



JAMES CITY SERVICE AUTHORITY

A Component Unit of the County of James City, Virginia

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

James City County, Virginia ▪ jamescitycountyva.gov/jcsa

Prepared by the Department of Financial & Management Services

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

Annual Comprehensive Financial Report
(With Independent Auditor's Report Thereon)

For the Fiscal Years Ended
June 30, 2021 and 2020

Prepared by:
Department of Financial and Management Services
James City County, Virginia

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INTRODUCTORY SECTION

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

Authority Officials
June 30, 2021

Board of Directors

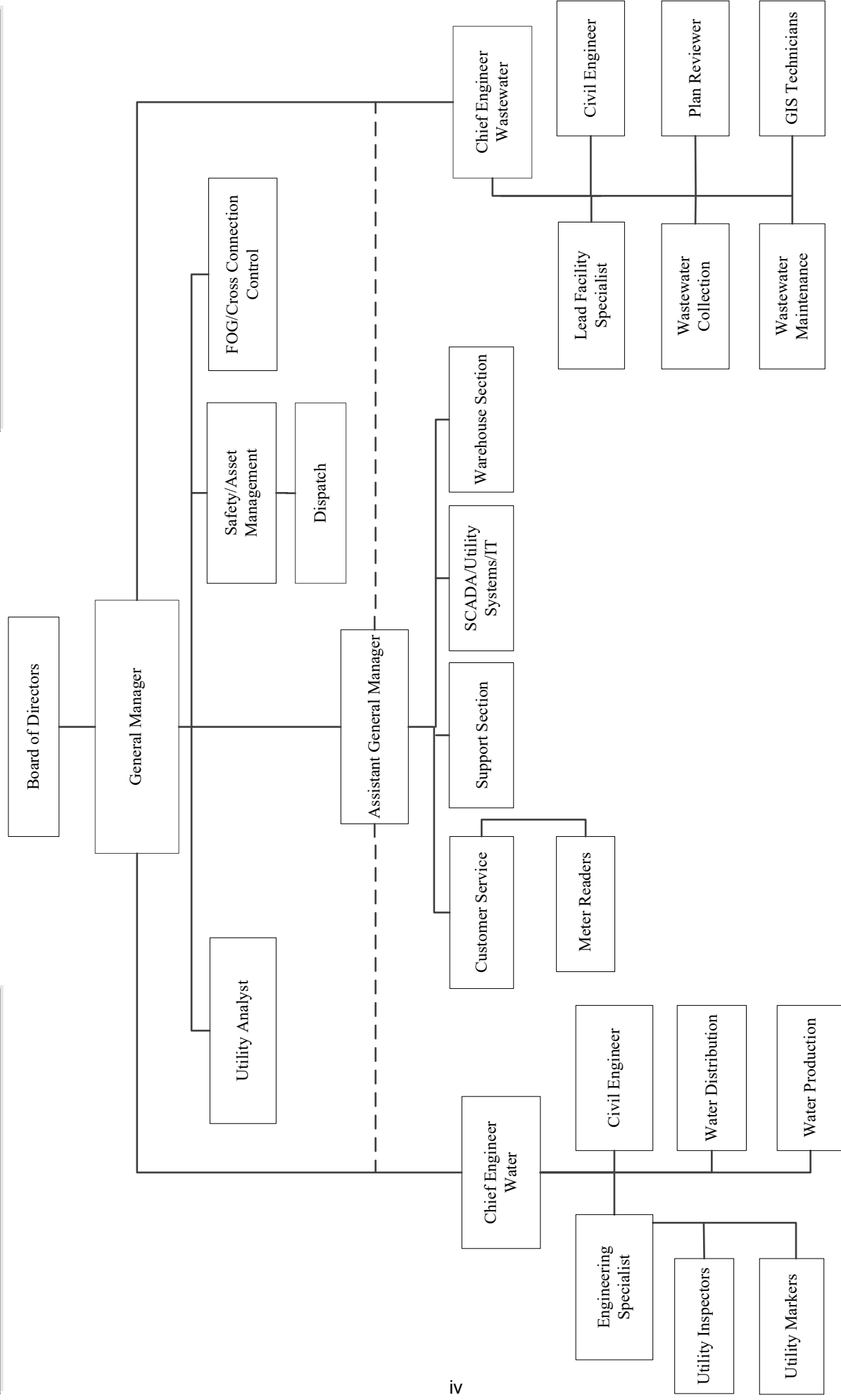
Ruth Larson, Chairman
John J. McGlennon, Vice Chairman
Michael J. Hipple
Jim Icenhour
Sue Sadler

Officials

M. Douglas Powell
General Manager

Stephanie A. Luton
Assistant Manager/Treasurer

JCSA Organizational Chart





**Operations Center
119 Tewning Road
Williamsburg, VA 23188-2639**

December 1, 2021

The Members of the Board of Directors and the Citizens of James City County:

The Comprehensive Annual Financial Report of the James City Service Authority, a component unit of the County of James City, Virginia, for the fiscal years ending June 30, 2021 and 2020, is hereby submitted. This report presents the financial position of all fund types of the James City Service Authority (JCSA) and the results of operations for the years then ended.

The JCSA financial records have been audited by Brown, Edwards & Company, LLP. Their opinion and management's accompanying statements comprise the Financial Section of this report. This report was prepared by the JCSA, and responsibility for both the accuracy of the information presented and the completeness and fairness of the presentation, including all disclosures, rests with the JCSA. We believe the information as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the JCSA as measured by the financial activity of its various legal funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the JCSA's financial activity have been included. The funds included in our Comprehensive Annual Financial Report are controlled solely by the JCSA.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. JCSA's MD&A can be found on pages 4-9, immediately following the independent auditors' report.

The Reporting Entity and Its Service

The James City Service Authority is a public body politic and corporate of the Commonwealth of Virginia. The JCSA was created in 1969 by the James City County Board of Supervisors pursuant to the Virginia Water and Sewer Authorities Act (Code of Virginia, 1950, as amended). The JCSA was created to acquire, construct, operate and maintain, to the extent determined by the JCSA to be financially feasible, an integrated water system and an integrated sewer collection system in James City County (County). The Board of Directors is appointed by the Board of Supervisors and, beginning in fiscal year 2019, supervises the JCSA's General Manager. Since 1976, the Board of Supervisors has appointed its members as Directors of the JCSA to more fully coordinate JCSA activities with those of the County in the planning and development of utility systems.

The Board of Supervisors has authorized water and sewer operations for the JCSA within the Primary Service Area (PSA) in the County. With the approval of the County, the JCSA has extended services beyond the PSA to several public sites in the County, including three public schools, Freedom Park and two major planned communities, Greensprings West and Governor's Land. The JCSA also provides water and/or sewer service to limited sections of York County and the City of Williamsburg with the concurrence of the appropriate governing bodies.

The JCSA's water system includes the central water system and Five Forks Water Treatment Plant with 10 water production facilities, and 8 independent water production facilities that are located outside the PSA. There are approximately 418 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 4.8 million gallons of water per day to 23,426 water customers.

