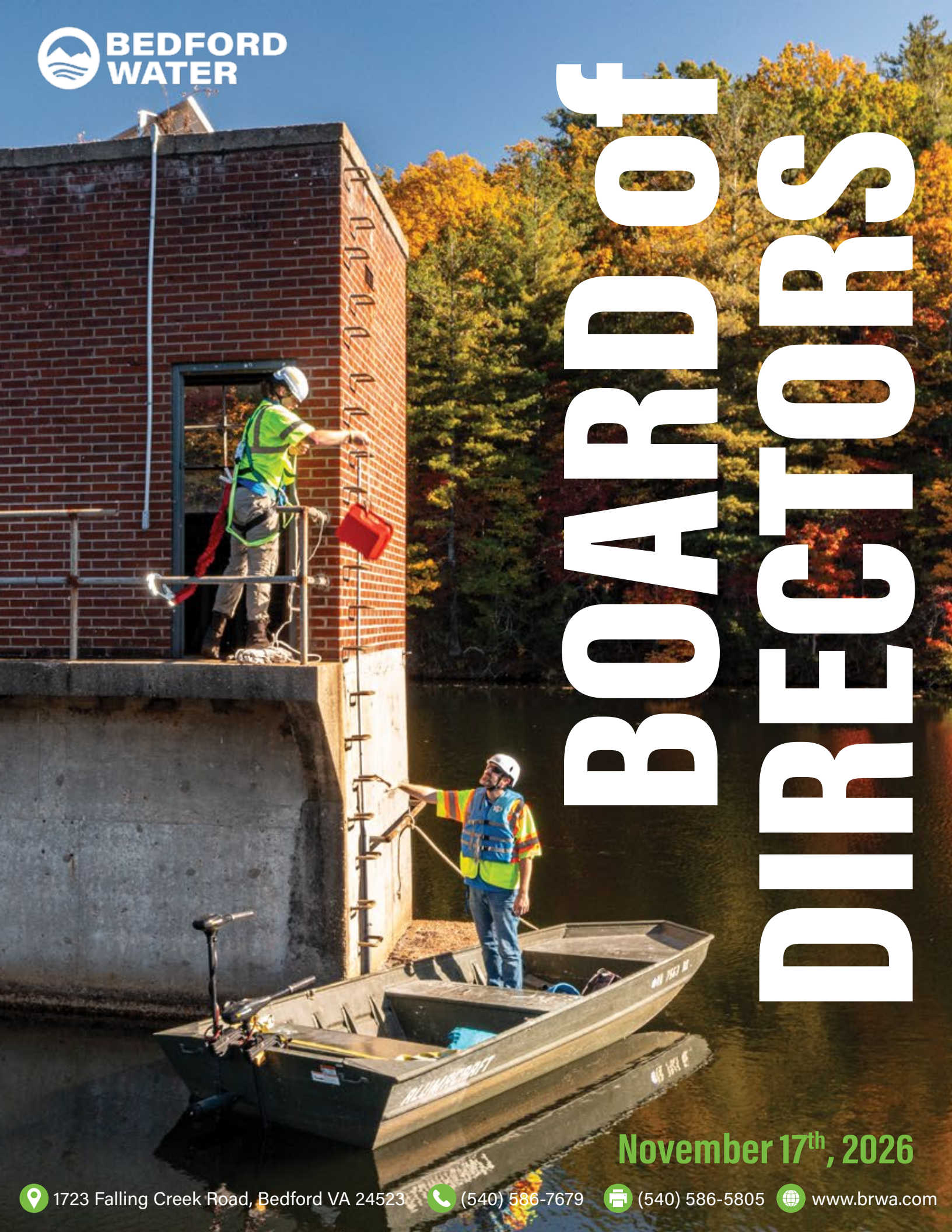
BEDFORD WATER

BOARD OF DIRECTORS



November 17th, 2026

1723 Falling Creek Road, Bedford VA 24523 (540) 586-7679 (540) 586-5805 www.brwa.com

AGENDA

NOTICE AND AGENDA

To: Board of Directors

From: Brian M. Key – Executive Director

Date: November 10, 2026

Re: Notice of Board Meeting and Agenda

A **work session** of the Board of Directors of the Bedford Regional Water Authority ("Bedford Water") will be held on **Tuesday, November 17, 2026, at 5:30 p.m.** in the **Board Meeting Room** of Bedford Water located in the **Annex** building at **1723 Falling Creek Road in Bedford County**. A light meal will be served during the work session.

- The work session is for the discussion of Bedford Water's Strategic Plan.

A **regular meeting** of the Board of Directors of Bedford Water will be held on **Tuesday, November 17, 2026, at 7:00 p.m.** in the **Board Meeting Room**. The public can provide input and/or join the regular meeting in person or as follows:

- Zoom meeting with **audio/video** by electronic device (computer, phone, tablet): https://us02web.zoom.us/j/89240297666?pwd=UMGjdrrvxRy53YJGS8nXebsabMQ3yO.1
  - Meeting ID: 892 4029 7666
  - Passcode: 8rnW72

The following Agenda is proposed for discussion:

1. Call to Order
   a. Pledge of Allegiance
   b. Moment of Silence
2. Review of Agenda
3. Public Comments
4. Approval of Minutes: October 20, 2026 – Regular Board Meeting
5. Financial Summary: Presented by Jill Underwood
   a. Audit Presentation by Brown Edwards
6. Operations Summary: Presented by Thomas Cherro
7. Administration Summary: Presented by Megan Pittman
8. Engineering Summary: Presented by Rhonda English
9. Deputy Director Summary: Presented by Rhonda English
10. Executive Summary: Presented by Brian Key
    a. **Resolution 2026-11.01**: Special Use Permit
11. Other business not covered on the above agenda
12. Motion to Adjourn

MINUTES

1723 Falling Creek Road
Bedford, VA 24523-3137
(540) 586-7679 (phone)
(540) 586-5805 (fax)
www.brwa.com

Bedford Water – Board of Directors
Regular Board Meeting – Minutes
October 20, 2026

A regular meeting of the Board of Directors of the Bedford Regional Water Authority ("Bedford Water") was held on Tuesday, October 20, 2026, in the Board Meeting Room in Bedford Water's Annex building located at 1723 Falling Creek Road in Bedford County.

Members Present:..... Bob Flynn, Chair
Jay Gray, Vice Chair
Donald Barger, Jr.
Kevin Mele
Steve Rush
John Sharp

Members Absent:..... Michael Moldenhauer

Staff & Counsel Present:. Brian Key – Executive Director
Rhonda English – Deputy Director
Roger Blankenship – Director of Engineering
Megan Pittman – Director of Administration
Jill Underwood – Director of Finance
Patrick Ward – Human Resources Manager

1. Call to Order

The meeting was called to order by the Chair at approximately 7:00 p.m. The Pledge of Allegiance and a moment of silence were conducted.

2. Review of Agenda

The following agenda was reviewed as shown. Revisions are shown in ***bold italics***.

1. Call to Order
   a. Pledge of Allegiance
   b. Moment of Silence
2. Review of Agenda
3. Public Comments
4. Approval of Minutes: September 15, 2026 – Regular Board Meeting
5. Financial Report: Presented by Jill Underwood
6. Administration Report: Presented by Megan Pittman
   a. Human Resources Manager Introduction: Patrick Ward
7. Operations Report: Presented by Rhonda English
8. Projects Report: Presented by Rhonda English and/or Roger Blankenship
9. Executive Report: Presented by Brian Key
   a. Letter from Montvale Customers
   b. Turkey Mountain Tower
   c. Follow-up to leaks on August 21, 22, and 23
   d. Bedford Place Subdivision
   e. Modified Board Packets
10. Other business not covered on the above agenda

DRAFT

11. Motion to Adjourn

3. Public Comments

Mr. Spencer Bobbit, who lives at 1085 Mountain Water Drive, asked about the proposed cell tower. He was informed that this was an item on the agenda for discussion later in the meeting, and he said he would stay for that discussion.

4. Approval of Minutes: September 15, 2026 – Regular Board Meeting

The regular Board Meeting Minutes from September 15, 2026, were reviewed.

Member Gray made a motion to approve the minutes.

Member Mele seconded the motion.

- Board member votes: 6 Aye; 0 Nay; 0 Abstain. The motion carried.

5. Financial Report: Presented by Jill Underwood

The Customer Service statistical report was included in the packet. The budget goal for September was 25%, with operating revenues at 27% and operating expenses totaling 19%. Capital Recovery fees received this FY are 40% of the total budgeted amount; water is at 33%, and sewer is at 57%. There are several accounts that are above the goal, and staff is monitoring those accounts. The audit is in the review phase at Brown, Edwards and is scheduled to be presented at the November Board meeting.

6. Administration Report: Presented by Megan Pittman

Ms. Pittman reported that the articles included in the Board packet primarily focus on Bedford Water's request for voluntary water conservation measures. Staff noted that feedback previously provided by the Board influenced the messaging used in public communications, including placing greater emphasis on drought conditions.

Staff also reported that community outreach activities are at their peak for the year. The Communications team recently participated in the World of Opportunities and Career Quest events, engaging with thousands of middle school students to promote careers in the water industry. Additionally, Bedford County Public Schools sixth-grade facility tours have begun. Tours have already been conducted for students from Staunton River Middle School, with tours for Liberty Middle School and Forest Middle School scheduled for early November.

Staff announced that the Public Utility Roundtable will be held on November 12 from 9:00 a.m. to 11:30 a.m. at the Center for Engineering Research & Education and encouraged Board member participation. Mr. Rush indicated he may be able to attend the event.

a. Human Resources Manager Introduction: Patrick Ward

Patrick Ward introduced himself and shared his professional background with the Board.

7. Operations Reports: Presented by Rhonda English

Mr. English reported that the Notice of Violation public notice issued for the Moneta wastewater system ended on Tuesday. She also provided an update on the Montvale water system, where the Virginia Department of Health has issued a Notice of Alleged Violation related to the Consumer Confidence Report that was not distributed to customers for 2025. Staff noted that Bedford Water has expressed concerns regarding responsibility for the report, as Bedford Water did not own the system or collect the associated water quality samples during the reporting period.

The Board was also informed that several vacancies currently exist within the Operations Department, including an open supervisory position. Despite staffing

DRAFT

challenges, Mr. English said that Capital Improvement Program (CIP) projects continue to progress, with several projects either substantially underway or completed.

8. Projects Reports: Presented by Rhonda English and/or Roger Blankenship

Staff continued progress on both development and capital improvement projects. For development activities, a Certificate to Construct was issued for the Cambridge Manor Phase 1 development and its associated offsite waterline extension in the Forest area. At Readmore and New London, the subdivision plat remains pending VDOT approval; however, staff has offered the developer the option of providing dedicated easements as a temporary measure until the plat can be recorded.

Regarding capital projects under design, work continues on the Central Sewer Lift Station #4 project, with the hydraulic analysis and site plan completed and the technical memorandum in its final draft stage. Design efforts are also advancing for the Western Hills Sewer Phase 1 project, which is anticipated to be advertised for construction in January, and Route 43 Sewer Phase 2, where final plans are being developed in coordination with Hurt & Proffitt for anticipated construction in 2027. Staff is working with AH Engineering to finalize recommendations for upgrades to the Mountain View Shores treatment system, including replacement of the existing greensand filter vessels. In addition, staff is reviewing the 90% design plans and specifications prepared by Wiley Wilson for improvements to the hypochlorite storage and containment systems at the Central Water Treatment Plant.

For capital projects under construction, the CIP Crew completed the Baltimore and Walnut Street waterline replacement project and has transitioned to the Sunset Drive waterline replacement, where installation of the new water main has been completed, and pressure testing is pending. The Central Water Electrical Phase 1 generator installation project has been completed, with the final pay application currently being processed. The Lead Service Line Inventory project in Montvale has commenced and is being completed by CHA under contract with Mattern & Craig. At the Smith Mountain Lake Water Treatment Facility GAC Building, electrical work is underway by Facility Maintenance personnel, and staff is evaluating quotes for installation of a gas heating system.

9. Executive Report: Presented by Brian Key

a. Letter from Montvale Customers

Bedford Water received a letter from several customers expressing concerns regarding fluoridation in the water system. Staff clarified that fluoride is not added to the Montvale water system. The Board discussed its previous review of fluoridation during the 2019 consideration of blending water systems and noted that a decision was made at that time to continue fluoridation in its main water treatment facilities (Central Water Treatment Plant and Smith Mountain Lake Water Treatment Plant). Board members discussed whether the matter should be revisited in the future and, while not unanimous, the consensus was to continue the current practice of fluoride addition. The Board directed staff to prepare a response to the individuals who submitted the letter.

b. Turkey Mountain Tower

Staff reported that the property containing the Central Water Treatment Plant consists of four separate parcels and that the proposed communications tower does not currently have direct right-of-way access. Discussion included potential options involving a special use permit and parcel combination. Staff informed the Board that a representative of the tower developer had recently inquired about combining the parcels and they were advised that a formal request would need to be submitted to the Board for consideration. The Board discussed concerns regarding vacating property lines to facilitate the project and reached a consensus not to vacate any Bedford Water property lines for the proposed tower. The Board stated that this was

DRAFT

believe to be a County zoning issue, and that the developer should seek approval from the County rather than from Bedford Water; the Board also stated that they would like to be an intregral part of any future tower-related decisions.

Mr. Bobbit also said that he would not like Bedford Water to vacate lines to help the tower be built.

c. Follow-up to leaks on August 21, 22, and 23

Staff provided an update regarding the water leaks that occurred on August 21, 22, and 23. Based on the investigation to date, the leaks were most likely related to hydrant maintenance activities performed by the Town. A claim has been submitted through the parties' shared insurance provider and is being handled through the Town's coverage. As a precautionary measure, Bedford Water has advised both the Town and the County not to operate hydrants except during emergency fire response situations.

d. Bedford Place Subdivision

The board discussed the Bedford Place subdivision community well system, which has experienced service issues over time and serves a limited number of remaining residents. A recent power outage affected operation of the community well system; however, power has since been restored, and the system is currently operating normally. Mr. Key noted that extending public water service to the subdivision would require a significant capital investment. Discussion included potential long-term options for residents, including the development of individual private wells.

e. Modified Board Packets

Mr. Mele created an outline of proposed modifications to the format and content of Board meeting packets. The revised format will be utilized for the November Board packet for evaluation, after which the Board will have an opportunity to review and provide feedback on the proposed changes.

10. Other Business not covered on the above agenda

Mr. Sharp stated that he had heard concerns from two customers who indicated they were not promptly notified of water leaks affecting their service. He requested that staff investigate the feasibility of implementing an automated notification system that could provide customers with more timely alerts than the current mail-based process. Mr. Key advised that there were options available that could provide automated notifications and indicated that the options could be presented to the Board for consideration at a future meeting. Mr. Sharp said that his daughter could program an application that could do this notification at no cost, provided that an excel file was provided to her.

Mr. Sharp commented that he felt that staff raises have increased at a pace that has exceeded inflation in recent years. He suggested salary increases in future budgets should match the annual Social Security Cost-of-Living Adjustment (COLA).

11. Motion to Adjourn:

There being no further business to discuss, Member Rush made a motion to adjourn and Member Sharp seconded the motion.

Board Member Votes: 6 Aye, 0 Nay, 0 Abstain. The motion carried.

The meeting adjourned at approximately 8:44 pm.

Prepared by Megan Pittman – Director of Administration
Approved: _____ 2026

DRAFT

FINANCIAL REPORT

MEMORANDUM

To: Board of Directors

From: Jill W. Underwood, Director of Finance

Date: November 9, 2026

Re: Financial Summary for November 2026

---

1. We received notification from the Government Finance Officers Association (GFOA) that Bedford Water's FY 2027 Budget Document was awarded the Distinguished Budget Presentation award. This is the second year BW received the award. The budget document is available on our website: https://www.bedfordwater.com/wp-content/uploads/2026/08/2026-2027_BW_Budget.pdf

2. FY 2026 Financials
    a. Total Operating Revenues were 108% of the approved budget, just under $1.6M above the approved budget. This was made up primarily from water and sewer sales, as well as interest earnings.
    b. Total Operating Expenditures were 104% of the approved budget, just under $600,000 above the budgeted number of expenditures. This was made up primarily of increased water and sewer system expenses (electric, pumps, repairs, etc.)
3. October 2026 Financials
    a. Total Revenue is 36% of the approved budget, with a target goal of 33% for the fourth month of the fiscal year.
        i. Project Review fees are currently at 130%, or $16,600 over budget due to development in the service area.
    b. Total Operating Expenses are 27% of the approved budget, with a target goal of 33% for the fourth month of the fiscal year.
        i. There are several accounts over this goal, mostly for one-time annual expenses.

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 *fax:* 312.977.4806

November 05, 2026

Jill Underwood
Director of Finance
Bedford Regional Water Authority, Virginia

Dear Jill:

A panel of independent reviewers have completed their examination of your Annual budget document for the period beginning July 2026. We are pleased to inform you that your budget document has been awarded the Distinguished Budget Presentation Award from Government Finance Officers Association (GFOA). This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant achievement by your organization.

Your Distinguished Budget Presentation Award is valid for one year. To continue your participation in the program, it will be necessary to submit your next budget document to GFOA within 90 days of the proposed budget's submission to the legislature or within 90 days of the budget's final adoption.

Your electronic award package contains the following:

- **Scores and Comments**. Each entity submitting a budget to the program is provided with reviewers' scores for each of the categories on which the budget document was judged along with reviewers' confidential comments and suggestions for possible improvements to the budget document. We urge you to carefully consider these suggestions as you prepare your next budget.
- **Budget Award**. A camera-ready reproduction of the Award is included for inclusion in your next budget. If you reproduce the camera-ready image in your next budget, it should be accompanied by a statement indicating continued compliance with program criteria. Please refer to the instructions for reproducing your Award in your next budget (also included in your award package).
- **Certificate of Recognition**. When a Distinguished Budget Presentation Award is granted to an entity, a Certificate of Recognition for Budget Presentation is also presented to the individual(s) or department designated as being primarily responsible for its having achieved the award.
- **Sample press release.** Attaining this Award is a significant accomplishment. The sample press release may be used to give appropriate publicity to this notable achievement.

In addition, award recipients will receive via mail either a plaque (if the government is a first-time recipient or has received the Award fifteen times since it received its last plaque) or a brass medallion to affix to the plaque.

We appreciate your participation in this program, and we sincerely hope that your example will encourage others in their efforts to achieve and maintain excellence in governmental budgeting. The most current list of award recipients can be found on GFOA's website at www.gfoa.org. If we can be of further assistance, please contact the Awards Programs staff at (312) 977-9700.

Sincerely,

Michele Mark Levine

Michele Mark Levine
Director, Technical Services Center

Bedford Regional Water Auth.
Summary of Revenue & Expenditures
For the Twelve Months Ending Tuesday, June 30, 2026

		Month	FY 25-26 YTD	FY 25-26 Budget	Remaining On Budget	Goal: 100%
	OPERATING REVENUE					
3000-3000	Water Sales	($1,217,564.51)	($11,936,939.12)	($11,415,256.00)	$521,683.12	105%
3100-	Sewer Sales	(651,224.66)	(6,918,343.46)	(6,629,948.00)	288,395.46	104%
3902	Penalties	(15,538.22)	(187,454.68)	(100,000.00)	87,454.68	187%
3903-	Account Charges	(6,750.00)	(62,175.00)	(55,000.00)	7,175.00	113%
3903-	Review Fees	(275.00)	(142,069.39)	(55,500.00)	86,569.39	256%
3900-	Interest Earned	(95,341.32)	(405,486.45)	(100,000.00)	305,486.45	405%
3903-	Sewer Clean Outs			(7,000.00)	(7,000.00)	0%
3903-3250	Meter Installation Revenues	(17,540.00)	(204,850.00)	(120,000.00)	84,850.00	171%
3903-3255	Industrial Pretreatment Revenue	(1,185.45)	(14,769.25)	(20,000.00)	(5,230.75)	74%
3903-3261	Rent/Meter Charges		(12,667.15)	(15,000.00)	(2,332.85)	84%
3903-	Misc	(20,409.35)	(285,833.53)	(206,338.00)	79,495.53	139%
3903-	Fixed Asset Disposals	(89,293.00)	(106,432.39)		106,432.39	0%
3901-	Account Default Fees	(4,070.00)	(53,035.00)	(31,000.00)	22,035.00	171%
3201-3275	Contract Reimbursements		(118,632.15)	(100,000.00)	18,632.15	119%
	Revenue from BRWA Operations	(2,119,191.51)	(20,448,687.57)	(18,855,042.00)	1,593,645.57	108%
3000-3220	Capital Recovery Fees	(150,000.00)	(2,403,700.00)	(1,200,000.00)	1,203,700.00	200%
3903-3265	Cellular Antenna Site Rental-County portion	(6,411.64)	(86,004.33)	(64,692.00)	21,312.33	133%
3904-3310	BOS Capital Contributions		(1,000,000.00)	(1,000,000.00)		100%
3904-3315	Developer Line Contributions	(1,025,673.82)	(1,025,673.82)	(200,000.00)	825,673.82	513%
3904-3316	Contributions from WVWA		(210,000.00)		210,000.00	0%
3904:3904-	ARPA Funding		(148,442.12)		148,442.12	0%
3904-3335	Contributions from Outside agencies	(138,493.16)	(665,738.72)		665,738.72	0%
3903-3330	SML WTF Revenue	(9,074.70)	(102,370.15)	(20,000.00)	82,370.15	512%
3904-3317	Developer Prepayments Redemption Revenue		(21,800.00)	(20,000.00)	1,800.00	109%
3904-3320	Customer Line Contributions		(22,500.00)		22,500.00	0%
3903-3266	Cell Tower Inspection Revenue		(7,306.48)		7,306.48	0%
3903-3290	Insurance Proceeds		(620.00)		620.00	0%
	Revenue from Other Sources	(1,329,653.32)	(5,694,155.62)	(2,504,692.00)	3,189,463.62	227%
	Total Revenue	(3,448,844.83)	(26,142,843.19)	(21,359,734.00)	4,783,109.19	122%
	OPERATING EXPENSES					
4000 + 4002	Salaries	746,550.73	5,755,861.50	6,392,949.97	637,088.47	90%
4010	General Office Expenses	51,702.70	313,706.80	323,844.00	10,137.20	97%
4100	Employee Benefit & Related Expenses	116,735.55	1,944,841.14	2,336,453.16	391,612.02	83%
4110	Billing Expenses	27,814.82	290,264.01	277,354.00	(12,910.01)	105%
4120	Information Systems Expenses	28,373.07	347,740.86	303,475.00	(44,265.86)	115%
4130	Adminstration Supplies	802.29	1,044.04	2,160.00	1,115.96	48%
4140	Customer Service Supplies	10.48	5,275.47	5,396.00	120.53	98%
4210	Engineering Expenses	38,429.50	95,215.40	115,551.00	20,335.60	82%
4220 + 4223	Operations Expenses	1,506.18	12,118.54	13,600.00	1,481.46	89%
4221	Compliance Program Supplies		2,756.25	6,000.00	3,243.75	46%
4222	Pretreatment Expenses	5,030.32	36,440.98	41,000.00	4,559.02	89%
4225-0100	Lab Supplies	3,859.64	18,767.89	18,000.00	(767.89)	104%
4230	Maintenance Expenses	17,604.81	59,516.15	69,612.00	10,095.85	85%
4240	Vehicles & Equipment Expenses	55,183.91	377,098.51	342,107.00	(34,991.51)	110%
4250	Forest Water Expenses	590,949.01	1,456,193.70	930,779.00	(525,414.70)	156%
4260	Well Systems Expenses	9,672.12	65,118.28	51,284.00	(13,834.28)	127%
4265	SML Central Distribution Water System Expenses	91,941.94	136,173.24	49,583.00	(86,590.24)	275%
4270	Highpoint Facility Expenses	4,076.36	41,490.45	51,059.00	9,568.55	81%
4330	SMLWTF Water Treatment Expenses	88,154.94	585,424.34	626,785.00	41,360.66	93%
4275	Central Water Distribution Expenses	197,539.35	470,081.96	203,761.00	(266,320.96)	231%
4276	Central Water Treatment Expenses	35,041.36	233,742.65	173,433.00	(60,309.65)	135%
4280	Stewartsville Water Expenses	10,727.71	28,131.71	55,088.00	26,956.29	51%
4285	Montvale Water Expenses	149,125.18	282,759.79		(282,759.79)	0%
4290	Forest Sewer Expenses	202,436.93	967,607.62	643,222.00	(324,385.62)	150%
4291	Central Sewer Collection System Expenses	69,475.70	308,709.14	203,300.00	(105,409.14)	152%
4293	Central Sewer Treatment Expenses	78,275.12	513,808.02	556,893.00	43,084.98	92%
4292	Moneta Sewer Collection System Expenses	12,686.94	69,270.38	85,900.00	16,629.62	81%
4294	Moneta Sewer Treatment Expenses	24,444.83	221,677.16	158,581.00	(63,096.16)	140%
4295	Montvale Sewer Expenses	4,112.01	47,759.05	29,261.00	(18,498.05)	163%
4296	Montvale Sewer Collection System Expenses	200.00	900.00	2,000.00	1,100.00	45%

Bedford Regional Water Auth.
Summary of Revenue & Expenditures
For the Twelve Months Ending Tuesday, June 30, 2026

