquire, construct, improve, operate and maintain any water system or sewage disposal system, (2) to issue revenue bonds of the Authority payable solely from revenues to pay all or any part of the cost of water system or sewage disposal system, (3) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished by any system operated by the Authority and, (4) to enter into contracts with any unit, including counties and cities, and authorities, relating to the furnishing of services of any water system or sewage disposal system of the Authority. The Enabling Act also provides that the Authority is subject in all respects to the jurisdiction of the Virginia State Water Control Board pursuant to the provisions of the State Water Control Law.

Financial Reporting Entity:

The Authority has determined that it is a related organization to Campbell County. The Authority is a legally separate organization whose Board members are appointed by the Campbell County Board of Supervisors. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit (or burden) in the relationship, the Board of Supervisors is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

Financial Statement Presentation:

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

- Management’s discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

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

Financial Statement Presentation: (Continued)

- Required Supplementary Information
 - Schedule of Changes in Net Pension Liability and Related Ratios
 - Schedule of Employer Contributions - Pension Plan
 - Notes to Required Supplementary Information - Pension Plan
 - Schedule of Authority's Share of Net OPEB Liability Group Life Insurance Plan
 - Schedule of Employer Contributions Group Life Insurance Plan
 - Notes to Required Supplementary Information Group Life Insurance Plan

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

The Authority 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.

Restricted Assets - Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Inventory - Inventories are valued at cost, using the first-in, first-out method of valuation.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

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

Capital Assets and Depreciation - Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to amortize the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 66-2/3 years
Lynchburg Facilities Capacity	66-2/3 years
Other	66-2/3 years
Equipment	5 to 10 years

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations. Depreciation expense for the year ended June 30, 2025 was \$2,130,215. Included in depreciation expense was \$58,895 charged to Lynchburg Facilities Capacity.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Allowance for Uncollectible Accounts - The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.

Budgetary Comparison Schedules - The “Schedule of Revenues-Budget and Actual” for the Central/Rustburg Division and the Naruna Division and the “Schedule of Expenses-Budget and Actual” for the Central/Rustburg Division and the Naruna Division, compare budget and actual data. Although a budget is not legally required to be adopted, a fiscal year budget is prepared for management and fiscal planning purposes and is required under the Agreement of Trust for the 1993 bond issue dated October 1, 1993 amended and supplemented by the First Supplemental Agreement of Trust dated March 15, 1997, the Second Supplemental Agreement of Trust dated September 1, 1999, the Third Supplemental Agreement of Trust dated June 1, 2001, the Fourth Supplemental Agreement of Trust dated August 15, 2003, the Fifth Supplemental Agreement of Trust dated January 7, 2004, and the Sixth Supplemental Agreement of Trust dated June 15, 2005. Budgetary control is exercised at the departmental level. Any changes to the budget as adopted require Board approval. A review of budgetary comparisons presented herein will disclose how accurately the Authority was able to forecast its revenues and expenses. Budgets are not adopted for the Capital Division.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

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

Unbilled Revenue - The Authority bills service charges to customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing. These items are reported in the financial statements as a part of receivables and revenues. The amount of estimated unbilled revenue included in accounts receivable totaled \$544,490.

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 amounts could differ from those amounts.

Net Position - For the Authority, 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 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 Authority 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.

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/expenditure) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

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

Long-Term Obligations - Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS GLI OPEB Plan's net fiduciary 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.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

The Authority does not have a formal investment policy that addresses credit risk or interest rate risk.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2025 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale. The Authority's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial papers are required to be rated no lower than Standard & Poor's A-1 and Moody's Investors Service P-1.

<u>Authority's Rated Debt Investments</u>		
<u>Investment</u>	<u>S&P Rating</u>	<u>Value</u>
U.S. Government Securities		
Money Market Funds	AAAm	\$ 226,717
U.S. Treasury Notes	Aa1	<u>10,059,321</u>
Total investments		\$ <u><u>10,286,038</u></u>

Interest Rate Risk:

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Government Securities		
U.S. Treasury Notes	\$ <u>10,059,321</u>	\$ <u>10,059,321</u>
Total investments	\$ <u><u>10,059,321</u></u>	\$ <u><u>10,059,321</u></u>

Funds held by US Bank as trustee for revenue bonds:

2020 Revenue Bonds:		
Revenue bond debt service		\$ 226,717
Other funds:		
Minimum balance required by 1993 bond indenture		<u>500,000</u>
Total restricted assets		\$ <u><u>726,717</u></u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements:

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2025:

<u>Investment Type</u>	<u>6/30/2025</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets or Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Government Securities				
Money Market Funds	\$ 226,717	\$ 226,717	\$ -	\$ -
U.S. Treasury Notes	10,059,321	10,059,321		
Total investments	<u>\$ 10,286,038</u>	<u>\$ 10,286,038</u>	<u>\$ -</u>	<u>\$ -</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 3 - CAPITAL ASSETS:

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements and other reductions</u>	<u>Balance June 30, 2025</u>
Capital assets not being depreciated:				
Land and land rights	\$ 324,183	\$ -	\$ -	\$ 324,183
Construction in progress	4,237,010	2,653,727	1,191,976	5,698,761
Total capital assets not being depreciated	<u>\$ 4,561,193</u>	<u>\$ 2,653,727</u>	<u>\$ 1,191,976</u>	<u>\$ 6,022,944</u>
Capital assets being depreciated:				
Structures and improvements	\$ 28,082,230	\$ 58,544	\$ -	\$ 28,140,774
Water and sanitary sewer mains and improvements other than structures	65,785,210	955,791	-	66,741,001
Machinery and equipment	5,586,603	821,136	55,509	6,352,230
Other	1,160,244	-	-	1,160,244
Lynchburg Facilities Capacity	4,182,394	-	-	4,182,394
Total capital assets being depreciated	<u>\$ 104,796,681</u>	<u>\$ 1,835,471</u>	<u>\$ 55,509</u>	<u>\$ 106,576,643</u>
Less: Accumulated depreciation:				
Structures and improvements	\$ (14,213,171)	\$ (673,783)	\$ -	\$ (14,886,954)
Water and sanitary sewer mains and improvements other than structures	(17,295,729)	(980,781)	-	(18,276,510)
Machinery and equipment	(3,815,278)	(385,129)	(55,509)	(4,144,898)
Other	(606,419)	(31,627)	-	(638,046)
Lynchburg Facilities Capacity	(3,142,519)	(58,895)	-	(3,201,414)
Total accumulated depreciation	<u>\$ (39,073,116)</u>	<u>\$ (2,130,215)</u>	<u>\$ (55,509)</u>	<u>\$ (41,147,822)</u>
Capital assets being depreciated, net	<u>\$ 65,723,565</u>	<u>\$ (294,744)</u>	<u>\$ -</u>	<u>\$ 65,428,821</u>
Net capital assets	<u>\$ 70,284,758</u>	<u>\$ 2,358,983</u>	<u>\$ 1,191,976</u>	<u>\$ 71,451,765</u>

