

Financial Statements

For the Year Ended

June 30, 2026

NRV Regional Water Authority

Financial Report

For the Year Ended June 30, 2026

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Financial Report
For the Year Ended June 30, 2026

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INTRODUCTORY SECTION

NRV REGIONAL WATER AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2026

BOARD OF DIRECTORS

William R. Knocke, Chairman

Marc A. Verniel, Vice Chairman

Scot Shippee, Secretary

Angela M. Hill, Treasurer

G.E. Dwyn Taylor, II

EXECUTIVE DIRECTOR

Caleb M. Taylor, PE

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
NRV Regional Water Authority
Radford, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the NRV Regional Water Authority, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the NRV Regional Water Authority, as of June 30, 2026, 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 NRV Regional Water 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.

Adoption of Accounting Principles

As described in Note 13 to the financial statements, the Authority adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*, during the fiscal year ended June 30, 2026. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NRV Regional Water 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 NRV Regional Water 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 NRV Regional Water 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 schedules related to pension and OPEB funding be presented to supplement the basic financial statements. Such information, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on Summarized Comparative Information

We previously audited NRV Regional Water Authority's 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2026, on our consideration of the NRV Regional Water 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 NRV Regional Water 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 NRV Regional Water Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 2, 2026

Basic Financial Statements

Exhibit 1

NRV Regional Water Authority
Statement of Net Position
At June 30, 2026
(With Comparative Totals at June 30, 2025)

	2026	2025
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,291,494	$ 11,927,671
Accounts receivable - members	2,885,636	2,832,051
Accounts receivable - others	-	3,942
Capital contribution receivable - current portion	27,842	27,296
Prepaid expenses	154,479	145,640
Inventory	149,208	51,299
Total current assets	$ 16,508,659	$ 14,987,899
Noncurrent Assets:		
Restricted cash and cash equivalents	$ 1,757,029	$ 878,515
Capital contribution receivable - net of current portion	956,200	984,042
Capital assets, net of depreciation	74,020,090	75,745,679
Total noncurrent assets	$ 76,733,319	$ 77,608,236
Total assets	$ 93,241,978	$ 92,596,135
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	$ 58,753	$ 65,105
Pension related items	1,237,522	1,151,115
OPEB related items	795,543	804,815
Total deferred outflows of resources	$ 2,091,818	$ 2,021,035
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 346,090	$ 391,393
Interest payable	410,493	422,648
Compensated absences - current portion	162,109	149,302
Revenue bonds - current portion	1,365,504	1,319,995
Total current liabilities	$ 2,284,196	$ 2,283,338
Noncurrent Liabilities:		
Compensated absences - net of current portion	$ 486,327	$ 447,904
Net OPEB liabilities	1,434,039	1,353,147
Net pension liability	3,323,195	3,400,598
Revenue bonds - net of current portion	45,878,072	47,249,319
Total noncurrent liabilities	$ 51,121,633	$ 52,450,968
Total liabilities	$ 53,405,829	$ 54,734,306
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 162,165	$ 125,062
OPEB related items	839,238	935,460
Total deferred inflows of resources	$ 1,001,403	$ 1,060,522
NET POSITION		
Net investment in capital assets	$ 26,835,267	$ 27,241,470
Restricted - debt service	1,757,029	878,515
Unrestricted	12,334,268	10,702,357
Total net position	$ 40,926,564	$ 38,822,342

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

Exhibit 2

NRV Regional Water Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	2026	2025
Operating Revenues:		
Water sales	$ 12,022,593	$ 11,426,859
Other	8,523	69,816
Total operating revenues	$ 12,031,116	$ 11,496,675
Operating Expenses:		
Salaries and employee benefits	$ 3,289,006	$ 3,183,066
Water systems	2,466,472	2,537,722
Management and general	120,190	110,947
Engineering, operations, and maintenance	456,451	454,620
Vehicle fuel and maintenance	34,851	24,436
Depreciation	2,326,799	2,334,991
Total operating expenses	$ 8,693,769	$ 8,645,782
Operating income (loss)	$ 3,337,347	$ 2,850,893
Other Nonoperating Revenues (Expenses):		
Interest income	$ 74,048	$ 66,608
Interest expense	(1,307,173)	(1,341,259)
Gain (Loss) on disposal of assets	-	4,870
Total other nonoperating revenues (expenses)	$ (1,233,125)	$ (1,269,781)
Increase (decrease) in net position	$ 2,104,222	$ 1,581,112
Net position, beginning of year	$ 38,822,342	$ 37,241,230
Net position, end of year	$ 40,926,564	$ 38,822,342

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

NRV Regional Water Authority
Statement of Cash Flows
For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