The JCSA's sewer system includes 77 pump stations with approximately 449 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.2 million gallons of sewage per day for 25,176 sewer customers. The JCSA has no sewage treatment facilities. Sewage treatment for areas served by the JCSA, as well as for other Hampton Roads communities, is provided by the Hampton Roads Sanitation District (HRSD).

As of June 30, 2021, the JCSA had 95 full-time employees with the responsibility to operate and maintain its utility facilities and lines. The JCSA's operating funds are self-supporting and the JCSA receives no share of any local or property tax levies. The Board of Directors has the sole power to set water and sewer utility rates and related

fees. The Board of Directors adopted an inverted-block or inclining rate structure in 1996 for residential customers which incorporates a unit charge that increases with increasing consumption. The primary objective of the inverted-block rate structure is to promote water conservation, particularly from large-volume residential customers.

Economic Condition and Outlook

The County has a strong, diverse, and growing economic base. The County is located near the Cities of Hampton, Newport News and Williamsburg, and York County. Major employers within commuting distance include Busch Gardens, Anheuser-Busch, Owens-Illinois, Ball Metal, Newport News Shipbuilding, Langley Air Force Base, Fort Eustis, the Colonial Williamsburg Foundation, and the National Aeronautics and Space Administration. The County's population grew 14.1 percent from 2010 to 2020 while the Commonwealth of Virginia's population increased 7.3 percent during the same time period. A historically fast-growing population and expanding commercial base enhances the long-term economic outlook for the Authority.

Major Initiatives

Accounting Structure- JCSA adopted a new fund structure in fiscal year 2021. Operations and Capital Improvement Program (CIP) activities are now accounted for in two separate funds: the Water Fund and the Sewer Fund, both supported by user fees.

Rate Structure – The JCSA's Financial Policy requires a comprehensive rate study every five years. The latest study was completed in fiscal year 2020 and the proposed changes were implemented in fiscal year 2021 with the goals of maintaining adequate revenue despite continued decreases in water usage and minimizing the impact of rate increases to the customer.

The number and volumes of the water service single-family residential tiers were adjusted to better reflect current usage patterns while promoting water conservation. The new structure contains four tiers sized as follows: Tier 1 (up to 4,000 gallons monthly), Tier 2 (4,001-8,000 gallons monthly), Tier 3 (8,001-12,000 gallons monthly), and Tier 4 (greater than 12,000 gallons monthly). Water service rates for both single-family residential consumption in the first three tiers and commercial/non-single-family residential consumption decreased to offset an increase in the water fixed charge that all customers pay regardless of consumption level. The water fixed charge increase promotes long-term revenue and rate stability and moves the JCSA's fixed cost recovery level closer to the range favored by credit rating agencies. No changes were made to the sewer service rate or sewer fixed charge in fiscal year 2021.

The total monthly water and sewer bill for a typical 5,000 gallons per month residential user increased by \$1.79 per month from \$42.05 to \$43.84. The JCSA has the lowest water rate for a 5,000 gallons per month residential user and the third lowest monthly combined water and sewer bill among the 18 Hampton Roads localities.

Updates to the water and sewer facility fees were also implemented as a result of the rate study. Facility fees are charged to new development in the JCSA's service area to cover the cost of system expansion. System facility fees are assessed for major backbone infrastructure and local facility fees are assessed for smaller water distribution and sewer collection mains. The previous facility fees had not been updated in many years with some rates dating from the 1980s and 1990s. In addition, the previous system facility fee calculation method for a typical residential connection was inefficient to administer since it was based on the number of bathroom fixtures. The updated system facility fee structure based solely on meter size for all connection types is the industry standard and much easier to administer. The local facility fee structure remained a fixed charge, but the rate was updated to reflect the current cost of service.

Capital Projects - Major projects completed in fiscal year 2021 include the upgrade of the Supervisory Control and Data Acquisition (SCADA) communication and industrial control system at each of JCSA's 107 remote well facilities and wastewater lift stations, roof replacement at the Five Forks Water Treatment Plant (FFWTP), and installation of a new 14" water transmission main under College Creek along Route 199 to improve system reliability and redundancy.

Major multi-year projects continuing into 2021 are complete replacement of the water mains and water service lines in the White Oaks area and Kingswood neighborhoods; upgrading the SCADA system and replacing the HVAC system at the FFWTP; upgrading work order, maintenance management, asset management and customer billing computer software; future water source alternatives evaluations; corrosion inhibitor equipment upgrades at water

production wells and associated distribution systems; and replacement of 900 feet of 16 inch water main along Route 5. An upgrade to 835 feet of 8 inch ductile iron gravity sewer pipe on the Lift Station 3-3 pipe bridge along Jamestown Road is scheduled for completion in fiscal year 2022. Wastewater maintenance and rehabilitation projects associated with the Authority's Consent Agreement with the Virginia Department of Environmental Quality (DEQ) continued in fiscal year 2021 and included manhole rehabilitation, extensive easement inspection and clearing, closed circuit television (CCTV) pipeline inspections, repairs to pipe defects identified during the CCTV inspections, and design for replacing Lift Station 1-9 in the First Colony neighborhood and upgrading Lift Station 2-4 at the Windy Hills Mobile Home Park.

Water Supply and Conservation - The Authority currently has a groundwater permit for its central water system through 2027 to withdraw up to 8.4 million gallons per day (mgd) to support its residential and commercial customers. The permit is based on a tiered system with varying tiers starting at 6 mgd and increasing to 8.4 mgd based on residential and commercial growth. Facilities currently provide ample resources and treatment capacity through at least 2027. The Virginia Department of Environmental Quality has expressed an interest in reducing the withdrawal of groundwater within the Eastern Virginia Groundwater Management Area, of which the Authority is a part. The Authority is currently evaluating options for alternative sources of water should the groundwater withdrawal permit be reduced after the current permit expires in 2027.

In addition to pursuing alternative sources, water conservation is a key element in JCSA's long term water supply strategy. Since the water system is designed to meet peak demands, reducing irrigation in the high demand summer months can delay or eliminate the need to significantly expand supply sources and associated infrastructure. Ongoing demand reduction practices include every other day irrigation from May 1-September 30, monthly billing implemented in May 2020 that provides customers with timely consumption information and helps to efficiently detect leaks, expansion of the increasing block water rate structure for single family residential customers with a unit charge that increases with higher consumption, and a customer rebate program for water efficient appliances.

Wastewater - In 2007, the Board of Directors authorized the JCSA to enter into a Consent Agreement with the Virginia DEQ to address sanitary sewer overflows (SSOs). Thirteen other Hampton Roads localities entered into similar agreements during the same timeframe. In February 2014, Hampton Roads Sanitation District (HRSD) and fourteen Hampton Roads localities, including the JCSA on behalf of James City County, entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements. This regional approach to capital construction is estimated to save approximately \$1 billion regionally compared to the cost of each locality individually fulfilling its Consent Agreement responsibilities. HRSD will fund the work through a regional HRSD rate. In addition, HRSD will also assume liability for wet weather sewer overflows due to inadequate capacity. JCSA keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects.