		Month	FY 25-26 YTD	FY 25-26 Budget	Remaining On Budget	Goal: 100%
4340	Mariners Landing Sewer Expenses	17,334.32	124,737.91	103,300.00	(21,437.91)	121%
4350	Cedar Rock Sewer Expenses	8,221.27	43,152.67	43,900.00	747.33	98%
4360	Paradise Point Water Expenses	1,674.08	7,174.52	27,025.00	19,850.48	27%
4300 + 4310	Schools Sewer Expenses	4,059.36	22,165.80	48,000.00	25,834.20	46%
	Total Operating Expenditures	2,693,752.53	14,886,725.93	14,290,656.13	(596,069.80)	104%
4400	Depreciation	539,575.22	5,715,633.97	4,587,600.00	(1,128,033.97)	125%
4500-0640	Lynchburg Debt Service Paid	(7.61)	1,474.72	1,482.00	7.28	100%
4500-0615	VRA 2005 Trustee Fees		0.40		(0.40)	0%
4500-0660	2014 VRA Interest	(9,853.13)	9,853.12	19,706.00	9,852.88	50%
4500-0665	2015 VRA Interest	(10,762.50)	886,518.76	897,281.00	10,762.24	99%
4500-0650	Assumed Debt from City	(14,958.96)	3,241.78	18,202.00	14,960.22	18%
4500-0675	VRA 2020 Interest (ESCO project)	(2,754.69)	100,604.70	103,359.00	2,754.30	97%
4500-0680	VA Water Faciltiies Revolving Loan Interest	3,921.24	52,297.06	69,585.00	17,287.94	75%
	Total Interest on Debt Service	(34,415.65)	1,053,990.54	1,109,615.00	55,624.46	95%
	Total Exp., Depr. and Interest	3,198,912.10	21,656,350.44	19,987,871.13	(1,668,479.31)	108%
	Total Revenues Less Oper Expense	(249,932.73)	(4,486,492.75)	(1,371,862.87)	3,114,629.88	327%
	Gross Cash Before Capital Exp	(249,932.73)	(4,486,492.75)	(1,371,862.87)	3,114,629.88	327%
	Less non-debt Capital Contributions	(1,173,241.68)	(2,196,524.81)	(240,000.00)	1,956,524.81	915%
	(Earnings)/loss before BRWA Capital Outlays	923,308.95	(2,289,967.94)	(1,131,862.87)	1,158,105.07	202%

Bedford Regional Water Auth.
Summary of Revenue & Expenditures
For the Four Months Ending Saturday, October 31, 2026

		Month	FY 26-27 YTD	FY 26-27 Budget	Remaining On Budget	Goal: 33%
	OPERATING REVENUE					
3000-3000	Water Sales	($1,147,990.51)	($4,835,982.81)	($12,965,755.00)	($8,129,772.19)	37%
3100-	Sewer Sales	(590,918.04)	(2,328,304.03)	(7,508,341.00)	(5,180,036.97)	31%
3902	Penalties	(18,563.28)	(68,923.26)	(120,000.00)	(51,076.74)	57%
3903-	Account Charges	(4,225.00)	(19,325.00)	(55,000.00)	(35,675.00)	35%
3903-	Review Fees	(5,208.42)	(72,129.05)	(55,500.00)	16,629.05	130%
3900-	Interest Earned		(70,006.93)	(175,000.00)	(104,993.07)	40%
3903-	Sewer Clean Outs			(7,000.00)	(7,000.00)	0%
3903-3250	Meter Installation Revenues	(14,650.00)	(56,100.00)	(120,000.00)	(63,900.00)	47%
3903-3255	Industrial Pretreatment Revenue	(1,185.45)	(4,741.80)	(20,000.00)	(15,258.20)	24%
3903-3261	Rent/Meter Charges		(357.44)	(15,000.00)	(14,642.56)	2%
3903-	Misc	(20,993.46)	(93,019.31)	(241,666.00)	(148,646.69)	38%
3903-	Fixed Asset Disposals		(6,200.00)		6,200.00	0%
3901-	Account Default Fees	(2,305.00)	(21,690.00)	(35,500.00)	(13,810.00)	61%
3201-3275	Contract Reimbursements	(24,030.95)	(57,039.59)	(100,000.00)	(42,960.41)	57%
	Revenue from BRWA Operations	(1,830,070.11)	(7,633,819.22)	(21,418,762.00)	(13,784,942.78)	36%
3000-3220	Capital Recovery Fees	(94,000.00)	(592,400.00)	(1,248,000.00)	(655,600.00)	47%
3903-3265	Cellular Antenna Site Rental-County portion	(6,411.64)	(36,200.35)	(88,100.00)	(51,899.65)	41%
3904-3315	Developer Line Contributions			(200,000.00)	(200,000.00)	0%
3903-3330	SML WTF Revenue		(28,406.39)	(25,000.00)	3,406.39	114%
3904-3317	Developer Prepayments Redemption Revenue			(20,000.00)	(20,000.00)	0%
3904-3320	Customer Line Contributions		(6,500.00)		6,500.00	0%
	Revenue from Other Sources	(100,411.64)	(663,506.74)	(1,581,100.00)	(917,593.26)	42%
	Total Revenue	(1,930,481.75)	(8,297,325.96)	(22,999,862.00)	(14,702,536.04)	36%
	OPERATING EXPENSES					
4000 + 4002	Salaries	475,386.18	1,819,833.55	6,907,312.59	5,087,479.04	26%
4010	General Office Expenses	32,443.60	85,074.91	369,188.00	284,113.09	23%
4100	Employee Benefit & Related Expenses	206,476.28	665,648.92	2,496,315.00	1,830,666.08	27%
4110	Billing Expenses	41,461.53	176,708.15	324,640.00	147,931.85	54%
4120	Information Systems Expenses	49,707.52	131,698.32	399,063.00	267,364.68	33%
4130	Adminstration Supplies	10.21	359.05	2,160.00	1,800.95	17%
4140	Customer Service Supplies	38.23	385.70	5,010.00	4,624.30	8%
4210	Engineering Expenses	4,595.70	14,189.74	113,087.00	98,897.26	13%
4220 + 4223	Operations Expenses		3,649.67	19,000.00	15,350.33	19%
4221	Compliance Program Supplies	5,657.00	5,657.00	9,697.00	4,040.00	58%
4222	Pretreatment Expenses	3,521.36	11,237.09	48,250.00	37,012.91	23%
4225-0100	Lab Supplies	257.80	3,970.12	18,000.00	14,029.88	22%
4230	Maintenance Expenses	4,786.24	20,423.42	104,400.00	83,976.58	20%
4240	Vehicles & Equipment Expenses	37,188.19	97,276.04	418,333.00	321,056.96	23%
4250	Forest Water Expenses	67,896.99	236,769.07	1,008,604.00	771,834.93	23%
4260	Well Systems Expenses	2,753.02	42,933.62	76,408.00	33,474.38	56%
4265	SML Central Distribution Water System Expenses	378.10	33,410.10	63,282.00	29,871.90	53%
4270	Highpoint Facility Expenses	4,202.03	9,028.91	51,836.00	42,807.09	17%
4330	SMLWTF Water Treatment Expenses	72,016.31	306,309.83	691,920.00	385,610.17	44%
4275	Central Water Distribution Expenses	43,630.95	115,518.27	301,509.00	185,990.73	38%
4276	Central Water Treatment Expenses	10,771.63	46,616.03	231,304.00	184,687.97	20%
4280	Stewartsville Water Expenses	1,048.47	5,148.20	45,354.00	40,205.80	11%
4285	Montvale Water Expenses	2,552.40	11,264.67	100,400.00	89,135.33	11%
4290	Forest Sewer Expenses	39,249.25	111,841.19	646,314.00	534,472.81	17%
4291	Central Sewer Collection System Expenses	15,215.74	45,254.78	281,300.00	236,045.22	16%
4293	Central Sewer Treatment Expenses	55,008.19	172,628.87	610,782.00	438,153.13	28%
4292	Moneta Sewer Collection System Expenses	23,296.11	33,243.74	93,800.00	60,556.26	35%
4294	Moneta Sewer Treatment Expenses	11,435.02	50,685.60	175,139.00	124,453.40	29%
4295	Montvale Sewer Expenses	10,096.99	17,413.30	51,882.00	34,468.70	34%
4296	Montvale Sewer Collection System Expenses		250.00	12,800.00	12,550.00	2%
4340	Mariners Landing Sewer Expenses	5,669.80	14,582.74	136,000.00	121,417.26	11%
4350	Cedar Rock Sewer Expenses	5,595.01	10,558.14	46,097.00	35,538.86	23%
4360	Paradise Point Water Expenses	98.49	1,067.69	25,913.00	24,845.31	4%
4300 + 4310	Schools Sewer Expenses	1,505.54	8,498.01	38,000.00	29,501.99	22%
	Total Operating Expenditures	1,233,949.88	4,309,134.44	15,923,099.59	11,613,965.15	27%

Bedford Regional Water Auth.
Summary of Revenue & Expenditures
For the Four Months Ending Saturday, October 31, 2026

		Month	FY 26-27 YTD	FY 26-27 Budget	Remaining On Budget	Goal: 33%
4400	Depreciation			5,700,000.00	5,700,000.00	0%
4500-0640	Lynchburg Debt Service Paid			1,390.00	1,390.00	0%
4500-0665	2015 VRA Interest		437,878.13	862,163.00	424,284.87	51%
4500-0675	VRA 2020 Interest (ESCO project)		48,925.01	92,084.00	43,158.99	53%
4500-0680	VA Water Faciltiies Revolving Loan Interest		29,668.94	66,879.00	37,210.06	44%
	Total Interest on Debt Service		516,472.08	1,022,516.00	506,043.92	51%
	Total Exp., Depr. and Interest	1,233,949.88	4,825,606.52	22,645,615.59	17,820,009.07	21%
	Total Revenues Less Oper Expense	(696,531.87)	(3,471,719.44)	(354,246.41)	3,117,473.03	980%
	Gross Cash Before Capital Exp	(696,531.87)	(3,471,719.44)	(354,246.41)	3,117,473.03	980%
	Less non-debt Capital Contributions		(34,906.39)	(245,000.00)	(210,093.61)	14%
	(Earnings)/loss before BRWA Capital Outlays	(696,531.87)	(3,436,813.05)	(109,246.41)	3,327,566.64	3,146%

BEDFORD WATER



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FYE: JUNE 30, 2026

BEDFORD WATER

Providing quality service to everyone.

1723 Falling Creek Road, Bedford, VA 24523-3137 | 540.586.7679 | 540.586.5805 | www.brwa.com

BEDFORD REGIONAL WATER AUTHORITY

BEDFORD, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2026

PREPARED BY THE FINANCE DEPARTMENT

Bedford Regional Water Authority

Contents

Introductory Section

Letter of Transmittal i
GFOA Certificate of Achievement viii
Directory of Principal Officials ix
Organizational Chart x

Financial Section

Independent Auditor's Report 1
Management's Discussion and Analysis 5a

Basic Financial Statements

Exhibit 1: Statement of Net Position 6
Exhibit 2: Statement of Revenues, Expenses, and Changes in Net Position 7
Exhibit 3: Statement of Cash Flows 8
Notes to Financial Statements 9

Required Supplementary Information

Exhibit 4: Schedule of Changes in Net Pension (Asset) Liability and Related Ratios 33
Exhibit 5: Schedule of Pension Contributions 34
Exhibit 6: Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plan 35
Exhibit 7: Schedule of Employer's Share of Net OPEB Liability – VRS GLI 36
Exhibit 8: Schedule of Employer Contributions – VRS GLI 37
Notes to Required Supplementary Information 38

Supporting Schedule

Schedule 1: Schedule of Departmental Operating Income (Loss) 40

Statistical Section

Table 1: Net Position by Component 41
Table 2: Changes in Net Position 42
Table 3: Operating Expenses 43
Table 4: Nonoperating Revenues and Expenses 44
Table 5: Operating Revenues by Source 45

Table 6: Water Produced and Consumed and Wastewater Treated 46
Table 7: Annual Connections 47
Table 8: Number of Water Customers by Type 47
Table 9: Number of Sewer Customers by Type 48
Table 10: Ten Largest Water Customers 49
Table 11: Ten Largest Sewer Customers 50
Table 12: Schedule of Water and Sewer Rates 51
Table 13: Schedule of Water and Sewer Capital Recovery Fees 52
Table 14: Schedule of Debt Coverage 53
Table 15: Outstanding Debt by Category 54
Table 16: Ratios of Outstanding Debt 55
Table 17: Ten Largest Employers (Bedford Town and County) 56
Table 18: Number of Employees by Identifiable Activity 57
Table 19: Operating Indicators 57
Table 20: Capital Asset Statistics 57

Compliance Section

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 58

Summary of Compliance Matters 60

Schedule of Findings and Responses 61

Summary Schedule of Prior Audit Findings 62

Introductory Section

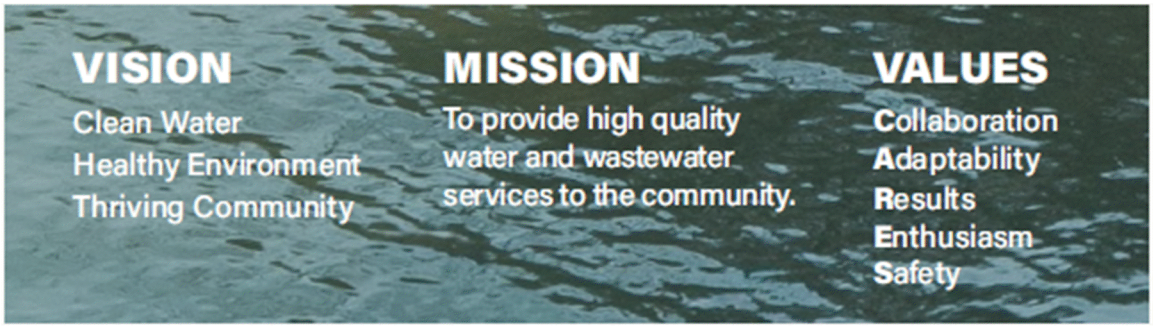
November 4, 2026

To the Members of the Board of Directors, Customers and Interested Parties of Bedford Water:

The Annual Comprehensive Financial Report for the Bedford Regional Water Authority (Bedford Water) is hereby submitted for the fiscal year ended June 30, 2026. The report was prepared by Bedford Water in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and with emphasis on disclosure of the financial activities of Bedford Water. Responsibility for both the completeness and reliability of the information, including all disclosures, rests with Bedford Water, and is based upon a framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of Bedford Water.

The basic financial statements have been audited by our independent auditors, Brown, Edwards & Company, L.L.P., who have issued an unmodified ("clean") opinion of the financial statements of Bedford Water as of and for the year ended June 30, 2026. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The independent auditor's report is located at the front of the financial section of this report.

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



Organization and Function



The Bedford Regional Water Authority was chartered December 18, 2012, under the Virginia Water and Waste Authorities Act and Sewer Authorities Act, Chapter 51 Title 15.2 of the Code of Virginia 1950 as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford). Bedford Water is authorized to acquire, finance, contract, operate, and maintain water systems, sewer systems, sewerage disposal and treatment systems, and other facilities or combinations thereof; furthermore, it is able to borrow money and to issue its revenue bonds to pay all or any part of the cost of such systems and facilities and related financing costs.

In March 2026, Bedford Regional Water Authority re-branded to Bedford Water. When the Authority was formed in 2012, the decision was made by the City of Bedford (now Town of Bedford) and the County of Bedford to make the official legal name the Bedford Regional Water Authority. In order to create a brand that is easier to remember and easier to recite, the Authority is now known as Bedford Water. The logo was also refreshed to show a more accurate version of the Peaks of Otter and the water looking more like a representation of Smith Mountain Lake. The legal name still remains as Bedford Regional Water Authority.

The revenues of Bedford Water are based on base and commodity charges from the system users. Bedford Water does not have taxing power.

Bedford Water operates on a Board-administrator form of government. The Board consists of a Chair and six other Board members. Members are appointed by the Bedford County Board of Supervisors and the Bedford Town Council, based upon the proportionate representation of the localities according to the total number of equivalent residential connections (ERCs), for both water and sewer in each jurisdiction based on an equivalent rate calculation of two hundred gallons per day per connection. In no event shall either the Town of Bedford or Bedford County appoint and have fewer than two (2) members of the Board of Directors of the Authority. There are three standing committees comprised of two board members each; they include the Policies and Projects Committee, the Finance Committee and the Personnel Committee. Regular meetings of the Board of Directors are held on the third Tuesday of every month at Bedford Water's office, with special meetings scheduled as needed.

Water Distribution Service Areas

Having successful partnerships with both Lynchburg Water Resources and the Western Virginia Water Authority (WVWA), the Bedford Regional Water Authority is capable of providing water to residents over a vast area. These relationships provide access to millions of gallons of treated drinking water to be distributed to customers over a large geographical area.

In conjunction with these partners, the BRWA utilizes five surface water sources and multiple wells to provide drinking water throughout the region. Having such an abundant supply of water bolsters the community's defense against drought and other emergencies, thus protecting both public health and the environment.



Bedford Central: The Town of Bedford's primary source of drinking water is the Stoney Creek Reservoir accompanied by Smith Mountain Lake. Water from the Stoney Creek Reservoir is fed through a series of waterlines to the Central Water Treatment Plant on Turkey Mountain where it is treated using a conventional sand filtration system.

Forest Central: Customers within the New London and Forest areas may be supplied with water from Smith Mountain Lake or the Pedlar Reservoir, with additional supplies coming from the James River during periods of greater demand. Having a partnership with Lynchburg Water Resources, the BRWA is capable of providing water from Lynchburg to a vast area consisting of the Town of Bedford, Forest, New London, Smith Mountain Lake, and Boonsboro areas. While there is a minimum purchase requirement of one million gallons a day (MGD), there is not currently a contract limit to the capacity of water purchased.

Smith Mountain Lake: Bedford Water has a successful working relationship with the Western Virginia Water Authority (WVWA) to provide treated drinking water from the Smith Mountain Lake Water Treatment Plant to customers in the Westlake Area Water System and to Bedford County customers from Moneta to Forest. This facility, which opened in May 2017, was designed to meet both utilities' joint water needs through the year 2060, as recommended by the Regional Long Range Water Supply Plan. Water from Sith Mountain Lake is screened through 500 micron woven stainless steel strainers to remove fine silt and then pumped to the treatment facility. The membrane plant has 216 modules that each have 10,000 membrane filter strands to provide the unique water treatment capability. The membranes can filter out particles larger than 0.02 microns. After filtration, the water is treated with sodium hypochlorite, a required disinfectant, to eliminate bacteria, and then fluoride is added for dental health.

Being a regional facility, the Smith Mountain Lake water treatment plant serves customers within Moneta and Franklin County, following north up the 122 corridor to the Town of Bedford and east to New London extending into the Forest area.

Lakes: Bedford Water also owns three (3) independent water systems that use wells as the source and are located in the Mountain View Shores, Valley Mills Crossing, and Paradise Point subdivisions.

Stewartsville: Bedford Water purchases the water for Stewartsville from the Western Virginia Water Authority (WVWA). The primary source of drinking water in this area is the Carvins Cove Reservoir. There is no contract limit to the capacity of water purchased from the WVWA.

Montvale: In June of 2025, the private company managing the Montvale water system approached Bedford Water about transferring ownership of the system. This system includes water supply from two wells, a well house with a chemical feed system and a 500,000-gallon bolted steel ground storage tank and serves just under 300 customers in the Montvale community. The ownership transfer was completed in June 2026.

Wastewater Collection Service Areas



Bedford Central: sewer service is provided inside and around the Town of Bedford using a Wastewater Treatment Plant ("WWTP") located on Orange Street in Bedford. The Central WWTP is rated at 2.0 million gallons a day ("MGD").

Forest Central: sewer service to the Forest and New London areas of the County is provided by collecting the wastewater and transmitting it to the Lynchburg Regional WWTP for treatment. Bedford Water owns 1.0 MGD capacity in the Lynchburg WWTP.

Lakes Central: Bedford Water owns a WWTP in Moneta which provides sewer service to the Lakes community around the 122 corridor. The WWTP is rated at 0.5 MGD.

Montvale: The Montvale WWTP is located behind the Elementary school. It is rated at 0.05 MGD and provides service to the Montvale Elementary School, the Montvale Library, the Montvale Center for Business, and the central Montvale community.

Bedford Water is not legally required to adopt a budget; however, it is a requirement of the bond covenants that the Board of Directors adopt an annual budget before the first day of each fiscal year. The Finance department prepares the budget, in coordination with department managers, and serves as a framework for Bedford Water's financial planning for the year. Authorization is given to the Executive Director to move funds within the line-item operating budget without further Board action, provided that a financial report is presented at the monthly Board meeting. The Executive Director can also reprioritize any of the items on the capital budget, provided the total spent did not exceed the approved budget.

Local Economic Condition and Outlook



Bedford County is currently the fifth largest county by land area in the Commonwealth of Virginia. Bedford has a population of more than 80,000 and is still growing.

Bedford County's economy is diverse and supported by a strong agricultural sector, a growing tourism industry, and continued residential growth. The County benefits from its scenic natural resources and attractions, including the Peaks of Otter and Smith Mountain Lake, which contribute significantly to the local quality of life and visitor economy. Historic and cultural destinations such as Thomas Jefferson's Poplar Forest and the National D-Day Memorial further enhance the County's appeal. The Town of Bedford is nationally recognized for having suffered one of the highest per capita losses in the nation during the D-Day invasion of World War II.

Bedford Water is the 31st largest employer in the County, as reported by Virginia Works, Quarterly Census of Employment and Wages for the third quarter of 2025.

As of September 2025, the 2026 Bedford Community Profile reports an unemployment rate of 3.1% for the County; compared to the same time period where Virginia was at 3.4% and the Country was at 4.3%.

Relevant Financial Policies

Bedford Water's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Bedford Water operates as an independent entity as allowed by the Virginia Water and Waste Authorities Act.

Under this act and the Authority's charter, sufficient rates and fees are established so that Bedford Water can pay its operating expenses, principal and interest payments, and provide a margin of revenue that is sufficient to cover any contingencies that may arise. As part of the annual budget process, rates are examined to ensure that they are adequate for its obligations.

The following financial policies have been adopted: Financial Management, Purchasing Cards, Purchasing, Employee Awards, Capital Assets, Investments, Debt Management, Post Issuance Compliance, Alternate Delivery, PPEA, Reserve Accounts, Disposal of Surplus Property, and Grant Administration. The Authority believes that these procedures provide reasonable assurance that assets are properly recorded and protected; and that financial data is used confidently in the preparation of reports and projections.

Major Initiatives and Accomplishments

The following are a few of the major initiatives that Bedford Water accomplished during the fiscal year:

During FY 2026 Developer Dedications included 2,837 linear feet of waterline totaling $468,877 and 3,417 linear feet of sewer line totaling $556,797.

Purchases funded through the Capital Improvement Program (CIP) include a sewer lift station that was funded partly from the Town of Bedford's Economic Development Authority, various pump and equipment replacements at both water and sewer facilities, flow meters, raw water intake valves and Phase 1 of a Data Dashboard visualization project.

The BRWA Capital Improvement Program Maintenance Crew completed sewerline replacement projects on Galax Street and Shady Knoll in the Town of Bedford, as well as a fire flow meter vault for the fire training center located in the Town of Bedford. They began work on waterline replacements on Baltimore Avenue and Walnut Street in the Town of Bedford, as well as a waterline replacement for the Turkey Mountain Booster Station, at the Turkey Mountain Water Treatment Plant.

The planning and implementation for the Lead Service Line Inventory project was completed and was funded through a grant provided by the Virginia Department of Heatlh.

Internal capital replacement funds enabled the routine replacement of vehicles, equipment, trailers and information technology equipment.