	2026	2025
Cash flows from operating activities:		
Receipts from customers and users	$ 11,981,473	$ 11,331,170
Payments to suppliers	(3,230,015)	(3,097,662)
Payments to employees and retirees	(3,370,541)	(3,269,925)
Net cash provided by (used for) operating activities	$ 5,380,917	$ 4,963,583
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets	$ (601,210)	$ (420,680)
Principal payments on bonds	(1,257,684)	(1,234,129)
Interest paid	(1,381,030)	(1,408,087)
Proceeds from sale of capital assets	-	9,328
Capital contributions received	27,296	26,761
Net cash provided by (used for) capital and related financing activities	$ (3,212,628)	$ (3,026,807)
Cash flow from investing activities:		
Interest received	$ 74,048	$ 66,608
Net increase (decrease) in cash and cash equivalents	$ 2,242,337	$ 2,003,384
Cash and cash equivalents at beginning of year (including $878,515 held in restricted accounts)	12,806,186	10,802,802
Cash and cash equivalents at end of year (including $1,757,029 held in restricted accounts)	$ 15,048,523	$ 12,806,186
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	$ 3,337,347	$ 2,850,893
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,326,799	2,334,991
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	(49,643)	(165,505)
(Increase) decrease in prepaid expenses	(8,839)	(19,043)
(Increase) decrease in inventory	(97,909)	(15,649)
(Increase) decrease in deferred outflows of resources	(77,135)	(732,671)
Increase (decrease) in accounts payable and accrued liabilities	(45,303)	64,755
Increase (decrease) in compensated absences	51,230	7,861
Increase (decrease) in net OPEB liabilities	80,892	305,527
Increase (decrease) in net pension liability	(77,403)	254,888
Increase (decrease) in deferred inflows of resources	(59,119)	77,536
Net cash provided by (used for) operating activities	$ 5,380,917	$ 4,963,583

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The NRV Regional Water Authority (the "Authority") is the successor entity to the Blacksburg-Christiansburg-VPI Water Authority which was originally chartered in 1955 to operate and maintain a water supply system for the Towns of Blacksburg and Christiansburg and for Virginia Polytechnic Institute and State University. The County of Montgomery joined the Authority pursuant to a joinder agreement dated June 18, 2013, which called for the name of the Authority to be changed to NRV Regional Water Authority. The Authority is governed by a Board of Directors consisting of one representative appointed by each of the members. The Authority is a jointly governed organization of the four members listed herein. The participating members do have a financial interest in and responsibility to the Authority.

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and, under different circumstances, how component units must be presented. In defining the Authority as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Authority where the Authority has the ability to access a majority of those resources and those resources are significant to the Authority. Based on these criteria, the Authority does not have any component units, nor is the Authority considered a component unit of any of the participating jurisdictions. Therefore, these financial statements are for the primary entity only.

B. Financial Statement Presentation

The Authority follows the business-type activities requirements of current financial statement guidance, which provides that the following sections be included in the annual financial report:

1. Management discussion and analysis (omitted in the current year)
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to the financial statements
4. Required supplementary information

C. Basis of Accounting

For financial reporting purposes, the NRV Regional Water Authority is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

D. Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses, noncapital subsidies, and other nonoperating revenues and expenses. Nonoperating revenues and expenses are (1) subsidies received and provided; (2) contributions to permanent and term endowments; (3) revenues and expenses related to financing; (4) resources from the disposal of capital assets and inventory; and (5) investment income and expenses.

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

D. Operating and Nonoperating Revenues and Expenses (Continued)

A subsidy is (1) resources received from another party or fund for which the Authority does not provide goods or services to that party and that directly or indirectly keep the Authority's current or future fees and charges lower than they would be otherwise; (2) resources provided to another party for which the other party does not provide goods or services to the Authority and that are recoverable through the Authority's current or future pricing policies; and (3) all other transfers. Subsidies are reported as noncapital subsidies unless they are capital subsidies — subsidies restricted by the resource provider, law, or regulation to financing the acquisition, construction, or improvement of capital assets (or to the related debt service) — which are reported within other nonoperating revenues and expenses.

All revenues and expenses not meeting the definition of nonoperating revenues and expenses are reported as operating revenues and expenses. Revenues and expenses that would otherwise be classified as nonoperating are reported as operating if they constitute the Authority's principal ongoing operations.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding. 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 (recognized as an adjustment to expense) 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 one type of item that qualifies for reporting in this category. Certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

F. Net Position

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets – This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the component of net position.

