

JAMES RIVER WATER AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2020

JAMES RIVER WATER AUTHORITY

Financial Statements June 30, 2020

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of
James River Water Authority
Louisa, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 29, 2021

Financial Statements

JAMES RIVER WATER AUTHORITY

Statement of Net Position
June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 608,679
Accounts receivable	4,308
Due from other governments	36,564
Restricted Assets:	
Cash and cash equivalents	<u>7,024,114</u>
Total Current Assets	<u>\$ 7,673,665</u>

Noncurrent Assets

Capital Assets:

Construction in progress	\$ <u>3,239,821</u>
Total Assets	<u>\$ 10,913,486</u>

Liabilities

Current Liabilities

Accounts payable	\$ 355,467
Retainage payable	25,174
Accrued interest payable	79,989
Bond payable, net of bond premium, current portion	<u>206,208</u>
Total Current Liabilities	<u>\$ 666,838</u>

Noncurrent Liabilities

Bond payable, net of bond premium, noncurrent portion	\$ <u>8,242,638</u>
Total Noncurrent Liabilities	<u>\$ 8,242,638</u>
Total Liabilities	<u>\$ 8,909,476</u>

Net Position

Net investment in capital assets	\$ 972,728
Restricted for debt service	471,152
Unrestricted	<u>560,130</u>
Total Net Position	<u>\$ 2,004,010</u>

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

JAMES RIVER WATER AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2020

Operating Expenses

Professional fees	\$	34,800
Bank fees		117
Insurance		<u>1,647</u>

Total Operating Expenses	\$	<u>36,564</u>
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Net Operating Income (Loss)	\$	<u>(36,564)</u>
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Nonoperating Revenues (Expenses)

Interest income	\$	121,626
Interest expense		<u>(267,775)</u>

Total Nonoperating Revenues (Expenses)	\$	<u>(146,149)</u>
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Income (loss) before capital contributions	\$	<u>(182,713)</u>
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Capital contributions	\$	<u>490,832</u>
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Change in net position	\$	308,119
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Net position, beginning of year		<u>1,695,891</u>
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Net position, end of year	\$	<u><u>2,004,010</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

JAMES RIVER WATER AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:

Payments to suppliers and vendors	\$ <u>(29,924)</u>
Net cash provided by (used for) operating activities	\$ <u>(29,924)</u>

Cash flows from capital and related financing activities:

Draws on restricted cash	\$ 287,600
Acquisition of plant and equipment	(259,173)
Capital contributions	488,983
Principal paid on bonds	(140,000)
Interest paid on bonds	<u>(326,912)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>50,498</u>

Net increase (decrease) in cash and cash equivalents	\$ <u>20,574</u>
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Cash and cash equivalents at beginning of year	\$ <u>588,105</u>
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Cash and cash equivalents at end of year	\$ <u><u>608,679</u></u>
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Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ (36,564)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	2,536
Increase (decrease) in accounts payable	<u>4,104</u>

Net cash provided by (used for) operating activities	\$ <u><u>(29,924)</u></u>
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Schedule of non-cash activities:

Capital asset additions financed by accounts payable	\$ <u><u>346,035</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

B. Basic Financial Statements

Management's Discussion and Analysis: Government Accounting Standards Board requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the management's discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of "expensing" capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position: This statement is designed to report the results of operations during the fiscal year.

C. Basis of Accounting

James River Water Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority's financial statements conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

D. Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

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

E. Capital Assets and Depreciation

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

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

F. Use of Estimates

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

G. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

H. Net Position Flow Assumption

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

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements June 30, 2020 (Continued)

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

Credit Risk of Debt Securities

The Authority does not have a policy related to credit risk of debt securities.

The Authority’s rated debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Rated Debt Investments' Values		
	Fair Quality Ratings	
Rated Debt Investments	AAAm	
SNAP	\$	7,024,114
Total	\$	7,024,114
Investment maturities in years:		
Investment Type	Fair Value	Less Than 1 Year
SNAP	\$	7,024,114
Total	\$	7,024,114

External Investment Pool:

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements June 30, 2020 (Continued)

NOTE 3—RELATED PARTY TRANSACTIONS:

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	245,416
Capital contribution from Louisa		<u>245,416</u>
Total	\$	<u><u>490,832</u></u>

NOTE 4—CONTINGENCIES:

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2020.

NOTE 5—CONTRACTS AND COMMITMENTS:

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouer Construction Company Inc. in the amount of \$7,965,491 for design and construction of raw water intake and pump station and raw water pipeline. The amount remaining on the contract is \$7,487,181 at June 30, 2020.

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Construction in Progress	\$ 2,634,613	\$ 605,208	\$ -	\$ 3,239,821
Total capital assets not being depreciated	<u>\$ 2,634,613</u>	<u>\$ 605,208</u>	<u>\$ -</u>	<u>\$ 3,239,821</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 7—LONG-TERM LIABILITIES:

The change in long-term liabilities during the year is as follows.

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020	Amounts Due Within One Year
Direct Borrowings and Direct Placements:					
VRA Revenue Bond	\$ 7,700,000	\$ -	\$ 140,000	\$ 7,560,000	\$ 150,000
Premium on bonds	946,321	-	57,475	888,846	56,208
Total	<u>\$ 8,646,321</u>	<u>\$ -</u>	<u>\$ 197,475</u>	<u>\$ 8,448,846</u>	<u>\$ 206,208</u>

Debt service requirements are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements	
	VRA Revenue Bonds	
	Principal	Interest
2021	\$ 150,000	\$ 319,706
2022	155,000	311,891
2023	165,000	303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	460,000	10,288
Total	<u>\$ 7,560,000</u>	<u>\$ 5,065,975</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2020 (Continued)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,560,000	\$ 150,000
Premium on bonds	<u>888,846</u>	<u>56,208</u>
Total	<u>\$ 8,448,846</u>	<u>\$ 206,208</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$471,152.

NOTE 8—DUE FROM OTHER GOVERNMENTS:

The due from other governments receivable at June 30, 2020 is summarized below:

Fluvanna County	\$ 18,282
Louisa County	<u>18,282</u>
Total	<u>\$ 36,564</u>



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of
James River Water Authority
Louisa, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
January 29, 2021