The Helm Street Tank Replacement project in the Town of Bedford was completed this fiscal year, it was funded through ARPA provided by the Town of Bedford, as well as internal cash reserves. Construction continues and is nearing completion on the Ivy Creek Sewer project in Forest.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Bedford Regional Water Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2025. This was the twelfth consecutive year that the Authority has received this prestigious award; its predecessor, the Bedford County Public Service Authority, received this award for eighteen consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the hard work and dedication of the Authority's Finance department. The Authority also wishes to express our appreciation to all of the departments who contributed information used to prepare this report. Appreciation is also given to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,



Jill W. Underwood
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Bedford Regional Water Authority
Virginia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 169 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

Bedford Regional Water Authority

Directory of Principal Officials

June 30, 2026



Robert Flynn,
Chair
Term: 2024-2027



Jay Gray,
Vice-Chair & Finance Committee
Term: 2025-2028



Michael Moldenhauer,
Personnel Committee
Term: 2024-2027



Donald Barger,
Policies and Projects Committee
Term: 2023-2026



Kevin Mele,
Finance Committee
Term: 2025-2028



John Sharp,
Personnel Committee
Term: 2023-2026



Steve Rush,
Policies and Projects Committee
Term: 2025-2028

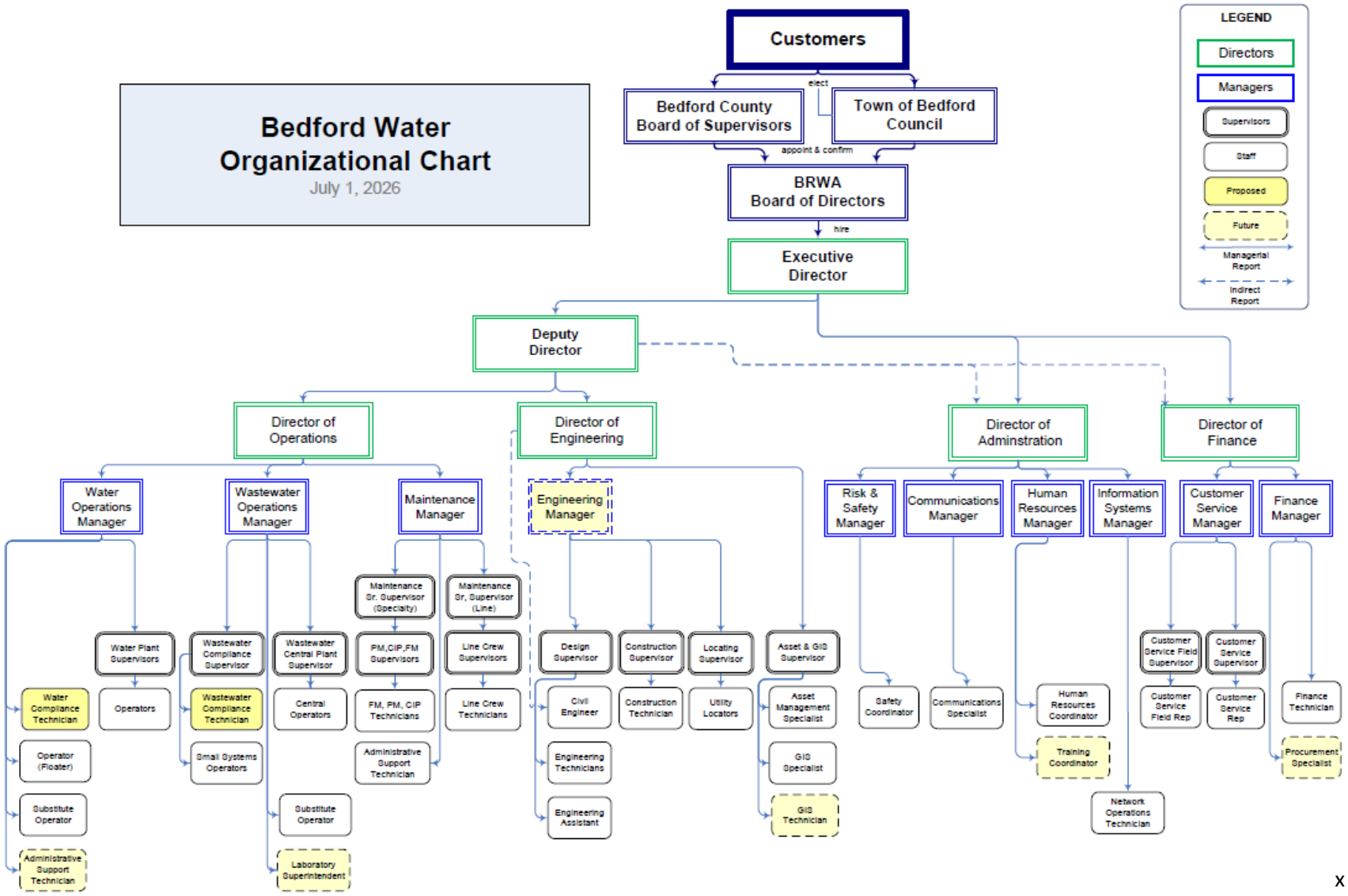
Executive Director

Brian M. Key, PE, Secretary/Treasurer

Independent Auditors

Brown, Edwards & Company

ORGANIZATION CHART



Financial Section

The Financial Section contains the Basic Financial Statements.

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bedford Regional Water Authority (the "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 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 *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2026, the Authority adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*, and No. 104, *Disclosures of Certain Capital Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Authority's 2025 financial statements, and in our report dated December 5, 2025, expressed an unmodified opinion on those financial statements. The 2025 financial information is provided for comparative purposes only. 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Departmental Operating Income (Loss) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operating Income (Loss) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's 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 November 4, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2026

Bedford Regional Water Authority (Bedford Water)
Management's Discussion and Analysis
Year Ended June 30, 2026
(Unaudited)

This section of the Authority's Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis (MD&A). The purpose of the MD&A is to help the Authority's Board and other readers understand what the financial statements and notes in the financial report say about the Authority's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Authority's finances. The MD&A should be read in conjunction with the preceding transmittal letter and the Authority's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of two components: 1) enterprise fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Enterprise fund financial statements. Since the Authority engaged only in business-type activities, the *enterprise fund financial statements* and *notes* were prepared in a manner similar to private-sector businesses.

The ***statement of net position*** presents information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2026 and June 30, 2025, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority had improved or deteriorated.

The ***statement of revenues, expenses, and changes in net position*** presents information showing how the Authority's net position changed between fiscal years 2026 and 2025. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, some of the revenues and expenses that are reported in this statement will only affect cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The ***statement of cash flows*** presents the flow of cash and cash equivalents in and out of the Authority during fiscal year 2026. Cash flows are presented by type of activity the cash flow was related to- including operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

These statements can be found on pages 6 through 8 of this report.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the Authority's finances as reported in the financial statements. The information in the notes is as important to understanding the Authority's finances as the information in the financial statements. The Authority uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature and amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

All of the Authority's financial statements use the *economic resources measurement focus* and the *accrual basis of accounting*. Additional information regarding significant accounting policies can be found in Note 1 to the financial statements.

Financial Summary

Statement of Net Position	2026	2025	Percent Change
Current and other assets	$ 26,104,661	$ 28,189,343	-7.4%
Capital assets, net	127,705,053	125,442,526	1.8%
Lease Receivable, non current portion	1,736,795	1,747,323	-0.6%
Total Assets	155,546,509	$ 155,379,192	0.1%
Deferred outflows of resources	896,059	$ 432,575	107.1%
Current liabilities	3,913,624	6,025,688	-35.1%
Long-Term liabilities	42,348,692	44,202,449	-4.2%
Total Liabilities	46,262,316	50,228,137	-7.9%
Deferred inflows of resources	2,313,466	$ 2,217,856	4.3%
Net position			
Net investment in capital assets	85,309,650	$ 82,841,851	3.0%
Restricted	3,672,567	3,339,454	10.0%
Unrestricted	18,884,569	17,184,469	9.9%
Total Net Position	$ 107,866,786	$ 103,365,774	4.4%

This table shows that as of June 30, 2026, the Authority's total net position- assets and deferred outflows minus liabilities and deferred inflows- was nearly approximately $107.9 million, an increase of about $4.5 million or 4.4%, compared to 2025. The increase resulted primarily from the retirement of two major debt issuances, scheduled principal payments on remaining debt, and growth in capital assets through infrastructure investments and developer contributions. These factors, together with positive operating results, improved the Authority's overall financial position and increased unrestricted net position by 9.9%. The following sections of MD&A analyze the finances of the Authority in greater detail.

Financial Summary (Continued)

Changes in Net Position

	2026	2025	Percent change 2026-2025
Revenues			
Total operating revenues	$ 22,575,869	$ 19,910,834	13.4%
Total operating expenses	20,651,885	19,483,519	6.0%
Operating Income (Loss)	1,923,984	427,315	350.2%
Noncapital subsidies	1,000,000	1,000,000	0.0%
Operating income and noncapital subsidies	$ 2,923,984	$ 1,427,315	104.9%
Nonoperating revenues (expenses):			
Gain in disposal of capital assets	89,133	53,503	66.6%
Interest revenue	420,006	446,623	-6.0%
Capital subsidies	814,181	4,092,010	-80.1%
Capital contributions	1,258,174	1,984,595	-36.6%
Interest expense	(1,004,466)	(1,111,430)	-9.6%
Total Other Nonoperating Revenues (Expenses)	1,577,028	5,465,301	-71.1%
Increase (decrease) in fund net position	4,501,012	6,892,616	-34.7%
Net position- July 1	103,365,774	96,473,158	7.1%
Net position- June 30	$ 107,866,786	$ 103,365,774	4.4%

**Under GASB 103, figures have been reclassified to adhere to the updated definitions of subsidies and operating and nonoperating revenues and expenses.*

FY 2026 was a strong year for Bedford Water's financial operations. Operating revenues increased by $2.7 million, or 13.4%, to $22.6 million, reflecting growth in water and sewer service revenues, increased development activity, and higher capital recovery fee revenues. Operating expenses increased by $1.2 million, or 6.0%, primarily due to higher costs associated with water and wastewater operations, employee benefits, and system maintenance.

Operating income improved significantly, by 350%, during the year as revenue growth outpaced the increase in operating expenses. Operating income and noncapital subsidies increased by approximately $1.5 million or 104.9% Nonoperating expenses also declined due primarily to lower interest expense resulting from continued debt repayment and the retirement of two major debt issuances. Noncapital subsidies recognized during the year remained substantially unchanged from the prior year and relate to support received under the County of Bedford's moral obligation commitment for debt service on outstanding obligations.

Capital contributions, capital subsidies, and noncapital subsidies totaled $3.1 million during FY 2026 and consisted primarily of developer-contributed infrastructure and other capital-related contributions. While these contributions were lower than the unusually strong level reported in the prior year, they continued to support the Authority's investment in utility infrastructure and system growth. Capital subsidies decreased by approximately 80% during the current fiscal year, primarily due to a reduction in reimbursements through American Rescue Plan Act (ARPA) funding administered by the Town of Bedford.

The combined effect of strong operating performance, lower interest costs, capital contributions, and continued debt reduction resulted in an increase in net position of $4.5 million, or 4.4%, bringing total net position to $107.9 million at June 30, 2026.

Detailed Analyses

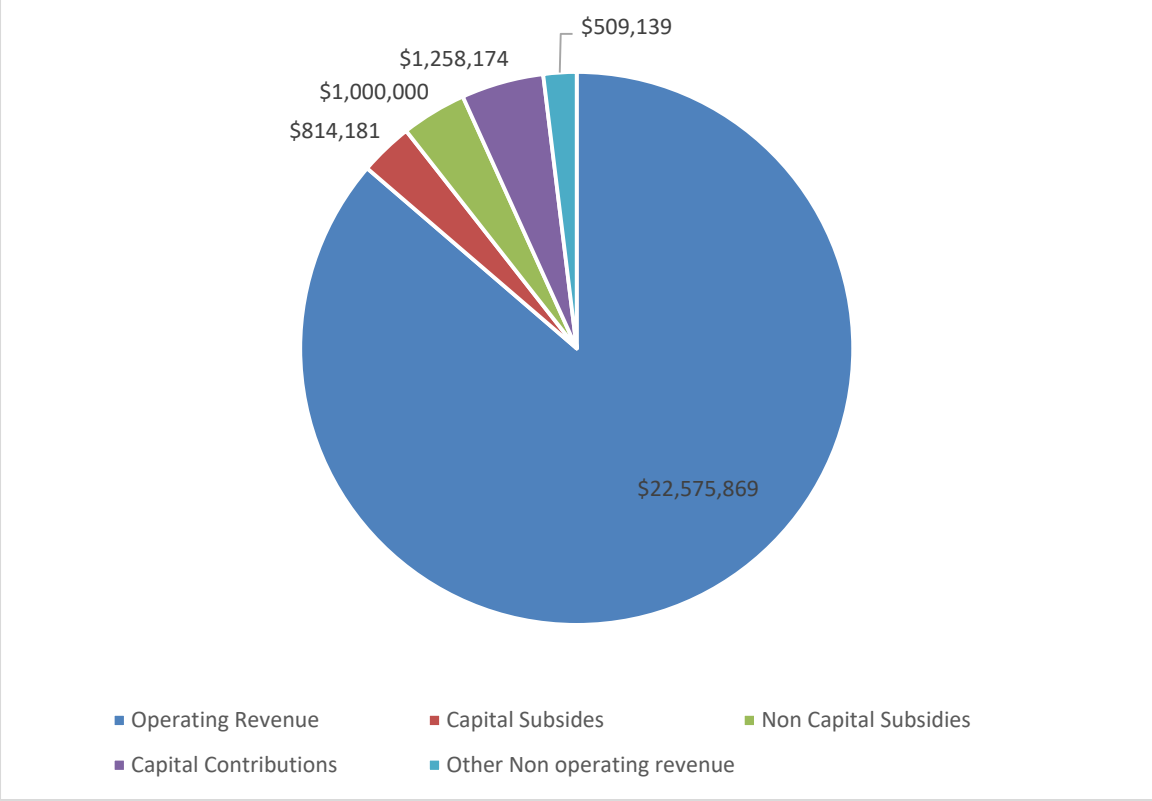
Revenue and Expenses

	2026	2025	Percent change 2026-2025
Operating Revenues:			
Operating revenues			
Water sales	$ 11,936,939	$ 10,968,088	8.8%
Capital recovery Fees	2,425,500	1,496,200	62.1%
Sewer service	7,056,098	6,452,510	9.4%
Contract operations	118,632	89,994	31.8%
Other revenues from customers	1,038,700	904,042	14.9%
Total Operating Revenues	$ 22,575,869	$ 19,910,834	13.4%
Operating Expenses:			
Operating expenses:			
Water systems	3,316,567	2,768,236	19.8%
Sewer systems	2,342,257	1,985,197	18.0%
Salaries and employee benefits	7,699,988	7,530,255	2.3%
Management and general	457,503	418,424	9.3%
Customer service and information systems	501,243	475,726	5.4%
Vehicles	377,099	409,925	-8.0%
Engineering,operations and operations	192,070	206,234	-6.9%
Depreciation and amortization	5,765,158	5,689,522	1.3%
Total Operating Expenses	20,651,885	19,483,519	6.0%
Operating income (loss)	1,923,984	427,315	350.2%
Noncapital subsidies			
Intergovernmental debt assistance	1,000,000	1,000,000	0.0%
Total Noncapital Subsidies	1,000,000	1,000,000	0.0%
Operating income (loss) and Noncapital Subsidies	2,923,984	1,427,315	104.9%
Nonoperating Revenues (Expenses):			
Gain in disposal of capital assets	89,133	53,503	66.6%
Investment income	420,006	446,623	-6.0%
Capital Subsidies	814,181	4,092,010	-80.1%
Capital Contributions	1,258,174	1,984,595	-36.6%
Interest expense	(1,004,466)	(1,111,430)	-9.6%
Total Other Nonoperating Revenues (Expenses)	1,577,028	5,465,301	-71.1%
Increase (decrease) in fund net positio	4,501,012	6,892,616	-34.7%
Net position- July 1	103,365,774	96,473,158	7.1%
Net position- June 30	$ 107,866,786	$ 103,365,774	4.4%

*Under GASB 103, 2025 figures have been reclassified to adhere to the updated definitions of subsidies and operating and nonoperating revenues and expenses.

Detailed Analyses (Continued)

FY 2025-2026 Revenues



Total operating revenues increased by $2.7 million, or 13.4%, from $19.9 million in FY 2025 to $22.6 million in fiscal year 2026**.** The increase was primarily driven by growth in utility service revenues and development-related activity throughout the Authority's service area.

Water sales revenues increased by $969,000, or 8.8%, to $11.9 million**.** The increase was primarily attributable to customer growth, increased water consumption, and rate adjustments implemented to support the Authority's ongoing operational and capital needs. Sewer service revenues increased by $604,000, or 9.4%, to **$**7.1 million. Similar to water revenues, the increase reflects customer growth within the service area, higher wastewater flows, and the impact of approved rate adjustments.

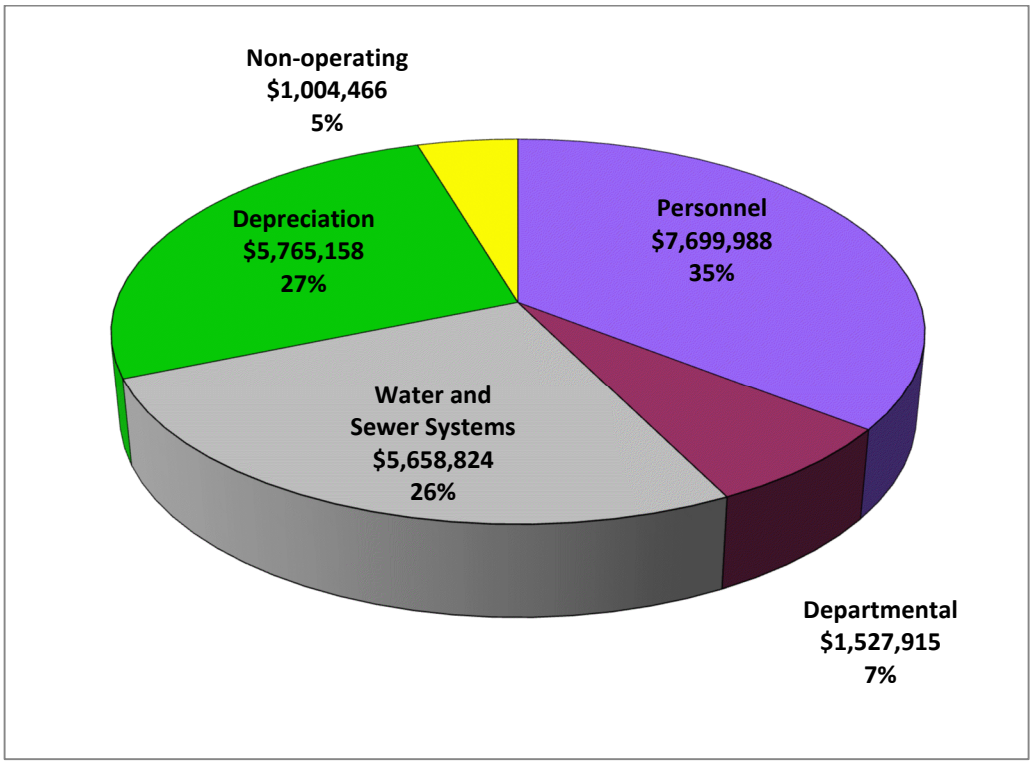
Capital recovery fee revenues increased by $929,000, or 62.1%, to $2.4 million. This significant increase was driven by strong development activity and new customer connections during FY 2026. There was a rate increase that took effect June 1, 2026 that resulted in capital recovery fees being paid by some earlier than anticipated to take advantage of the lower rate. Capital recovery fees represent an important source of funding for infrastructure improvements necessary to accommodate system growth.

Other revenues from customers increased by $135,000, or 14.9%, primarily due to increases in service-related fees, connection-related charges, and other customer service revenues. Contract operations revenue increased by $29,000, or 31.8%, reflecting increased services provided under contractual agreements during the fiscal year.

Detailed Analyses (Continued)

The growth in operating revenues exceeded the increase in operating expenses during FY 2026, resulting in improved operating performance. Revenue growth was supported by a combination of customer growth, development activity, rate adjustments, and stable demand for water and wastewater services. These factors contributed significantly to the Authority's positive operating results and the overall increase in net position during the year.

FY 2025-2026 Expenses



Total operating expenses increased by $1.2 million, or 6.0%, from $19.5 million in FY 2025 to $20.7 million in FY 2026. The increase was primarily attributable to higher costs associated with operating and maintaining the Authority's water and wastewater systems, while continued investment in utility infrastructure contributed to higher depreciation expense.

Water system expenses increased by $548,000, or 19.8%, to $3.3 million. The increase was primarily related to higher treatment and distribution costs, including chemicals, utilities, maintenance activities, contracted services, and inflationary increases affecting operating supplies and materials.

Sewer system expenses increased by $357,000, or 18.0%, to $2.3 million. The increase reflects higher costs associated with wastewater treatment, collection system maintenance, regulatory compliance activities, and contractual service agreements. This increase is also due to the increased fuel and operating costs of the Lake Vista sewer lift station; this station is in the process of being decommissioned as the Ivy Creek sewer project nears completion.

Detailed Analyses (Continued)

Salaries and employee benefits increased by $170,000, or 2.3%, to $7.7 million. The increase was attributable to compensation adjustments, benefit cost increases, and staffing investments necessary to support the Authority's growing utility operations and capital improvement activities.

Management and general expenses increased by $39,000, or 9.3%, while customer service and information systems expenses increased by $26,000, or 5.4%. These increases were primarily associated with administrative support functions, technology-related expenditures, and operational costs necessary to support customer growth and service delivery.

Vehicle expenses decreased by $33,000 or 8.0%, and engineering and operations expenses decreased by $14,000, or 6.9%, reflecting lower equipment-related costs and reduced professional services expenditures compared to the prior fiscal year.

Depreciation and amortization expense increased modestly by $76,000, or 1.3%, to $5.8 million. The increase reflects the continued addition of utility infrastructure and other capital assets placed into service during the year.

Despite the increase in operating expenses, revenue growth significantly exceeded expense growth during FY 2026. Total operating revenues increased by 13.4%, compared to a 6.0% increase in operating expenses, resulting in improved operating performance and contributing to the increase in net position.

Significant Capital Asset and Long-Term Financing Activity

Net capital assets increased by approximately $2.3 million during fiscal year 2026, primarily as a result of ongoing investments in utility infrastructure and the receipt of developer-contributed assets associated with service area growth. Capital additions exceeded depreciation expense, resulting in a net increase in the Authority's investment in capital assets. Significant projects undertaken during the year focused on maintaining and improving the reliability of water and wastewater systems, and replacing aging infrastructure. The continued growth in capital assets reflects management's strategic focus on sustaining system performance, meeting regulatory requirements, and supporting development within the Authority's service area. These investments are expected to enhance operational efficiency, reduce long-term maintenance needs, and provide capacity for future growth opportunities.

Overall, the carrying value of capital assets increased 1.80% over 2025, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 2026.

The Authority had $18.1 million in its beginning balance of construction in progress with another $6.2 million in capital projects started during 2026. Of those amounts, the Authority put $6 million into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of infrastructure and buildings and improvements.

During fiscal year 2026, the Authority made significant progress in reducing its long-term obligations through the retirement of two major debt issuances and the continued repayment of scheduled principal on outstanding debt. Total outstanding debt decreased by approximately $3.2 million, or 7.1%, during the year. The reduction was primarily attributable to the retirement of the remaining refunding debt associated with the Virginia Resources Authority (VRA) 2005 Pooled Bond Program and the final payoff of debt assumed from the former City of Bedford as part of the 2013 consolidation.

Significant Capital Asset and Long-Term Financing Activity (Continued)

The retirement of these obligations represents a significant milestone in the Authority's long-term financial strategy and further strengthens its financial position. By eliminating these debt issuances, the Authority reduced future debt service requirements and associated interest costs, increasing financial flexibility and improving capacity to address future capital infrastructure needs. The decrease in outstanding debt, combined with the Authority's continued investment in utility infrastructure, reflects management's commitment to maintaining a balance between system improvements and prudent debt management. As a result, the Authority is better positioned to respond to future operational, regulatory, and growth-related demands while minimizing the impact of debt service on future operating revenues.

Currently Known Facts, Decisions, or Conditions

As part of its FY 2027 budget process, the Authority evaluated future infrastructure replacement and rehabilitation needs using its asset management system and incorporated those needs into its long-term financial planning. The FY 2027 Capital Improvement Program includes investments focused on system reliability, regulatory compliance, operational efficiency, and infrastructure sustainability.

To support ongoing operations, debt service, capital investments, and the maintenance of prudent operating reserves, the Authority approved rate adjustments effective in FY 2027. For a typical residential customer using 4,000 gallons per month, monthly charges are expected to increase by approximately $5.00 for water service and $5.00 for sewer service, where applicable.

Management believes these actions will help maintain reliable utility services, preserve financial stability, address aging infrastructure needs, and support the long-term sustainability of the Authority's water and wastewater systems.