Restricted– This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted – Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

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

G. Net Position Flow Assumption

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

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

Asset	Years
Buildings and improvements	15-50
Plant facilities and transmission lines	20-50
Pumps, valves, and equipment	5-30
Trucks and other vehicles	5-7
Dewatering facilities and basins	15-50

I. Use of Estimates

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

J. Compensated Absences

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

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

J. Compensated Absences: (Continued)

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

Sick Leave
The Authority's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employment of the Authority and, upon separation from service, payout is capped at 60% but payable based on their balance and the employee's current pay rate upon separation to a retirement health savings account. A liability for estimated value of sick leave that will be used by employees as time off is included in the liability in addition to the liability related to the sick leave payout for compensated absences.

K. 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 Authority considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Authority reports $1,757,029 in restricted cash and cash equivalents which are maintained in a debt reserve as required by VRA for the outstanding bonds.

L. 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.

M. Accounts Receivable

Accounts receivable are stated at book value. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

N. Inventory

Inventory consists of pumps, valves, parts, pipes, and supplies reported at the lower of cost (first-in, first-out) or market. Inventory is generally used for construction and for operation and maintenance work and is not held for resale. Costs of inventory are charged to construction or operations when consumed rather than when purchased.

O. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

P. 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.

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

Q. Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

R. Other Postemployment Benefits (OPEB)

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

Health Insurance
In addition to the OPEB Group Life Insurance benefit, the Authority allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost.

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

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

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial credit risk. As of June 30, 2026, the Authority did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2026, the Authority did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

NOTE 3 –RECEIVABLES AND REVENUES:

CAPITAL CONTRIBUTION RECEIVABLE:

When it joined the Authority in 2013, the County of Montgomery, Virginia provided a capital contribution of $1,300,000 payable over forty years in annual installments of $47,522, including interest at a rate of two percent.

The annual principal and related interest requirements are as follows:

Year Ending June 30,	Capital Contribution Principal	Capital Contribution Interest
2027	$ 27,842	$ 19,680
2028	28,398	19,124
2029	28,966	18,556
2030	29,546	17,976
2031	30,137	17,385
2032-2036	159,969	77,643
2037-2041	176,619	60,993
2042-2046	195,001	42,611
2047-2051	215,297	22,315
2052-2053	92,267	2,777
Totals	$ 984,042	$ 299,060

OPERATING RECEIVABLES AND REVENUES:

Accounts receivable from and water sales to members for the fiscal year were as follows:

	Accounts Receivable	Revenues
Town of Blacksburg	$ 1,091,274	$ 4,512,827
Town of Christiansburg	923,768	3,937,342
County of Montgomery	411,398	1,669,377
Virginia Tech	459,196	1,903,047
Total	$ 2,885,636	$ 12,022,593

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NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the year follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 655,014	$ -	$ -	$ 655,014
Construction in progress	-	264,904	(222,267)	42,637
Total capital assets, not being depreciated	$ 655,014	$ 264,904	$ (222,267)	$ 697,651
Capital assets, being depreciated:				
Buildings and improvements	$ 3,622,587	$ 11,860	$ -	$ 3,634,447
Plant facilities and transmission lines	78,535,271	212,061	-	78,747,332
Dewatering facilities and basins	912,668	222,267	-	1,134,935
Pumps, valves, and equipment	7,268,753	-	-	7,268,753
Trucks and other vehicles	275,493	112,385	-	387,878
Total capital assets being depreciated	$ 90,614,772	$ 558,573	$ -	$ 91,173,345
Accumulated depreciation:				
Buildings and improvements	$ (1,012,775)	$ (180,761)	$ -	$ (1,193,536)
Plant facilities and transmission lines	(11,931,898)	(1,929,365)	-	(13,861,263)
Dewatering facilities and basins	(401,821)	(19,593)	-	(421,414)
Pumps, valves, and equipment	(1,950,014)	(179,546)	-	(2,129,560)
Trucks and other vehicles	(227,599)	(17,534)	-	(245,133)
Total accumulated depreciation	$ (15,524,107)	$ (2,326,799)	$ -	$ (17,850,906)
Capital assets, being depreciated, net	$ 75,090,665	$ (1,768,226)	$ -	$ 73,322,439
Capital assets, net	$ 75,745,679	$ (1,503,322)	$ (222,267)	$ 74,020,090

NOTE 5 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2026:

	Balance July 1, 2025	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2026
Direct Borrowings:				
Revenue Bonds	$ 47,443,117	$ -	$ (1,257,684)	$ 46,185,433
Bond Premiums	1,126,197	-	(68,054)	1,058,143
Compensated absences*	597,206	51,230	-	648,436
Net pension liability	3,400,598	1,413,572	(1,490,975)	3,323,195
Net OPEB liabilities	1,353,147	198,345	(117,453)	1,434,039
Total	$ 53,920,265	$ 1,663,147	$ (2,934,166)	$ 52,649,246