Succession Management - Like many other utilities, the JCSA has a significant number of employees with many years of service who are nearing retirement age. In addition, the technical skills required for many JCSA positions are in high demand in the workplace. Finding and keeping these skilled employees is a challenge.

The JCSA completed a Recruitment and Retention Study in 2021 as the first step to address these challenges. The consultant's scope of work included employee focus groups, an employee satisfaction survey, a comparable compensation analysis of regional public utilities, and analysis of existing job descriptions, payroll, and personnel policies. The study's main recommendations were: implement salary adjustments and promotion opportunities to improve market competitiveness, institute internal pay equity, and hire a human resource analyst to actively manage these recruitment and retention initiatives. These recommendations will be implemented in fiscal year 2022.

Regulations Update - A comprehensive, multi-year update of JCSA's Regulations Governing Utility Service was completed in fiscal year 2021. Some portions of the Regulations were last revised in the 1990s. The latest changes reflect current laws, operating conditions and processes. Content was edited, reorganized and condensed to remove vague, outdated, and repetitive language.

Pandemic Response - Teleworking and split shifts continued through most of fiscal year 2021. All staff returned to the office and in-person customer service operations resumed in late fiscal year 2021. Staff continue to practice

social distancing and follow standard infection prevention protocols in the workplace. Service disconnections and late fees remained suspended in fiscal year 2021.

Accounting System and Budgetary Control

The JCSEA's accounting records are maintained on a full accrual basis incorporating the principles of enterprise fund accounting. Basically, this approach presents the statements on a profit and loss basis, including a provision for depreciation, which is comparable to private industry.

In developing and evaluating the JCSEA's accounting system, consideration is given to the adequacy of internal accounting controls. The controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing the financial statements.

All internal control evaluations occur within the above framework using the concept of reasonable assurance and recognizing: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

We believe the JCSEA's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary controls are maintained to ensure compliance with the budget adopted by the Board of Directors. Encumbrances are used to reserve a portion of the applicable appropriation for purchase orders, contracts and commitments of the JCSEA.

Awards of Achievement

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City Service Authority for its component unit financial report for the fiscal year ended June 30, 2020. This was the thirty-sixth year that the JCSEA has received this prestigious award.

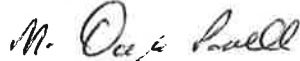
In order to be awarded a Certificate of Achievement, the JCSEA must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

We would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the financial affairs and setting policy for water and sewer development of the JCSEA. Also we wish to express our appreciation to the staff of the James City County Department of Financial and Management Services who participated in the preparation of the report.

Sincerely,



M. Douglas Powell
General Manager



Stephanie A. Luton
Assistant General Manager/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**James City Service Authority
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
James City Service Authority
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the James City Service Authority (the "Authority"), a component unit of the County of James City, Virginia, as of and for the years ended June 30, 2021 and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 auditor's 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 opinions.

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 the James City Service Authority as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 4 - 9 and the pension and OPEB schedules and related notes on pages 61 - 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the James City Service Authority's basic financial statements. The introductory section, schedule of net position - by activity, schedule of revenues, expenses, and changes in net position - by activity, schedule of operating revenues and expenses - budget to actual - by activity, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of net position - by activity, schedule of revenues, expenses, and changes in net position - by activity, and schedule of operating revenues and expenses - budget to actual - by activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 net position - by activity, schedule of revenues, expenses, and changes in net position - by activity, and schedule of operating revenues and expenses - budget to actual - by activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the James City Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the James City Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the James City Service Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 30, 2021

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

This section of the James City Service Authority's (the Authority or JCSA) annual comprehensive financial report presents management's discussion and analysis of the Authority's financial performance during fiscal years ended June 30, 2021 and 2020. The information presented in this section should be read in conjunction with the letter of transmittal, which begins on page v.

Financial Highlights

- ◆ The Authority's total net position was \$190,625,289 and \$185,764,711 at June 30, 2021 and 2020, respectively.
- ◆ Capital assets increased by 0.7% in 2021 from 2020, primarily attributable to the dedication of water and sewer systems and construction in progress. For fiscal year 2021, there was formal acceptance of 10 new water system dedications and 9 new sewer system dedications.

Capital assets decreased by (1.4%) in 2020 from 2019, primarily attributable to current year depreciation expense and fewer utility infrastructure dedications in 2020 compared to 2019. For fiscal year 2020, there was formal acceptance of 1 new water system dedication and 1 new sewer system dedication.

- ◆ The Authority's total operating expenses before depreciation and amortization increased by 8.5% in 2021 from 2020 and by 6.0% in 2020 from 2019. The changes in 2021 were primarily attributable to a one-time recoating of a 500,000 gallon ground water storage tank and implementation of funding smaller dollar emergent infrastructure repairs directly through the operating budget rather than the Repair and Replacement Reserve. The changes in 2020 were primarily attributable to an increase in personnel expenses including implementing compensation study recommendations and an increase in pension costs.
- ◆ The Authority's total operating revenues increased by 4.6% in 2021 from 2020 and by 8.3% in 2020 from 2019. The increase in 2021 was primarily attributable to an increase in water rates. In addition, the Authority received relief funding related to the novel coronavirus disease (COVID-19), which is included in operating revenues for fiscal year 2021. The increase in 2020 was primarily attributable to an increase in water and sewer rates.

Overview of the Financial Statements

The Annual Comprehensive Financial Report consists of three sections: introductory, financial, and statistical. The financial section includes the basic financial statements, which are comprised of the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Transactions are accounted for under the economic resources measurement focus and the accrual basis of accounting utilizing an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector.

The *statements of net position* present information on the Authority's (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources as of June 30, 2021 and 2020, with the difference between the two reported as net position.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

The *statements of cash flows* supplement the above two statements by presenting the changes in cash position as a result of the Authority's activities over the current year and previous two years.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

Notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 14.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees. The required supplementary information begins on page 46.

Net position is a financial measure that compares an entity's assets and deferred outflows of resources to its liabilities and deferred inflows of resources. Over time, increases and decreases in net position are one indicator of whether the Authority's financial health is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, industry trends, population and service area growth, and new or changed legislation.

Financial Analysis

Condensed Statements of Net Position

	6/30/2021	6/30/2020	6/30/2019
Current and other assets	\$ 69,234,936	\$ 66,137,146	\$ 55,006,467
Capital assets	153,656,124	152,582,412	154,679,418
Total assets	<u>222,891,060</u>	<u>218,719,558</u>	<u>209,685,885</u>
Deferred charge on refunding, net	1,434,564	1,510,736	1,586,907
Deferred pension/OPEB outflows	1,252,874	917,623	401,016
Total assets and deferred outflows	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>	<u>\$ 211,673,808</u>
Current liabilities	\$ 4,057,553	\$ 3,800,152	\$ 4,046,801
Noncurrent liabilities	30,695,047	31,206,699	22,675,019
Total liabilities	<u>34,752,600</u>	<u>35,006,851</u>	<u>26,721,820</u>
Deferred pension/OPEB inflows	200,609	376,355	485,779
Net position:			
Net investment in capital assets	134,621,895	132,512,264	134,359,937
Restricted	9,379,323	9,401,879	569,708
Unrestricted	46,624,071	43,850,568	49,536,564
Total net position	<u>190,625,289</u>	<u>185,764,711</u>	<u>184,466,209</u>
Total liabilities, deferred inflows and net position	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>	<u>\$ 211,673,808</u>

The largest portion of the Authority's net position at June 30, 2021 (70.6%), reflects its investment in capital assets, less related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources given that the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted portion of net position at June 30, 2021 (24.5%) may be used to meet the Authority's ongoing obligations.