Lynchburg Facilities Capacity - The Authority entered into an agreement with the City of Lynchburg, Virginia to purchase capacity in its regional sewage treatment plant. The cost of this purchase is recorded in capital assets and is amortized over a period of 66 2/3 years. Amortization of this cost is included in depreciation expense and totaled \$58,895 for FY25. The unamortized balance of this cost was \$980,980 at June 30, 2025.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 4 - CONSTRUCTION WORK IN PROGRESS:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Cost of</u> <u>Construction</u>	<u>Adjustments/</u> <u>Transfers to</u> <u>Utility Plant</u> <u>& Equipment</u>	<u>Balance</u> <u>End of Year</u>
2" Leesville Road Waterline Ext - Burnette 50/50 Project	\$ 26,344	\$ -	\$ -	\$ 26,344
7-11 at Timberlake and Laxton	8,792	-	-	8,792
Absolute Storage	2,755	-	2,755	-
Allure - Section 3	-	1,928	-	1,928
Altavista - Business Lane Master Meter	88,971	-	-	88,971
Augusta Springs - Phase 2 (formerly Yellow Branch Development)	-	6,218	-	6,218
Automatic Gate - Timberlake Office	36,673	-	36,673	-
Blue Ridge Commons - Phase 2	25,430	-	-	25,430
Blue Ridge Lane Waterline Ext 50/50 Project	53,917	-	-	53,917
Castle Craig Water System Replacement	695,694	9,072	704,766	-
CCUSA Office Bollards	-	7,746	-	7,746
Centra Rehab Hospital Sewer Ext & Fire Meter	34	-	-	34
Chick Fil A Timberlake Road	102,853	23,255	126,108	-
Concord Waterline Leak(s) Investigation	62,046	112,921	-	174,967
Crescent Grove Subdivision	3,397	44,880	-	48,277
Daly Seven 102 Unit Hotel	10,522	-	-	10,522
Dearing Ford Road Waterline Ext - Project Highway	600	-	-	600
Dreaming Creek Sewershed Flow Projection	21,200	-	-	21,200
Drying Bed Closure Plan WWTP Hurt & Proffitt	5,771	-	5,771	-
Edmunds GovTech Account/Billing Software	-	35,613	-	35,613
English Commons - Phase 1	17,555	-	-	17,555
Fire Hydrant Maintenance & Painting	-	133,536	-	133,536
Flat Creek and US 460 WWTP Genset and Switch Gear	12,129	173,203	-	185,332
GIS AS-Built Plan Posting and GIS Training	2,548	-	2,548	-
Greenwell Ct. Waterline Relocation - VDOT	60,821	-	-	60,821
Hydraulic Model	33,738	3,615	-	37,353
Home 2 Suites - Motel	12,483	-	-	12,483
Kaiser Corner at Wards Crossing West	12	-	12	-
Knollwoods/Ivy Acres Water System	-	38,000	-	38,000
Lead and Copper Rule Revisions	5,140	32,541	-	37,681
Leesville Road Apartments	10,764	-	-	10,764
Living Waters Waterline Extension	3,496	-	-	3,496
Lynbrook Road WWPS Pump Replacement	10,585	-	10,585	-
Lynchburg Airport Rangoon Road Meter	14,917	110,000	124,917	-
Lyn-Dan VFD 2" Water Meter	-	5,252	5,252	-
Martin Drive WWPS	160,620	374,850	-	535,470
Merryman Parcels On-Site Water and Sewer	28,530	-	-	28,530
Merryman - Section 2 (The Allure)	6,027	-	-	6,027
Mod Wash at Wards Road & Lawyers Road	7,511	-	-	7,511
Naruna Pump 1 Power & Controls	-	98,689	-	98,689
Office Roof Replacement - Timberlake Office	-	76,122	-	76,122
Office Water Damage	-	13,244	-	13,244
Project Highview	-	32,264	-	32,264

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 4 - CONSTRUCTION WORK IN PROGRESS: (CONTINUED)

	<u>Balance Beginning of Year</u>	<u>Cost of Construction</u>	<u>Adjustments/ Transfers to Utility Plant & Equipment</u>	<u>Balance End of Year</u>
Raw Water Pump #2	\$ 47,515	\$ -	\$ 47,515	\$ -
Relocation of Liberty Sewer Main	9,139	-	-	9,139
Royal Farms Store #243	10,145	888	-	11,033
Route 24 PS - New Electrical Control Cabinet	-	85,245	-	85,245
Rt 29 to Greendale WL Replacement	15,226	-	-	15,226
Rustburg Middle School W & S Improvements	259,607	-	-	259,607
SCADA - Topview Software	16,100	-	16,100	-
SCADA - Upgrade Remaining Outdated PLCs	9,300	-	9,300	-
Sewer Flow Study	49,700	-	-	49,700
Sheetz - Concord	264	-	264	-
Simon's Run Water Line 2013	9,245	-	-	9,245
Starbucks Waterline	9,950	-	-	9,950
Storage Building at WWTP	69,518	126,793	-	196,311
Timberlake Road Sewer (Greenwell Court)	690	-	-	690
Trent's Landing - Backup Pump #1	26,803	-	26,803	-
Trent's Landing Subdivision - Section 2	15,441	-	-	15,441
Trent's Landing Subdivision - Section 3	4,859	-	-	4,859
Trimble Handheld Units	-	16,774	-	16,774
Village Drive Patio Homes	23,213	-	-	23,213
Walgreens Easement	2,500	-	-	2,500
Wards Road and English Tavern Road Waterline Replacement	107,799	-	-	107,799
Wards Rd Bridge Over NS Railroad	92,035	-	-	92,035
Wards Road Ext. (to serve Dawson Ford Garbee)	47	-	47	-
Waterlick Road Low Pressure Sewer	17,857	-	-	17,857
Waterline Extension 1122 Wards Road	5,790	-	-	5,790
WAWA Wards Road and Lawyers Road	4,786	5,962	-	10,748
Whitestone Village	-	15,358	-	15,358
Wildwood Water Service Replacement	268,523	36,671	-	305,194
William Campbell HS Waterline	6,267	-	-	6,267
Willowbrook Sewer Connector	26,255	-	-	26,255
Winston Lane Water Line	19,182	-	-	19,182
WTP Conveyor Belt Replacement	-	39,615	-	39,615
WTP Finished Water Pumps - Switch Gear	21,667	72,168	-	93,835
WTP SCADA - Priority 4	3,330	-	-	3,330
WWTP Flow Meter and Wall Mount	-	3,995	-	3,995
Yellow Branch Mixed Use Dev WWTP and FM	594,728	831,923	-	1,426,651
Yellow Branch Mixed Use Gravity Sewer	885,094	61,863	-	946,957
Yellow Branch Pumps 1 & 2 Soft Start Replacement	-	23,523	-	23,523
Retainage	72,560	-	72,560	-
Total	\$ 4,237,010	\$ 2,653,727	\$ 1,191,976	\$ 5,698,761

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS:

A summary of long-term obligation activity for the year is as follows:

	<u>Balance</u> <u>July 1, 2024*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
Other long-term obligations:					
Net pension liability	\$ 1,472,878	\$ 931,301	\$ 831,068	\$ 1,573,111	\$ -
Net OPEB liability	80,114	28,867	34,884	74,097	-
Compensated absences**	697,256	139,806	-	837,062	83,706
Direct borrowings and placements:					
Notes payable	649,027	-	58,895	590,132	58,895
Revenue bonds payable	<u>2,564,229</u>	<u>7,548</u>	<u>459,709</u>	<u>2,112,068</u>	<u>373,911</u>
Total	<u>\$ 5,463,504</u>	<u>\$ 1,107,522</u>	<u>\$ 1,384,556</u>	<u>\$ 5,186,470</u>	<u>\$ 516,512</u>

* Beginning balance was restated for the implementation of GASB 101

** The change in the compensated absences liability is presented as a net change

Amounts required to amortize long-term obligations:

Fiscal Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>			
	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 58,895	\$ 9	\$ 373,911	\$ 24,175
2027	58,895	9	386,911	19,445
2028	50,287	8	290,912	14,654
2029	44,908	7	215,911	11,174
2030	44,908	7	218,912	8,046
2031	44,907	6	222,911	4,865
2032	44,907	6	225,912	1,629
2033	44,907	5	23,661	-
2034	23,634	5	13,912	-
2035	23,634	4	13,911	-
2036	23,634	3	13,912	-
2037	23,633	3	13,911	-
2038	23,633	2	13,912	-
2039	23,633	2	13,911	-
2040	23,633	1	13,912	-
2041	23,633	1	13,911	-
2042	2,817	-	13,912	-
2043	2,817	-	13,911	-
2044	2,817	-	13,912	-
Total	<u>\$ 590,132</u>	<u>\$ 78</u>	<u>\$ 2,112,068</u>	<u>\$ 83,988</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

	<u>Total</u>	<u>Amount Due Within One Year</u>
Net pension liability	\$ 1,573,111	\$ -
Net OPEB liability	\$ 74,097	\$ -
Compensated absences	\$ 837,062	\$ 83,706
Direct Borrowings and Placements:		
Notes payable:		
\$131,234 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$5,171 on June 1 through June 2015, thereafter \$1,284 through June 1, 2028, interest at 0%	\$ 3,853	\$ 1,284
\$295,122 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$8,608 on June 1 through 2027, interest at 0%	17,211	8,608
\$136,530 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$4,096 on June 1 through 2028, interest at 0%	12,287	4,096
\$172,189 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$5,740 on June 1, through 2041, interest at 0.59%	91,829	5,740
\$425,467 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$21,273 on June 1, through 2033, interest at 0%	170,193	21,273
\$84,495 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$2,816 on June 1, through 2044, interest at 0%	53,521	2,816
\$301,553 note payable to the City of Lynchburg, Virginia, due in annual principal installments of \$15,078 on June 1, through 2041, interest at 0%	241,238	15,078
Total notes payable	<u>\$ 590,132</u>	<u>\$ 58,895</u>
Revenue Bonds:		
December 17, 2020, principal payable in various installments beginning October 1, 2021 through October 1, 2031, interest payable semi-annually at 1.537%	\$ 1,417,000	\$ 193,000
\$1,495,000 Water and Sewer System Refunding Revenue Bond, Series 2020B dated December 17, 2020, principal payable semi-annually in various incremental amounts beginning April 1, 2021 through October 1, 2027, interest payable semi-annually at 1.022%	421,000	167,000
\$370,000 Water and Sewer System Revenue bond dated June 30, 2022, principal payable semi-annually in the amount of \$7,257 maturing on June 1, 2053, interest payable semi-annually at 1%. Amount drawn on the bond as of June 30, 2025 was \$291,614.	274,068	13,911
Total revenue bonds	<u>\$ 2,112,068</u>	<u>\$ 373,911</u>
Total long-term obligations	<u>\$ 5,186,470</u>	<u>\$ 516,512</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)

County of Campbell, Virginia has entered into a Support Agreement with the Authority whereby the County has undertaken a nonbinding obligation to appropriate to the Authority funds as necessary to pay the debt service required by certain water and sewer system revenue bonds. The Authority received \$93,475 from the County in FY25.