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

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

Year Ending June 30,	Direct Borrowings Revenue Bonds Principal	Interest
2027	$ 1,299,118	$ 1,345,086
2028	1,341,855	1,302,037
2029	1,385,167	1,257,437
2030	1,424,069	1,211,401
2031	1,478,575	1,164,169
2032-2036	8,097,718	5,091,111
2037-2041	8,555,301	3,859,329
2042-2046	9,452,658	2,508,466
2047-2051	9,667,394	1,139,879
2052-2054	3,483,578	116,034
Totals	$ 46,185,433	$ 18,994,949

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NOTE 5 – LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Installment Amounts	Balance Outstanding	Amount Due Within One Year
Direct Borrowings:							
Revenue Bonds:							
VBFP Series 2014B	4.1-4.8%	8/13/2014	2036	$ 2,170,000	$95,000-155,000 (a+)	$ 1,315,000	$ 110,000
VBFP Series 2019C	3.8-5.1%	10/30/2019	2050	8,995,000	$180,000-495,000 (a+)	7,995,000	200,000
WSL-041-18E	2.5%	10/7/2020	2054	36,928,000	$878,514 (sa)	34,310,433	899,118
VPFP Series 2024A	5.1%	4/30/2024	2044	2,740,000	$90,000-210,000 (a+)	2,565,000	90,000
Total Revenue Bonds						$ 46,185,433	$ 1,299,118
Bond Premiums						$ 1,058,143	$ 66,386
Total Direct Borrowings						$ 47,243,576	$ 1,365,504
Other Obligations:							
Compensated absences						$ 648,436	$ 162,109
Net pension liability						3,323,195	-
Net OPEB liabilities						1,434,039	-
Total Other Obligations						$ 5,405,670	$ 162,109
Total Long-Term Obligations						$ 52,649,246	$ 1,527,613

(a+) annual principal installments shown does not include semi-annual interest installments
(sa) semiannual principal and interest installments

The revenue bonds are subject to a pledge of the system generated revenues. The revenues as received by the Authority are immediately subject to the lien of this pledge. Further, the Authority has agreed to fix and collect rates, fees, and other charges for the services as provided by the system so that each year the net revenues available for debt service will equal at least 100% of the amount required to pay the principal and interest costs of the bonds. The Authority agrees to monitor rates and immediately take action to increase its rates or reduce operation expenses if it fails to satisfy such requirements.

Events of default on the above revenue bonds include failure to pay any payment of principal or interest due under the agreement, failure to fund the required reserve funds, or failing to observe any other covenant including the above net revenue requirement.

In the event of default for the revenue bonds, at the discretion of the lender, all amounts owed under the bonds at the time of default, including principal, interest, and all other fees will become immediately due and payable. In addition, the lender may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia, to secure payment of the principal and interest of the bonds if such payment shall not be paid when it becomes due and payable.

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.

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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. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Non-vested inactive members	2
Inactive members active elsewhere in VRS	1
Total inactive members	16
Active members	21
Total covered employees	37

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, 2026 was 26.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $530,430 and $507,736 for the years ended June 30, 2026 and June 30, 2025, 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 $5,261 for the year ended June 30, 2026. 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 $5,208 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $484,094 for the year ended June 30, 2026.

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, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

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

NOTE 6 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

Non-Metro – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:
Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set forward 2 years; 95% rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2021 rates

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Metro – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Maintain Pub-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%.
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin.
Salary Scale	Increase Merit & Longevity 50 basis points.
Discount Rate	No change

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%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Investment Partnerships	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	-3.00%	4.57%	-0.14%
Total	100.00%		7.02%
		Expected arithmetic nominal return**	7.02%

* The above allocation provides a one-year expected return of 7.02% (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 7.06%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

NOTE 6 – PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

For the year ended June 30, 2025, the employer contribution rate used was 100% of the actuarially determined employer contribution rate from the June 30, 2024 actuarial valuations. From July 1, 2025 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2024	$ 7,976,711	$ 4,576,113	$ 3,400,598
Changes for the year:			
Service cost	$ 132,216	$ -	$ 132,216
Interest	531,596	-	531,596
Differences between expected and actual experience	271,993	-	271,993
Assumption changes	77,687	-	77,687
Contributions - employer	-	507,736	(507,736)
Contributions - employee	-	89,473	(89,473)
Net investment income	-	496,252	(496,252)
Benefit payments, including refunds	(466,858)	(466,858)	-
Administrative expenses	-	(2,696)	2,696
Other changes	-	130	(130)
Net changes	$ 546,634	$ 624,037	$ (77,403)
Balances at June 30, 2025	$ 8,523,345	$ 5,200,150	$ 3,323,195

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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's Net Pension Liability (Asset)	$ 4,554,137	$ 3,323,195	$ 2,336,581