The change in net position can also be determined by reviewing the following condensed statements of revenues, expenses, and changes in net position information.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

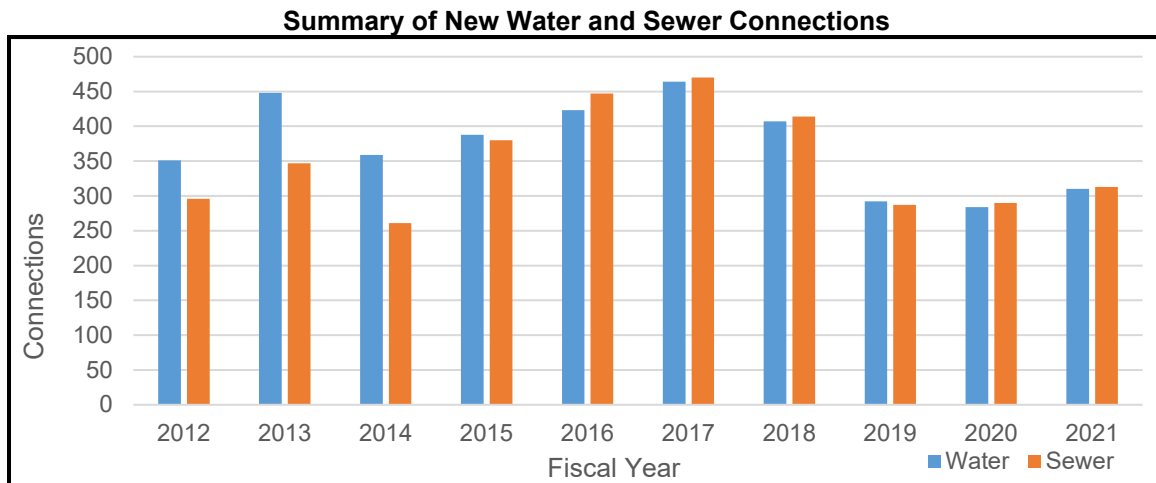
**Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Year Ended**

	6/30/2021	6/30/2020	6/30/2019
Water and sewer services	\$ 18,122,211	\$ 17,692,654	\$ 16,299,006
Other	883,063	484,897	480,685
Total operating revenues	19,005,274	18,177,551	16,779,691
Operating expenses	13,410,884	12,364,418	11,669,089
Depreciation and amortization	8,069,956	8,115,624	7,922,613
Total expenses	21,480,840	20,480,042	19,591,702
Facility charges	2,773,767	2,386,850	2,949,130
Other non-operating revenue (expenses), net	(691,828)	1,196,818	1,190,884
Total nonoperating revenues, net	2,081,939	3,583,668	4,140,014
Income before capital contributions	(393,627)	1,281,177	1,328,003
Capital contributions	5,254,205	17,325	5,137,825
Change in net position	4,860,578	1,298,502	6,465,828
Net position, beginning of year	185,764,711	184,466,209	178,000,381
Net position, end of year	<u>\$ 190,625,289</u>	<u>\$ 185,764,711</u>	<u>\$ 184,466,209</u>

In fiscal year 2021, water and sewer service revenue increased by 2.4% over 2020, primarily as a result of an increase in water rates. The Authority received \$136,572 in proffers from developers to fund capital improvements, which was a decrease of (38.1%) from the amount received in 2020. There was an increase in facility charges of 16.2% during 2021, primarily attributable to an increase of 14.0% in the number of new construction sites paying facility fees.

In fiscal year 2020, water and sewer service revenue increased by 8.6% over 2019, primarily as a result of the water and sewer rate increase. The Authority received \$220,804 in proffers from developers to fund capital improvements, which was an increase of 3.3% from the amount received in 2019. There was a decrease in facility charges of (19.1%) during 2020, primarily attributable to pandemic-related economic uncertainty, a 3.2% decrease in the number of new construction sites paying facility fees and a 16.4% decrease in the average facility fees per site.

The Authority's net position increased by \$4,860,578 in 2021 from 2020, which was primarily a result of capital asset contributions received. The Authority's net position increased by \$1,298,502 in 2020 from 2019. This was primarily a result of increases in service revenue.



JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
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June 30, 2021 and 2020

Capital Assets

The following table summarizes the Authority's capital assets at June 30, 2021, 2020, and 2019:

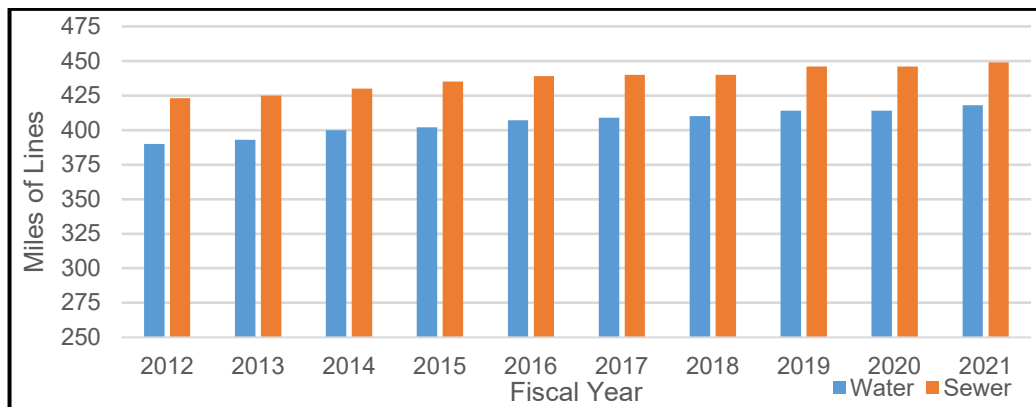
Summary of Capital Assets, Net			
	6/30/2021	6/30/2020	6/30/2019
Utility plant	\$ 275,173,263	\$ 268,631,727	\$ 265,265,911
Nonutility plant	14,879,812	14,236,936	11,690,170
Intangible assets	25,015,132	25,004,570	25,004,570
Construction in progress	5,159,319	3,395,592	3,464,970
Less accum. depreciation and amortization	166,571,402	158,686,413	150,746,203
Net capital assets	<u>\$ 153,656,124</u>	<u>\$ 152,582,412</u>	<u>\$ 154,679,418</u>

At the end of fiscal year 2021, the Authority had invested \$153,656,124 (net of accumulated depreciation and amortization) in a broad range of capital assets. This was an increase of \$1,073,712, which was primarily the result of dedications of water and sewer systems and construction in progress.