NOTE 6 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

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	20
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	1
Active members	<u>22</u>
Total covered employees	<u><u>43</u></u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2024 was 12.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$225,057 and \$178,844 for the years ended June 30, 2024 and June 30, 2023, 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 \$6,918 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 \$ 11,966 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$ 691,781 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and 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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - 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%.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024 the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 7,376,650	\$ 5,903,772	\$ 1,472,878
Changes for the year:			
Service cost	\$ 144,211	\$ -	\$ 144,211
Interest	496,621	-	496,621
Differences between expected and actual experience	286,808	-	286,808
Contributions - employer	-	178,844	(178,844)
Contributions - employee	-	80,523	(80,523)
Net investment income	-	571,576	(571,576)
Benefit payments, including refunds of employee contributions	(327,027)	(327,027)	-
Administrative expenses	-	(3,661)	3,661
Other changes	-	125	(125)
Net changes	\$ 600,613	\$ 500,380	\$ 100,233
Balances at June 30, 2024	\$ 7,977,263	\$ 6,404,152	\$ 1,573,111

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net Pension Liability	\$ 2,741,713	\$ 1,573,111	\$ 631,276

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

For the year ended June 30, 2025, the Authority recognized pension expense of \$365,355. 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	\$ 409,770	\$ -
Net difference between projected and actual earnings on pension plan investments	-	171,235
Employer contributions subsequent to the measurement date	225,057	-
Total	\$ 634,827	\$ 171,235

\$225,057 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended 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	\$ 40,879
2027	209,972
2028	22,778
2029	(35,094)
2030	-

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 6 - PENSION PLAN: (CONTINUED)

Pension Plan Data

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

NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$8,355 and \$9,211 for the years ended June 30, 2025 and June 30, 2024, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2025, the entity reported a liability of \$74,097 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 0.00664% as compared to 0.00668% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$2,015. 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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - 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 Group Life Insurance Program OPEB: (Continued)

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	\$ 11,687	\$ 1,810
Net difference between projected and actual earnings on GLI OPEB plan investments	-	6,246
Change in assumptions	422	3,672
Changes in proportionate share	1,555	1,543
Employer contributions subsequent to the measurement date	8,355	-
Total	<u>\$ 22,019</u>	<u>\$ 13,271</u>

\$8,355 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	\$ (3,389)
2027	1,719
2028	186
2029	800
2030	1,077
Thereafter	-

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - 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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80
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 Group Life Insurance Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority’s proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 115,231	\$ 74,097	\$ 40,867

Group Life Insurance 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 <https://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 8 - LITIGATION:

At June 30, 2025 there were no matters of litigation involving the Authority which would materially affect the Authority’s financial position should any court decisions on pending matters not be favorable to the Authority.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 9 - COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding compensated absences.

Authority employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. However a liability for estimated value of sick leave that will be used by employees as time off was considered in the liability for compensated absences. Vacation accumulates on a calendar year basis and terminates annually if not taken. The Authority has outstanding accrued vacation pay, related benefits and estimated sick leave used totaling \$837,062 at June 30, 2025.

NOTE 10 - RISK MANAGEMENT:

The Authority insures against the risk of loss for workers’ compensation, theft, property damage, and liability through contracts with commercial insurance carriers. A summary of coverage is detailed below:

Property damage	\$ 11,825,200	100% value
Flood damage	2,500,000	
Earthquake	2,500,000	
Local Government liability	1,000,000	each occurrence
Automobile liability	1,000,000	combined single limit
Umbrella liability	5,000,000	
Worker’s compensation	1,000,000	employer’s liability each occurrence
Boiler and machinery	1,000,000	

There have been no insurance settlements exceeding insurance coverage during the past three years.

NOTE 11 - LEASES RECEIVABLE:

The Authority leases tower space to companies under various lease contracts. In fiscal year 2025, the Authority recognized lease and interest revenue in the amount of \$206,061, and \$4,991, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Length of Lease Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Receivable Balance</u>
Sunburst US Cellular	6/1/2022	5/1/2027	60	Monthly	3.00%	\$ <u>97,912</u>
Total						\$ <u><u>97,912</u></u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 11 - LEASES RECEIVABLE: (CONTINUED)

Expected future payments at June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 49,463	\$ 2,249	\$ 51,712
2027	48,449	723	49,172
Total	<u>\$ 97,912</u>	<u>\$ 2,972</u>	<u>\$ 100,884</u>

NOTE 12 - CONSTRUCTION COMMITMENTS:

At June 30, 2025, the Authority had the following major projects under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2025</u>	<u>Contract Balance</u>
Wastewater pump station improvements	\$ <u>268,889</u>	\$ <u>109,484</u>	\$ <u>159,405</u>
Total	<u>\$ 268,889</u>	<u>\$ 109,484</u>	<u>\$ 159,405</u>

NOTE 13 - 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:

Net position - as reported at June 30, 2024	\$ 80,752,952
Implementation of GASB 101	<u>(529,489)</u>
Net position - as restated ta June 30, 2024	<u>80,223,463</u>

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.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Notes to Financial Statements
At June 30, 2025 (Continued)

NOTE 14 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

- Required Supplementary Information -

Schedule of Changes in Net Pension Liability and Related Ratios For
the Measurement Dates of June 30, 2014 through June 30, 2024

	2024	2023	2022	2021	2020	2019
Total pension liability						
Service cost	\$ 144,211	146,275	\$ 113,645	\$ 115,494	\$ 111,022	\$ 105,618
Interest	496,621	458,099	443,586	398,549	367,684	345,701
Changes of assumptions	-	-	-	97,043	-	176,347
Differences between expected and actual experience	286,808	369,762	98,561	297,695	191,255	38,030
Benefit payments	(327,027)	(475,729)	(471,111)	(239,308)	(186,077)	(128,157)
Net change in total pension liability	\$ 600,613	498,407	\$ 184,681	\$ 669,473	\$ 483,884	\$ 537,539
Total pension liability - beginning	7,376,650	6,878,243	6,693,562	6,024,089	5,540,205	5,002,666
Total pension liability - ending (a)	\$ 7,977,263	7,376,650	\$ 6,878,243	\$ 6,693,562	\$ 6,024,089	\$ 5,540,205
Plan fiduciary net position						
Contributions - employer	\$ 178,844	164,981	\$ 137,907	\$ 131,751	\$ 94,536	\$ 95,682
Contributions - employee	80,523	74,175	71,031	69,091	65,019	64,954
Net investment income	571,576	366,908	1,600	1,314,011	89,820	297,215
Benefit payments	(327,027)	(475,729)	(471,111)	(239,308)	(186,077)	(128,157)
Administrative expense	(3,661)	(3,692)	(3,850)	(3,226)	(3,032)	(2,816)
Other	125	146	136	124	(108)	(188)
Net change in plan fiduciary net position	\$ 500,380	126,789	\$ (264,287)	\$ 1,272,443	\$ 60,158	\$ 326,690
Plan fiduciary net position - beginning	5,903,772	5,776,983	6,041,270	4,768,827	4,708,669	4,381,979
Plan fiduciary net position - ending (b)	\$ 6,404,152	5,903,772	\$ 5,776,983	\$ 6,041,270	\$ 4,768,827	\$ 4,708,669
Authority's net pension liability - ending (a) - (b)	\$ 1,573,111	1,472,878	\$ 1,101,260	\$ 652,292	\$ 1,255,262	\$ 831,536
Plan fiduciary net position as a percentage of the total pension liability	80.28%	80.03%	83.99%	90.25%	79.16%	84.99%
Covered payroll	\$ 1,705,690	1,572,204	\$ 1,446,905	\$ 1,373,936	\$ 1,321,085	\$ 1,328,943
Authority's net pension liability as a percentage of covered payroll	92.23%	93.68%	76.11%	47.48%	95.02%	62.57%