Basic Financial Statements

Bedford Regional Water Authority

Exhibit 1

Statement of Net Position
June 30, 2026

	2026	(For Comparative Purposes Only) 2025
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 18,012,132	$ 17,102,133
Accounts receivable, net (Note 3)	2,405,155	2,150,690
Current portion of lease receivable (Note 10)	219,598	162,733
Inventory	598,301	607,611
Prepaids	203,978	146,643
Total current assets	21,439,164	20,169,810
Noncurrent assets		
Cash and cash equivalents, restricted (Note 2)	1,837,459	1,534,271
Investments, restricted (Note 2)	1,835,107	1,805,183
Due from other governments, restricted (Note 14)	992,931	4,680,079
Lease receivable (Note 10)	1,736,795	1,747,323
Capital assets (Note 4)		
Nondepreciable	19,457,656	19,085,522
Depreciable, net	108,247,397	106,357,004
Total noncurrent assets	134,107,345	135,209,382
Total assets	155,546,509	155,379,192
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 7)	825,602	355,859
Deferred outflows related to other postemployment benefits (Notes 8 and 9)	70,457	76,716
Total deferred outflows of resources	896,059	432,575
LIABILITIES		
Current liabilities		
Accounts payable	1,503,971	2,159,333
Accrued liabilities	299,161	262,590
Interest payable	258,360	292,775
Net other postemployment benefit liabilities (Notes 8 and 9)	10,000	10,000
Current maturities of other long-term liabilities (Note 5)	1,842,132	3,300,990
Total current liabilities	3,913,624	6,025,688
Long-term liabilities		
Customer security deposits	55,015	26,173
Unearned revenue	512,953	1,000,492
Other long-term liabilities – due in more than one year (Note 5)	40,910,121	42,664,089
Net pension liability (Note 7)	505,491	143,633
Net other postemployment benefit liabilities (Notes 8 and 9)	365,112	368,062
Total long-term liabilities	42,348,692	44,202,449
Total liabilities	46,262,316	50,228,137
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases (Note 10)	1,855,620	1,824,542
Deferred inflows related to pensions (Note 7)	357,053	259,976
Deferred inflows related to other postemployment benefits (Notes 8 and 9)	100,793	133,338
Total deferred outflows of resources	2,313,466	2,217,856
NET POSITION		
Net investment in capital assets	85,309,650	82,841,851
Restricted for: (Note 2)		
Capital improvements	1,837,459	1,534,271
Debt collateral	1,835,107	1,805,183
Unrestricted	18,884,570	17,184,469
Total net position	**$ 107,866,786**	**$ 103,365,774**

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

Bedford Regional Water Authority

Exhibit 2

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2026

	2026	(For Comparative Purposes Only) 2025
OPERATING REVENUES		
Water sales	$ 11,936,939	$ 10,968,088
Capital recovery fees	2,425,500	1,496,200
Sewer service	7,056,098	6,452,510
Wastewater treatment plant operation fees	118,632	89,994
Review fees	141,544	119,213
Meter base installation fees	128,400	129,300
Account changes	62,175	55,425
Other	489,641	417,541
Penalties	216,940	182,563
Total operating revenues	22,575,869	19,910,834
OPERATING EXPENSES		
Water systems	3,316,567	2,768,236
Sewer systems	2,342,257	1,985,197
Depreciation and amortization	5,766,693	5,689,522
Salaries and employee benefits	7,699,988	7,530,255
Management and general	455,968	418,424
Customer service and information systems	501,243	475,726
Vehicles	377,099	409,925
Engineering, operations, and maintenance	192,070	206,234
Total operating expenses	20,651,885	19,483,519
Operating income	1,923,984	427,315
NONCAPITAL SUBSIDIES (Note 6)	1,000,000	1,000,000
Operating income and noncapital subsidies	2,923,984	1,427,315
OTHER NONOPERATING REVENUES (EXPENSES)		
Gain on disposal of capital assets	89,133	53,503
Interest revenue	420,006	446,623
Capital subsidies (Notes 6 and 14)	814,181	4,092,010
Capital contributions (Note 6)	1,258,174	1,984,595
Interest expense	(1,004,466)	(1,111,430)
Total other nonoperating revenues (expenses)	1,577,028	5,465,301
Increase in net position	4,501,012	6,892,616
Net position – beginning at July 1	103,365,774	96,473,158
Net position – ending at June 30	**$ 107,866,786**	**$ 103,365,774**

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

Bedford Regional Water Authority

Exhibit 3

Statement of Cash Flows

Year Ended June 30, 2026

	2026	(For Comparative Purposes Only) 2025
OPERATING ACTIVITIES		
Cash received from customers	$ 21,847,448	$ 19,384,697
Cash paid for goods and services	(7,792,949)	(5,410,958)
Cash paid to employees	(7,660,717)	(7,187,015)
Net cash provided by operating activities	6,393,782	6,786,724
CAPITAL AND RELATED FINANCING ACTIVITIES		
Town of Bedford – capital asset assistance	148,442	3,113,157
Virginia DEQ - ARPA funds	469,919	674,037
WVWA – capital asset assistance	210,000	210,000
VDH – capitalization grant funding	73,695	86,905
Acquisition and construction of capital assets	(6,391,984)	(9,440,609)
Proceeds from revenue bond, net of due from VRA	3,002,443	4,497,215
Principal paid on long-term borrowings	(3,184,173)	(2,520,345)
Interest paid on long-term borrowings	(988,152)	(1,169,002)
Proceeds from sale of capital assets	89,133	53,881
Net cash used in capital and related financing activities	(6,570,677)	(4,494,761)
INVESTING ACTIVITIES		
Proceeds from restricted investments	40,092	41,902
Acquisition of restricted investments	(70,016)	(99,388)
Interest received	420,006	446,623
Net cash provided by investing activities	390,082	389,137
NONCAPITAL FINANCING ACTIVITIES		
County of Bedford – debt assistance	1,000,000	1,000,000
Net cash provided by noncapital financing activities	1,000,000	1,000,000
Net increase in cash and cash equivalents	1,213,187	3,681,100
CASH AND CASH EQUIVALENTS		
Beginning at July 1	18,636,404	14,955,304
Ending at June 30	**$ 19,849,591**	**$ 18,636,404**
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 18,012,132	$ 17,102,133
Cash and cash equivalents, restricted	1,837,459	1,534,271
	$ 19,849,591	**$ 18,636,404**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 1,923,984	$ 427,315
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,766,693	5,689,522
Pension expense net of employer contributions	(10,808)	(62,631)
Other postemployment benefit expense net of employer contributions	(29,236)	(16,450)
Change in assets and liabilities:		
(Increase) decrease in		
Accounts and lease receivables	(300,802)	721,539
Inventory	9,310	110,503
Prepaids	(57,335)	24,023
Increase (decrease) in:		
Accounts payable	(559,720)	718,258
Unearned revenue	(456,461)	(670,992)
Customer security deposits	28,842	(576,684)
Compensated absences and accrued liabilities	79,315	422,321
Net cash provided by operating activities	**$ 6,393,782**	**$ 6,786,724**
SCHEDULE OF NON-CASH ACTIVITIES		
Contributions of capital assets	**$ 1,048,174**	**$ 1,774,594**
Capital asset purchases included in accounts payable	**$ 1,114,400**	**$ 1,210,042**
Revenue bond forgiveness	**$ 122,125**	**$ 217,912**

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

Bedford Regional Water Authority

Notes to Financial Statements

June 30, 2026

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Bedford Regional Water Authority (the "Authority") was chartered December 18, 2012, under the Water and Wastewater Authorities Act, §15.2-5100, et seq. of the *Code of Virginia*, 1950, as amended, by concurrent resolutions adopted by the Bedford County Board of Supervisors and the City Council of the City of Bedford, Virginia (now the Town of Bedford, Virginia) (the "Town"). The Authority primarily serves water and sewer needs of the Smith Mountain Lake, Forest, Montvale, Stewartsville, New London, Town of Bedford, and Boonsboro areas of Bedford County, Virginia (the "County"). The Authority operates on a board-administrator form of government. The Board consists of a chair and six other board members. Members are appointed by the Bedford County Board of Supervisors and the Town Council, based upon the proportionate representation of the localities according to the total number of equivalent residential connections (ERCs), for both water and sewer in each jurisdiction based on an equivalent rate calculation of two hundred gallons per day per connection. In no event shall either the Town of Bedford or Bedford County appoint and have fewer than two (2) members of the Board of Directors of the Authority. During fiscal year 2026, the Authority rebranded and adopted "Bedford Water" as its trade name to enhance its public identity and brand recognition.

Measurement Focus and Basis of Accounting

The Authority's financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Investments

The Authority's investments consist of municipal bonds with original maturities greater than one year from the date of acquisition.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The Authority calculates its allowance for doubtful accounts using historical collection data and specific account analysis.

Unbilled Accounts Receivable

Unbilled accounts receivable consist of amounts earned as of year-end, but not yet billed because billing dates do not coincide with year-end.

Inventory

Inventory consists of grinder pumps, parts, and meters reported at cost. 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 used.

Capital Assets

Capital assets are stated at cost, except for donated assets, which are recorded at fair market value at the date of acquisition. Donated capital assets are reported at acquisition value. The threshold for recording capital assets is $5,000. Depreciation of property and equipment is computed using the straight-line method over useful lives as follows:

Assets	Years of Service
System, lines, and source of supply structures	50-66 years
Leasehold improvements	5-40 years
Vehicles and equipment	5-10 years
Information systems equipment	3-10 years

Leasehold improvements include administrative and other facilities constructed and additions affixed to those facilities on land previously leased from Bedford County. These leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease.

Compensated Absences

The paid-time-off (PTO) policy of the Authority provides for up to 312 hours per year of earned vacation leave, depending on years of service. Employees that are Plan 1 or Plan 2 Virginia Retirement System (VRS) participants may carry over 640 hours to the succeeding year. Employees that are Hybrid Plan VRS participants may carry over 352 hours to the succeeding year. Upon termination, one-half of the accumulated PTO balance is payable at 100% of the employee's current pay rate. Compensated absences are accrued when incurred. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pensions and OPEB, information about the fiduciary net position of the Authority's Plans and the additions to/deductions from the Authority's Plans' net fiduciary position have been determined on the same basis as they were reported by the 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.

Deferred Outflows/Inflows of Resources

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

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

Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Unearned Revenue

Unearned revenue consists of monies or tangible assets given to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay capital recovery fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Commercial paper and corporate bonds are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt and related deferred inflows or outflows of resources related to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Change in Accounting Principle

During fiscal year 2026, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. This new standard redefined operating and nonoperating revenues and expenses, definitions of which are included below. As a result, certain prior year amounts have been reclassified with the current year presentation.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The statements distinguish *operating* revenues and expenses from *noncapital* subsidies, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (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. A *subsidy* represents amounts received from or provided to another party or fund of the Authority. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Note 2 – Deposits and Investments

Deposits

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

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or Political Subdivisions thereof; obligations of the International Bank, the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool and Virginia Investment Pool (LGIP and VIP).

The fair value of the positions in the external investment pools (LGIP and VIP) are the same as the value of the pool shares. As these pools are not SEC-registered, regulatory oversight of the pools rests with the Virginia State Treasury. The pools maintain a policy to operate in a manner consistent with SEC Rule 2a-7. Due to the nature of LGIP and VIP, they are considered cash and cash equivalents on the statement of net position.

The Authority has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates. The Authority's investment policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, it follows the *Code of Virginia* for investment compliance matters.

Credit Risk

The Authority has no policy regarding credit risk. The investments in LGIP, VIP, and SNAP funds are rated "AAAm" by S&P Global Ratings.

Deposit and Investment Restrictions

Cash and cash equivalents, investments, restricted, and net position, restricted consist of the following:

	Cash and Cash Equivalents, Restricted	Investments, Restricted	Net Position, Restricted
New Projects Reserve Fund	$ 325,627	$ -	$ 325,627
Sewer Line Replacement Fund	1,511,832	-	1,511,832
SNAP Debt Service Fund	-	130,747	130,747
VRA Debt Service Fund	-	1,704,360	1,704,360
	$ 1,837,459	**$ 1,835,107**	**$ 3,672,566**

New Projects Reserve Fund. The County of Bedford and the Authority entered into an agreement to set aside 40% of the County's portion of funds received from the lease of two water tanks to wireless service providers. The funds in this reserve account are to be held for future capital projects for the benefit of the County, as the County deems appropriate.

Sewer Line Replacement Fund. The Authority established a sewer line replacement fund as required by the DEQ consent order inherited from the Town as part of the consolidation agreement.

VRA Debt Service Fund and SNAP Debt Service Fund. The Authority established a debt service fund with VRA and SNAP by purchasing municipal bonds and cash equivalents to ensure its debt coverage requirements would be met. The SNAP funds are required by the 2015 debt issuance, and represents the highest debt service payment due during the life of the debt issue. Compliance with the debt coverage requirement is contingent upon these funds, therefore, these amounts are shown as restricted cash and net position. Those investments mature on November 15, 2026, and are measured using a Level 2 input as it relates to fair value measurement.

Note 3 – Accounts Receivable

Accounts receivable, net consists of the following:

	Billed	Unbilled	Total
Water	$ 1,016,557	$ 639,507	$ 1,656,064
Sewer	680,642	298,281	978,923
Other	22,636	-	22,636
Less allowance for doubtful accounts	(252,468)	-	(252,468)
	$ 1,467,367	**$ 937,788**	**$ 2,405,155**

Note 4 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning July 1	Increase	Decrease	Ending June 30
Capital assets, not depreciated:				
Land and land rights	$ 1,015,523	$ 129,722	$ -	$ 1,145,245
Construction in progress	18,069,999	6,197,846	(5,955,434)	18,312,411
Total capital assets, not depreciated	19,085,522	6,327,568	(5,955,434)	19,457,656
Capital assets, depreciated:				
System, lines, and source of supply structure	184,416,507	7,262,049	-	191,678,556
Vehicles and equipment	5,416,577	364,311	(254,545)	5,526,343
Leasehold improvements	3,818,136	-	-	3,818,136
Information systems equipment	2,041,545	30,726	-	2,072,271
Total capital assets, depreciated	195,692,765	7,657,086	(254,545)	203,095,306
Less accumulated depreciation for:				
System, lines, and source of supply structure	(81,418,884)	(4,929,894)	-	(86,348,778)
Vehicles and equipment	(3,229,456)	(572,681)	254,545	(3,547,592)
Leasehold improvements	(2,838,072)	(195,370)	-	(3,033,442)
Information systems equipment	(1,849,349)	(68,748)	-	(1,918,097)
Total accumulated depreciation	(89,335,761)	(5,766,693)	254,545	(94,847,909)
Total capital assets depreciated, net	106,357,004	1,890,393	-	108,247,397
Total capital assets, net	**$ 125,442,526**	**$ 8,217,961**	**$ (5,955,434)**	**$ 127,705,053**

Construction Commitments

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

Project	Total Remaining Commitment
Central WTP Improvements Phase 1	$ 172,516
Route 43 Design Sewer Replacement - Design	86,945
Turkey Mountain Booster Station – Design & Stakeout	17,380
Ivy Creek Division 5 & 6 Sewer Interceptors & 460 Pump Station – Preliminary	478,011
MVS Filter Rehabilitation Study	23,258
Power BI Dashboarding & Scope Development	396
Western Hills Sewer Replacement Plan Update	8,080
CWP Electrical Replacement Phase 1 Bid & CA Services	7,753
Annual Water & Sewer Modeling	1,027
Monroe Sewer Replacement	33,675
Pump Station 4 - Design	72,632
	$ 901,673

Note 5 – Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities transactions for the year:

	Beginning July 1	Additions	Reductions	Ending June 30	Due Within One Year
Revenue bonds	$ 29,515,000	$ -	$ (1,945,000)	$ 27,570,000	$ 1,095,000
Lynchburg Sewer System bonds	817,217	-	(60,436)	756,781	60,527
Due to Town of Bedford	617,000	-	(617,000)	-	-
Clean Water Revolving Loan Fund	14,051,975	-	(561,737)	13,490,238	543,234
Bond premiums	611,872	-	(50,025)	561,847	50,024
Compensated absences	352,015	21,372*	-	373,387	93,347
	$ 45,965,079	**$ 21,372**	**$ (3,234,198)**	**$ 42,752,253**	**$ 1,842,132**

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

The Authority does not have any debt that is a direct borrowing or direct placement.

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Outstanding
Revenue Bonds:					
Virginia Resources Authority					
Water and Sewer Bonds	2.13-5.13%	10/07/15	04/01/46	$ 31,225,000	$ 24,815,000
Water and Sewer Bonds	2.04-5.13	09/25/20	10/01/35	3,730,000	2,755,000
Water and Sewer Bonds	0.30	12/01/22	08/01/49	14,051,975	13,490,238
			Plus unamortized bond premium		561,847
					$ 41,622,085
Due to Other Governmental Units:					
Lynchburg Sewer System Bonds	1.75-5.00%	Various	06/01/44	$3,430,364	$ 756,781
					$ 756,781

Lynchburg Sewer System Bonds

The Authority, along with Amherst County Service Authority and the Campbell County Utilities and Service Authority, have a sewage treatment agreement with the City of Lynchburg. As part of this agreement, each member of the Regional Sewage Treatment Plant is responsible for its proportionate share of improvements to joint-use facilities. As the City of Lynchburg performs additions to the system, the Authority shows its proportionate share of improvements as additions to debt and capital assets.

Revenue Bonds

The Authority issues revenue bonds to fund new water and sewer infrastructure. Examples of debt-funded projects include water and wastewater treatment facilities, water distribution lines, sewer treatment lines, pump stations, and related infrastructure. In December 2022, a bond was issued with the Virginia Resources Authority for $13,338,457. In October 2024, BRWA made additional borrowings on the bond for $713,518. In total, the bond has an outstanding balance of $13,490,238 as of June 30, 2026. The agreement specified principal forgiveness based on construction costs for $632,636

that will be incrementally forgiven as costs are incurred. The Authority incurred costs related to constructions specified in the agreement during the year and principal forgiveness of $122,125 was recognized for the year ended June 30, 2026. As of June 30, 2026, the cumulative amount of principal forgiveness recognized by the Authority is $632,636.

Due to Town of Bedford

As a result of the 2013 consolidation of the previous Bedford County Public Service Authority and the previous City of Bedford's water and sewer department, all water and sewer debt issued by the City of Bedford was transferred to the Authority.

The annual requirements to amortize long-term debt and related interest are as follows:

	Lynchburg Sewer System Bonds		Revenue Bonds	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2027	$ 60,527	$ 1,390	$ 1,637,243	$ 1,022,117
2028	60,619	1,297	1,679,971	979,945
2029	60,713	1,203	1,722,713	936,260
2030	60,807	1,108	1,765,468	891,060
2031	60,902	1,012	1,813,238	844,085
2032-2036	242,147	3,592	9,828,219	3,538,557
2037-2041	191,375	1,050	9,509,575	2,318,498
2042-2046	19,691	-	10,992,744	882,760
2047-2050	-	-	2,111,067	24,327
	$ 756,781	**$ 10,652**	**$ 41,060,238**	**$ 11,437,609**

Note 6 – Subsidies and Capital Contributions

Capital contributions by source are summarized as follows:

Capital Subsidies:	
Town of Bedford and County of Bedford projects	$ 469,919
VRA Revolving Loan – Principal Forgiveness (Notes 5 and 13)	122,125
VDH	73,695
Town of Bedford ARPA projects	148,442
	814,181
Noncapital Subsidies:	
County of Bedford – debt assistance	1,000,000
	1,000,000
Capital Contributions:	
Developers	1,025,674
Customers	22,500
WVWA	210,000
	1,258,174
	$ 3,072,355

The County of Bedford contributes funding annually to assist in the payment of debt service for water and sewer lines and plant expansion.

Note 7 – Defined Benefit Pension Plan

Plan Description

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

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

- https://www.varetire.org/retirement-plans/defined-benefit/plan1/
- https://www.varetire.org/retirement-plans/defined-benefit/plan2/
- https://www.varetire.org/retirement-plans/hybrid/

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	26
Inactive members:	
Vested inactive members	20
Non-vested inactive members	43
Inactive members active elsewhere in VRS	16
Total inactive members	105
Active members	79
Total covered employees	**184**

Contributions

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

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2026, was 4.97% 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 Political Subdivision were $260,133 and $242,519 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 $28,805 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 $29,702 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $2,880,536 for the year ended June 30, 2026.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2026. 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

The total pension liability for General Employees in the Political Subdivision'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%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2021 Improvement Scale with various set backs or set forwards for both males and females.

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:

General Employees – Metro – Non-Hazardous Duty: Maintained mortality table with adjustments; moved retirement and termination rates to the way of the observed experience; moved disability rates to the way of the observed experience to maintain margin; increased Merit & Longevity on the salary scale; and no change to discount rate.

Public Safety Employees – Metro – Hazardous Duty: Maintained mortality table with adjustments; moved retirement and termination rates to the way of the observed experience; moved disability rates to the way of the observed experience to maintain margin; increased Merit & Longevity on the salary scale; and no change to discount rate.

Long-Term Expected Rate of Return

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

investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.60%	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 Partnership	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 for a one-year 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 rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2025, the employer contribution 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 (a) – (b)**
Balance at June 30, 2024	$ 9,299,589	$ 9,155,956	$ 143,633
Changes for the year			
Service cost	389,909	-	389,909
Interest	644,019	-	644,019
Change in assumptions	117,390	-	117,390
Differences between expected and actual experience	653,223	-	653,223
Contributions – employer	-	242,519	(242,519)
Contributions – employee	-	219,239	(219,239)
Net investment income	-	986,071	(986,071)
Benefit payments, including refunds of employee contributions	(296,962)	(296,962)	-
Administrative expenses	-	(5,404)	5,404
Other changes	-	258	(258)
Net changes	1,507,579	1,145,721	361,858
Balances at June 30, 2025	**$ 10,807,168**	**$ 10,301,677**	**$ 505,491**

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Political Subdivision's net pension liability (asset)	**$ 2,299,578**	**$ 505,491**	**$ (949,631)**

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

For the year ended June 30, 2026, the Political Subdivision recognized pension expense of $248,850. At June 30, 2026, the Political Subdivision 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	$ 484,994	$ 24,671
Change in assumptions	80,475	-
Net difference between projected and actual earnings on pension plan investments	-	332,382
Employer contributions subsequent to the measurement date	260,133	-
Total	**$ 825,602**	**$ 357,053**

The $260,133 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction to the Net Pension Liability (Asset) 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 as follows:

Year Ended June 30,	Addition (Reduction) to Pension Expense
2027	$ 244,893
2028	114,603
2029	(78,548)
2030	(72,532)
2031	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2025 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 8 – Other Postemployment Benefits Liabilities

Local Plan

Plan Description and Benefits Provided

Employees who are eligible to retire from VRS pension plan are allowed access to the Authority's single-employer health insurance plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however, as

they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate.

VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010, who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees. These vesting terms also apply to the Authority's local postemployment benefit plan.

Assets in this plan are not administered through a trust.

Employees Covered by Benefit Terms

As of the January 1, 2025, actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries:	
Currently receiving benefits	-
Total inactive employees	-
Active plan members	75
Total	**75**

Total OPEB Liability

The Bedford Regional Water Authority's total OPEB liability of $204,516 was measured as of June 30, 2026, and was determined based on an actuarial valuation performed as of January 1, 2025.

Actuarial Assumptions and Other Inputs

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

Healthcare cost trend rates	4.04%
Discount Rate	4.32%, S&P Municipal Bond 20 Year High Grade Rate Index
Actuarial cost method	Entry Age Normal Funding Method
Retirees' share of benefit-related costs	$680 – $1,199 per month

Mortality rates were the same rates from the VRS valuation. (See Note 7)

The actuarial assumptions used in the June 30, 2026, valuation were based on the results of an actuarial experience study for the period from July 1, 2024 through June 30, 2025.

Changes in assumptions and other inputs reflect an increase in the discount rate due to changes in the 20-year bond index.

Changes in the Total OPEB Liability

Balance at June 30, 2025	$ 174,853
Changes for the year:	
Service cost	18,170
Interest	9,193
Differences between expected and actual experience	(3,810)
Assumption or other input changes	6,110
Benefit payments	-
Net changes	29,663
Balance at June 30, 2026	**$ 204,516**

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it was 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:

	1.00% Decrease (3.32%)	Current Discount Rate (4.32%)	1.00% Increase (5.32%)
Total OPEB liability	**$ 217,607**	**$ 204,516**	**$ 192,260**

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage point lower (3.04%) or one percentage point higher (5.04%) than the current healthcare cost trend rates:

	1.00% Decrease (3.04%)	Current Healthcare Cost Trent Rates (4.04%)	1.00% Increase (5.04%)
Total OPEB liability	**$ 181,767**	**$ 204,516**	**$ 230,694**

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

For the year ended June 30, 2026, the Authority recognized OPEB benefit of $9,400. At June 30, 2026, the Political Subdivision 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	$ 109	$ 45,504
Change in assumptions	6,375	13,167
Total	**$ 6,484**	**$ 58,671**

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

Year Ended June 30,	Addition (Reduction) to OPEB Expense
2027	$ (19,661)
2028	(19,506)
2029	(13,480)
2030	460
2031	-
Thereafter	-

Note 9 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Contributions

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

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2026 Contribution	$24,600
June 30, 2025 Contribution	$22,979

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

The net OPEB liabilities were measured as of June 30, 2025, and the total OPEB liabilities used to calculate the net OPEB liabilities 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 OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2026 proportionate share of liability	$	170,596
June 30, 2025 proportion		0.0177%
June 30, 2024 proportion		0.0182%
June 30, 2026 expense	$	4,763

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

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,263	$ 3,211
Change in assumptions	-	5,582
Net difference between projected and actual earning on OPEB plan investments	-	23,873
Changes in proportion	9,110	9,456
Employer contributions subsequent to the measurement date	24,600	-
	$ 63,973	**$ 42,122**

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Effect on OPEB Expense
2027	$ 2,637
2028	(2,446)
2029	(2,917)
2030	(543)
2031	520
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2024, 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:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

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

Net OPEB Liability

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

	Group Life Insurance Program
Total OPEB liability	$ 4,433,282
Plan fiduciary net position	3,471,094
Net OPEB liability	**$ 962,188**
Plan fiduciary net position as a percentage of total OPEB liability	78.30%

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

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return is the same as those used by the VRS pension plans. The long-term expected rate of return is detailed in Note 7.

Discount Rate

The discount rate used to measure the GLI, HIC, and VLDP OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2025, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 117% of the actuarially determined contribution rate for the Teacher HIC Plan and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2025 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	$ 287,788	$ 170,596	$ 76,050

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net positions is available in the separately issued VRS 2025 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.

A summary of the other postemployment benefits-related financial statement elements are as follows:

	2026
Deferred outflows of resources - OPEB:	
Difference between expected and actual experience	
Local Sponsored Health Insurance	$ 109
VRS – Group Life Insurance	30,263
Net difference between projected and actual investment earnings on OPEB plan Investments.	
Local Sponsored Health Insurance	6,375
Change in proportionate share	
VRS – Group Life Insurance	9,110
Employer contributions subsequent to the measurement date	
VRS – Group Life Insurance	24,600
Total deferred outflows of resources	**$ 70,457**
Net OPEB liability	
Local Sponsored Health Insurance	$ (204,516)
VRS – Group Life Insurance	(170,596)
Total net OPEB liability	$ (375,112)
Deferred inflows of resources – OPEB	
Difference between expected and actual experience	
Local Sponsored Health Insurance	$ (45,504)
VRS – Group Life Insurance	(3,211)
Net difference between projected and actual investment earnings	
VRS – Group Life Insurance	(23,873)
Change in assumptions	
Local Sponsored Health Insurance	(13,167)
VRS – Group Life Insurance	(5,582)
Change in proportionate share	
VRS – Group Life Insurance	(9,456)
Total deferred inflows of resources—OPEB	**$ (100,793)**
OPEB expense (benefit)	
Local Sponsored Health Insurance	$ (9,400)
VRS – Group Life Insurance	4,763
Total OPEB expense (benefit)	**$ (4,637)**

Note 10 – Leases

The Authority, as a lessor, has entered into several lease agreements involving land and infrastructure, several of which are with global telecommunication providers. The Authority has a lease receivable of $1,956,393 and a deferred inflow of resources of $1,855,620 as of June 30, 2026. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was $223,166.