At the end of fiscal year 2020, the Authority had invested \$152,582,412 (net of accumulated depreciation and amortization) in a broad range of capital assets. This was a decrease of \$2,097,006 from 2019, which was primarily the result of depreciation expense.

Further information related to the Authority's capital assets can be found in Note 4 to these financial statements.

Water and Sewer Lines



Debt Administration

In August 2008, the Authority issued revenue bonds totaling \$27,120,000 to finance the purchase from the City of Newport News, Virginia of a "safe yield share" of treated water capacity from the King William Reservoir Project or an alternate water supply source. In April 2016, the Authority issued revenue refunding bonds totaling \$22,595,000 to advance refund the outstanding 2008 revenue bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. Consequently, the 2008 revenue bonds are considered defeased and the liability for those bonds was removed from the statement of net position. In April 2016, Standard & Poor's upgraded its rating of AA+ to AAA, and Moody's Investors Service upgraded its rating of Aa2 to Aa1 for the Authority's outstanding bonded debt.

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In May 2020, the Authority issued revenue bonds totaling \$9,135,000, to fund major portions of two large infrastructure improvement efforts, the White Oaks Area and Kingswood Water Main Replacement Projects. The White Oaks Area Water Main Replacement Project consists of replacing and upsizing approximately 22,000 feet of water main in the water distribution system installed in the early 1970s in the White Oaks, Indigo Park, Jamestown Farms, Paddock Green, Paddock Lane, and Canterbury Hills neighborhoods. The Kingswood Water Main Replacement Project consists of replacing and upsizing approximately 14,500 feet of cast iron water main in the 1960-70s era neighborhood water distribution system primarily serving the Kingswood subdivision. Construction on both projects is scheduled for completion in calendar year 2022.

At the close of the fiscal years 2021 and 2020, the Authority's total outstanding bonded debt was \$27,781,000 (before premiums) and \$29,055,000, respectively.

Further information on the Authority's outstanding debt can be found in Note 6 to these financial statements.

Economic Factors and Next Year Budgets and Rates

During the current fiscal year, the unrestricted net position increased by \$2,773,503 from 2020, to approximately \$46.6 million.

JCSA accounts for its operations and Capital Improvement Program (CIP) utilizing two separate funds: the Water Fund and the Sewer Fund, which are both supported by user fees. Centralized functions supported equally by the two funds include Administration, Engineering, Customer Service, Information Technology, Utility Inspections/Locating, Warehouse, Safety/Asset Management, FOG (Fats, Oils and Grease)/Cross Connection, Dispatch, Facility Maintenance, Underground Utilities (Water Distribution Section and Wastewater Collection Section) and the Support Section (maintenance of electrical, mechanical, emergency power generation and diesel systems). The Water Production and Meter Reading sections are supported solely by the Water Fund and the Wastewater Maintenance section is supported solely by the Sewer Fund. Centralized services provided by James City County to the Authority on a reimbursable basis and supported equally by the two funds include legal, limited finance, payroll, and fleet functions.

The fiscal year 2022 budget reflects JCSA's commitment to provide reliable and affordable water and wastewater services to protect public health, promote operational and financial sustainability, and proactively respond to four major issues:

- Sustainable Long-Term Water Supply
- Modernizing Aging Infrastructure, Facilities and Technology
- Succession Management: Recruitment and Retention
- Regulatory Compliance

Work continues to identify an alternative future water source to obtain a sustainable long-term supply to meet water needs through 2035 and beyond. Contributions to the Alternative Water Supply Reserve Fund (found in Unrestricted-Net Position) build dedicated funding for future water sources and reduce future borrowing costs. In addition to pursuing alternative sources, water conservation is also a key element in JCSA's long term water supply strategy. Since the water system is designed to meet peak demands, reducing irrigation in the high demand summer months can delay or eliminate the need to significantly expand supply sources and associated infrastructure. The 2022 budget continues the use of an increasing block water rate structure to promote water conservation using a unit charge that increases with higher consumption.

The majority of JCSA's \$3.9 million (excluding reserve contributions) fiscal year 2022 Capital Improvement Program (CIP) budget focuses on investing to modernize infrastructure, facilities and technology. Infrastructure and facility upgrade projects include the Kingswood Neighborhood Water Main Replacement Project that consists of replacing and upsizing approximately 14,500 feet of 1960-70s era cast iron water main, replacement of the 1970s era sewer Lift Station 1-9 in the First Colony neighborhood, and replacement of the HVAC system at the Five Forks Water Treatment Plant (FFWTP).

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The fiscal year 2022 CIP also contains three large technology projects: replacement of the JCSA's billing, work order and asset management software; upgrading the FFWTP's SCADA (Supervisory Control and Data Acquisition) industrial control and communication system that monitors and regulates water production processes; and installation of antennas and tower equipment to further automate meter reading. The budget also provides \$1 million towards the approximately \$8 million target balance in the JCSA's Repair and Replacement Reserve. This reserve promotes infrastructure asset management by funding unexpected repairs and replacement activity to maintain current levels of service.

The major initiative in the fiscal year 2022 budget designed to address succession management is the implementation of the majority of the findings from the JCSA's Recruitment and Retention Study that was completed in 2020. The study included employee focus groups; an employee satisfaction survey; a comparable compensation analysis of regional public utilities; and analysis of existing job descriptions, payroll, and personnel policies. The budget incorporates the study's main recommendations: implement salary adjustments and promotion opportunities to improve market competitiveness, institute internal pay equity, and hire a human resource analyst to actively manage these recruitment and retention initiatives.

Major regulatory compliance efforts in the budget center on the United States Environmental Protection Agency's Final Revisions to the Lead and Copper Rule and the on-going Consent Agreement with the Virginia Department of Environmental Quality to address sanitary sewer overflows. The Lead and Copper Rule required the JCSA to complete a corrosion control study and implement the recommended improvements to optimize treatment processes by adding corrosion inhibitor at 7 well facilities. The CIP budget includes funding to implement the study recommendations designed to protect JCSA and customer infrastructure from corrosion. In addition, the 2022 Water Fund operating budget includes two positions to address increased sampling and water quality issues associated with the Lead and Copper Rule and the corrosion control study. The CIP and Sewer Fund operating budgets contain funding to fulfill the JCSA's Consent Agreement responsibilities to address sanitary sewer overflows through easement clearing; gravity sewer pipe and manhole inspection; force main and valve inspection; pump station inspection; flow monitoring and hydraulic modeling; fats, oils, and grease abatement; and rehabilitation of defective assets.

The fiscal year 2022 CIP budget decreased to \$5,437,149 from \$12,922,855 in 2021. The 2021 CIP budget contained \$9.0 million in bond proceeds to fund the White Oaks and Kingswood neighborhood water main replacement projects.