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2023

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 100,225	\$ 102,855	\$ 106,130	\$ 101,893	\$ 94,235
Interest	324,122	320,344	293,053	265,416	248,500
Changes of assumptions	-	(186,312)	-	-	-
Differences between expected and actual experience	7,424	(66,044)	102,991	134,547	-
Benefit payments	(118,852)	(114,884)	(109,724)	(104,354)	(97,794)
Net change in total pension liability	\$ 312,919	\$ 55,959	\$ 392,450	\$ 397,502	\$ 244,941
Total pension liability - beginning	4,689,747	4,633,788	4,241,338	3,843,836	3,598,895
Total pension liability - ending (a)	\$ 5,002,666	\$ 4,689,747	\$ 4,633,788	\$ 4,241,338	\$ 3,843,836
Plan fiduciary net position					
Contributions - employer	\$ 115,315	\$ 111,589	\$ 103,559	\$ 101,737	\$ 98,188
Contributions - employee	61,392	59,339	57,108	56,022	53,477
Net investment income	300,656	437,315	62,808	149,981	436,173
Benefit payments	(118,852)	(114,884)	(109,724)	(104,354)	(97,794)
Administrative expense	(2,498)	(2,424)	(2,083)	(1,966)	(2,287)
Other	(272)	(393)	(26)	(30)	23
Net change in plan fiduciary net position	\$ 355,741	\$ 490,542	\$ 111,642	\$ 201,390	\$ 487,780
Plan fiduciary net position - beginning	4,026,238	3,535,696	3,424,054	3,222,664	2,734,884
Plan fiduciary net position - ending (b)	\$ 4,381,979	\$ 4,026,238	\$ 3,535,696	\$ 3,424,054	\$ 3,222,664
Authority's net pension liability - ending (a) - (b)	\$ 620,687	\$ 663,509	\$ 1,098,092	\$ 817,284	\$ 621,172
Plan fiduciary net position as a percentage of the total pension liability	87.59%	85.85%	76.30%	80.73%	83.84%
Covered payroll	\$ 1,225,417	\$ 1,099,288	\$ 1,158,231	\$ 1,120,448	\$ 1,069,535
Authority's net pension liability as a percentage of covered payroll	50.65%	60.36%	94.81%	72.94%	58.08%

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

<u>Date</u>	<u>Contractually Required Contribution*</u>	<u>Contributions in Relation to Contractually Required Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2025	\$ 225,057	\$ 225,057	\$ -	\$ 1,777,699	12.66%
2024	178,844	178,844	-	1,705,690	10.49%
2023	165,655	165,655	-	1,572,204	10.54%
2022	137,907	137,907	-	1,446,905	9.53%
2021	131,752	131,752	-	1,373,936	9.59%
2020	94,167	94,167	-	1,321,085	7.13%
2019	95,681	95,681	-	1,328,943	7.20%
2018	116,047	116,047	-	1,225,417	9.47%
2017	114,460	114,460	-	1,099,288	10.41%
2016	105,167	105,167	-	1,158,231	9.08%

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

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service 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 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 Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.0067% \$	74,097 \$	1,705,690	4.34%	73.41%
2023	0.0067%	80,114	1,572,204	5.10%	69.30%
2022	0.0066%	80,072	1,446,905	5.53%	67.21%
2021	0.0066%	77,424	1,373,936	5.64%	67.45%
2020	0.0064%	107,139	1,321,085	8.11%	52.64%
2019	0.0068%	110,238	1,328,943	8.30%	52.00%
2018	0.0066%	100,000	1,250,317	8.00%	51.22%
2017	0.0066%	99,000	1,208,661	8.19%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Plan
 For the Years Ended June 30, 2015 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	\$ 8,355	\$ 8,355	\$ -	\$ 1,777,699	0.47%
2024	9,211	9,211	-	1,705,690	0.54%
2023	8,490	8,490	-	1,572,204	0.54%
2022	7,813	7,813	-	1,446,905	0.54%
2021	7,419	7,419	-	1,373,936	0.54%
2020	6,870	6,870	-	1,321,085	0.52%
2019	6,911	6,911	-	1,328,943	0.52%
2018	6,502	6,502	-	1,250,317	0.52%
2017	6,285	6,285	-	1,208,661	0.52%
2016	5,560	5,560	-	1,158,231	0.48%
2015	5,378	5,378	-	1,120,448	0.48%

Notes to Required Supplementary Information
 Group Life Insurance 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, 2022 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
For the Year Ended June 30, 2025

	<u>Total</u>	<u>Central/ Rustburg</u>	<u>Naruna</u>
Operating revenues:			
Water fees	\$ 5,755,069	\$ 5,661,479	\$ 93,590
Sewer fees	2,081,461	2,081,461	-
Account establishment fees	31,925	31,925	-
Reconnection fees	44,138	44,138	-
Meter tamper fee	700	700	-
Miscellaneous	349,607	349,607	-
Total operating revenues	<u>\$ 8,262,900</u>	<u>\$ 8,169,310</u>	<u>\$ 93,590</u>
Operating expenses:			
Source of supply:			
Purchase of water	\$ 38,042	\$ 38,042	\$ -
Water charges (460 East)	655,070	655,070	-
Chemicals	276,345	273,794	2,551
Electrical services	225,837	217,815	8,022
Maintenance	71,573	67,813	3,760
Equipment and supplies	39,071	36,116	2,955
Safety	6,518	6,518	-
Uniforms	1,174	1,174	-
Fuel	4,818	4,818	-
Landfill fees	525	525	-
Vehicle expense	3,304	3,076	228
Telephone	5,173	5,173	-
Fees and charges	10,671	10,671	-
Office supplies	511	511	-
Total source of supply	<u>\$ 1,338,632</u>	<u>\$ 1,321,116</u>	<u>\$ 17,516</u>
Wastewater treatment:			
Purchase of services - Lynchburg	\$ 556,884	\$ 556,884	\$ -
Chemicals	1,666	1,666	-
Electrical services	31,216	31,216	-
Maintenance	29,148	29,148	-
Equipment and supplies	20,270	20,270	-
Safety	988	988	-
Uniforms	859	859	-
Vehicle expense	1,913	1,913	-
Landfill disposal	4,983	4,983	-
Fees and charges	10,400	10,400	-
Office supplies	315	315	-
Telephone	4,256	4,256	-
Total wastewater treatment	<u>\$ 662,898</u>	<u>\$ 662,898</u>	<u>\$ -</u>

Schedule of Revenues and Expenses

For the Year Ended June 30, 2025 (Continued)

	<u>Total</u>	<u>Central/ Rustburg</u>	<u>Naruna</u>
Operating expenses: (Continued)			
Maintenance and inspection:			
Electrical services	\$ 248,833	\$ 248,833	\$ -
Maintenance	510,557	510,557	-
Miss Utility fees	7,101	7,101	-
Equipment and supplies	100,015	100,015	-
Fire hydrants	977	977	-
Safety	1,371	1,371	-
Uniforms	7,528	7,528	-
Fuel	3,123	3,123	-
Vehicle expense	24,134	24,134	-
Fees and charges	3,093	3,093	-
	<u>906,732</u>	<u>906,732</u>	<u>-</u>
Total maintenance and inspection	\$ 906,732	\$ 906,732	\$ -
Personnel:			
Salaries	\$ 2,181,317	\$ 2,181,317	\$ -
Unemployment insurance	1,213	1,213	-
Health insurance	331,605	331,605	-
Disability insurance	8,113	8,113	-
Retirement benefits	368,789	368,789	-
FICA	161,238	161,238	-
Workmen's compensation	24,776	24,776	-
	<u>3,077,051</u>	<u>3,077,051</u>	<u>-</u>
Total personnel	\$ 3,077,051	\$ 3,077,051	\$ -
Administrative and general:			
Legal fees	\$ 374	\$ 374	\$ -
Auditing fees	29,560	29,560	-
Recording fees	(56)	(56)	-
Insurance general	64,628	60,508	4,120
Postage	45,550	45,550	-
Office and billing supplies	40,013	40,013	-
Service charge (over and short)	488	488	-
Bank fees	17,645	17,645	-
Office equipment contracts	193,635	193,635	-
Safety	519	519	-
Telephone	32,973	32,973	-
Electrical services	12,862	12,862	-

Schedule of Revenues and Expenses

For the Year Ended June 30, 2025 (Continued)