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

For the year ended June 30, 2026, the Authority recognized pension expense of $403,723. At June 30, 2026, 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	$ 644,819	$ -
Change in assumptions	62,273	-
Net difference between projected and actual earnings on pension plan investments	-	162,165
Employer contributions subsequent to the measurement date	530,430	-
Total	$ 1,237,522	$ 162,165

$530,430 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2027. 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 Ending June 30	
2027	$ 252,236
2028	163,400
2029	93,746
2030	32,770
2031	2,775
Thereafter	-

NOTE 6 – PENSION PLAN: (CONTINUED)

Pension Plan Data

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN:

Plan Description and Benefits Provided

For those employees who retired before July 1, 2015, after 15 years of service to the Authority, the Authority may pay up to 35% of the cost of the health insurance for the "employee only" or "employee and spouse" under the Authority's health insurance plan, or approved insurance plan through the Authority at the time of retirement, if the spouse was covered on the health insurance at least six months prior to, and at the time of, retirement. After thirty years of service to the Authority, the Authority may pay up to 50% of those costs.

For those employees who retired after July 1, 2015, after 15 years of service to the Authority, the Authority may pay up to 35% of the cost of the health insurance for the "employee only" under the Authority's health insurance plan, or approved insurance plan through the Authority at the time of retirement. After thirty years of service to the Authority, the Authority may pay up to 50% of those costs.

Funding Policy and Contributions

The Authority currently funds postemployment benefits for healthcare on a pay-as-you-go basis. The Authority does not intend to establish a trust to pre-fund this liability. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2026 was $72,867.

Plan Membership

At January 1, 2025 (valuation date), the following employees were covered by the benefit terms:

Active plan members	21
Inactive plan members entitled but not yet receiving benefits	-
Inactive plan members receiving benefits	11
Total	32

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2026. The total OPEB liability was determined by an actuarial valuation as of January 1, 2025, rolled forward to the measurement date of June 30, 2026.

Actuarial Assumptions

The total OPEB liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Mortality rates for active employees, healthy retirees, and disabled retirees are from the Pub2010 tables for general employees, projected generationally with Scale SSA. The discount rate was 4.32% as described in the next section below. The healthcare trend rate starts at 6.00% and declines to an ultimate rate of 4.25% for pre-65 and 4.00% for post-65.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)

Actuarial Assumptions (continued)

The January 1, 2025 actuarial valuation used the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024 conducted by VRS.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 4.32% as of the end of the fiscal year with the expectation that the Authority will continue paying the cost from operating funds.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2025	$ 1,275,256
Changes for the year:	
Service cost	15,912
Interest	60,373
Changes in assumptions	89,744
Benefit payments	(72,867)
Net changes	93,162
Balances at June 30, 2026	$ 1,368,418

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.32%) or one percentage point higher (5.32%) than the current discount rate:

Rate		
1% Decrease	Current Discount Rate	1% Increase
(3.32%)	(4.32%)	(5.32%)
$ 1,578,473	$ 1,368,418	$ 1,202,243

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (ultimate rate of 3.25%) or one percentage point higher (ultimate rate of 5.25%) than the current healthcare cost trend rates:

Rate		
1% Decrease	Healthcare Cost Trend	1% Increase
(3.25%)	(4.25%)	(5.25%)
$ 1,187,066	$ 1,368,418	$ 1,603,619

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)

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

For the year ended June 30, 2026, the Authority recognized OPEB expense in the amount of $75,495. At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 491,694	$ 513,533
Change in actuarial assumptions	278,132	309,767
Total	$ 769,826	$ 823,300

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

Year ending June 30	
2027	$ (790)
2028	(790)
2029	(790)
2030	(790)
2031	(786)
Thereafter	(49,528)

Additional disclosures on changes in OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTE 8 – 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:

NOTE 8 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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 $9,768 as of June 30, 2026.

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, 2026 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which 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 $9,237 and $8,842 for the years ended June 30, 2026 and June 30, 2025, respectively.

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

At June 30, 2026, the entity reported a liability of $65,621 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2025 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, 2024, and rolled forward to the measurement date of June 30, 2025. 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, 2025 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the participating employer's proportion was 0.00682% as compared to 0.00698% at June 30, 2024.