The Smith Mountain Lake Water Treatment Facility (SML WTF Ground) is an agreement the Authority entered into with the Western Virginia Water Authority (WVWA) in May 2014 whereby both parties desired to share in the construction cost, ownership, operation, and liabilities of the Smith Mountain Lake Water Treatment Facility (the “Facility”). This project was completed in June 2018. The total cost of this project was $14 million, which was split between the Authority and

WVWA. The Authority is funding its portion of the project with the October 2015 debt issuance. As part of the agreement, the Authority will lease certain real estate to the Facility. This ground lease shall continue in effect until June 30, 2030, unless renewed or terminated. Base rent for the real estate is $20,000 per year.

Lease*	Contract Date	Maturity Date
County Broadband – Land*	06/22/2020	06/21/2040
HighPoint – Infrastructure*	11/15/2019	11/14/2044
NL Tank – Land*	02/10/2006	04/30/2035
SML Tank – Infrastructure*	10/19/2005	10/18/2030
SML Tank – Land*	03/04/2013	03/31/2033
SML WTF Ground*	05/07/2014	06/30/2030

* Contract includes option years that are reflected in maturity date.

Future minimum lease payments to the Authority under noncancelable leases for the years ending June 30 are as follows:

2027	$ 219,598
2028	222,254
2029	226,937
2030	220,336
2031	117,247
2032-2036	388,329
2037-2041	325,228
2042-2045	236,464
	$ 1,956,393

Note 11 – Service Contracts

City of Lynchburg

The Authority, as well as Amherst County Service Authority and the Campbell County Utilities and Service Authority, have a sewage treatment agreement with the City of Lynchburg (the "City"). This perpetual agreement shall continue in full force and in effect until terminated by mutual agreement. As part of this agreement, each member of the Regional Sewage Treatment Plant is responsible for their proportionate share of improvements to Joint-Use Facilities. As the City performs additions to specified portions of the system, the Authority shows its proportionate share of improvements as additions to debt and capital assets. Sewage treatment under this agreement for 2026 was $374,716. There were no additions to debt under this agreement for 2026.

On June 30, 2015, the Authority entered into a new water purchase contract with the City of Lynchburg, which had an effective starting date of October 1, 2016, and ending date of June 30, 2036. The contract is automatically renewed in ten-year increments, upon the conclusion of the initial twenty-year period. Water purchases under this contract for 2026 were $820,540. The Authority constructed a water treatment facility and additional transmission mains in Bedford County, some of which serve the Forest area of Bedford County. Since the construction was completed prior to July 1, 2018, the 2015 contract remains in effect.

Under the agreements to purchase services from the City of Lynchburg, the Authority is charged provisional rates for sewer services, which are then adjusted in subsequent fiscal years for the actual cost of providing those services to the Authority. These adjustments, resulting in credits or (expenses) towards current year purchases, totaled $9,824 for sewer

in 2026. The adjustments are not estimable and are, therefore, accounted for in the year they are charged to the Authority. For water purchases, effective annually on July 1, the rate for City water delivered to the BRWA shall be increased or decreased by the same percentage that the City Composite Rate for a City water customer with 7 HCF of monthly use increases or decreases from July 1 of the previous year to the current year.

Western Virginia Water Authority (WVWA)

The Authority has an agreement through June 30, 2030, to purchase surplus water from the WVWA at a bulk rate, which is determined by a mutually agreed-upon formula. The agreement also establishes minimum annual average daily quantities to be purchased. The water purchased serves the Stewartsville area of Bedford County. Water purchases under this agreement were $10,765 for 2026.

In addition, as part of this agreement, the Authority has agreed to provide water to residents and businesses near Smith Mountain Lake. Certain terms exist as part of this agreement that include a capital requirement for both parties to fund their proportionate share of any expansion to the related facilities should existing capacity no longer be sufficient.

Each party has the ability to transfer any portion of their ownership of capacity in the Smith Mountain Lake Water Treatment Plant to the other party, at terms that are mutually agreed to at the time of the transfer. Either party may, on or after July 1, 2024, and following one year's written notice period, require the other party to purchase its interest in the Smith Mountain Water Facility at its then depreciated book value.

Note 12 – Risk Management

The Risk Management Programs of the Authority are as follows:

Worker's Compensation

Worker's compensation insurance is provided through the Virginia Risk Sharing Association ("VRSA"). During fiscal year 2026, total premiums paid were $37,400. Benefits are those afforded through the Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon payroll, job rates, and claims experience.

General Liability and Other

The Authority provides general liability and other insurance through policies with the Virginia Risk Sharing Association (VRSA), which is sponsored by the Virginia Municipal League Pool (VML). General liability, business, and automobile have a $1,000,000 limit. Boiler and machinery coverage maintains an additional $2,000,000 umbrella policy over all forms of liability insurance. The Virginia Municipal League Pool was organized to formulate, develop, and administer on behalf of the member localities, a program of insurance, lower costs for that coverage, and a comprehensive loss control program. Pool members are not subject to a supplemental assessment in the event of deficiencies. The Pool maintains a re-insurance policy, which prevents members' responsibility for the Pool's liabilities if the assets of the Pool were exhausted. The Pool limits membership from small to medium-sized Virginia localities and currently has approximately 500 members.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Unemployment Benefits

The Authority does not pay state unemployment taxes for employees to draw upon should they be terminated and qualify for unemployment. Instead, should an employee be terminated and qualify for unemployment benefits, the state will pay the employee and charge the Authority for reimbursement.

Note 13 – Commitments and Contingencies

Arbitrage

At times, the Authority has certain debt instruments subject to arbitrage regulations. At June 30, 2026, no amounts of rebate liabilities were associated with any debt issuances.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. Management believes that if any refunds are required they will be immaterial to the Authority's financial statements.

Environmental Liability

During 2023, the Authority was subject to an Environmental Protection Agency review as the result of a chemical incident at the Authority's treatment facility. The Authority is expecting a civil fine and the issuance of a consent order, however, the extent of the fine is not known at this time.

Note 14 – Due From Other Governments

The Authority entered into an agreement dated December 1, 2022, with the Virginia Resources Authority, as administrator of the Virginia Water Facilities Revolving Fund. Funding is provided for the Ivy Creek Interceptors project with work to be completed by August 8, 2024. The Authority receives monies from this funding in the form of reimbursements that are disbursed to the Authority as related project costs are incurred. The total funding awarded to the Authority was $13,971,093 with a loan forgiveness portion of $632,636. In October 2024, there was an agreement for additional funding to the Authority for $713,518. Through June 30, 2026, the total disbursed funds to the Authority were $13,691,680 resulting in amounts due to the Authority of $992,931, principal forgiven during 2026 was $122,125 and is included with capital contributions on the statement of revenues, expenses, and changes in net position. As of June 30, 2026, the cumulative amount of principal forgiveness recognized by the authority is $632,636.

Note 15 – Subsequent Events

Management has evaluated subsequent events through November 4, 2026, the date the financial statements were available to be issued. Based on this evaluation, no subsequent events were identified that required recognition or disclosure in the financial statements.

Note 16 – New Accounting Standards

In December 2025, the GASB issued **Statement No. 105**, Subsequent Events. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing the consistency in their application and better meeting the information needs of financial statement users. This statement 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 reporting periods beginning after June 15, 2026.

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

.

Required Supplementary Information

Bedford Regional Water Authority

Exhibit 4

Required Supplementary Information
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
June 30, 2026

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 389,909	$ 351,540	$ 360,740	$ 335,861	$ 329,772	$ 278,316	$ 263,853	$ 269,942	$ 273,841	$ 253,398
Interest on total pension liability	644,019	600,299	542,155	491,600	412,286	373,266	333,704	304,772	274,839	251,090
Difference between expected and actual experience	653,223	(57,349)	201,242	85,919	53,814	108,853	131,158	16,269	127,083	6,745
Changes in assumptions	117,390	-	-	-	233,985	-	208,200	-	(89,886)	-
Benefit payments, including refunds of employee contributions	(296,962)	(273,358)	(193,721)	(184,870)	(196,534)	(168,198)	(180,290)	(175,051)	(141,460)	(202,463)
Net change in total pension liability	1,507,579	621,132	910,416	728,510	833,323	592,237	756,625	415,932	444,417	308,770
Total pension liability – beginning	9,299,589	8,678,457	7,768,041	7,039,531	6,206,208	5,613,971	4,857,346	4,441,414	3,996,997	3,688,227
Total pension liability – ending	10,807,168	9,299,589	8,678,457	7,768,041	7,039,531	6,206,208	5,613,971	4,857,346	4,441,414	3,996,997
Plan Fiduciary Net Position										
Contributions – employer	242,519	299,595	276,482	238,256	216,734	215,365	193,711	206,624	194,197	192,962
Contributions – employee	219,239	209,904	192,601	188,204	170,489	165,933	146,766	136,688	130,927	123,748
Net investment income (loss)	986,071	804,112	491,898	(15,896)	1,527,043	99,324	321,040	313,758	445,970	62,939
Benefit payments, including refunds of employee contributions	(296,962)	(273,358)	(193,721)	(184,870)	(196,534)	(168,198)	(180,290)	(175,051)	(141,460)	(202,463)
Administrative expenses	(5,404)	(4,555)	(4,561)	(4,304)	(3,512)	(3,131)	(2,905)	(2,522)	(2,349)	(2,010)
Other	258	197	202	173	146	(122)	(204)	(520)	(406)	(26)
Net change in plan fiduciary net position	1,145,721	1,035,895	762,901	221,563	1,714,366	309,171	478,118	478,977	626,879	175,150
Plan fiduciary net position - beginning	9,155,956	8,120,061	7,357,160	7,135,597	5,421,231	5,112,060	4,633,942	4,154,965	3,528,086	3,352,936
Plan fiduciary net position - ending	10,301,677	9,155,956	8,120,061	7,357,160	7,135,597	5,421,231	5,112,060	4,633,942	4,154,965	3,528,086
Net pension (asset) liability - ending	**$ 505,491**	**$ 143,633**	**$ 558,396**	**$ 410,881**	**$ (96,066)**	**$ 784,977**	**$ 501,911**	**$ 223,404**	**$ 286,449**	**$ 468,911**
Plan fiduciary net position as a percentage of total pension liability	95%	98%	94%	95%	101%	87%	91%	95%	94%	88%
Covered payroll	**$4,889,225**	**$4,674,435**	**$4,215,802**	**$4,052,942**	**$ 3,650,324**	**$ 3,534,457**	**$3,106,905**	**$2,839,461**	**$2,638,936**	**$2,444,270**
Net pension (asset) liability as a percentage of covered payroll	**10%**	**3%**	**13%**	**10%**	**-3%**	**22%**	**16%**	**8%**	**11%**	**19%**

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2024 information was presented in the entity's fiscal year 2025 financial report.

Bedford Regional Water Authority

Exhibit 5

Required Supplementary Information
Schedule of Pension Contributions
June 30, 2026

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2026	$ 260,133	$ 260,133	$ -	$ 5,234,060	4.97%
2025	242,519	242,519	-	4,889,225	4.96%
2024	299,595	299,595	-	4,674,435	6.41%
2023	276,482	276,482	-	4,215,802	6.56%
2022	278,829	278,829	-	4,052,942	6.88%
2021	238,628	238,628	-	3,650,324	6.54%
2020	217,093	217,093	-	3,534,457	6.14%
2019	215,365	215,365	-	3,106,905	6.93%
2018	193,963	193,963	-	2,839,461	6.83%
2017	214,380	214,380	-	2,638,936	8.12%

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

Bedford Regional Water Authority

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plan
June 30, 2026

	Fiscal Year							
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**
	Local Plan	**Local Plan**	**Local Plan**	**Local Plan**	**Local Plan**	**Local Plan**	**Local Plan**	**Local Plan**
Total OPEB Liability								
Service cost	$ 18,170	$ 19,510	$ 18,981	$ 16,382	$ 20,759	$ 18,802	$ 17,876	$ 15,831
Interest on total OPEB liability	9,193	8,488	7,635	8,575	4,878	5,442	6,631	6,702
Difference between expected and actual experience	(3,810)	(66,276)	(5,374)	(30,958)	(4,718)	781	(894)	-
Changes in assumptions	6,110	(3,424)	(1,632)	(24,789)	(37,470)	10,391	(21,278)	23,053
Benefit payments	-	(1,218)	(4,656)	(4,278)	(3,942)	(4,002)	(4,176)	(3,828)
Net change in total OPEB liability	29,663	(42,920)	14,954	(35,068)	(20,493)	31,414	(1,841)	41,758
Total OPEB liability - beginning	174,853	217,773	202,819	237,887	258,380	226,966	228,807	187,049
Total OPEB liability - ending	204,516	174,853	217,773	202,819	237,887	258,380	226,966	228,807
Plan Fiduciary Net Position								
Contributions - employer	-	1,218	4,657	4,278	3,942	4,002	4,176	3,828
Benefit payments	-	(1,218)	(4,657)	(4,278)	(3,942)	(4,002)	(4,176)	(3,828)
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-	-	-
Net OPEB liability - ending	**$ 204,516**	**$ 174,853**	**$ 217,773**	**$ 202,819**	**$ 237,887**	**$ 258,380**	**$ 226,966**	**$ 228,807**
Plan fiduciary net position as a percentage of total OPEB liability	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Because this OPEB plan does not depend on salary, salary information is not available from the actuary.

This schedule is intended to show information for 10 years. Since fiscal year 2019 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Note: There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101.

Bedford Regional Water Authority

Exhibit 7

Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability – VRS GLI
June 30, 2026

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2026	0.0177 %	$ 170,596	$ 5,234,060	3.26 %	78.30 %
2025	0.0182	203,209	4,889,225	4.16	73.41
2024	0.0177	214,317	4,674,435	4.58	69.30
2023	0.0186	224,323	4,215,802	5.32	67.21
2022	0.0177	205,844	4,052,942	5.08	67.45
2021	0.0172	287,541	3,650,324	7.88	52.64
2020	0.0158	257,271	3,534,457	7.28	52.00
2019	0.0149	227,000	3,106,905	7.31	51.22
2018	0.0143	215,000	2,839,461	7.57	48.86

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

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

Bedford Regional Water Authority

Exhibit 8

Required Supplementary Information
Schedule of Employer Contributions – VRS GLI
June 30, 2026

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2026	$ 24,600	$ 24,600	$ -	$ 5,234,060	0.47 %
2025	22,979	22,979	-	4,889,225	0.47
2024	25,242	25,242	-	4,674,435	0.54
2023	22,737	22,737	-	4,215,802	0.54
2022	21,886	21,886	-	4,052,942	0.54
2021	19,714	19,714	-	3,650,324	0.54
2020	18,380	18,380	-	3,534,457	0.52
2019	16,120	16,120	-	3,106,905	0.52
2018	14,765	14,765	-	2,839,461	0.52

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

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

Bedford Regional Water Authority

Notes to Required Supplementary Information

June 30, 2026

Note 1 – Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 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 for all VRS Pension and OPEB plans:

Metro – Non-Hazardous Duty, Metro – Hazardous Duty/Public Safety 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 and Longevity 50 basis points
Discount Rate	No change

Additional changes to actuarial assumptions as a result of the experience study and VRS Board action for specific VRS OPEB plans are as noted:

Health Insurance Credit – Political Subdivision and Teacher Plans

Benefit participation (future service retirees)	Increased participation to 87% for Political Subdivisions and reduced participation 94% for Teachers
Benefit participation (future disability)	Increased participation to 54% for Political Subdivisions and reduced participation to 84% for Teachers
Benefit participation (from terminated vested)	Increased participation to 87% for Political Subdivisions and reduced participation 94% for Teachers

Benefit utilization (not receiving the max)	Reduced to 4% for Political Subdivisions and reduced to 13% for Teachers
Benefit utilization (not receiving the max-amount of max received)	No change
Benefit Utilization (benefit increase for those not at the max)	Removed
Percentage of deferred vested members to withdraw from VRS	Reduced
Terminated vested member commencement age	Adjusted slightly

Group Life Insurance

Retiree liability estimation for Life Only	Change from 1.618% to 2.0%

Virginia Local Disability Program - Political Subdivision and Teacher Plans

Rates of disability claim incidence	Pension assumption scaled up to reflect increased Hybrid incidence
Rates of disability claim termination	Lower termination in early years, higher in later years
Benefit offsets	Adjusted slightly
Catastrophic claims	No change
Percentage eligible for additional 1% defined contribution	No change

Line of Duty Act

Line of Duty Disability	No change
Percentage of disabilities qualifying for benefits	Increased to 100%
Percentage of deaths qualifying for benefits	No change
Percentage of qualifying deaths that are a direct result of the performance of duty	No change
Spouse/dependent participation rate	No change
Percent assumed to be eligible for Medicare due to age	Increased from 75% to 85%
Health Care trend rates	No Change: will be reviewed each valuation cycle
Missing Data Assumptions	Unknown Gender: No Change Unknown Date of Birth: No Change Missing Service: adjusted slightly
Full-time Equivalent Weightings	National Guard Full-Time: from 100% to 75% National Guard Part-Time: from 10% to 5% Political Subdivisions Volunteer Part-Time: From 25% to 20% All Other Part-Time: 100% to 50%

Supporting Schedule

Bedford Regional Water Authority

Schedule 1

Schedule of Departmental Operating Income (Loss)

Year Ended June 30, 2026

	Water	Sewer	Total
OPERATING REVENUES			
Water sales	$ 11,936,939	$ -	$ 11,936,939
Capital recovery fees	1,389,000	1,036,500	2,425,500
Sewer service	-	7,056,098	7,056,098
Wastewater treatment plant operation fees	-	118,632	118,632
Review fees	92,004	49,540	141,544
Meter base installation fees	128,400	-	128,400
Account charges	39,900	22,275	62,175
Other	371,437	118,204	489,641
Penalties	134,144	82,796	216,940
Total operating revenues	14,091,824	8,484,045	22,575,869
OPERATING EXPENSES			
Water systems	3,316,567	-	3,316,567
Sewer systems	-	2,342,257	2,342,257
Depreciation and amortization	3,187,904	2,578,789	5,766,693
Salaries and employee benefits	5,004,992	2,694,996	7,699,988
Management and general	296,379	159,589	455,968
Customer service and information services	325,808	175,435	501,243
Vehicles	245,114	131,985	377,099
Engineering, operations, and maintenance	124,846	67,224	192,070
Total operating expenses	12,501,610	8,150,275	20,651,885
Operating income	**$ 1,590,214**	**$ 333,770**	**$ 1,923,984**

Statistical Section

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

Contents

Table

Financial Trends 1-4

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

Revenue Capacity 5-13

These schedules contain information to help the reader assess the Authority's most significant revenue source, water, and sewer charges.

Debt Capacity 14-16

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

Demographic and Economic Information 17-18

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

Operating Information 19-20

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

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Notes:

The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data.

The authority implemented GASB Statement 87 and restated net position for 2021. The restatement is not included in the prior year data.

Bedford Regional Water Authority

Table 1

Net Position by Component

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Primary Government										
Net investment in capital assets	$ 85,309,650	$ 82,841,851	$ 81,126,433	$ 66,156,631	$ 72,160,769	$ 66,445,010	$ 64,970,658	$ 63,427,831	$ 64,413,555	$ 62,754,656
Restricted	3,672,566	3,339,454	2,994,979	2,972,281	2,795,493	2,799,407	2,603,137	2,386,880	2,294,317	2,270,755
Unrestricted	18,884,570	17,184,469	12,351,746	22,050,684	11,715,080	13,689,313	12,006,937	9,605,961	6,183,496	4,390,746
Total primary government net position	**$ 107,866,786**	**$ 103,365,774**	**$ 96,473,158**	**$ 91,179,596**	**$ 86,671,342**	**$ 82,933,730**	**$ 79,580,732**	**$ 75,420,672**	**$ 72,891,368**	**$ 69,416,157**

Note: The Authority implemented GASB Statement 75 and restated beginning net position for 2018. An additional restatement for a local OPEB plan was recorded in 2019. The restatements are not included in the prior year data. The authority implemented GASB Statement 87 and restated net position for 2021. The restatement is not included in the prior year data.

Bedford Regional Water Authority

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues (Expenses)	Income (Loss) before Capital Contributions & Subsidies	Subsidies & Capital Contributions	Change in Net Position
2026	$ 22,575,869	$ 20,651,885	$ 1,923,984	$ (495,327)	$ 1,428,657	$ 3,072,355	$ 4,501,012
2025	19,910,834	19,483,519	427,315	(611,304)	(183,989)	7,076,605	6,892,616
2024	19,673,800	18,429,036	1,244,764	(748,980)	495,784	4,797,778	5,293,562
2023	17,682,556	17,002,418	680,138	(960,036)	(279,898)	4,788,152	4,508,254
2022	16,642,706	15,985,582	657,124	(1,329,520)	(672,396)	4,410,008	3,737,612
2021	15,984,301	14,887,276	1,097,025	(1,374,880)	(277,855)	3,606,977	3,329,122
2020	15,179,062	13,912,294	1,266,768	(1,428,317)	(161,549)	4,321,609	4,160,060
2019	14,658,464	13,591,700	1,066,764	(1,479,597)	(412,833)	3,129,186	2,716,353
2018	13,183,498	11,516,468	1,667,030	(669,425)	997,605	2,701,869	3,699,474
2017	12,984,845	11,339,910	1,644,935	(1,042,911)	602,024	3,041,532	3,643,556

Bedford Regional Water Authority

Operating Expenses

Last Ten Fiscal Years

Fiscal Year	Water Systems	Sewer Systems	Employment Costs	General Office and Departmental Expenses	Subtotal, Expenses before Depreciation and Amortization	Depreciation and Amortization	Total
2026	$ 3,316,567	$ 2,342,257	$ 7,699,988	$ 1,526,380	$ 14,885,192	$ 5,766,693	$ 20,651,885
2025	2,768,236	1,985,197	7,530,255	1,510,309	13,793,997	5,689,522	19,483,519
2024	2,556,963	1,824,347	7,075,760	1,549,307	13,006,377	5,422,659	18,429,036
2023	2,651,438	1,674,509	6,373,906	1,315,607	12,015,460	4,986,958	17,002,418
2022	2,465,518	1,470,044	5,834,768	1,488,621	11,258,951	4,726,631	15,985,582
2021	2,287,239	1,503,359	5,505,750	1,138,604	10,434,952	4,452,324	14,887,276
2020	1,809,069	1,548,189	5,291,180	854,544	9,502,982	4,409,312	13,912,294
2019	1,789,809	1,624,180	4,732,359	1,092,500	9,238,848	4,352,852	13,591,700
2018	1,783,950	1,339,282	4,188,962	755,521	8,067,715	3,448,753	11,516,468
2017	1,960,333	1,456,985	4,023,075	674,327	8,114,720	3,225,190	11,339,910

Bedford Regional Water Authority

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Interest Expense [a]	Investment Income	Total Nonoperating Expenses
2026	$ 89,133	$ (1,004,466)	$ 420,006	$ (495,327)
2025	53,503	(1,111,430)	446,623	(611,304)
2024	72,720	(1,138,335)	316,635	(748,980)
2023	41,448	(1,161,814)	160,330	(960,036)
2022	88,517	(1,439,443)	21,406	(1,329,520)
2021	5,128	(1,550,179)	170,171	(1,374,880)
2020	(65,497)	(1,556,017)	193,197	(1,428,317)
2019	25,498	(1,673,218)	168,123	(1,479,597)
2018	35,463	(764,195)	59,307	(669,425)
2017	10,044	(1,125,038)	72,083	(1,042,911)

[a] Net of capitalized amounts in years 2016-2018. GASB 89 was implemented in 2019.

Bedford Regional Water Authority

Table 5

Operating Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Water Revenue	Sewer Revenue	Water Capital Recovery Revenue	Sewer Capital Recovery Revenue	Penalties and Fees [a]	Miscellaneous [b]	Total
2026	$ 11,936,939	$ 7,056,098	$ 1,389,000	$ 1,036,500	$ 667,691	$ 489,641	$ 22,575,869
2025	10,968,088	6,452,510	966,000	530,200	576,495	417,541	19,910,834
2024	10,857,288	5,888,861	1,193,570	561,680	742,895	429,506	19,673,800
2023	9,648,347	5,417,827	1,031,200	474,400	574,279	536,503	17,682,556
2022	9,470,684	4,846,172	1,157,100	431,400	254,404	482,946	16,642,706
2021	8,943,355	4,666,237	1,002,500	716,700	341,148	314,361	15,984,301
2020	8,753,627	4,538,020	756,450	575,500	315,531	239,934	15,179,062
2019	8,249,328	4,407,638	804,425	650,000	301,177	245,896	14,658,464
2018	7,662,156	3,849,032	664,000	436,900	328,835	242,575	13,183,498
2017	7,519,344	3,790,135	638,200	470,600	343,783	222,783	12,984,845

[a] Penalties and Fees include review fees, account charges, penalties, and meter installation fees.

[b] Miscellaneous includes reconnect fees, cellular antennae rental on water tanks, and other miscellaneous revenue.