	<u>Total</u>	<u>Central/ Rustburg</u>	<u>Naruna</u>
Operating expenses: (Continued)			
Administrative and general: (Continued)			
Travel, mileage, and education	\$ 15,077	\$ 15,077	\$ -
Dues, subscriptions, and donations	16,194	16,194	-
Janitorial supplies	1,289	1,289	-
Landfill fees	1,525	1,525	-
Maintenance office	21,832	21,832	-
Trustee fees	6,500	6,500	-
Miscellaneous	(15,847)	(15,847)	-
Fees and charges	27,840	27,498	342
	<u>512,601</u>	<u>508,139</u>	<u>4,462</u>
Total administrative and general	\$	\$	\$
Operating expenses before depreciation	<u>6,497,914</u>	<u>6,475,936</u>	<u>21,978</u>
Depreciation	<u>2,130,215</u>	<u>2,130,215</u>	<u>-</u>
Total operating expenses	<u>8,628,129</u>	<u>8,606,151</u>	<u>21,978</u>
Operating income (loss)	<u>(365,229)</u>	<u>(436,841)</u>	<u>71,612</u>
Nonoperating revenues (expenses):			
Capital recovery fees water	\$ 602,813	\$ 602,813	\$ -
Capital recover fees wastewater	618,069	618,069	-
Connection fees water	94,632	94,632	-
Connection fees wastewater	15,237	15,237	-
Sewer capacity fee	580,443	580,443	-
System development fee	700	700	-
Interest income	486,885	486,885	-
Grant from Campbell County	93,475	93,475	-
Grant from VRA	61,128	61,128	-
Capital contributions	430,999	430,999	-
Interest expense	(49,984)	(49,984)	-
Other nonoperating expenses	(302,346)	(302,346)	-
	<u>2,632,051</u>	<u>2,632,051</u>	<u>-</u>
Total nonoperating revenues (expenses)	\$	\$	\$
Change in Net Position	<u>2,266,822</u>	<u>2,195,210</u>	<u>71,612</u>

Central/Rustburg Division

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Water fees	\$ 5,537,000	\$ 5,661,479	\$ 124,479
Sewer fees	1,940,000	2,081,461	141,461
Account establishment fees	32,000	31,925	(75)
Reconnection fees	39,850	44,138	4,288
Meter tamper fee	-	700	700
Miscellaneous	340,950	349,607	8,657
	<u>\$ 7,889,800</u>	<u>\$ 8,169,310</u>	<u>\$ 279,510</u>
Nonoperating revenues:			
Capital recovery fees water	\$ 615,600	\$ 602,813	\$ (12,787)
Capital recovery fees wastewater	614,600	618,069	3,469
Connection fees water	-	94,632	94,632
Connection fees wastewater	-	15,237	15,237
Sewer capacity fee	-	580,443	580,443
System development fee	-	700	700
Interest income	183,000	486,885	303,885
Grant from Campbell County	93,475	93,475	-
Grant from VRA	-	61,128	61,128
Capital contributions	-	430,999	430,999
	<u>\$ 1,506,675</u>	<u>\$ 2,984,381</u>	<u>\$ 1,477,706</u>
	<u>\$ 9,396,475</u>	<u>\$ 11,153,691</u>	<u>\$ 1,757,216</u>

Naruna Division

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Water fees	\$ 94,000	\$ 93,590	\$ (410)
Total operating revenues	<u>\$ 94,000</u>	<u>\$ 93,590</u>	<u>\$ (410)</u>

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenses:			
Source of supply:			
Purchase of water	\$ 42,000	\$ 38,042	\$ 3,958
Water charges (460 East)	660,000	655,070	4,930
Chemicals	322,000	273,794	48,206
Electrical services	233,000	217,815	15,185
Electrical repairs	-	-	-
Maintenance	92,000	67,813	24,187
Equipment and supplies	28,000	36,116	(8,116)
Safety	8,000	6,518	1,482
Uniforms	4,100	1,174	2,926
Fuel	5,000	4,818	182
Landfill fees	1,600	525	1,075
Vehicle expense	7,500	3,076	4,424
Telephone	7,000	5,173	1,827
Fees and charges	20,000	10,671	9,329
Office supplies	1,700	511	1,189
Total source of supply	\$ 1,431,900	\$ 1,321,116	\$ 110,784
Wastewater treatment:			
Purchase of services - Lynchburg	\$ 636,000	\$ 556,884	\$ 79,116
Chemicals	6,200	1,666	4,534
Electrical services	32,200	31,216	984
Maintenance	21,700	29,148	(7,448)
Equipment and supplies	19,100	20,270	(1,170)
Safety	1,400	988	412
Uniforms	1,500	859	641
Fuel	1,200	-	1,200
Vehicle expense	3,450	1,913	1,537
Landfill disposal	8,900	4,983	3,917
Fees and charges	10,550	10,400	150
Telephone	5,050	4,256	794
Office Supplies	1,100	315	785
Concord WWTP	6,550	-	6,550
Total wastewater treatment	\$ 754,900	\$ 662,898	\$ 92,002
Maintenance and inspection:			
Electrical services	\$ 221,800	\$ 248,833	\$ (27,033)
Maintenance	510,000	510,557	(557)
Miss Utility fees	9,900	7,101	2,799
Equipment and supplies	92,000	100,015	(8,015)
Fire hydrants	3,500	977	2,523
Safety	3,550	1,371	2,179
Uniforms	5,450	7,528	(2,078)
Fuel	7,200	3,123	4,077
Vehicle Expense	33,150	24,134	9,016
Fees and charges	7,350	3,093	4,257
Total maintenance and inspection	\$ 893,900	\$ 906,732	\$ (12,832)

Central/Rustburg Division

Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2025 (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses: (Continued)			
Personnel:			
Salaries	\$ 2,121,453	\$ 2,181,317	\$ (59,864)
Unemployment insurance	950	1,213	(263)
Health insurance	351,400	331,605	19,795
Disability insurance	10,500	8,113	2,387
Retirement benefits	270,500	368,789	(98,289)
FICA	162,291	161,238	1,053
Workmen's compensation	32,500	24,776	7,724
Total personnel	\$ 2,949,594	\$ 3,077,051	\$ (127,457)
Administrative and general:			
Legal fees	\$ 8,250	\$ 374	\$ 7,876
Engineering fees	35,000	-	35,000
Auditing fees	29,600	29,560	40
Recording fees	200	(56)	256
Insurance general	65,600	60,508	5,092
Postage	54,000	45,550	8,450
Office and billing supplies	47,800	40,013	7,787
Service charge (over and short)	-	488	(488)
Bank fees	8,200	17,645	(9,445)
Office equipment contracts	264,250	193,635	70,615
Safety	-	519	(519)
Telephone	46,500	32,973	13,527
Electrical services	14,500	12,862	1,638
Advertising	4,000	-	4,000
Travel, mileage, and education	33,000	15,077	17,923
Dues, subscriptions, and donations	19,100	16,194	2,906
Janitorial supplies	1,300	1,289	11
Landfill fees	2,400	1,525	875
Maintenance office	26,600	21,832	4,768
Trustee fees	4,200	6,500	(2,300)
Fees and charges	31,800	27,498	4,302
Miscellaneous	-	(15,847)	15,847
Total administrative and general	\$ 696,300	\$ 508,139	\$ 188,161
Total operating expenses before depreciation	\$ 6,726,594	\$ 6,475,936	\$ 250,658
Depreciation	\$ -	\$ 2,130,214	\$ (2,130,214)
Total operating expenses	\$ 6,726,594	\$ 8,606,150	\$ (1,879,556)

Naruna Division

Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenses:			
Source of supply:			
Chemicals	\$ 2,500	\$ 2,551	\$ (51)
Electrical services	10,700	8,022	2,678
Maintenance	15,000	3,760	11,240
Equipment and supplies	4,100	2,955	1,145
Vehicle expense	600	228	372
Total source of supply	<u>\$ 32,900</u>	<u>\$ 17,516</u>	<u>\$ 15,384</u>
Administrative and general:			
Insurance general	\$ 4,300	\$ 4,120	\$ 180
Fees and charges	700	342	358
Total administrative and general	<u>\$ 5,000</u>	<u>\$ 4,462</u>	<u>\$ 538</u>
Total operating expenses before depreciation	<u>\$ 37,900</u>	<u>\$ 21,978</u>	<u>\$ 15,922</u>
Depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total operating expenses	<u><u>\$ 37,900</u></u>	<u><u>\$ 21,978</u></u>	<u><u>\$ 15,922</u></u>

Capital Improvement Division
Central/Rustburg Division

Schedule of Other Nonoperating Expenses
For the Year Ended June 30, 2025

Other nonoperating expenses:	
New water services	\$ 132,820
Replacement radio read	150,113
New service laterals - Central/Rustburg Wastewater	<u>19,413</u>
Total other nonoperating expenses	<u>\$ 302,346</u>

Revenue Bond Compliance
 Section 602 of Agreement of Trust
 At June 30, 2025

Computations supporting compliance with this section of the agreement are as follows:

REVENUES BY "REVENUES" DEFINITION (SECTION 101 OF TRUST AGREEMENT)