The fiscal year 2022 operating budget includes changes to the water service rates and water fixed charge as recommended in the multi-year plan from the 2020 JCSA Rate Study. Incremental rate increases are required to maintain adequate water revenue as per person water use decreases. The total monthly water and sewer bill for a typical 5,000 gallons per month residential user increases by \$0.93 per month from \$43.84 to \$44.77. The JCSA has the lowest water rate for a 5,000 gallons per month residential user and the third lowest 5,000 gallons per month combined water and sewer bill among the 18 Hampton Roads localities.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

BASIC FINANCIAL STATEMENTS

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 6,436,570	\$ 3,088,624
Investments (Note 2)	48,984,902	49,828,908
Restricted cash and cash equivalents (Note 2)	9,379,323	9,401,879
Accounts receivable, customers	3,216,738	2,412,576
Accounts receivable, other	11,576	1,044
Note receivable (Note 3)	1,090	1,090
Interest receivable	88,429	293,410
Inventories	1,116,308	1,109,615
Total current assets	<u>69,234,936</u>	<u>66,137,146</u>
Noncurrent assets:		
Capital assets (Note 4):		
Non-depreciable	7,875,058	6,111,331
Depreciable	145,781,066	146,471,081
Net capital assets	<u>153,656,124</u>	<u>152,582,412</u>
Total assets	<u>222,891,060</u>	<u>218,719,558</u>
Deferred Outflows of Resources		
Deferred charge on refunding, net (Note 6)	1,434,564	1,510,736
Deferred pension (Note 7)	1,105,214	815,631
Deferred OPEB group life insurance (GLI) (Note 8)	84,215	77,029
Deferred OPEB health insurance credit (HIC) (Note 8)	15,098	11,901
Deferred OPEB retiree healthcare (Note 8)	48,347	13,062
Total deferred outflows of resources	<u>2,687,438</u>	<u>2,428,359</u>
Total assets and deferred outflows of resources	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current liabilities:		
Accounts payable, trade	\$ 640,766	\$ 428,901
Accrued salaries	20,942	23,170
Compensated absences, current portion (Note 6)	371,795	356,429
Due to James City County (Note 10)	470,970	494,045
Deposits	864,409	830,721
Interest payable	378,764	328,979
Bonds payable, current portion (Note 6)	1,309,907	1,337,907
Total current liabilities	<u>4,057,553</u>	<u>3,800,152</u>
Noncurrent liabilities:		
Advances for construction (Note 5)	32,902	32,902
Compensated absences, net of current portion (Note 6)	123,931	118,811
Bonds payable, net of current portion (Note 6)	27,674,667	28,984,574
Net pension liability (Note 7)	1,992,512	1,265,328
Retiree healthcare OPEB liability (Note 8)	432,846	381,436
Net GLI OPEB liability (Note 8)	379,494	369,227
Net HIC OPEB liability (Note 8)	58,695	54,421
Total noncurrent liabilities	<u>30,695,047</u>	<u>31,206,699</u>
Total liabilities	<u>34,752,600</u>	<u>35,006,851</u>
Deferred Inflows of Resources		
Deferred pension (Note 7)	118,843	262,425
Deferred OPEB retiree healthcare (Note 8)	60,422	76,605
Deferred OPEB GLI (Note 8)	12,435	25,058
Deferred OPEB HIC (Note 8)	8,909	12,267
Total deferred inflows of resources	<u>200,609</u>	<u>376,355</u>
Net Position		
Net position:		
Net investment in capital assets	134,621,895	132,512,264
Restricted for:		
Capital projects	8,515,781	8,741,597
Debt service	863,542	660,282
Unrestricted	46,624,071	43,850,568
Total net position	<u>190,625,289</u>	<u>185,764,711</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>

See accompanying notes to basic financial statements.

Exhibit 2

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water and sewer services	\$ 18,122,211	\$ 17,692,654
Water supply proffers	136,572	220,804
Rental income	127,656	127,656
COVID-19 relief funding	436,711	-
Other	182,124	136,437
Total operating revenues	<u>19,005,274</u>	<u>18,177,551</u>
Operating expenses:		
Personnel services	7,389,027	7,168,937
Operating supplies	1,245,122	1,229,827
Maintenance	2,264,263	1,735,381
Utilities	963,287	919,745
Contractual fees	1,027,910	991,478
COVID-19 expenses	322,994	-
Other	198,281	319,050
Total operating expenses	<u>13,410,884</u>	<u>12,364,418</u>
Operating income before depreciation and amortization	5,594,390	5,813,133
Depreciation and amortization (Note 4)	8,069,956	8,115,624
Operating loss	<u>(2,475,566)</u>	<u>(2,302,491)</u>
Nonoperating revenues (expenses):		
Facility charges	2,773,767	2,386,850
Investment income	128,840	2,033,417
Gain on disposal of capital assets	43,687	17,813
Interest expense	(864,355)	(854,412)
Net nonoperating revenues	<u>2,081,939</u>	<u>3,583,668</u>
Income before capital contributions	(393,627)	1,281,177
Capital asset contributions	5,254,205	17,325
Changes in net position	4,860,578	1,298,502
Net position, beginning of year	185,764,711	184,466,209
Net position, end of year	<u>\$ 190,625,289</u>	<u>\$ 185,764,711</u>

See accompanying notes to basic financial statements.

Exhibit 3

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Cash Flows
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	\$ 17,380,906	\$ 19,133,397
Other cash receipts	883,063	550,662
Cash payments to suppliers for goods and services	(6,012,842)	(6,534,379)
Cash payments for personnel services	(7,088,631)	(7,005,405)
Facility charges	2,773,767	2,386,850
Net cash provided by operating activities	<u>7,936,263</u>	<u>8,531,125</u>
Cash flows from capital and related financing activities:		
Repayments of debt	(1,274,000)	(655,000)
Interest paid	(802,305)	(702,050)
Proceeds from bond issuance	-	9,135,000
Bond issuance costs	-	(131,975)
Acquisition and construction of capital assets	(3,716,381)	(6,020,651)
Proceeds from sale of capital assets	3,986	37,171
Net cash provided by (used in) capital and related financing activities	<u>(5,788,700)</u>	<u>1,662,495</u>
Cash flows from investing activities:		
Purchases of investments	(37,676,414)	(29,239,804)
Proceeds from sale of investments	38,525,487	27,346,986
Interest received	328,754	2,030,886
Net cash investing activities	<u>1,177,827</u>	<u>138,068</u>
Increase in cash and cash equivalents	3,325,390	10,331,688
Cash and cash equivalents, beginning of year (including \$9,401,879 and \$569,708 in restricted accounts at June 30, 2020 and 2019, respectively)	<u>12,490,503</u>	<u>2,158,815</u>
Cash and cash equivalents, end of year (including \$9,379,323 and \$9,401,879 in restricted accounts at June 30, 2021 and 2020, respectively)	<u><u>\$ 15,815,893</u></u>	<u><u>\$ 12,490,503</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	<u>\$ (2,475,566)</u>	<u>\$ (2,302,491)</u>
Adjustments to reconcile operating loss to cash provided by operating activities:		
Depreciation and amortization	8,069,956	8,115,624
Facility charges	2,773,767	2,386,850
Pension expense, net of employer contributions	294,019	108,753
Retiree healthcare OPEB expense, net of employer contributions	(58)	5,887
Group life insurance OPEB expense, net of employer contributions	(9,542)	(17,744)
Health insurance credit OPEB expense, net of employer contributions	(2,281)	(3,027)
Change in operating assets and liabilities:		
Accounts receivable, customers	(804,162)	1,224,453
Accounts receivable, others	29,169	65,765
Inventories	(6,693)	(193,860)
Accounts payable, trade	38,783	(643,017)
Accrued salaries	(2,228)	10,920
Compensated absences	20,486	58,743
Due to James City County	(23,075)	(502,021)
Deposits	33,688	216,290
Total adjustments	<u>10,411,829</u>	<u>10,833,616</u>
Net cash provided by operating activities	<u><u>\$ 7,936,263</u></u>	<u><u>\$ 8,531,125</u></u>
Supplemental schedules:		
Noncash capital activities:		
Capital asset contributions	\$ 5,254,205	\$ 17,325
Construction in progress included in accounts payable at June 30	173,082	-
Proceeds from sale included in accounts receivable at June 30	39,701	-
Total noncash capital activities	<u><u>\$ 5,466,988</u></u>	<u><u>\$ 17,325</u></u>
Noncash investing activity:		
Unrealized gain (loss) from change in fair value of investments	<u><u>\$ (1,084,638)</u></u>	<u><u>\$ 580,156</u></u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Organization and Summary of Significant Accounting Policies