For the year ended June 30, 2026, the participating employer recognized GLI OPEB expense of $552. 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.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2026, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,641	$ 1,235
Net difference between projected and actual earnings on GLI OPEB plan investments	-	9,183
Change in assumptions	-	2,147
Changes in proportionate share	- 4,839	3,373
Employer contributions subsequent to the measurement date	9,237	-
Total	$ 25,717	$ 15,938

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

$9,237 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, 2027. 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:

Year Ending June 30	
2027	$ 785
2028	(1,204)
2029	324
2030	395
2031	242
Thereafter	-

NOTE 8 – 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, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025. 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	3.50% – 5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Metro Locality Employers – General Employees

Pre-Retirement:
Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set forward 2 years; 95% rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale 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 tables, with 75% of the MP-2021 Scale projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rates

NOTE 8 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. 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)	Maintain Pub-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%.
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin.
Salary Scale	Increase Merit & Longevity 50 basis points.
Retiree Liability Estimation for Life Only	Change from 1.618% to 2.0%.
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2025, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	4,433,282
Plan Fiduciary Net Position		3,471,094
GLI Net OPEB Liability (Asset)	$	962,188
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		78.30%

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.

NOTE 8 – 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%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Investment Partnerships	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	-3.00%	4.57%	-0.14%
Total	100.00%		7.02%
		Expected arithmetic nominal return**	7.02%

*The above allocation provides a one-year expected return of 7.02% (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 7.06%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2025, 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 100% of the actuarially determined contribution rate. From July 1, 2025 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.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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%)
NRV Water Authority's proportionate share of the GLI Plan Net OPEB Liability	$ 110,700	$ 65,621	$ 29,253

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9 – OPEB SUMMARY INFORMATION:

	Authority			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS GLI OPEB Plan	$ 25,717	$ 15,938	$ 65,621	$ 552
Standalone Local Healthcare OPEB Plan	769,826	823,300	1,368,418	75,495
Totals	$ 795,543	$ 839,238	$ 1,434,039	$ 76,047

NOTE 10 – DEFERRED COMPENSATION PLAN:

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying hardship. The Authority makes a matching contribution up to the equivalent of $50 per month per employee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a trust by a third-party for the exclusive benefit of participants and their beneficiaries. For 2026, the Authority's matching contributions totaled $14,762.

NOTE 11 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other localities in a public entity risk pool for its coverage of general liability, property, equipment, crime and auto insurance with the Virginia Risk Sharing Association (VRSA) Insurance Programs. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Risk Pool contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit or depletion of all available funds, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 12 – LITIGATION:

As of June 30, 2026, 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.

NOTE 13 – IMPLEMENTATION OF ACCOUNTING PRINCIPLES:

During the current year, the Authority implemented GASB Statements No. 103, *Financial Reporting Model Improvements* and No. 104*, Disclosure of Certain Capital Assets*.

Statement No. 103 improves certain components of the governmental financial reporting model, including MD&A, unusual or infrequent items, proprietary fund statements, major component unit presentation, budgetary comparison information, and certain statistical section information. The accompanying financial statements, required supplementary information, and related disclosures have been updated, as applicable, to reflect the revised presentation and disclosure requirements. The statement of revenues, expenses, and changes in net position has been updated to distinguish operating and nonoperating revenues and expenses and to separately report noncapital subsidies.

Statement No. 104 requires separate disclosure of certain capital assets within the capital asset note disclosures, including lease assets by major class of underlying asset, intangible right-to-use assets recognized by an operator in public-private and public-public partnership arrangements by major class of underlying asset, subscription assets, and other intangible assets by major class and also establishes disclosure requirements for capital assets held for sale.

Implementation of Statements No. 103 and No. 104 resulted in changes to financial statement presentation and disclosure only and did not have a material effect on beginning net position, beginning fund balances, changes in net position, or changes in fund balances.

NOTE 14 – CONSTRUCTION COMMITMENTS:

In June 2026, the Authority committed to a construction contract for SCADA improvements in the amount of $1,050,000.

NOTE 15 – UPCOMING PRONOUNCEMENTS:

Statement No. 105, S*ubsequent Events*, defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued and requires the date through which subsequent events have been evaluated to be disclosed. It also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

Management is currently evaluating the impact this standard will have on the financial statements when adopted.