Central and Rustburg Operating Income (Schedule 2)	\$ 8,169,310
Capital Recovery Fees - Water	602,813
Capital Recovery Fees - Sewage	618,069
Interest ¹	
Revenue Fund	-
Principal Account (Bonds)	25,424
Interest Account (Bonds)	-
	<u>\$ 9,415,616</u>
LESS Revenues (Net) transferred to Improvement Fund	(2,728,710)
SUB-TOTAL	<u>\$ 6,686,906</u>

ADD FOR COVENANT CALCULATION PER SECTION 602

Equity Account Interest ¹	\$ 445,919
Operating Account Interest ¹	\$ 15,543
Improvement Fund @ June 30 in excess of \$500,000 (includes invest/reserves)	10,725,114
SUB-TOTAL	<u>\$ 11,186,576</u>

TOTAL SOURCES AVAILABLE \$ 17,873,482

REVENUE COVENANT REQUIREMENT:

Operating expenses (Schedule 4)	\$ 8,606,150
115% of amount required to be paid into Bond Fund ²	<u>503,713</u>

TOTAL REVENUE COVENANT REQUIREMENTS \$ 9,109,863

EXCESS OF SOURCES AVAILABLE OVER REVENUE COVENANT REQUIREMENT \$ 8,763,619

Revenue Bond Compliance
 Section 602 of Agreement of Trust
 At June 30, 2025 (Continued)

1 - Reconcile Interest to Audit		
Interest shown on worksheet	\$	486,885
Improvement Fund Interest (In Fund Balance)		-
General Construction Fund Interest		-
Restricted Interest (5400-70)		-
Unrealized gain/(loss) on investments reported as interest		-
	\$	<u>486,885</u>
2 - July through September, 2024	\$	143,034
October, 2024 ³		14,173
November, 2024 through March, 2025		155,390
April through June, 2025		125,287
	\$	<u>437,884</u>
15% Coverage Factor		1.15
	\$	<u>503,567</u>

Percent Debt Coverage Achieved

Revenue by Covenant	\$	17,873,482
Expenses		(8,606,150)
Payment to Debt Service Reserve		-
Actual Debt Payments Made		(437,884)
	\$	<u>8,829,448</u>

15% Required Debt Coverage (Excess)	\$	437,884
		15%
	\$	65,683

Actual Debt Coverage Achieved - Excess/Actual Debt Payment		
EXCESS	\$	8,829,448
ACTUAL DEBT PAYMENT	\$	437,884
COVERAGE		2016%

- Statistical Section -

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the Authority's financial performance has changed over time.

1-2

Revenue, Rates and Usage Information

These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.

3-6

Expenses

This table contains comparative information about the Authority's expenses.

7

Debt Capacity

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

8-9

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.

10-11

Operating Information

These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the activities it performs.

12-14

Sources

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial report for the relevant year.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Table 1

Net Position by Component
Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net investment in capital assets	\$ 68,807,409	\$ 67,148,628	\$ 65,187,662	\$ 63,488,042	\$ 62,191,914	\$ 60,517,820	\$ 57,881,291	\$ 56,520,688	\$ 53,966,111	\$ 51,032,599
Restricted	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Unrestricted	13,182,876	13,104,324	10,893,745	10,174,954	7,592,867	6,153,280	6,721,833	7,289,466	7,535,542	8,378,671
Total net position	<u>\$ 82,490,285</u>	<u>\$ 80,752,952</u>	<u>\$ 76,581,407</u>	<u>\$ 74,162,996</u>	<u>\$ 70,284,781</u>	<u>\$ 67,171,100</u>	<u>\$ 65,103,124</u>	<u>\$ 64,310,154</u>	<u>\$ 62,001,653</u>	<u>\$ 59,911,270</u>

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Table 2

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating revenues:										
Water sales, charges and sewer charges	\$ 8,262,900	\$ 7,715,221	6,947,505	\$ 6,715,232	\$ 6,931,262	\$ 6,602,220	6,412,571	6,444,763	\$ 6,493,231	\$ 6,216,155
Operating expenses:										
Source of supply	\$ 1,392,516	\$ 1,219,845	1,195,399	\$ 1,008,807	\$ 1,017,080	\$ 1,111,218	1,071,777	1,017,163	\$ 963,997	\$ 971,798
Wastewater treatment	609,014	695,299	493,297	448,169	422,614	461,679	484,258	410,573	479,189	373,047
Maintenance and inspection	906,732	888,067	1,022,455	645,766	571,073	594,878	676,987	742,976	520,287	689,437
Personnel	3,077,051	2,874,288	2,531,627	2,255,802	2,157,590	2,002,322	1,844,654	1,823,995	1,772,105	1,604,052
Administrative and general	512,602	551,221	527,643	487,275	378,847	365,031	409,377	350,045	330,036	306,142
Depreciation and amortization	2,130,215	1,824,334	1,821,493	1,739,044	1,721,003	2,254,833	1,696,921	1,633,583	1,639,133	1,568,618
Total operating expenses	\$ 8,628,130	\$ 8,053,054	7,591,914	\$ 6,584,863	\$ 6,268,207	\$ 6,789,961	6,183,974	5,978,335	\$ 5,704,747	\$ 5,513,094
Operating income	\$ (365,230)	\$ (337,833)	(644,409)	\$ 130,369	\$ 663,055	\$ (187,741)	228,597	466,428	\$ 788,484	\$ 703,061
Nonoperating revenues (expenses):										
Interest income	\$ 486,885	\$ 358,876	16,106	\$ 35,550	\$ 2,007	\$ 5,528	10,538	7,926	\$ 3,902	\$ 4,289
Interest expense	(49,984)	(57,304)	(58,196)	(63,418)	(96,264)	(143,015)	(174,378)	(242,707)	(283,783)	(323,607)
Bond issuance costs	-	-	-	-	(74,687)	-	-	-	-	-
Capital recovery fees	1,220,883	1,606,431	955,481	1,394,436	878,506	649,683	232,700	183,096	289,378	239,100
Connection fees	109,869	170,769	295,254	157,432	93,315	60,806	119,015	65,778	42,834	63,225
Sewer capacity fee	580,443	633,719	372,094	543,681	324,406	241,850	56,000	47,250	99,197	66,500
System development fee	700	-	2,100	-	700	-	-	-	700	-
Grant from Campbell County	93,475	92,415	91,838	91,747	94,394	98,819	98,115	98,343	65,144	121,269
Grant from VRA	61,128	-	373,518	8,636	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	(138,925)	-	-	-
Other nonoperating expenses	(302,346)	(130,315)	(135,826)	(138,299)	(94,983)	(79,086)	(109,889)	(39,028)	(83,415)	(37,682)
Total nonoperating revenues (expenses)	\$ 2,201,053	\$ 2,674,591	1,912,369	\$ 2,029,765	\$ 1,127,394	\$ 834,585	93,176	120,658	\$ 133,957	\$ 133,094
Income before capital grants and contributions	\$ 1,835,823	\$ 2,336,758	1,267,960	\$ 2,160,134	\$ 1,790,449	\$ 646,844	321,773	587,086	\$ 922,441	\$ 836,155
Capital contributions	430,999	1,834,787	1,150,451	1,718,081	1,323,232	1,421,132	471,197	1,828,415	1,167,942	1,115,020
Change in net position	\$ 2,266,822	\$ 4,171,545	2,418,411	\$ 3,878,215	\$ 3,113,681	\$ 2,067,976	792,970	2,415,501	\$ 2,090,383	\$ 1,951,175

Revenues by Source
Last Ten Fiscal Years

Fiscal Years Ended June 30,	Operating Revenues	Nonoperating Revenues						Other			
	Water Sales Charges and Sewer Charges	Interest Income	Capital Recovery Fees	Connection Fees	Sewer Capacity Fee	System Development Fee	Grant from Campbell County	Grant from VRA	Total Nonoperating Revenues	Capital Grants and Contributions	Total Revenues
2016	\$ 6,216,155	\$ 4,289	\$ 239,100	\$ 63,225	\$ 66,500	\$ -	\$ 121,269	\$ -	\$ 494,383	\$ 1,115,020	\$ 7,825,558
2017	6,493,231	3,902	289,378	42,834	99,197	700	65,144	-	501,155	1,167,942	8,162,328
2018	6,444,763	7,926	183,096	65,778	47,250	-	98,343	-	402,393	1,828,415	8,675,571
2019	6,412,571	10,538	232,700	119,015	56,000	-	98,115	-	516,368	471,197	7,400,136
2020	6,602,220	5,528	649,683	60,806	241,850	-	98,819	-	1,056,686	1,421,132	9,080,038
2021	6,931,262	2,007	878,506	93,315	324,406	700	94,394	-	1,393,328	1,323,232	9,647,822
2022	6,715,232	35,550	1,394,436	157,432	543,681	-	91,747	8,636	2,231,482	1,718,081	10,664,795
2023	6,947,505	16,106	955,481	295,254	372,094	2,100	91,838	373,518	2,106,391	1,150,451	10,204,347
2024	7,715,221	358,876	1,606,431	170,769	633,719	-	92,415	-	2,862,210	1,834,787	12,412,218
2025	8,262,900	28,790	1,220,883	109,869	580,443	700	93,475	61,128	2,095,288	430,999	10,789,187