Bedford Regional Water Authority

Table 6

Water Produced and Consumed and Wastewater Treated

Last Ten Fiscal Years

	Water				Sewer			
Fiscal Year	Gallons Produced (000's)	Gallons Billed (000's)	Other Unbilled Uses (000's)	Water Accountability	Gallons Treated (000's)	Gallons Billed (000's)	Other Unbilled Uses (000's)	Sewer Accountability
2026	1,358,261	977,154	-	71.94%	560,676	383,534	-	68.41%
2025	1,313,832	1,004,308	49,673	80.22%	598,981	405,856	-	67.76%
2024	1,341,668	976,022	73,623	78.23%	605,552	391,254	-	64.61%
2023	1,313,327	942,016	53,929	75.83%	611,602	370,652	-	60.60%
2022	1,327,512	936,977	25,337	72.49%	621,652	362,410	-	58.30%
2021	1,277,232	951,048	23,627	76.31%	635,033	356,962	-	56.21%
2020	1,226,182	929,666	59,825	80.70%	586,371	356,658	-	60.82%
2019	1,132,893	894,789	96,640	87.51%	708,788	369,144	-	52.08%
2018	1,207,069	917,950	31,194	78.63%	538,400	330,082	558	61.41%
2017	1,086,440	858,199	10,015	79.91%	470,931	324,911	-	68.99%

Note: Other unbilled uses include water that is used for flushing and new construction.

Table 7

Bedford Regional Water Authority

Annual Connections

Last Ten Fiscal Years

Fiscal Year	Water Connection	Sewer Connections	Total New Connections
2026	259	161	420
2025	233	129	362
2024	183	79	262
2023	161	75	236
2022	133	137	270
2021	241	134	375
2020	191	113	304
2019	342	177	519
2018	456	232	688
2017	206	107	313

Note: Connections are the total connections sold within a fiscal year. Customers may pay connection charges and wait to connect to the system. Connections sold do not necessarily represent new customers that are active and paying monthly rates.

Table 8

Bedford Regional Water Authority

Number of Water Customers by Type

Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Institutional	Irrigation	Total
2026	15,344	968	1	154	92	16,559
2025	14,874	720	1	119	91	15,805
2024	13,404	897	2	160	78	14,541
2023	13,404	897	2	160	78	14,541
2022	13,219	986	2	176	65	14,448
2021	13,215	846	27	113	73	14,274
2020	13,012	836	27	112	71	14,058
2019	12,480	823	27	107	71	13,508
2018	12,894	807	25	73	13	13,812
2017	12,800	787	24	68	57	13,736

Note: Institutional includes governmental and educational user types.

Bedford Regional Water Authority

Table 9

Number of Sewer Customers by Type

Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Institutional[a]	Total
2026	5,809	635	1	90	6,535
2025	5,666	735	2	121	6,524
2024	5,387	620	2	83	6,092
2023	4,885	675	2	113	5,675
2022	4,736	695	2	121	5,554
2021	4,727	601	9	69	5,406
2020	4,564	532	9	64	5,169
2019	4,199	535	9	66	4,809
2018	4,123	564	9	46	4,742
2017	4,071	575	9	43	4,698

[a] Institutional includes governmental and educational user types.

Bedford Regional Water Authority

Table 10

Ten Largest Water Customers

Current Year

Customer	2026 Revenue	2026 Percentage
Western Virginia Water Authority	$ 184,114	1.54 %
Cintas Corporation	88,849	0.74
Thomas Builders	76,053	0.64
Southwood Realty	54,519	0.46
Lyondellbesell Advan, Inc.	51,095	0.43
Gables of Spring Creek	46,032	0.39
Spring Oak Bedford, LLC	45,613	0.38
Forest Road Express Wash, LLC	34,511	0.29
Zips Carwash, LLC	28,541	0.24
Conserve Forest, LLC	26,851	0.22
Subtotal (10 largest)	636,178	5.33
Balance from other customers	11,300,761	94.67
Grand totals	**$ 11,936,939**	100.00 %

Bedford Regional Water Authority

Table 11

Ten Largest Sewer Customers

Current Year

Customer	2026 Revenue	2026 Percentage
Thomas Builders	$ 102,099	1.45 %
Cintas Corporation	82,025	1.16
Southwood Realty	66,264	0.94
Lyondellbasell Advan, Inc.	60,557	0.86
Spring Oak Bedford, LLC	59,915	0.85
Gables of Spring Creek	57,510	0.82
Zips Carwash LLC	54,202	0.77
National Park Service	49,976	0.71
Forest Road Express Wash LLC	44,029	0.62
Conserve Forest, LLC	39,711	0.56
Subtotal (10 largest)	616,288	8.73
Balance from other customers	6,439,810	91.27
Grand totals	$ 7,056,098	100.00 %

Bedford Regional Water Authority

Table 12

Schedule of Water and Sewer Rates

Current Year

Base and Minimum (Charges (billed on a bi-monthly basis)

Volume Charges:

Volume Charges are rates per 1,000 gallons.

Customer Type	Water	Sewer
Residential & Commercial	$7.50	$9.50
Industrial	$7.00	$9.00
Bulk Filling	$12.00	n/a

Base Charges:

Base Charges are per month.

Meter Size	Water	Sewer
5/8"	$33.00	$33.00
3/4"	$47.00	$47.00
1"	$76.00	$76.00
1-1/2"	$132.00	$132.00
2"	$212.00	$212.00
3"	$396.00	$396.00
4"	$660.00	$660.00
6"	$1,320.00	$1,320.00
8"	$2,145.00	$2,145.00
10"	$3,630.00	$3,630.00
Cedar Rock 5/8"	$33.00	$78.00
Paradise Point 5/8"	$47.00	n/a
Mariners 5/8"	$33.00	$41.00
Mariners 1"	$76.00	$95.00

Bedford Regional Water Authority

Table 13

Schedule of Water and Sewer Capital Recovery Fees

Customer Type or Meter Size	All Service Areas	
	Water	Sewer
Deposits – See Deposit Policy		
Residential	$125	$125
Non-Residential	$425	$425
Capital Recovery Fees – See Rate Information Policy		
5/8"	$5,000	$5,900
3/4"	$7,000	$9,000
1"	$12,000	$14,000
1-1/2"	$20,000	$24,000
2"	$32,000	$38,000
3"	$60,000	$71,000
4"	$100,000	$118,000
6"	$200,000	$236,000
8"	$346,000	$384,000
Tap Fees – See Rate Information Policy		
5/8" w & 4" s	$1,600	$2,500
3/4" w & 4" s	$1,800	$2,500
1" w & 6" s	$2,000	$2,700
Meter Fees – See Rate Information Policy		
5/8"	$275	
3/4"	$425	
1"	$450	

Note: The minimum capital recovery fee is $5,000 for water and $5,900 for sewer.

Bedford Regional Water Authority

Table 14

Schedule of Debt Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	Debt Coverage Reserve [a]	Operating Revenues	Direct Operating Expenses [b]	Bedford County Support [c]	Net Available for Debt Service	Principal [d]	Interest [e]	Total	Debt Coverage
2026	$ 2,329,366	$ 22,575,869	$ 14,885,192	$ 1,000,000	$ 11,020,043	$ 1,698,761	$ 1,022,516	$ 2,721,277	405 %
2025	2,285,774	19,910,834	13,793,997	1,000,000	9,402,611	3,162,962	1,109,616	4,272,578	220
2024	2,203,275	19,673,800	13,006,377	1,000,000	9,870,698	2,520,345	1,141,250	3,661,595	270
2023	2,156,567	17,682,556	12,015,460	2,000,000	9,823,663	2,427,256	1,237,139	3,664,395	268
2022	2,207,370	16,642,706	11,258,951	2,000,000	9,591,125	3,310,177	1,362,298	4,672,475	205
2021	2,390,992	15,984,301	10,437,852	2,000,000	9,937,441	3,147,345	1,503,679	4,651,024	214
2020	2,265,187	15,179,062	9,502,982	2,000,000	9,941,267	2,855,386	1,473,066	4,328,452	230
2019	2,249,660	14,658,464	9,238,848	2,000,000	9,669,276	2,784,268	1,587,202	4,371,470	221
2018	2,205,250	13,183,498	8,067,715	2,000,000	9,321,033	2,668,592	1,698,931	4,367,523	213
2017	2,251,667	12,984,845	8,114,720	2,000,000	9,121,792	2,502,565	1,792,102	4,294,667	212

[a] Balance includes a cash reserve fund that can be included in debt coverage reserve but does not have to be restricted cash or net position unless it is needed to meet a debt coverage ratio of 115%.

[b] Excluding depreciation, interest, and amortization.

[c] Excludes $500,000 received from 2021 to 2023 for capital projects.

[d] Balance represents principal due in one year excluding bond premiums.

[e] Balance represents interest due in one year for revenue bonds, and debt with the City of Lynchburg.

Bedford Regional Water Authority

Outstanding Debt by Category

Last Ten Fiscal Years

Fiscal Year Ended June 30	Lynchburg Sewer System Bonds	Pooled Loan Bonds	Due to Town of Bedford	Unamortized Premium	Total
2026	$ 756,781	$ 41,060,238	$ -	$ 561,847	$ 42,378,866
2025	817,217	43,566,975	617,000	611,872	45,613,064
2024	877,563	44,713,457	1,216,998	693,202	47,501,220
2023	937,819	46,498,457	1,798,998	774,530	50,009,804
2022	997,986	35,920,000	2,289,010	1,013,145	40,220,141
2021	756,512	38,540,000	2,771,353	1,278,793	43,346,658
2020	616,513	37,145,000	3,246,381	957,431	41,965,325
2019	725,170	39,480,000	3,716,993	1,186,763	45,108,926
2018	857,748	41,365,000	4,368,007	1,415,964	48,006,719
2017	1,042,670	43,040,000	5,010,650	1,645,167	50,738,487

Bedford Regional Water Authority

Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding Debt	Number of [a] Connections	Debt per Connection (3)=(1)/(2)	Estimated [b] Population Served (4)=(2)*2.5	Debt per Capita (5)=(1)/(4)	Income [c] per Capita	Debt per Capita as a % Income per Capita (7)=(5)/(6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2026	$ 42,378,866	23,094	$ 1,835	57,735	$ 734	$ *	*
2025	45,613,064	22,329	2,043	55,823	817	*	*
2024	47,501,220	21,621	2,197	54,053	879	*	*
2023	50,009,804	20,216	2,474	50,540	990	36,891	2.68%
2022	40,220,141	20,002	2,011	50,005	804	34,565	2.33%
2021	43,346,658	19,680	2,203	49,200	881	46,707	1.89%
2020	41,965,325	19,227	2,183	48,068	873	46,707	1.87%
2019	45,108,926	18,317	2,463	45,793	985	*	*
2018	48,006,719	18,554	2,587	46,385	1,035	42,082	2.46%
2017	50,738,486	18,434	2,752	46,085	1,101	41,307	2.67%

[a] Connections from Tables 8 and 9.

[b] The Virginia Department of Health estimates 2.5 residents per connection.

[c] Per capita income from Virginia Public Works, VA Community Profile. Per capita income information has not been made available for use for fiscal year 2026.

* No data available in year for use.

Bedford Regional Water Authority

Table 17

Ten Largest Employers (Bedford Town and County)

Current Year and Nine Years Ago

Employer	2026 Employees	2026 Rank
Bedford County School Board	1000+	1
County of Bedford	500-999	2
Centra Health	500-999	3
Walmart	500-999	4
GP Big Island, LLC	250-499	5
Food Lion	250-499	6
Sentry Equipment Erectors	250-499	7
Runk & Pratt Health Care, Inc.	100-249	8
Elwood Staffing Services, Inc.	100-249	9
Uos, LLC	100-249	10

Employer	2017 Employees	2017 Rank
Bedford County School Board	1000+	1
County of Bedford	500-999	2
Centra Health	500-999	3
Mail America Communications	500-999	4
TEVA Pharmaceuticals	250-499	5
Walmart	250-499	6
GP Big Island, LLC	250-499	7
Manpower International	100-249	8
Sam Moore Furniture, LLC	100-249	9
Food Lion	100-249	10

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW).

Table 18

Bedford Regional Water Authority

Number of Employees by Identifiable Activity

Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30,									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Administration	9.5	9.5	8.5	7.5	5.5	5.5	5.5	5.5	5.5	5.0
Customer	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0
IT	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5
Engineering	14.0	13.5	13.5	12.5	14.0	13.0	13.0	12.0	8.0	8.0
Plant operations	25.0	24.0	23.5	26.5	26.0	28.0	28.0	27.0	23.0	23.0
Maintenance	23.0	24.0	24.0	24.0	23.0	23.0	19.0	21.0	19.0	19.0
	84.5	**84.0**	**82.5**	**83.5**	**81.5**	**82.5**	**78.5**	**78.5**	**68.0**	**66.5**

Table 19

Bedford Regional Water Authority

Operating Indicators

Last Ten Fiscal Years

	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Water meters read	188,376	183,331	177,630	174,401	176,489	173,397	170,017	164,492	122,864	84,139
Meter installations and change outs	1,717	708	508	430	904	1,056	1,353	1,187	795	1,510
Payments transacted	159,997	165,606	161,599	171,930	178,677	150,884	149,222	214,524	106,787	77,530

[a] Number of meters read for billing purposes.

Table 20

Bedford Regional Water Authority

Capital Asset Statistics

Last Ten Fiscal Years

	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Miles of water line	370	405	404	406	400	399	399	388	385	362
Miles of sewer line	160	161	161	164	160	157	156	144	145	141
Water pump stations	4	3	3	2	2	2	2	2	2	2
Sewer pump stations	33	32	32	32	32	32	32	22	22	22
Water storage tanks	17	15	15	15	15	15	14	12	12	12
Wastewater treatment plants	5	5	5	5	5	5	5	3	3	3
Water treatment plants	5	5	5	5	5	5	4	4	7	7

Compliance Section

BROWNEDWARDS
certified public accountants

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

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Bedford Regional Water Authority (the "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, and have issued our report thereon dated November 4, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2026

Bedford Regional Water Authority

Summary of Compliance Matters

June 30, 2026

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

State Compliance Matters

Code of Virginia:

Cash and Investment Laws
Conflict of Interests Act
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act

.

Bedford Regional Water Authority

Schedule of Findings and Responses

June 30, 2026

A – Findings – Financial Statement Audit

No findings in current year.

B – Findings – Commonwealth of Virginia

No findings in current year.

Bedford Regional Water Authority

Schedule of Prior Audit Findings

June 30, 2026

A – Finding – Financial Statement Audit

2025-001: Recognition of Revenues (Significant Deficiency)

Condition: The Authority frequently utilizes external funding to support construction projects, with funding received either as reimbursements for costs incurred or as upfront advances prior to project completion. During our audit, we noted that revenue is often recognized when cash is received rather than when the underlying eligible costs are incurred or project milestones are met. This practice has resulted in instances where revenues, accounts receivable, and deferred revenue balances are misstated.

Current Status: Condition is no longer present.

B – Findings – Commonwealth of Virginia

No findings in the prior year.

BROWNEDWARDS
certified public accountants

Required Communication with Those Charged with Governance

To the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

We have audited the financial statements of the Bedford Regional Water Authority (the "Authority"), for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 6 to the financial statements, the Authority adopted new accounting standards for 2026: GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement 104, *Disclosure of Certain Capital Assets;* the cumulative effect of the accounting change as of the beginning of the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are described below.

- Management's estimate of the useful lives of capital assets and the allowance for uncollectible accounts receivable which are based on management's knowledge and judgment, which is based on historical review of capital asset usage and the collectability of aged accounts receivable, respectively.
- Management's estimate of the local plan net OPEB liability is based on third-party actuarial calculations and assumptions that utilize census data provided by management.
- The net pension liability and the net OPEB liability for state administered plans are based on actuarial studies provided by actuaries engaged by the Virginia Retirement System.
- The lease receivable and deferred inflow for leases are based on the effective interest rate method.

- The accrual of the compensated absences liability is based on management's knowledge and judgment, which is based on historical experience.

We evaluated the key methods, assumptions, and data used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Capital assets, long-term liabilities, other postemployment benefits, defined benefit pension plan, and commitments and contingencies.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Please see the attached corrected misstatements detected as a result of audit procedures and deemed immaterial to the financial statements as a whole.

Uncorrected Misstatements

- Estimated adjustment derived from analysis of aged accounts receivable listings to increase bad debt expense and allowance for doubtful accounts for $164,000. Due to inability to isolate specific balances without extensive account-level review, the amount represents an estimate rather than a known misstatement. The amount is presented for informational purposes and consideration in evaluating management's allowance methodology and related management letter comment.

In addition, as part of our engagement with the Authority, we assisted with year-end entries related to pension, other post-employment benefits, deferred revenues, and leases. Please see attached schedule of year-end entries.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2026, a copy of which is attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedules of changes in net pension and net OPEB liability and related ratios, pension and OPEB contributions, and employer's share of net OPEB liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of departmental income (loss) which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Bedford Regional Water Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2026

Client: ***0603248.0 - Bedford Regional Water Authority***
Engagement: ***26 AUD - Bedford Regional Water Authority***
Period Ending: ***6/30/2026***
Trial Balance: ***TB***
Workpaper: ***Combined Journal Entries Report***

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To update current year GASB 68 balances.			
1002-1002	Deferred Outflows of Resources (Pensions)	469,743.00	
2100-0400	Net Pension Liabilty		361,858.00
2300-1000	Deferred Inflows of Resources		97,077.00
4100-0040	VRS Retirement and Group Life		10,808.00
Total		**469,743.00**	**469,743.00**
Adjusting Journal Entries JE # 2			
To update current year GASB 75 balances.			
1002-1005	Local OPEB Deferred Outflows	3,292.00	
1002-1006	Local OPEB Deferred Inflows	35,771.00	
2100-0510	Local OPEB Liability		29,663.00
4100-0040	VRS Retirement and Group Life		9,400.00
Total		**39,063.00**	**39,063.00**
Adjusting Journal Entries JE # 3			
To adjust VRS GLI OPEB liability deferred inflows and outflows.			
2100-0500	VRS OPEB Liability	32,613.00	
1002-1003	VRS OPEB Deferred Outflow		9,551.00
1002-1004	VRS OPEB Deferred Outflow		3,226.00
4100-0040	VRS Retirement and Group Life		19,836.00
Total		**32,613.00**	**32,613.00**
Adjusting Journal Entries JE # 4			
AJE to clear out deferred revenue account for completed project in CY.			
2300-0004	Deferred Revenue- VDH	73,695.00	
3904-3324	VDH Grant		73,695.00
Total		**73,695.00**	**73,695.00**
Adjusting Journal Entries JE # 5			
Journal entry to record Lessor activity for FY26.			
1101-8008	Cellular Rental AR	46,337.00	
2300-1001	Deferred Inflow of Resources- Leases		31,077.29
3903-3262	Cellular Antenna Rental- BRWA portion		740.34
3905-0000	Interest Income- Leases		14,519.37
Total		**46,337.00**	**46,337.00**
Adjusting Journal Entries JE # 6			
Entry to record capital additions for montvale water acquisition and clear the fixed asset clearing account.			
1500-4000	Montvale Water	480,451.00	
1801-0000	Fixed Asset Clearing Account		480,451.00
Total		**480,451.00**	**480,451.00**

Client: ***0603248.0 - Bedford Regional Water Authority***
Engagement: ***26 AUD - Bedford Regional Water Authority***
Period Ending: ***6/30/2026***
Trial Balance: ***TB***
Workpaper: ***Combined Journal Entries Report***

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
PBC entry from calculations made on Accrued AR Report.			
3000-3000	Water Sales	10,525.62	
3100-3000	Sewer Sales	19,297.84	
1101-1000	Billings Receivable Water		10,525.62
1101-3000	Billings Receivable Sewer		19,297.84
Total		**29,823.46**	**29,823.46**
Adjusting Journal Entries JE # 8			
To adjust AR using unbilled balances in AR based on BE calculations.			
1101-1000	Billings Receivable Water	163,236.17	
1101-3000	Billings Receivable Sewer	76,137.23	
3000-3000	Water Sales		163,236.17
3100-3000	Sewer Sales		76,137.23
Total		**239,373.40**	**239,373.40**
Adjusting Journal Entries JE # 9			
PBC entry to make capital asset adjustments.			
1250-0327	CIP- FY2026 CIP Projects	4,000.00	
1400-1000	SML Water Treatment Facility	378,430.00	
1700-0015	Moneta Sewer	38,044.54	
1700-0020	Mariners Landing Sewer	12,760.01	
4010-0170	Advertising	105.60	
4223-0100	Water Operations Supplies	117.50	
4400-0821	Moneta Sewer Depreciation	271.00	
4400-0824	SML Water Treatment Facility Depreciation	15,344.56	
4400-0825	Mariners Landing Sewer Depreciation	153.82	
4400-0826	Montvale Water Depreciation	106.77	
1250-0306	CIP- SML Facility Capital Projects		378,430.00
1250-0335	CIP- Mariners Landing projects		12,760.01
1250-0337	FY24-25 CIP Projects		4,000.00
1250-0381	CIP- Moneta WWTP/PS projects		38,044.54
1900-0000	Accumulated Depreciation		15,876.15
2000-1000	Accounts Payable		105.60
2000-1000	Accounts Payable		117.50
Total		**449,333.80**	**449,333.80**

Client: ***0603248.0 - Bedford Regional Water Authority***
Engagement: ***26 AUD - Bedford Regional Water Authority***
Period Ending: ***6/30/2026***
Trial Balance: ***TB***
Workpaper: ***Combined Journal Entries Report***

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
Client inventory for maintenance inventory used.			
4010-0110	Building Maintenance Expense	2,544.76	
4250-0100	Forest Water Supplies	80,919.41	
4260-0100	Well Systems Supplies	516.24	
4265-0100	SML Central Water Distribution Supplies	28,286.09	
4275-0100	Central Water Supplies	100,144.96	
4280-0100	Stewartsville Water Supplies	131.32	
4285-0100	Montvale Water Supplies	43,442.48	
4290-0100	Forest Sewer Supplies	6,479.05	
4291-0100	Central Sewer Collection Supplies	7,161.76	
4292-0100	Moneta Sewer Supplies	781.05	
4293-0100	Center Sewer Treatment Supplies	32.62	
4295-0100	Montvale Sewer Supplies	74.84	
4340-0100	Mariners Landing Sewer Supplies	148.74	
1200-0001	Maintenance Inventory		270,663.32
Total		**270,663.32**	**270,663.32**
Adjusting Journal Entries JE # 11			
Meter inventory used entry.			
4250-0101	Forest Water Meter Installations	386,155.51	
4260-0101	Well Systems Meter Installations	3,452.98	
4265-0101	SML Central Water Distribution Meter Installations	67,274.07	
4275-0101	Central Water Meter Installations	42,874.52	
4280-0101	Stewartsville Meter Installations	8,902.05	
4285-0101	Montvale Water Meter Installations	94,976.19	
1200-0002	Meter Inventory		603,635.32
Total		**603,635.32**	**603,635.32**
Adjusting Journal Entries JE # 13			
To adjust meter inventory balances based on reports received from BRWA.			
1200-0001	Maintenance Inventory	30,942.34	
1200-0002	Meter Inventory		10,586.94
4250-0100	Forest Water Supplies		6,785.13
4265-0100	SML Central Water Distribution Supplies		6,785.13
4275-0100	Central Water Supplies		6,785.14
Total		**30,942.34**	**30,942.34**
	Total Adjusting Journal Entries	**2,765,673.64**	**2,765,673.64**

Client: ***0603248.0 - Bedford Regional Water Authority***
Engagement: ***26 AUD - Bedford Regional Water Authority***
Period Ending: ***6/30/2026***
Trial Balance: ***TB***
Workpaper: ***Combined Journal Entries Report***

Account	Description	Debit	Credit
Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 12			
To adjust receivable balance to present their allocations materially accurate.			
1101-1000	Billings Receivable Water	820,270.70	
1101-3000	Billings Receivable Sewer		820,270.70
Total		**820,270.70**	**820,270.70**
	Total Reclassifying Journal Entries	**820,270.70**	**820,270.70**
	Total All Journal Entries	**3,585,944.34**	**3,585,944.34**

November 4, 2026

Brown, Edwards & Company, L.L.P.
Certified Public Accountants
3906 Electric Road
Roanoke, Virginia 24018

This representation letter is provided in connection with your audit of the financial statements of the Bedford Regional Water Authority (the "Authority"), which comprise the financial position of the Authority as of June 30, 2026, and the changes in financial position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 4, 2026, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2026, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility 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.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8) The effects of uncorrected misstatements summarized below are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, you have proposed adjusting journal entries that we agree with and have posted.
   a) Estimated adjustment derived from analysis of aged accounts receivable listings to increase bad debt expense and allowance for doubtful accounts for $164,000. Due to inability to isolate specific balances without extensive account-level review, the amount represents an estimate rather than a known misstatement. The amount is presented for informational purposes and consideration in evaluating management's allowance methodology and related management letter comment.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

11) We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

12) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

   - Management,
   - Employees who have significant roles in internal control,
   - Service organizations used by the entity, or
   - Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

19) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions, including any side agreements.

Government – Specific

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

22) We have a process to track the status of audit findings and recommendations.

23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

25) The entity has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

28) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB No. 101.

29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30) As part of your audit, you assisted with preparation of the financial statements and related notes as well as certain nonaudit journal entries. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and ensured that the entity's data and records are complete and received sufficient information to oversee the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

31) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

34) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

35) Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41) Special and extraordinary items (unusual items or infrequent items after implementing GASBS No. 103) are appropriately classified and reported, if applicable.

42) Unusual or infrequent items are appropriately classified and reported.

43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

45) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

46) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

47) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board Statements (GASBS) that are not yet effective, as

discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

48) We agree with the findings of specialists in evaluating the net pension and net OPEB liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

49) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

50) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

51) With respect to the supplementary information on which an in-relation-to opinion is issued.

    a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

52) With respect to the letter of transmittal and statistical section:

    a) We acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.