Required Supplementary Information

Exhibit 4

NRV Regional Water Authority
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2016 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 132,216	$ 126,560	$ 105,978	$ 98,338	$ 97,925	$ 102,973	$ 87,341	$ 72,861	$ 74,071	$ 62,085
Interest	531,596	490,233	454,454	447,977	428,837	414,620	400,798	404,209	403,790	380,080
Difference between expected and actual experience	271,993	449,166	389,540	35,946	(5,943)	58,996	117,436	(140,748)	19,755	278,627
Assumption changes	77,687	-	-	-	129,135	-	183,901	-	(109,937)	-
Benefit payments	(466,858)	(450,809)	(430,157)	(557,744)	(371,725)	(360,207)	(385,092)	(385,011)	(378,356)	(385,812)
Net change in pension liability	$ 546,634	$ 615,150	$ 519,815	$ 24,517	$ 278,229	$ 216,382	$ 404,384	$ (48,689)	$ 9,323	$ 334,980
Total pension liability - beginning	7,976,711	7,361,561	6,841,746	6,817,229	6,539,000	6,322,618	5,918,234	5,966,923	5,957,600	5,622,620
Total pension liability - ending (a)	$ 8,523,345	$ 7,976,711	$ 7,361,561	$ 6,841,746	$ 6,817,229	$ 6,539,000	$ 6,322,618	$ 5,918,234	$ 5,966,923	$ 5,957,600
Plan Fiduciary Net Position										
Contributions - employer	$ 507,736	$ 319,310	$ 271,180	$ 245,318	$ 253,657	$ 240,441	$ 232,398	$ 285,938	$ 242,825	$ 232,647
Contributions - employee	89,473	85,268	72,437	65,829	68,385	64,989	62,820	57,338	48,839	46,797
Net investment income	496,252	409,050	259,272	3,133	932,504	64,568	214,574	226,659	340,147	47,822
Benefit payments	(466,858)	(450,809)	(430,157)	(557,744)	(371,725)	(360,207)	(385,092)	(385,011)	(378,356)	(385,812)
Administrator charges	(2,696)	(2,645)	(2,605)	(2,766)	(2,299)	(2,191)	(2,155)	(1,941)	(2,001)	(1,824)
Other	130	88	105	95	88	(77)	(136)	(204)	(303)	(21)
Net change in plan fiduciary net position	$ 624,037	$ 360,262	$ 170,232	$ (246,135)	$ 880,610	$ 7,523	$ 122,409	$ 182,779	$ 251,151	$ (60,391)
Plan Fiduciary Net Position - beginning	4,576,113	4,215,851	4,045,619	4,291,754	3,411,144	3,403,621	3,281,212	3,098,433	2,847,282	2,907,673
Plan Fiduciary Net Position - ending (b)	$ 5,200,150	$ 4,576,113	$ 4,215,851	$ 4,045,619	$ 4,291,754	$ 3,411,144	$ 3,403,621	$ 3,281,212	$ 3,098,433	$ 2,847,282
Authority's net pension liability (asset) - ending (a) - (b)	$ 3,323,195	$ 3,400,598	$ 3,145,710	$ 2,796,127	$ 2,525,475	$ 3,127,856	$ 2,918,997	$ 2,637,022	$ 2,868,490	$ 3,110,318
Plan fiduciary net position as a percentage of the total pension liability	61.01%	57.37%	57.27%	59.13%	62.95%	52.17%	53.83%	55.44%	51.93%	47.79%
Covered payroll	$ 1,881,202	$ 1,792,361	$ 1,517,366	$ 1,366,338	$ 1,415,847	$ 1,342,024	$ 1,330,467	$ 1,170,775	$ 985,817	$ 949,183
Authority's net pension liability (asset) as a percentage of covered payroll	176.65%	189.73%	207.31%	204.64%	178.37%	233.07%	219.40%	225.24%	290.98%	327.68%

Exhibit 5

NRV Regional Water Authority
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2017 through June 30, 2026

Date	Contractually Required Contribution* (1)	Contributions in Relation to Contractually Required Contribution* (2)	Contribution Deficiency (Excess) (1) - (2) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (2)/(4) (5)
2026	$ 530,430	$ 530,430	$ -	$ 1,965,284	26.99%
2025	507,736	507,736	-	1,881,202	26.99%
2024	319,309	319,309	-	1,792,361	17.81%
2023	271,185	271,185	-	1,517,366	17.87%
2022	245,318	245,318	-	1,366,338	17.95%
2021	253,657	253,657	-	1,415,847	17.92%
2020	240,441	240,441	-	1,342,024	17.92%
2019	235,672	235,672	-	1,330,467	17.71%
2018	285,398	285,398	-	1,170,775	24.38%
2017	242,825	242,825	-	985,817	24.63%

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

NRV Regional Water Authority
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2026

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Metro – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Maintain Pub-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%.
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin.
Salary Scale	Increase Merit & Longevity 50 basis points.
Discount Rate	No change