Schedule of Water and Sewer Rates
Last Ten Fiscal Years

	Fiscal Years Ended June 30,										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Rates											
Base Fee											
<u>Meter Size</u>											
3/4 x 5/8"	\$ 17.00	\$ 17.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
1"	\$ 23.00	\$ 23.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00
1 1/2"	\$ 37.00	\$ 37.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
2"	\$ 56.00	\$ 56.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00
3"	\$ 111.00	\$ 111.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00	\$ 104.00
4"	\$ 164.00	\$ 164.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00	\$ 154.00
6"	\$ 270.00	\$ 270.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00	\$ 254.00
8"	\$ 403.00	\$ 403.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00	\$ 379.00
<u>Sewer Service</u>											
4"	\$ 15.00	\$ 14.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00
6"	\$ 35.00	\$ 33.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00	\$ 28.00
8"	\$ 59.00	\$ 55.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00	\$ 47.00
10"	\$ 68.00	\$ 63.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00
12"	\$ 97.00	\$ 90.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00	\$ 77.00
Commodity and Disposal Charges											
Water (per 100 cubic feet)	\$ 4.95	\$ 4.95	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Sewer (per 100 cubic feet)	\$ 6.45	\$ 5.70	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90
Service Connection Charges											
Water											
<u>Meter Size</u>											
3/4 x 5/8"	\$ 2,250	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
1"	\$ 3,150	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100
Over 1"	Actual cost plus 15%, minimum \$3,150	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100	Actual cost plus 15%, minimum \$2,100
Sewage											
<u>Meter Size</u>											
4" service lateral	\$ 2,850	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Others	Actual cost plus 15%, minimum \$2,850	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900	Actual cost plus 15%, minimum \$1,900
Sewer Capacity Fee	\$ 2,625	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Capital Recovery Fees											
Water											
Single Family Dwelling	\$ 2,850	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Multi-Family, per unit	\$ 2,138	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425
Motels, per unit	\$ 1,425	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475	\$ 475
Sewage											
Single Family Dwelling	\$ 3,300	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200
Multi-Family, per unit	\$ 2,475	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650	\$ 1,650
Motels, per unit	\$ 1,650	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550
Construction Fee (per acre) in Spring Hill billing district	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Leesville Road Aid-to-Construction Fee (per application)	\$ 3,500	\$ 3,425	\$ 3,350	\$ 3,275	\$ 3,200	\$ 3,125	\$ 3,050	\$ 2,975	\$ 2,900	\$ 2,825	\$ 2,750

Source: Rates approved by the Authority's Board Members

Water and Wastewater Flows
 Gallons In Thousands
 Last Ten Fiscal Years

Fiscal Year	Water	Wastewater
2016	761,614	182,708
2017	772,950	202,446
2018	840,933	194,037
2019	881,908	194,029
2020	980,386	194,256
2021	905,874	198,012
2022	901,991	199,240
2023	941,641	200,158
2024	951,825	211,991
2025	954,306	219,045

Source: Authority's billing records

Principal Water and Wastewater System Customers
Current Year and Nine Years Ago

Water								
2025				2016				
Customer Name	Units	Amount Billed	Percent Billed	Customer Name	Units	Amount Billed	Percent Billed	
Clayton Estate MHP	20,030	\$ 100,817	2.13%	Clayton Estate (Mobile Home Park)	18,676	\$ 88,409	\$ 2.43%	
Willow Brook Apartments (Apartments)	19,189	100,698	2.04%	Willow Brook Apartments	16,500	81,813	2.15%	
The Vue (Apartments)	12,222	61,618	1.30%	Locust Gardens (Mobile Home Park)	6,748	31,696	0.88%	
Runk & Pratt	11,453	58,039	1.22%	Timken	6,473	31,431	0.84%	
Whitestone Village	7,790	40,079	0.83%	37 West	6,251	30,066	0.81%	
1 Element (Apartments)	6,543	34,740	0.69%	Whitestone Village	5,200	25,632	0.68%	
37 West (Apartments)	6,940	34,725	0.74%	Buffalo Creek (Mobile Home Park)	4,590	21,554	0.60%	
Briarwood Village MHP	6,712	33,446	0.71%	Blue Ridge Regional Jail	4,280	21,156	0.56%	
Buffalo Creek (Mobile Home Park)	4,408	22,042	0.47%	Hampton Inn & Suites	4,273	20,949	0.56%	
Spring Hills Suites	3,951	20,031	0.42%	Spring Hill Suites	3,960	19,494	0.51%	

Volume and billing data are for period from July 1, 2024 through June 30, 2025. The ten largest customers together account for approximately 7.2% of total consumption and billings for retail water service.

Wastewater								
2025				2016				
Customer Name	Units	Amount Billed	Percent Billed	Customer Name	Units	Amount Billed	Percent Billed	
Willow Brook Apartments (Apartments)	19,189	\$ 127,129	9.59%	Willow Brook Apartments	16,500	\$ 82,002	\$ 12.12%	
The Vue (Apartments)	12,222	79,042	6.11%	37 West	6,251	30,702	4.59%	
Runk & Pratt	11,453	74,226	5.72%	Whitestone Village	5,200	26,272	3.82%	
Whitestone Village	6,712	44,282	3.35%	Blue Ridge Regional Jail	4,280	21,044	3.14%	
37 West (Apartments)	6,665	43,199	3.33%	Hampton Inn & Suites	4,273	21,010	3.14%	
1 Element (Apartments)	6,543	42,412	3.27%	Spring Hill Suites	3,960	19,476	2.91%	
Spring Hill Suites	3,951	25,694	1.97%	LCS Trust (Apartments)	2,937	14,679	2.16%	
Wards Crossing West	3,441	22,824	1.72%	Lynchburg Partners (Shopping Center)	2,661	13,183	1.96%	
Hampton Inn & Suites	3,261	21,243	1.63%	Wards Crossing West	2,579	12,853	1.89%	
Comfort Inn & Suites	2,480	16,206	1.24%	TCS Enterprises (Car Wash)	2,256	11,126	1.66%	

Volume and billing data are for period from July 1, 2024 through June 30, 2025. The ten largest customers together account for approximately 23.8% of total consumption and billings for sewage service.

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Table 7

Expenses by Type
Last Ten Fiscal Years

Fiscal Years Ended June 30,	Source of Supply	Wastewater Treatment	Maintenance and Inspection	Personnel	Administrative and General	Depreciation and Amortization	Interest Expense and Bond Issuance Cost	Other Nonoperating Expenses	Total
2016	971,798	373,047	689,437	1,604,052	306,142	1,568,618	323,607	37,682	5,874,383
2017	963,997	479,189	520,287	1,772,105	330,036	1,639,133	283,783	83,415	6,071,945
2018	1,017,163	410,573	742,976	1,823,995	350,045	1,633,583	242,707	39,028	6,260,070
2019	1,071,777	484,258	676,987	1,844,654	409,377	1,696,921	174,378	109,889	6,468,241
2020	1,111,218	461,679	594,878	2,002,322	365,031	2,254,833	143,015	79,086	7,012,062
2021	1,017,080	422,614	571,073	2,157,590	378,847	1,721,003	170,951	94,983	6,534,141
2022	1,008,807	448,169	645,766	2,255,802	487,275	1,739,044	63,418	138,299	6,786,580
2023	1,195,399	493,297	1,022,455	2,531,627	527,643	1,821,493	58,196	135,826	7,785,936
2024	1,219,845	695,299	888,067	2,874,288	551,221	1,824,334	57,304	130,315	8,240,673
2025	1,392,516	609,014	906,732	3,077,051	512,602	2,130,215	49,984	302,346	8,980,460

Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenue bonds payable	\$ 2,112,068	\$ 2,564,229	\$ 3,013,066	\$ 3,173,989	\$ 3,551,000	\$ 4,016,000	\$ 4,479,000	\$ 5,786,400	\$ 7,171,600	\$ 8,513,300
Notes payable	590,132	649,027	707,921	778,517	547,560	603,070	658,588	714,106	769,624	825,142
Total outstanding debt	\$ 2,702,200	\$ 3,213,256	\$ 3,720,987	\$ 3,952,506	\$ 4,098,560	\$ 4,619,070	\$ 5,137,588	\$ 6,500,506	\$ 7,941,224	\$ 9,338,442
Debt per capita	\$ 48.52	\$ 57.35	\$ 67.48	\$ 71.38	\$ 73.61	\$ 82.93	\$ 93.61	\$ 117.28	\$ 143.08	\$ 168.07
Debt as a percentage of personal income	N/A	N/A	0.14%	0.15%	0.16%	0.20%	0.24%	0.31%	0.39%	0.47%

Notes:

Debt per capita was calculated based on population figures for the calendar year (CY) ending within the fiscal year (FY) obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the County of Campbell. See Table 10.