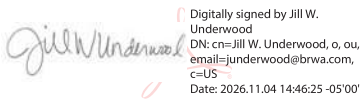
    b) With regard to the other information that will be included in the annual report that has not been obtained by you prior to the auditor's report date, we intend to prepare and issue the other information, as well as communicate the expected timing of issuance, and provide you with the final version of the document(s) when available and prior to the issuance of the annual report.

53) Expenditures of federal awards were below the $1,000,000 threshold in the audit period, and we were not required to have an audit in accordance with the Uniform Guidance.

54) We reaffirm the representations made to you in our letter dated December 5, 2025 regarding your audit for the fiscal year ended June 30, 2025.

Signature:  Brian Key
2026.11.06 10:09:27 -05'00'

Brian M. Key
Executive Director

Signature: 

Jill W. Underwood
Director of Finance

Bedford Regional Water Authority

Report on Comments and Suggestions and Required Communications

June 30, 2026

BROWNEDWARDS
certified public accountants

Bedford Regional Water Authority

Contents

Independent Auditor's Report on Comments and Other Suggestions.....1
Current Year Comments and Suggestions 3
Summary of Prior Year Comments and Suggestions 4
Accounting and Other Matters 7

BROWNEDWARDS
certified public accountants

Independent Auditor's Report on Comments and Other Suggestions

To the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

In planning and performing our audit of the financial statements of the Bedford Regional Water Authority (the "Authority") as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and to comply with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as presented in this letter, we identified a certain deficiency in internal control that we consider to be a material weakness.

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.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being

all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The Authority's responses to our recommendations are included in this report. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Board, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2026

Bedford Regional Water Authority

Current Year Comments and Suggestions

June 30, 2026

Allowance for Uncollectible Accounts

During our testing of accounts receivable and the allowance for uncollectible accounts, we noted that management had not performed a detailed review of customer accounts delinquent greater than 120 days or a formal assessment of accounts outstanding for extended periods. Based on our review of balances, we believe management needs to reevaluate their allowance for doubtful accounts estimate and review individual AR balances that might be delinquent. We recommend management establish a formal review process for inactive and delinquent customer accounts with outstanding balances. Such accounts should be reviewed at least quarterly to determine the validity and collectability of the receivable and to ensure balances are appropriately resolved through write-off, debt setoff, or other corrective action. While we encourage the implementation of these process enhancements, the allowance was deemed to be materially correct.

Management's Response: Management agrees with the recommendation. Historically, reviews of delinquent accounts have been performed on an informal basis. To strengthen internal controls, management will implement a documented review process for accounts receivable balances that are more than 120 days delinquent.

On a quarterly basis, Finance and Customer Service personnel will review delinquent accounts to evaluate collectability, identify accounts requiring additional collection efforts, and determine whether adjustments to the allowance for uncollectible accounts or other corrective actions should be considered.

Management will develop written procedures to document this review process and establish responsibilities for monitoring delinquent accounts. Implementation is expected during the current fiscal year.

Bedford Regional Water Authority

Summary of Prior Year Comments and Suggestions

June 30, 2026

Segregation of Duties

A properly designed and implemented system of internal control assists in preventing and detecting errors in financial reporting and fraud. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction, including authorization. Such access may allow errors or irregularities to occur and either not be detected or be concealed. Due to the limited size of the Authority's accounting staff, a proper separation of duties has not been established and maintained. While we realize that any internal control system must be cost effective, steps should be taken to eliminate performance of conflicting duties where possible, such as the following:

- Journal entries are not reviewed. We recommend that all journal entries be reviewed by someone other than the preparer prior to entry in the general ledger. While review of the periodic financials may detect erroneous entries, reviewing entries prior to entry would reduce the reliance on detection controls and reduce the inherent risk that offsetting erroneous or fraudulent entries are not apparent when aggregated in the monthly financials.

Current Year Status: Condition still present.

Management's Response: Management agrees with the recommendation. The Authority recognizes the importance of independent review controls over journal entries and will review existing processes to formalize review and approval procedures for significant and non-routine journal entries. Management currently performs oversight through periodic review of financial information and will continue to evaluate opportunities to strengthen internal controls.

In addition, the Authority is implementing a new ERP system, expected to go live in June 2027, which will provide enhanced security roles, approval workflows, and audit trail capabilities to further strengthen internal controls and segregation of duties.

Purchasing Policies and Procedures

We recommend the Authority consider using purchase order software, preferably one integrated with its current accounts payable software. Purchase orders communicate the terms and conditions of purchases which may reduce the likelihood of vendor disputes. Additionally, purchase orders provide a means for controlling and authorizing purchases within the organization and help provide a formal means for complying with purchasing policies. We also suggest the Authority update its purchasing policies and procedures to include the use of purchase orders.

Current Year Status: Condition still present. We further emphasize that any purchasing policy enhancements should also consider regulatory requirements from the Virginia Public Procurement Act and the Federal Uniform Guidance.

Management's Response: Management agrees with the recommendation. The Authority has selected a new ERP system with an anticipated go-live date of June 2027 that includes purchase order functionality. As part of the implementation process, management will evaluate opportunities to enhance purchasing controls through the use of purchase orders and improved procurement tracking. Management will also review existing purchasing policies and procedures and make updates, as appropriate, to align with system capabilities and applicable procurement requirements.

Bedford Regional Water Authority

Summary of Prior Year Comments and Suggestions

June 30, 2026

Capital Assets

Capital assets are not tagged or labeled with unique identification. Assets are typically tagged or labeled in order to accurately account for those capital assets and also help to ensure the completeness of the capital asset registers. We recommend policies and procedures be written about the tagging or labeling of capital assets with unique identification tags and its proper recording in the capital asset ledgers.

Current Year Status: Condition still present.

Management's Response: Management agrees with the recommendation. The Authority currently maintains unique identification numbers for capital assets within its accounting records. Management will evaluate opportunities to enhance capital asset identification procedures, including the use of physical asset tags where appropriate, and formalize procedures for maintaining identifying information within capital asset records.

Timeliness of Reconciliation Review

In our review of two out of twelve bank reconciliations, we noted that one was not reviewed timely. Upon further review, we noted that all other subsequent bank reconciliations had also not been reviewed. Timely reviews are one of the most important internal controls to promptly detect and recognize potential errors or other problems. This could mitigate the risk of errors or problems progressing and provide more accurate reports for management decisions. Also, it is generally easier and less time-consuming to review accounts while transactions are fresh in mind. As limited staffing can contribute to delays of performing reconciliations, we recommend that a schedule of completing reconciliation reviews on a set time frame is implemented and adhered to.

Current Year Status: We noted in our review of bank reconciliations in the current year that they are being performed; however they were not reviewed in a timely manner. Condition still present but downgraded from a material weakness to a control deficiency.

Management's Response: Management agrees with the recommendation. Management recognizes the importance of timely review of bank reconciliations and will formalize procedures to ensure reconciliations are reviewed and documented within an established timeframe. Management expects to implement these procedures during the current fiscal year.

Accounts Receivable Year-End Reconciliation

We noted the Authority did not reconcile year-end water and sewer accounts receivable balances reported in the general ledger to the underlying year-end subledgers and accrued accounts receivable. Historically, an audit adjustment is needed to adjust the general ledger to agree with the underlying supporting documentation and subledgers. We recommend the Authority perform a reconciliation at year-end to ensure accounts receivable balances are properly stated at year-end.

Current Year Status: Condition still present.

Management's Response: Management agrees with the recommendation. Management will work to incorporate a review of year-end accounts receivable balances and supporting documentation into the year-end closing process and continue to evaluate opportunities to improve reconciliation procedures.

Bedford Regional Water Authority

Summary of Prior Year Comments and Suggestions

June 30, 2026

Inventory

We noted the Authority was not able to reconcile year-end inventory reported in the general ledger. This is due in part to falling behind in reconciling physical inventory on hand to balances reported in the general ledger. We recommend the Authority come up with processes and procedures to properly track and maintain accurate inventory balances throughout the year.

Current Year Status: Condition is no longer present.

Recognition of Revenues (Significant Deficiency)

The Authority frequently utilizes external funding to support construction projects, with funding received either as reimbursements for costs incurred or as upfront advances prior to project completion. During our audit, we noted that revenue is often recognized when cash is received rather than when the underlying eligible costs are incurred or project milestones are met. This practice has resulted in instances where revenues, accounts receivable, and deferred revenue balances are misstated.

Current Year Status: Condition no longer present.

Bedford Regional Water Authority

Accounting and Other Matters

June 30, 2026

New GASB Pronouncements

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

The GASB issued **Statement No. 105, S*ubsequent Events*** in December 2025. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement 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. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

How the changes in this statement will improve financial reporting: The requirements of this Statement will improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users.

How the Board considered costs and benefits in the development of this statement: One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits of implementing this Statement—essential information about certain subsequent events that is more consistent, comparable, relevant, reliable, and understandable—are significant to users of financial statements. The Board believes that, in general, governments will have the information required to be disclosed and that some governments may already disclose that information. The Board also believes that permitting governments to disclose the reason why certain information cannot be disclosed mitigates potential cost concerns. Therefore, the Board believes that the costs associated with the implementation of and ongoing compliance with this Statement will be minimal and that the expected benefits of this Statement justify its perceived costs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

Bedford Regional Water Authority

Accounting and Other Matters

June 30, 2026

Current GASB Projects

GASB currently has a variety of projects in process. Some of these projects are discussed below.

Going Concern Uncertainties and Severe Financial Stress. The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. This project is currently in the initial deliberations period.

Infrastructure Assets. The objective of this project is to address issues related to accounting and financial reporting for infrastructure assets. The project would evaluate standards-setting options related to reporting infrastructure assets to make information (1) more comparable across governments and more consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time. This project is currently in the comment review period.

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. This project is currently in the re-deliberating preliminary views period.

OPERATIONS REPORT

BEDFORD WATER

MEMORANDUM

To: Board of Directors

From: Thomas Cherro, Director of Operations

Date: November 17, 2026

Re: Operations Summary for November 2026

---

1. **Bedford County Schools:** Operations will continue to provide support to Bedford County Schools; however, our primary operational responsibilities will be reduced. Bedford County Schools has agreed to provide additional manpower when needed, such as assisting with pulling pumps at various sites. With the anticipated shutdown of Stewartsville next year, both parties have agreed to meet again in the spring or summer to reevaluate the current contract and discuss transitioning to an hourly service agreement.
2. **SML GAC Building:** Facilities Maintenance (FM) installed panels and passed electrical inspection. Waiting for Southside Electric to install main power from the pole to the building (no date given). BRWA and WVWA agreed to increase funds ($15K) to install gas heat for greater long-term cost efficiencies. Project awarded to Southern Air and should be completed by the end of November.
3. **Maintenance Department**
    a. **Pothole Crew:** We continue to interview candidates for the vacant potholing crew positions. In the meantime, Maintenance personnel are working weekends as needed to keep potholing activities moving forward until the positions are filled.
    b. **Capital Improvement Crew:** The crew continues to work at a fast pace, staying ahead of Engineering's project schedule. They are nearing completion of the Sunset Drive waterline replacement and have completed all other assigned projects, with only asphalt and concrete restoration remaining. While awaiting the next project, the crew will focus on abandoning and replacing galvanized waterlines within the Town of Bedford.
    c. **PRV & Actuated Valve Replacement:** Isle of Pines PRV has been rebuilt and is back in service. The PRV removed from the vault will be rebuilt and shelved for future use. Walmart, Smith Street, and Bunker Hill actuated control valves will be rebuilt by the end of November, saving considerable money.

4. **Wastewater Operations:**
    a. **Central WWTP:** Continue to work on getting equipment repaired. Secondary clarifiers are up and running. FM has a primary clarifier running, something that has not been running in years. Wastewater continues to work on getting the headworks up and running, but is running into parts-availability issues that are pushing completion deadlines.
    b. **Department Restructuring:** Established an Assistant Manager position within the department by elevating an existing position rather than creating a new one. This change provides additional support to the Manager while allowing Bedford Water to retain and further develop a tenured employee. We also plan to reclassify an existing vacant Operator position to a Supervisor position overseeing Moneta and the small systems. We will move forward with this change once several other management-related matters have been addressed.
5. **Water Operations:**
    a. **Compliance Position filled:** Water Operations has completed the interview process and offered the position to an internal candidate, who enthusiastically accepted. Recruitment efforts are continuing to fill the two remaining vacant operator positions
    b. **Montvale:** Met with VDH regarding the 2025 Consumer Confidence Report (CCR) for the Montvale Water System. VDH explained that, under its interpretation of the regulations, Bedford Water was responsible for the 2025 CCR because we assumed ownership of the system prior to July 1, 2026. As a result, Bedford Water received a Notice of Alleged Violation. However, VDH did not impose a monetary penalty. VDH assessed Bedford Water one violation point, which will be removed once all CCR requirements are satisfied. VDH has since approved the CCR, and Bedford Water has posted it on our website. Customer Service will also include a notification in Montvale customers' November bills to complete the notification process.
    c. **SML Filter Membranes:** During the third quarter meeting with WVWA, it was agreed upon that we move to purchase our second batch of filter membrane units for the processing plant. Water Ops is working with Veolia to confirm the numbers before ordering.
    d. **Raw Water Pumps:** The SML Raw Water Intake is operating exceptionally well, with both pumps delivering approximately 2,500 gallons per minute, which is right where we want them to be. We sent one of the older pumps out for inspection and a possible rebuild. Unfortunately, the inspection revealed extensive damage to the impellers and other internal components, making a rebuild impractical. Rather than investing in repairs, we have decided to scrap the damaged unit and purchase a new motor to pair with an existing pump we have in storage. This will provide us with a complete spare pump assembly, improving our reliability and ensuring we have backup equipment available should a failure occur in the future.

ADMINISTRATION REPORT

BEDFORD WATER

MEMORANDUM

To: Board of Directors

From: Megan Pittman, Director of Administration

Date: November 10, 2026

Re: Administration Summary

Communications/Public Relations

- Approximately 200 Liberty High School sixth-grade students toured the Smith Mountain Lake Facility on November 4 and 5, rotating through educational stations to learn about Bedford Water operations and infrastructure.
- BW will participate in this year's Festival of Trees. A themed tree highlighting BW's services and mission will be displayed in the Welcome Center.
- The annual grease recycling campaign has launched for the holiday season.
- Media Articles:
    - "Enjoy the Feast, Recycle the Grease" Campaign Kicks Off Holiday Season—WDBJ7—11/5/2026
    - Don't Let Fatbergs Crash Your Party Recycle Instead—News & Advance Facebook Post—11/10/2026
    - "Enjoy the Feast, Recycle the Grease" Campaign Kicks Off Holiday Season—News & Advance—11/8/2026

Human Resources

- The department continues implementation of a new HRIS and payroll system that will automate many manual processes and integrate recruiting, employee records, personnel actions, and payroll into a single electronic platform.
- Monthly tracking of open positions and hiring activity is now being reported through The Pipeline.

Safety

- In compliance with Environmental Protection Agency (EPA) and Virginia Department of Health (VDH) requirements, the Authority completed and submitted its five-year Water Operations Emergency Action Plan. The 192-page plan outlines procedures and preparedness measures for responding to operational emergencies.

ENGINEERING REPORT

BEDFORD WATER

MEMORANDUM

To: Board of Directors

From: Roger Blankenship, Director of Engineering

Date: November 10, 2026

Re: Engineering Summary for November 2026

---

1. Development Projects:

Projects Under Review = 76
Projects Under Construction = 11
Projects Issued COC since last board meeting = 2
Projects Issued C2C since last board meeting = 2
New developer projects Submitted Since Last Board Meeting = 1

Notable status changes & updates: Certificates of Completion were issued for Readmore Landing Phase 1 Section 1 and The Links at New London Phase 1 on October 30, 2026. Water meters have been installed at several of the properties located in The Links at New London development. Certificates to construct were issued for Cambridge Manor Phase 1 and Country Club Meadows Phase 1 waterline extension.

2. Capital Projects Outsourced:

In Design = 7
Route 43 sewer, Monroe sewer replacement, Central Sewer Lift Station 4, Central Water Hypochlorite Tanks, MVS Filter Rehabilitation Study, Annual Water & Sewer Modeling, and Western Hills Sanitary Sewer Phase 1.

Under Construction = 2
Ivy Creek Interceptor, and Lead Service Line Inventory & Mapping.

Notable status changes & updates: The Central Water Electrical Phase 1 project is complete. The lead service line inventory is underway in Montvale and the Central Sewer Lift Station #4 design is being evaluated by Operations and Maintenance.

3. Capital Projects by BW Staff:

In Design = 2
Belmont Avenue waterline replacement, and Avenel Alley sewer replacement.

Under Construction = 1
Sigh N Pines waterline replacement project.

Notable status changes & updates: The Capital Improvement Program (CIP) crew recently finalized waterline replacements along Baltimore Avenue, Walnut Street, and Sunset Drive within the Town of Bedford. Following the completion of these projects, the crew transitioned to the Huddleston area of Bedford County, where they are currently working on the Sigh N Pine waterline replacement project at Smith Mountain Lake.

The engineering design team is focused on securing the necessary easements for the upcoming Avenel Alley sewer replacement project. The team has encountered delays in this phase due to resistance from several property owners who are reluctant to sign the required agreements. The team is currently collaborating with legal counsel to evaluate the practicality of operating under a Prescriptive Easement if necessary.

DEPUTY DIRECTOR REPORT

BEDFORD WATER

MEMORANDUM

To: Board of Directors

From: Rhonda B. English, Deputy Director

Date: November 9, 2026

Re: Deputy Director Summary for November 2026

In response to Board packet feedback, the CIP project lists have been reorganized to group and color-code projects by type, with water projects shown in blue, sewer projects in green, and non-water/sewer projects in white. Completed projects remain at the bottom of the lists for easier review.

Efforts continue related to succession planning, facility planning, and planning for long-term infrastructure needs. The following provides an update on several items that are currently underway, as well as anticipated next steps.

1. **Accountability Reporting:** In preparation for the retirement of our Asset Management Specialist, Anthony Browning, in January, accountability reporting responsibilities for production, billing, and treatment data have been fully transitioned to the individual departments. Anthony has worked with each department over the past several months to provide training and support as staff assume responsibility for these reports. Below is a summary of the billing accountability in each service area for FY 25-26:

System Accountability:	Water	Sewer
Central	50.79%	56.51%
Forest	93.06%	100.00%
Lakes	63.65%	25.56%
Montvale	5.11%	41.82%
Stewartsville	63.86%	
Mountain View Shores	82.14%	
Valley Mills	94.97%	
Paradise Point	68.05%	
Cedar Rock		122.73%
Mariners Landing		142.67%
Overall:	**71.94%**	**68.41%**

2. **Office Facility Expansion**: A design proposal was received for the building design that significantly exceeds the allocated funding in the capital budget. Discussions are underway for scope reductions. In addition, a second proposal is being requested from another firm to verify the validity of costs and provide an alternative option for consideration. A request will be submitted to the Board for consideration at a future meeting if additional capital funding is required.

3. **Water and Sewer Master Plan**: A budgetary estimate has been requested for a comprehensive master plan as well as a dynamic planning tool to assist with prioritizing replacement planning. A meeting was held with one consultant to review potential scope options for budgeting purposes, including limiting the current replacement focus to areas with the oldest infrastructure. This information will be considered in next year's CIP budget request.

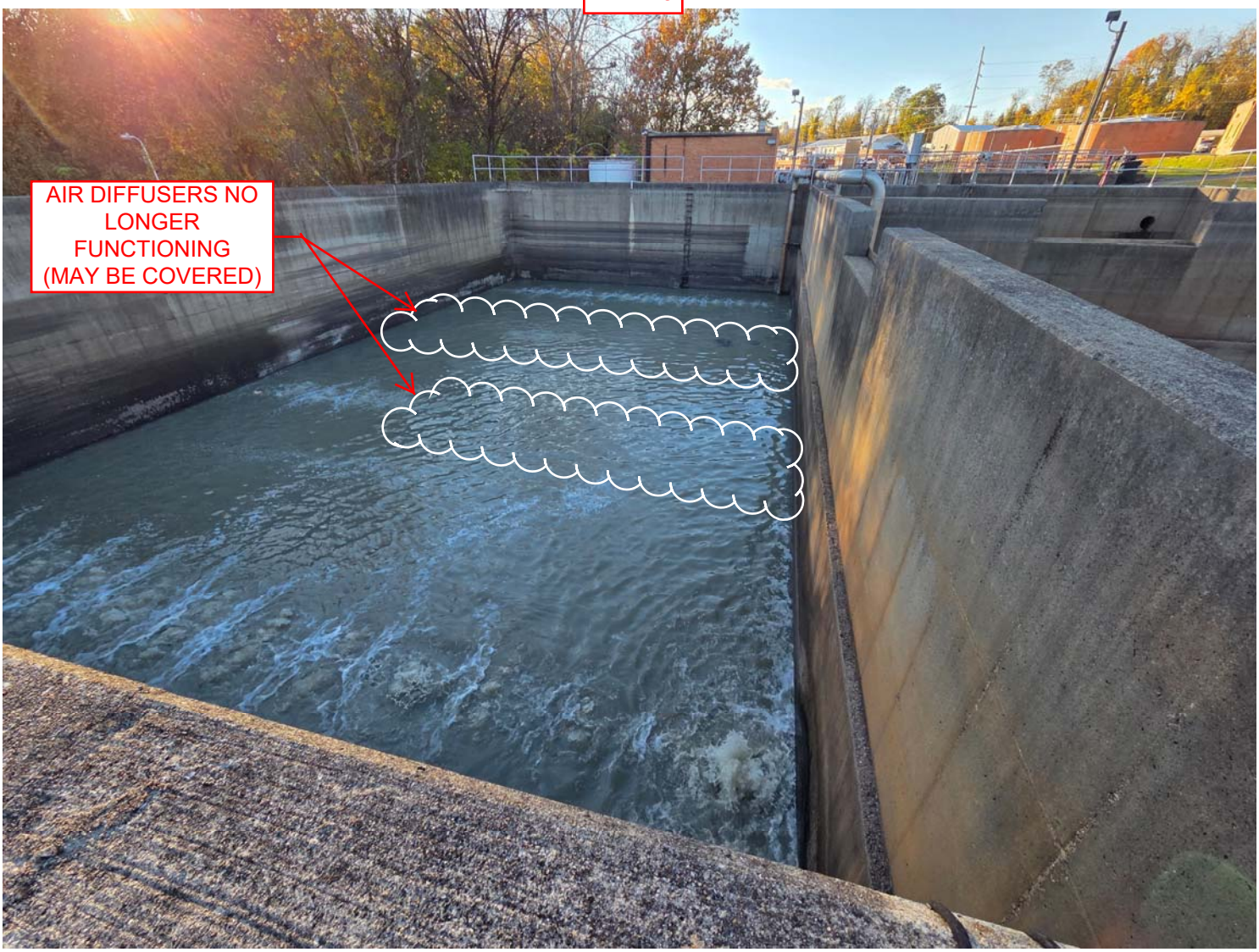
4. **Central WWTP EQ Basin cleaning:** The EQ Basin cleaning project is a requirement of the Central Sewer Consent Order, due June 30, 2027. A preliminary estimate received this month indicates the project costs may exceed the funding anticipated to be available in the Sewer Facility Replacement Reserve in this timeframe. Phasing options will be reviewed; however, phasing could increase overall project costs due to significant mobilization requirements associated with the specialized equipment needed for this work. Current basin conditions are shown on the following pages.

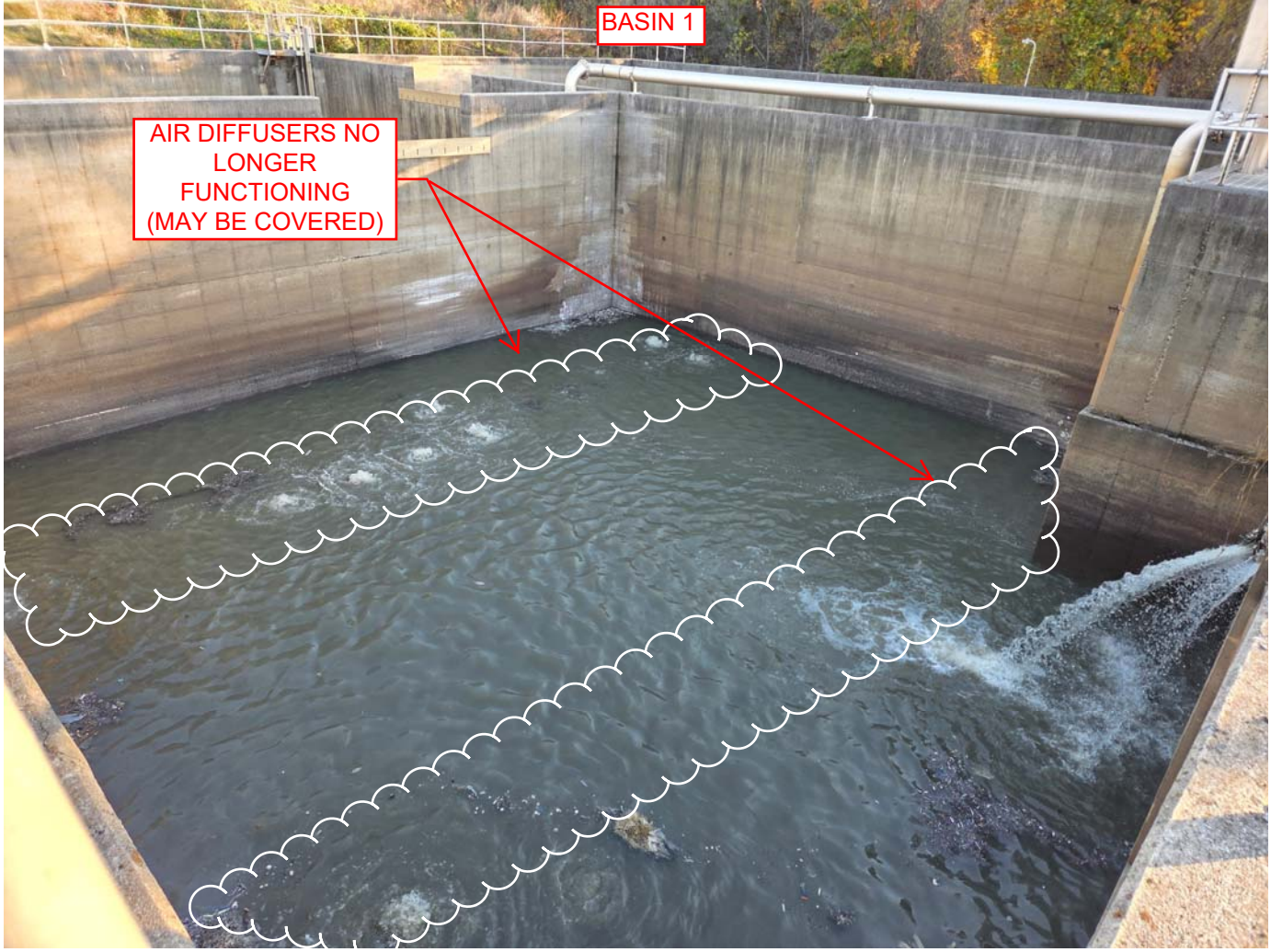
Updates and recommendations will be provided as planning progresses on each of these projects.