The James City Service Authority (the Authority) was established on June 30, 1969, by resolution of the Board of Supervisors of James City County, Virginia (the County, or Primary Government), and was chartered by the Commonwealth of Virginia, State Corporation Commission in July 1969 to provide water and sewer service to County residents as permitted under the Code of Virginia (1950), as amended (the Enabling Act).

The Enabling Act authorizes the Authority, among other things, to: a) acquire, construct, improve, extend, operate, and maintain any water, sewer, sewage disposal, or garbage/refuse collection and disposal system; b) issue revenue bonds of the Authority, payable solely from revenues, to pay all or any part of the cost of such systems; c) fix, revise, charge, and collect rates, fees, and charges for the use of and for the services furnished or to be furnished by any system operated by the Authority; and d) enter into contracts with the Commonwealth of Virginia, or with any municipality, county, corporation, individual, or any public authority or unit thereof, relating to the services and facilities of any such system of the Authority. Further, the Enabling Act provides that the Authority is subject in all respects to the jurisdiction of the Department of Environmental Quality – Water Division (DEQ), formerly the State Water Control Board of the Commonwealth of Virginia, under the provision of the State Water Control Law.

The Authority's governing body is appointed by the County's Board of Supervisors, although the Authority is legally separate. The County's Board of Supervisors is the appointed Board of Directors of the Authority. The County cannot impose its will over the Authority, nor does a financial benefit or burden exist between the County and the Authority. The County does not have access to the resources of the Authority, nor does it have responsibility to provide financial support for the debt or other obligations of the Authority. However, the Authority is considered to be financially integrated with the County based on the nature and significance of its relationship with the County. The County's Strategic Plan includes a sustainable long-term water supply as a primary goal, which is to be achieved through the efforts of the Authority. In addition, the Authority has adopted other Strategic Plan goals in developing its initiatives. As a result, the County's Strategic Plan impacts the budgetary and operational decisions of both the County and the Authority and financially integrates these entities. The Authority remains financially integrated with the County; therefore, the Authority is included as a discretely presented component unit in the County's financial statements for reporting purposes.

Basis of Accounting and Presentation

The Authority prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources management focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets. The Authority generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

Given that the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements.

Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Organization and Summary of Significant Accounting Policies, Continued

Investments

Investments are reported at fair value except for the position in Virginia's Local Government Investment Pool (LGIP) which in accordance with state law, is reported at amortized cost. The Authority determines fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Authority uses a market approach as the valuation technique for Level 2 inputs. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

Allowance for Uncollectible Accounts

The Authority has few uncollectible receivables and does not use an allowance account. State law permits filing of liens against real property for unpaid utility charges. The write-off of bad debts only occurs when the property is sold prior to the lien process being instituted.

Inventories

Inventories are valued at cost and are charged against operations on an average cost basis. They consist of water meters, pipes, and parts required to repair the utility systems.

Capital Assets

All direct costs of water and sewer transmission facilities constructed are capitalized. Interest expense is reduced to the extent of any interest income earned on investment of bond proceeds. Nonutility property is capitalized at cost.

The Authority's policy is to capitalize capital assets with a cost or acquisition value at the date of donation of \$5,000 or greater. The cost of major improvements is capitalized, while the cost of maintenance and repairs, which does not improve or extend the life of an asset, is expensed. The Authority provides for depreciation of capital assets using the straight-line method over their estimated useful lives, as follows:

Sewer systems	40 years
Water systems	30 years
Equipment and other	3-40 years

The Authority has easements and water rights that are considered intangible assets. The water rights are related to an agreement the Authority has with the City of Newport News to purchase and treat water to meet long-term water supply needs. These water rights are amortized using the straight-line method over the life of the agreement.

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the accompanying statements of revenues, expenses, and changes in net position.

Unbilled Revenue

The Authority records the amount of accrued but unbilled revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately \$1,527,000 and \$1,300,000 at June 30, 2021 and 2020, respectively, and are included in Accounts receivable, customers on the statements of net position. In May 2020, the Authority adjusted its billing cycles so that all billings are now on a monthly basis.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Organization and Summary of Significant Accounting Policies, Continued

Budgetary Policy

Although a budget is not legally required to be adopted, a fiscal year budget is prepared on a modified accrual basis for management and fiscal planning purposes. Any changes to the adopted budget require Board approval. Appropriations lapse at the end of the fiscal year with the exception of capital projects which continue until completed. For the year ended June 30, 2021, there were two supplemental appropriations as follows: (1) \$8,720 for road maintenance and (2) \$315,872 of Coronavirus Aid, Relief, and Economic Security Act funding, discussed further in Note 12. For the year ended June 30, 2020, there were no supplemental appropriations for various grants.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. Property, liability and worker's compensation coverages are provided through a self-insurance pool. The Authority's retention is through deductibles. Deductibles and coverage limits at June 30, 2021 were as follows:

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	\$ 10,000	\$ 49,096,635
Business interruption/extra expense	N/A	\$ 3,000,000
Inland marine	\$ 1,000	\$ 745,567
Back-up of sewers and drains	N/A	\$ 10,000,000
Debris removal	N/A	\$ 25,000,000
Pollutant clean-up and removal	N/A	\$ 500,000
Newly acquired locations for up to 120 days	N/A	\$ 25,000,000
Property in transit	N/A	\$ 5,000,000
Utility services time element	N/A	\$ 5,000,000
Increased cost of construction/ordinance/demolition	N/A	\$ 20,000,000
Earthquake/Flood (outside 100 year flood plain)	\$ 25,000	\$ 100,000,000
Equipment breakdown	\$ 1,000	\$ 125,000,000
General liability	\$ -	\$ 2,000,000
Public officials liability	\$ -	\$ 1,000,000
Automobile liability	\$ -	\$ 2,000,000
Automobile comprehensive/collision	\$ 1,000	\$ 857,747
Crime	\$ 250	\$ 500,000
Excess liability	N/A	\$ 7,000,000
Excess public officials liability	N/A	\$ 8,000,000
Environmental liability	\$ 25,000	\$ 1,000,000
Cyber risk	\$ -	\$ 3,000,000
Worker's compensation	\$ -	Statutory limits

Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Organization and Summary of Significant Accounting Policies, Continued

Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the terms of the related issues on a straight-line basis, which approximates the effective interest method.