Debt as a percentage of personal income was calculated based on personal income for the CY ending within the FY obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the County of Campbell.

Data for Campbell County is combined with Lynchburg City. See Table 10.

Revenue Bond Debt Service Coverage
Last Ten Fiscal Years

<u>Fiscal Years Ended June 30,</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expense (1)</u>	<u>Net Available</u>	<u>Required Debt Service Payments (2)</u>	<u>Coverage</u>
2016	\$ 11,859,549	\$ 7,065,088	\$ 4,794,461	\$ 1,588,732	3.02
2017	10,468,015	7,258,930	3,209,085	1,590,444	2.02
2018	10,157,613	7,466,035	2,691,578	1,518,283	1.77
2019	9,503,152	6,998,269	2,504,883	735,074	3.41
2020	8,352,183	7,424,822	927,361	587,481	1.58
2021	10,616,239	6,231,182	4,385,057	582,339	7.53
2022	13,468,052	6,550,530	6,917,522	509,302	13.58
2023	14,778,238	7,549,578	7,228,660	517,133	13.98
2024	12,699,624	8,010,145	4,689,479	561,065	8.36
2025	17,873,481	9,109,863	8,763,618	438,011	20.01

(1) Amounts per Schedule 7 - Revenue Bond Compliance

(2) Including payments on revenue bonds and contracts payable

CAMPBELL COUNTY UTILITIES AND SERVICE AUTHORITY

Table 10

Demographic Data for the Service Area
 Campbell County, Virginia
 Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of \$) (3)</u>	<u>Per Capita Personal Income (\$) (3)</u>	<u>Unemployment Rate (2)</u>
2025	55,696	N/A	54,007	3.7%
2024	56,028	N/A	N/A	3.30%
2023	55,141	2,677,096	48,550	3.30%
2022	55,375	2,556,941	46,175	3.20%
2021	55,682	2,502,906	44,950	3.80%
2020	55,696	2,285,207	41,030	5.90%
2019	54,885	2,116,640	38,565	2.70%
2018	55,425	2,090,576	37,719	3.30%
2017	55,503	2,017,867	36,356	4.20%
2016	55,562	1,990,120	35,818	4.40%

N/A - Updated information not available

- (1) Weldon Cooper Center, University of Virginia
- (2) U.S. Department of Commerce - Bureau of Economic Analysis, for Campbell + Lynchburg
- (3) U.S. Department of Commerce - Bureau of Economic Analysis, Data for Campbell County is combined with Lynchburg City.

Principal Employers in the Campbell Area
Current Year and Nine Years Ago

Employer	Industry	2025		
		Employees	Rank	% of Total Employment
BWX	Nuclear	1,000 +	1	4% +
Campbell County Schools	Public Education	1,000 +	2	4% +
Abbott Industries	Pharmaceuticals	500-999	3	2%-4%
Campbell County	Government	250-499	4	2%-4%
BGF Industries	Fiberglass fabric	250-499	5	1%-2%
Moore's Electrical and Mech.	Electric/Mechanical Services	250-499	6	1%-2%
Wal Mart	General Merchandise Stores	250-499	7	1%-2%
Food Lion	Grocery	250-499	8	1%-2%
Foster Fuels	Fuel Distribution	100-249	9	0.3%-1%
YMCA Inc Altavista Area	Fitness/Health/Education	100-249	10	0.3%-1%
Totals		<u>4,250 +</u>		<u>17% +</u>

Total employed 25,507

Employer	Industry	2016		
		Employees	Rank	% of Total Employment
BWX	Nuclear	1000 +	1	4% +
Campbell County Schools	Public Education	1000 +	2	4% +
Areva NP	Nuclear	500-999	3	2%-4%
Abbott Industries	Pharmaceuticals	500-999	4	2%-4%
BGF Industries	Fiberglass fabric	500-999	5	2%-4%
Campbell County Govt	Local Government	250-499	6	1%-2%
Moore's Electric & Mech.	Contractor/Electrical	250-499	7	1%-2%
Wal Mart	General Merchandise Stores	250-499	8	1%-2%
Timken Company	Automotive Parts	250-499	9	1%-2%
Schrader International	Transportation Equipment Manufacturing	250-499	10	1%-2%
Totals		<u>4750 +</u>		<u>19% +</u>

Total employed 15,900

Source: Employer data; Virginia Employment Commission

Number of Employees by Identifiable Activity
Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Number of budgeted full-time equivalent positions:										
Administration (1)	6.0	6.0	6.0	6.0	5.0	5.0	4.0	4.0	4.0	4.0
Water Treatment FT(2)	6.0	6.0	6.0	6.0	6.0	5.0	6.0	5.0	5.0	5.0
Water Treatment PT(2)	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Wastewater Treatment	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0	2.0
Maintenance/Engineering FT (3)	8.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Inventory PT (4)	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customer Service FT	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Customer Service PT (5)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Part Time or Temp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	26.0	25.0	25.0	24.0	23.0	22.0	22.0	22.0	21.0	21.0

(1) Administration staff includes the Executive Director, Field Operations Director, Finance Director, Office Manager, Technology Coordinator, and the Engineering Director

(2) Water Treatment employees work approximately 93% for the Central System and 7% for Naruna.

(3) Maintenance and Engineering (including Inspection) employees have water and wastewater functions

(4) The Inventory position was eliminated in FY25 and the duties were absorbed by the Field operations Director and the Finance Director.

(5) One of the Authority’s Board members serves as security staff for cut-off days.

Operating and Capital Indicators
Last Ten Fiscal Years

	Fiscal Years Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water										
Size of watershed (square miles)	315	315	315	315	315	315	315	315	315	315
Raw water safe yield (mgd)										
Urban system	13.82	13.82	13.82	13.82	13.82	13.82	13.82	13.82	13.82	13.82
Miles of pipelines	199.70	197.90	197.10	195.40	193.59	190.00	185.00	184.00	184.00	184.00
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	3	3	3	3	3	3	3	3	3	3
Number of reservoirs	1	1	1	1	1	1	1	1	1	1
Number of finished water storage tanks	10	10	10	10	10	10	10	10	10	10
Maximum treatment capacity (mgd)	4.100	4.100	4.100	4.100	4.100	4.100	4.100	4.100	4.100	4.100
Water treated (mgd)	2.640	2.640	2.620	2.510	2.512	2.679	2.400	2.200	2.200	2.200
Unused capacity (mgd)	1.460	1.460	1.980	1.560	1.588	1.421	1.900	1.900	1.900	1.900
Percentage of capacity utilized	64.39%	64.39%	63.82%	61.22%	61.26%	65.34%	53.00%	53.00%	53.00%	53.00%
Wastewater										
Miles of pipelines	57.79	57.79	56.99	55.57	53.77	50.70	49.10	48.20	48.20	48.20
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	17	17	17	17	17	17	17	15	15	15
Maximum treatment capacity (mgd)	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Wastewater treated (mgd)	0.032	0.032	0.033	0.038	0.056	0.078	0.073	0.073	0.073	0.073
Unused capacity (mgd)	0.168	0.168	0.167	0.162	0.144	0.122	0.127	0.127	0.127	0.127
Percentage of capacity utilized	16.24%	16.24%	16.30%	18.80%	28.20%	39.00%	36.50%	36.50%	36.50%	36.50%

Notes: mgd = millions of gallons per day
Safe yield is a measure of raw water resources during a drought of record.

Water and Wastewater System Connections
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>
2016	7,958	2,379
2017	8,036	2,421
2018	8,111	2,464
2019	8,197	2,500
2020	8,343	2,604
2021	8,570	2,778
2022	8,791	2,949
2023	8,966	3,078
2024	9,167	3,216
2025	9,298	3,322

Source: Authority's billing records



**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 Honorable Board Members
Campbell County Utilities and Service Authority
Lynchburg, 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 Campbell County Utilities and Service Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Campbell County Utilities and Service Authority's basic financial statements and have issued our report thereon dated January 26, 2026.

Report on Internal Control over Financial Reporting

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

Charlottesville, Virginia
January 26, 2026