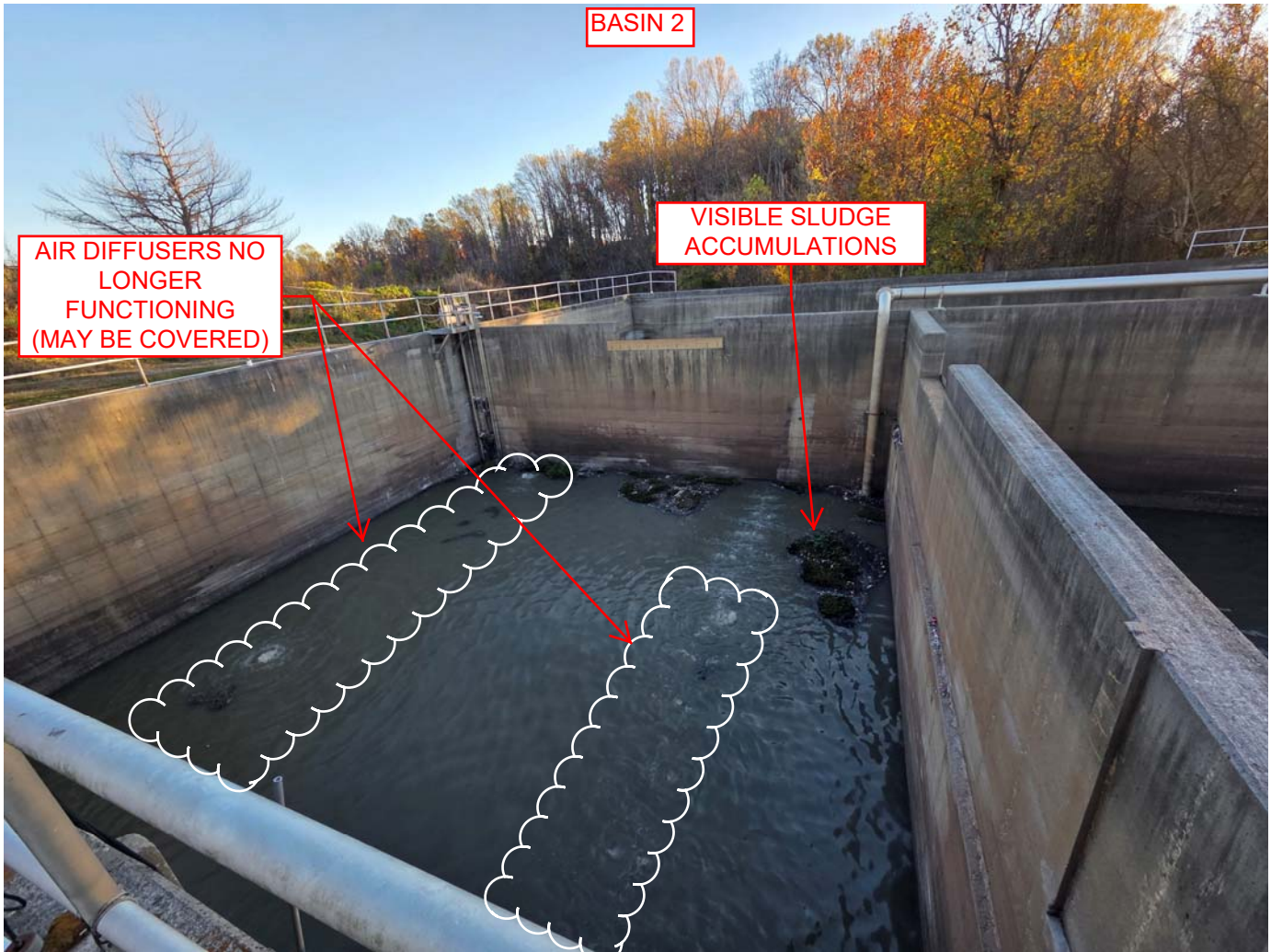
CENTRAL WWTP
EQ BASINS



BASIN 3




BASIN 1
AIR DIFFUSERS NO LONGER FUNCTIONING (MAY BE COVERED)


BASIN 2
AIR DIFFUSERS NO LONGER FUNCTIONING (MAY BE COVERED)
VISIBLE SLUDGE ACCUMULATIONS

CAPITAL IMPROVEMENT PROGRAM

Projects Listing - FY 2025-2026 Carryover

Line ID	Project Map / JN	Service Area	Water or Sewer	Project	Funding Source	Funding Year / Source	Budget	Project Costs (Committed / Expected)	Spent to Date	Remaining to Spend	Department	Responsible Manager	Current Status	Current Status Date	Status Notes	Start Date	Completion Date
1	2020-043.4	Central	Water	Forest to Lakes Booster Station	Other	SML Residual	$2,300,000	$2,227,303	$2,227,303	$ 72,697	Water	William	In Progress	11/4/26	On 11/2/26, Mountainview Electric (Stuart Wickham) came on-site to evaluate work to connect the generator. Scope of work is larger than initially anticipated, and Stuart is assembling a quote. If quote is over approval threshold, will work to obtain additional quotes.	12/18/20	9/5/25
5		Central WTP	Water	Central WTP - Inside filter system valves replacement Phase 1	CIP	2025	$170,000	$125,900		$ 170,000	Water	William	In Progress	11/4/26	Anderson has requested an additional site visit and asked to have the basins drained for closer inspection of sluice gate valves. This visit is currently scheduled for 11/17/26.	10/4/24	11/30/26
7	2026-057	Central WTP	Water	Central WTP - Relocation of Hypochlorite Design	CIP	2025	$75,000	$54,430	$27,710	$ 47,290	Water	Rhonda	In Progress	11/5/26	90% drawings and specifications were received 10/8, with a meeting scheduled for the consultant to walk through them for an online review on 11/12.	5/18/26	11/1/26
8		Central WTP	Water	Central WTP - Re-piping Domestic Pump to Hydropneumatic Tank	CIP	2024	$73,000	$72,743	$61,602	$ 11,398	Water	William	In Progress	11/4/26	WGK was not able to meet projected completion date of mid-late October. Awaiting a response for an updated timeline.	3/21/25	9/30/26
16		MVS	Water	Generators for Mountain View Shores	CIP	2026	$75,000	$17,544	$17,544	$ 57,456	Water	William	In Progress	11/5/26	Still awaiting FM's schedule to free up, but have also contacted Mountainview Electrical (Stuart Wickham) as a backup. Working on setting up a date for a site visit, targeting mid-November.	10/15/25	11/30/26
17	2022-049.2	MVS	Water	Mountain View Shores Filter Replacement Ph. 1	CIP	2022	$100,000	$23,258		$ 100,000	Water	Rhonda	In Progress	11/5/26	Staff met with the consultant on 10/27 to review questions on the report. An updated report with more detail is anticipated.	6/27/25	10/31/26
18		Paradise Point	Water	Generator for Paradise Point	CIP	2026	$15,000	$6,355	$6,355	$ 8,645	Water	William	In Progress	11/5/26	Still awaiting FM's schedule to free up, but have also contacted Mountainview Electrical (Stuart Wickham) as a backup. Working on setting up a date for a site visit, targeting mid-November.	10/1/25	8/30/26
19		Paradise Point	Water	Paradise Point - Pipe and pressure pump replacements	CIP	2026	$22,000			$ 22,000	Water	William	In Progress	11/5/26	Still awaiting FM's schedule to free up, but have also contacted Mountainview Electrical (Stuart Wickham) as a backup. Working on setting up a date for a site visit, targeting mid-November.	8/1/25	8/30/26
20	2025-063	SML (w/ WVWA)	Water	*GAC Heated Building	CIP	2024	*$400,000*	$415,000	$381,659	$ 18,341	Water	Thomas	In Progress	11/9/26	FM has completed the electrical panel installation and passed inspection. Waiting for Southside Electric to install main line power. BRWA and WVWA approved additional funds ($15K) for the gas heaters, and Southern Air was awarded the project.	3/2/26	7/27/26
22		Valley Mills	Water	Generator for Valley Mills	CIP	2026	$15,000	$6,872	$6,872	$ 8,128	Water	William	In Progress	11/5/26	Still awaiting FM's schedule to free up, but have also contacted Mountainview Electrical (Stuart Wickham) as a backup. Working on setting up a date for a site visit, targeting mid-November.	10/15/25	8/30/26
23		Valley Mills	Water	Valley Mills - SCADA	CIP	2026	$30,000	$25,000	$7,500	$ 22,500	Water	William	In Progress	11/4/26	The panel is still in the construction phase, and an isolation valve needs to be decided upon in order for Mountain View Electric to provide an accurate quote.	7/22/25	8/30/26
2	2020-043.3	Forest	Sewer	Ivy Creek 5 & 6 Design, Construction & Capacity	Other	Debt Service / County	$16,184,610	$16,184,610	$ 15,214,879	$ 969,731	Engineering	Rhonda	In Progress	11/9/26	Awaiting revised as-builts, change orders, and close-out information. Electrical work is complete at LVPS and passed inspection on 11/6. Power to be restored week of 11/9. Flow meter is now reading through SCADA. Work continues to address ponding concerns on Green property in area of laydown yard.	12/18/20	10/31/26
9		Central WWTP	Sewer	Central WWTP - Repair Primary Clarifier	CIP	2026	$50,000	$30,000	$ 26,108	$ 23,892	Wastewater	Jennifer	In Progress	11/6/26	Primary clarifier #2 is fully functioning as of 10/30/26. Work will start soon to pump out primary #1, but the basin is full of solids and we don't want to pump it all at once. Facilities maintenance plans to start work on this after repairing the Moneta secondary clarifier.	4/1/26	2/26/26
11	2025-071	Central WWTP	Sewer	Central WWTP Headworks - Install new raw grinder	CIP	2026	$15,000	$14,671	$ 4,187	$ 10,813	Wastewater	Jennifer	In Progress	11/6/26	Still waiting on the Monster Auger frame. Grinder will be installed when Monster Auger is installed.	5/11/26	2/1/26
14	2025-071	Central WWTP	Sewer	Central WWTP Headworks - Replace Monster Auger	CIP	2025	$158,000	$157,719		$ 158,000	Wastewater	Jennifer	In Progress	11/6/26	WGK notified that updated ship date for the Monster Auger is 12/21/26. It will likely be after the beginning of the year before installed.	5/11/26	2/1/26
6	2023-025.1	Central WTP	Water	Central WTP - Phase 1 Electrical Upgrades	CIP	2025	$425,000	$422,000	$415,075		Water	Roger	Complete	11/6/26	Project is complete.	3/23/26	10/6/26
Total							**$20,107,610**	**$19,783,405**	**$18,396,793**	**$1,700,891**							

CAPITAL IMPROVEMENT PROGRAM

FY 2026-2027 Projects Listing

Line ID	Project Map / JN	Service Area	Water or Sewer	Project	Description	Fiscal Year Ending	Budget	Project Costs Committed/Expected	Spent to Date	Remaining to Spend	Department	Responsible Manager	Current Status	Current Status Date	Status Notes	Start Date	Completion Date
1	2022-081	Central	Water	Stoney Creek Reservoir - Ph 1 Rehab Construction	Phase 1 to make drain valves operable. Cost estimated by Schnabel based on design; includes 15% contingency. Applying for $500k grant funding which requires 30% match. Grant requires owner funding with grant reimbursement.	2027	$700,000			$700,000	Engineering	Roger	On Hold	8/6/2026	Project on hold. Grant funding was denied for the project in 2026. Funding will be applied for in 2027, pending advance approval by the Board to cover the full project cost with grant reimbursement up to the awarded amount.		
3	2022-018	Montvale	Water	Lead Service Line Inventory - Montvale	Upon ownership of Montvale Water, will need to comply with lead service line inventory requirements.	2027	$20,000	$19,800		$20,000	Engineering	Roger	In Progress	11/6/2026	Design team is working with CHA to select sites under statistical method.	9/16/2026	10/31/2027
4		SML (w/ WVWA)	Water	SML - Battery Back-up System for Raw Intake Pump Valve Actuators	Add a battery backup system to the SML Raw Intake to increase reliability of valve actuators	2027	$12,500	$11,296		$12,500	Water	William	In Progress	11/5/2026	Perkinson Company has provided a projected start date of mid-late January.	8/4/2026	10/30/2026
5		Central	Sewer	Central Lift Station 12 - SCADA	Implement SCADA for monitoring lift station on Village Court; serves 12 customers.	2027	$15,000			$15,000	Wastewater	Jennifer	In Progress	11/6/2026	Met with TJ Johnson from Mission SCADA to look at station on 10/28/26. Waiting on quote.	10/1/2026	2/29/27
6		Central	Sewer	Central Lift Station 8 - SCADA	Implement SCADA for monitoring lift station on Whitfield Drive.	2027	$15,000			$15,000	Wastewater	Jennifer	In Progress	11/6/2026	Met with TJ Johnson from Mission SCADA to look at station on 10/28/26. Waiting on quote.	10/1/2026	2/29/27
7		Central WWTP	Sewer	Central WWTP - Pad for Dumpster	A concrete pad that the sludge dumpster can sit on with drain restoration.	2027	$20,000			$20,000	Wastewater	Jennifer	In Progress	11/6/2026	Waiting on on representatives to respond back with quotes.	11/1/2026	
10		Mariners Landing	Sewer	Mariners Landing - SCADA for 2 lift stations	Regular Monitoring; these are smaller stations such as the Cove and West Cove.	2027	$20,000			$20,000	Wastewater	Jennifer	In Progress	11/6/2026	Met with TJ Johnson from Mission SCADA to look at stations on 10/28/26. Waiting on quote.	10/1/2026	2/29/27
8		Moneta WWTP	Sewer	Moneta WWTP - Bio-wheel Repairs for Train B	Replacing damaged end plates, rods, and nuts on wheels.	2027	$170,000	$89,980		$170,000	Wastewater	Jennifer	In Progress	11/6/2026	Rods and Endplates expected to arrive late November 2026.	9/18/2026	3/31/2027
9		Moneta WWTP	Sewer	Moneta WWTP - Second disk filter unit	Moneta needs an additional filter to aid in zinc control.	2027	$125,000			$125,000	Wastewater	Jennifer	In Progress	11/6/2026	Met with Winschel Environmental at Moneta on 10/26/26 to look at additional filter options. Still working to get a date for Aqua Aerobics to visit.	9/29/2026	5/1/2027
14		Purchases	Sewer	Data Management System for Wastewater	A way to organize and increase efficiency for data entry, storage, and retrieval.	2027	$50,000	$26,040		$50,000	Wastewater	Jennifer	In Progress	11/6/2026	Project awarded to Altavista Instruments and Controls on 10/30/26.	10/30/2026	5/1/2027
11	2026-073	Office	Other	New Building - Building & Sewer Design	Design of new building to address expanding personnel needs.	2027	$400,000			$400,000	Engineering	Rhonda	In Progress	10/30/2026	Received proposals for building design and master plan update with sewer study. Due to proposal costs, an additional proposal for the building design will be requested of another consultant. Award will require Board approval for additional funding.	9/1/2026	6/30/2027
13		Purchases	Other	CIP Crew - Straw Blower	This machine (Harper SM1300) will greatly assist with large restoration projects by reducing costs and saving time. It minimizes the number of bales needed compared to hand-throwing, leading to significant cost savings. The machine is currently rented for projects.	2027	$10,000	$10,000		$10,000	Maintenance	Phil	In Progress	11/6/2026	Updating quotes mid-November and will resubmit for director approval.	9/1/2026	1/22/2027
15		Purchases	Other	Line Crew #4 - 16' 8 Ton Trailer	Trailer will be used to haul the 35P for line crew #4.	2027	$11,000	$10,200		$11,000	Maintenance	Phil	In Progress	11/6/2026	New London Trailer had the lowest bid for 14TI -20 Big Tex 14k lb trailer for the new 40P line crew mini excavator. The trailer was approved 11/6/2026. The trailer is being ordered.	8/3/2026	12/15/2026
16		Purchases	Other	Line Crew #4 - John Deere 35P	Line crew #4 does not have an excavator for jobs and is currently using the 60G and 7500 dump truck which is oversized for smaller jobs. A 35P machine is needed for this crew. This is needed to allow all four line crews to perform. 8 Ton Trailer must be purchased to haul this new unit. 60G excavator will then go to CIP.	2027	$70,000	$70,000		$70,000	Maintenance	Phil	In Progress	11/6/2026	The John Deere 40P is within the allotted budget and performs very well. Approved 11/6/2026. Will place the unit on order.	10/1/2026	12/15/2026
2		Central WTP	Water	Central WTP - HVAC Mini-Splits for Lab and Office	Add mini-split units in lab and office at Central Water Treatment Plant. The window AC unit and space heaters are insufficient for providing an indoor work climate for operators.	2027	$35,000	$21,277	$21,277		Water	William	Complete	11/5/2026	Repair work has been completed, and invoice was coded and transmitted to Finance on 10/23/26.	9/30/2026	10/23/2026
12		Purchases	Other	CIP Crew - 18 - 20 Ton Excavator	Larger excavator needed for sewer projects to move, pick up, install, drag, and load/unload our cages and manhole boxes. Equipment is currently being rented for these projects, at approximately $45k per project. Requested in advance of Route 43 sewer replacement.	2027	$211,000	$198,570	$198,570		Maintenance	Phil	Complete	11/6/2026	220X4S 21 Ton Link-Belt has demonstrated to be more than a capable machine and is under budget. Link-Belt is also the lowest-cost unit compared to John Deere, Cat and Volvo. Purchase approved 10/16/2026 Unit will be delivered 11/12/2026.	10/1/2026	11/12/2026
17		Purchases	Other	PM - 1 Ton Vehicle for Potholing Crew	In lieu of contracted potholing for lead service line inventory due 11/1/2027, a 2-person crew will be hired to complete work in-house. A vehicle capable of pulling the hydro-excavator is needed for this work.	2027	$80,000	$93,227	$93,227		Maintenance	Phil	Complete	10/16/2026	Vehicle has been delivered.	7/27/2026	10/16/2026
Total							**$1,964,500**	**$550,390**	**$313,074**	**$1,638,500**							

EXECUTIVE DIRECTOR'S REPORT

BEDFORD WATER

MEMORANDUM

To: Board of Directors

From: Brian M. Key, PE; Executive Director

Date: November 10, 2026

Re: Executive Summary

Per the discussion at the October 20, 2026 board meeting, this memo is to provide the executive summary.

1. **Turkey Mountain Cellular Tower**:
   a. As discussed by the Board at the October 20 meeting, Bedford Water has informed The Towers, LLC that it will not be combining lots at the Turkey Mountain Water Treatment Plant.
   b. The Towers, LLC was also informed that any approvals needed would need to be obtained through Bedford County as part of the zoning process.
   c. In order for the County to have the opportunity to process a Special Use Permit (SUP) application, and for the community to have the opportunity for a public hearing, an "Owners Authority Letter" is needed from Bedford Water to the County.
   d. **Resolution 2026-11.01** is included for your consideration; it would allow the County the opportunity to move forward with the SUP process. The letter from the tower company requesting this Owners Authority Letter is attached to the resolution.

2. **Roundtable on November 12, 2026:**
   a. The board packets were completed prior to the utility roundtable meeting that took place on Thursday 11/12; a summary of the meeting will be provided at the board meeting.

3. **Fluoride Letter response:**
   A response was sent to the customers in Montvale who wrote the letter to the Virginia Department of Health (VDH), Bedford Water, and the Bedford County Board of Supervisors with their concerns about fluoride. It was also confirmed that VDH has responded to customers. One of the questions answered in the response was that they could contact the Board of Directors or attend a board meeting if they would like to further petition for the removal of fluoride.

BEDFORD WATER

1723 Falling Creek Road
Bedford, VA 24523-3137
(540) 586-7679 (phone)
(540) 586-5805 (fax)
www.brwa.com

RESOLUTION MEMORANDUM

To: BRWA Board of Directors

From: Brian Key, PE; Executive Director

Date: November 10, 2026

Re: Resolution 2026-11.01 – Special Use Permit

Attached for your consideration is the above-referenced resolution.

As discussed by the Board at the October 20 meeting, Bedford Water has informed The Towers, LLC that it will not be combining lots at the Turkey Mountain Water Treatment Plant.

The Towers, LLC was also informed that any approvals needed would need to be obtained through Bedford County as part of the zoning process.

In order for the County to have the opportunity to process a Special Use Permit (SUP) application, and for the community to have the opportunity for a public hearing, an "Owners Authority Letter" is needed from Bedford Water to the County. Attached to this memorandum is a letter requesting the Owner Authority Letter.

This Resolution 2026-11.01 would allow the County the opportunity to move forward with the SUP process.

Attached to this resolution is the uncompleted Owners Authority Letter form.

Vertical Bridge Development, LLC
22 West Atlantic Avenue, Suite 310
Delray Beach, FL 33444
+1 (561) 948 - 6367
VerticalBridge.com

November 9, 2026

Brian Key, Executive Director
Bedford Water
1723 Falling Creek Road
Bedford, VA 24523

Brian,

Please seek approval from the Bedford Water Board of Directors to submit the Owners Authority Letter to the County in order to proceed with the SUP/Variance approval needed for the Vertical Bridge (The Towers, LLC) tower project.

Thank you,

Laura Hughes | Project Manager
22 West Atlantic Avenue, Suite 310
Delray Beach, FL 33444
O: 201.681.6183
VB Site Locator
VerticalBridge.com

RESOLUTION
2026-11.01
Special Use Permit

At a regular meeting of the Bedford Regional Water Authority ("Bedford Water") Board of Directors, held in the Board Meeting Room at the Authority's Administrative Annex Building on the 17th day of November 2026, beginning at 7:00 p.m.:

WHEREAS, Bedford Water owns land at the water treatment plant located on Turkey Mountain; and,

WHEREAS, the Towers, LLC is interested in constructing a cellular tower located on the land owned by Bedford Water; and;

WHEREAS, a Special User Permit is necessary from the County of Bedford prior to approval being granted to construct the proposed tower; and,

WHEREAS, as the owners of the land, Bedford Water is being asked to provide a "Owners Authority Letter" to enable the County to process the Special User Permit application and hold a public hearing; now,

THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize the Executive Director to complete the attached Owners Authority Letter and submit it to Bedford County for their use in the Special Use Permitting process.

Member _____ made a motion to approve this resolution.

Member _____ seconded the motion.

Board Member Votes: ____ Aye ____Nay ____Abstain

CERTIFICATION

The undersigned secretary of the Bedford Regional Water Authority does hereby certify that the foregoing is a true, complete, and correct Resolution adopted by a vote of a majority of the Directors of the Bedford Regional Water Authority, present at a regular meeting of the Board of Directors of the Bedford Regional Water Authority duly called and held **November 17, 2026** at which a quorum was present and acting throughout, and that the same has not been amended or rescinded and is in full force and effect as of the date of the above mentioned meeting.

_____
Brian M. Key, Secretary,
Bedford Regional Water Authority

(SEAL)

OWNERS AUTHORITY LETTER

STATE OF VIRGINIA
CITY/COUNTY OF BEDFORD

This_____day of _____, _____,

I, _____, the owner of _____

(Describe land by Parcel Identification Number) make, constitute, and appoint_____

my true and lawful agent and in my name, place, and stead giving unto said _____

full power and authority to do and perform all acts and make all representation necessary, without any limitations whatsoever, to make application for said rezoning/special use permit/variance (circle one). The right, powers, and authority of said agent herein granted shall commence and be in full force and effect on_____,

_____, and shall remain in full force and effect thereafter until actual notice, by certified mail, return receipt requested, is received by the Bedford County Department of Community Development stating that the terms of this power have been revoked or modified.

_____
Owner

COMMONWEALTH OF VIRGINIA:

County of _____

Subscribed and sworn to before me this _____day of _____, _____ in my County and State aforesaid, by the aforenamed Principal.

_____
Notary Public

My Commission Expires:_____

Office Use Only

File/Case Number_____ Date Accepted_____, _____