Exhibit 7

NRV Regional Water Authority
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Insurance
For the Measurement Dates of June 30, 2018 through June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability									
Service cost	$ 15,912	$ 16,985	$ 16,571	$ 40,794	$ 39,799	$ 23,008	$ 22,338	$ 18,288	$ 14,187
Interest	60,373	38,045	38,359	50,990	31,954	48,778	56,264	59,755	48,604
Differences between expected and actual experience	-	448,778	-	(351,141)	-	(487,912)	-	291,094	-
Changes in assumptions	89,744	(126,960)	(15,061)	(22,048)	(283,983)	134,520	172,183	112,807	(12,231)
Benefit payments	(72,867)	(70,777)	(89,762)	(80,396)	(62,379)	(61,322)	(54,765)	(59,768)	(42,483)
Net change in total OPEB liability	$ 93,162	$ 306,071	$ (49,893)	$ (361,801)	$ (274,609)	$ (342,928)	$ 196,020	$ 422,176	$ 8,077
Total OPEB liability - beginning	1,275,256	969,185	1,019,078	1,380,879	1,655,488	1,998,416	1,802,396	1,380,220	1,372,143
Total OPEB liability - ending	$ 1,368,418	$ 1,275,256	$ 969,185	$ 1,019,078	$ 1,380,879	$ 1,655,488	$ 1,998,416	$ 1,802,396	$ 1,380,220
Covered-employee payroll	$ 1,966,870	$ 1,881,202	$ 1,791,263	$ 1,544,991	$ 1,409,493	$ 1,405,430	$ 1,385,470	$ 1,478,456	$ 1,196,905
Authority's total OPEB liability as a percentage of covered-payroll	69.57%	67.79%	54.11%	65.96%	97.97%	117.79%	144.24%	121.91%	115.32%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

NRV Regional Water Authority
Notes to Required Supplementary Information
Health Insurance
For the Year Ended June 30, 2026

Valuation Date: 1/1/2025
Measurement Date: 6/30/2026

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of payroll
Discount Rate	4.32%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% initially, grading down to 4.25% ultimate for pre-65 and 4.00% for post-65
Retirement Age	The average age at retirement is 66
Mortality Rates	Mortality rates are given by the Pub2010 tables for general employees, projected generationally with Scale SSA.

NRV Regional Water Authority
Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2025

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)
2025	0.00682%	$ 65,621	$ 1,881,202	3.49%	78.30%
2024	0.00698%	77,891	1,792,361	4.35%	73.41%
2023	0.00654%	78,435	1,517,366	5.17%	69.30%
2022	0.00647%	77,905	1,407,785	5.53%	67.21%
2021	0.00686%	79,869	1,415,847	5.64%	67.45%
2020	0.00652%	108,808	1,342,024	8.11%	52.64%
2019	0.00657%	106,912	1,330,467	8.04%	52.00%
2018	0.00616%	94,000	1,170,775	8.03%	51.22%
2017	0.00550%	83,000	1,013,881	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.

Exhibit 10

NRV Regional Water Authority
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2026

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	(1)	(2)	(3)	(4)	(5)
2026	$ 9,237	$ 9,237	$ -	$ 1,965,284	0.47%
2025	8,842	8,842	-	1,881,202	0.47%
2024	9,679	9,679	-	1,792,361	0.54%
2023	8,314	8,314	-	1,517,366	0.54%
2022	7,602	7,602	-	1,407,785	0.54%
2021	7,646	7,646	-	1,415,847	0.54%
2020	6,978	6,978	-	1,342,024	0.52%
2019	6,700	6,700	-	1,330,467	0.50%
2018	6,088	6,088	-	1,170,775	0.52%
2017	5,272	5,272	-	1,013,881	0.52%

NRV Regional Water Authority
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2026

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Metro Locality Employers – General Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Maintain Pub-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree Liability Estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No change

Other Statistical Information

Table 1

NRV Regional Water Authority
Schedule of Debt Coverage - Unaudited
For the Years Ended June 30, 2017 through June 30, 2026

Fiscal Year	Gross Revenues	Less Operating Expenses*	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2026	$ 12,105,164	$ 6,366,970	$ 5,738,194	$ 1,257,684	$ 1,381,030	217.46%
2025	11,568,153	6,310,791	5,257,362	1,234,129	1,408,087	198.98%
2024	10,848,273	5,918,152	4,930,121	1,470,754	1,431,311	169.88%
2023	10,753,552	5,010,615	5,742,937	340,000	1,577,123	299.56%
2022	10,179,336	4,185,438	5,993,898	320,000	667,845	606.77%
2021	9,318,608	4,166,097	5,152,511	305,000	589,097	576.28%
2020	9,264,274	4,026,613	5,237,661	155,000	398,881	945.63%
2019	9,341,049	4,002,923	5,338,126	150,000	243,714	1355.84%
2018	7,583,040	3,587,537	3,995,503	140,000	250,475	1023.24%
2017	5,684,611	3,414,717	2,269,894	130,000	256,737	586.93%

*excluding depreciation

Note 1: The revenue covenant is 100% of all debt service.
Note 2: FY2024 principal amount excludes $2,740,000 related to a refunding payoff

Source: Unless otherwise noted, the information in this Table is derived from the financial reports for the relevant year.

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 *Government Auditing Standards*

To the Board of Directors
NRV Regional Water Authority
Radford, 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 NRV Regional Water Authority as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise NRV Regional Water Authority's basic financial statements and have issued our report thereon dated October 2, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 2, 2026