Operating and Nonoperating Revenue and Expenses Recognition

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing water and sewer services. Revenues and expenses not meeting the operating definition are reported as nonoperating. These consist mainly of water and sewer facility charges, investment income, interest expense, and gain or loss on disposal of capital assets.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. Deferred inflows represent an acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that time.

The Authority has the following items that qualify for reporting in these categories:

- ***Deferred gain/loss on refunding:*** A deferred amount on refunding is a deferred outflow/inflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- ***Contributions subsequent to the measurement date for pensions and OPEB:*** These contributions are always a deferred outflow, which will be applied to the net pension or OPEB liability in the next fiscal year.
- ***Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability:*** This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Differences resulting from a changes in proportion of the collective net pension and OPEB liabilities:*** This difference will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- ***Difference between projected and actual earnings on pension and OPEB plan investments:*** This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- ***Differences resulting from changes in assumptions on pension plan or OPEB investments:*** These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

2) Cash, Cash Equivalents, and Investments

The Authority's cash, cash equivalents, and investments at June 30, 2021 and 2020, consisted of the following:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Bank deposits	\$ 1,047,487	\$ 1,057,657
Petty cash	541	503
Money market	9,703,299	9,472,845
Investments, LGIP	5,064,566	1,959,498
Investments, other	48,984,902	49,828,908
Total	<u>\$ 64,800,795</u>	<u>\$ 62,319,411</u>

Reconciliation to Statements of Net Position:

Cash and cash equivalents	\$ 6,436,570	\$ 3,088,624
Investments	48,984,902	49,828,908
Restricted cash and cash equivalents	9,379,323	9,401,879
Total	<u>\$ 64,800,795</u>	<u>\$ 62,319,411</u>

Deposits with banks are fully covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*.

Restricted investments reflect funds held by a trustee in escrow for future debt service payments and for future capital projects.

The Authority's investments measured at fair value at June 30, 2021 and 2020, were as follows:

Investment Type	Cost	Fair Value	Level 1	Level 2	Level 3
<u>6/30/2021:</u>					
U.S. Treasury securities	\$ 30,436,192	\$ 30,436,690	\$ -	\$ 30,436,690	\$ -
Municipal Bond/Note	1,816,244	1,809,505	-	1,809,505	-
Federal agency mortgage security	1,569,351	1,591,724	-	1,591,724	-
Federal agency notes and bonds	6,542,841	6,567,047	-	6,567,047	-
Corporate notes and bonds	2,361,298	2,378,967	-	2,378,967	-
Certificates of deposit	2,850,000	2,869,048	-	2,869,048	-
Fed. agency coll. mortgage ob.	3,304,605	3,331,921	-	3,331,921	-
Total	<u>\$ 48,880,531</u>	<u>\$ 48,984,902</u>	<u>\$ -</u>	<u>\$ 48,984,902</u>	<u>\$ -</u>
<u>6/30/2020:</u>					
U.S. Treasury securities	\$ 23,059,027	\$ 23,754,793	\$ -	\$ 23,754,793	\$ -
Municipal Bond/Note	1,364,047	1,374,408	-	1,374,408	-
Federal agency mortgage security	1,226,230	1,262,893	-	1,262,893	-
Federal agency notes and bonds	9,293,461	9,427,670	-	9,427,670	-
Corporate notes and bonds	6,320,981	6,503,213	-	6,503,213	-
Certificates of deposit	2,775,000	2,815,774	-	2,815,774	-
Commercial paper	494,396	498,840	-	498,840	-
Fed. agency coll. mortgage ob.	4,106,757	4,191,317	-	4,191,317	-
Total	<u>\$ 48,639,899</u>	<u>\$ 49,828,908</u>	<u>\$ -</u>	<u>\$ 49,828,908</u>	<u>\$ -</u>

JAMES CITY SERVICE AUTHORITY
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2) Cash, Cash Equivalents, and Investments, Continued

	Investment maturity (in years)			
Investment Type	Amount	Less than 1	1-2	2-15
6/30/2021:				
U.S. Treasury securities	\$ 30,436,690	\$ -	\$ 5,242,470	\$ 25,194,220
Municipal bond	1,809,505	502,125	602,477	704,903
Federal agency notes and bonds	6,567,047	-	3,423,437	3,143,610
Federal agency mortgage security	1,591,724	-	-	1,591,724
Corporate notes and bonds	2,378,967	-	1,894,437	484,530
Certificate of deposit	2,869,048	1,900,859	968,189	-
Fed. agency coll. mortgage ob.	3,331,921	543,285	1,180,228	1,608,408
Total	<u>\$ 48,984,902</u>	<u>\$ 2,946,269</u>	<u>\$ 13,311,238</u>	<u>\$ 32,727,395</u>
6/30/2020:				
Commercial paper	\$ 498,840	\$ 498,840	\$ -	\$ -
U.S. Treasury securities	23,754,793	-	15,172,043	8,582,750
Municipal bond	1,374,408	-	502,745	871,663
Federal agency notes and bonds	9,427,670	-	2,948,382	6,479,288
Federal agency mortgage security	1,262,893	-	-	1,262,893
Corporate notes and bonds	6,503,213	1,117,186	2,336,127	3,049,900
Certificate of deposit	2,815,774	1,836,924	-	978,850
Fed. agency coll. mortgage ob.	4,191,317	-	879,479	3,311,838
Total	<u>\$ 49,828,908</u>	<u>\$ 3,452,950</u>	<u>\$ 21,838,776</u>	<u>\$ 24,537,182</u>

Investment Policy

The Authority's Board of Directors adopted an updated Investment Policy on March 9, 2021. In accordance with the *Code of Virginia* and other applicable laws, including regulations, the Authority's Investment Policy (the Policy) permits investments in U.S. government obligations, federal agency obligations, municipal obligations, prime quality commercial paper, bankers' acceptances, corporate notes, negotiable certificates of deposits and bank deposit notes, money market mutual funds, repurchase agreements and pooled investment programs.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The combined amount of bankers' acceptances, commercial paper, negotiable certificates of deposit, and corporate notes shall not exceed forty percent (40%) of the total book value of the portfolio at the date of acquisition. When investing in a pool, the Authority shall limit its investment to ten percent (10%) of the total assets of the pool. The table below summarizes sector limits, issuer limits, ratings requirements and the maximum maturity for the Authority's investments.

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2) Cash, Cash Equivalents, and Investments, Continued

Permitted Investment	Sector Limit	Issuer Limit ¹	Ratings Requirement ^{2,3}	Max Maturity ⁴
U.S. Treasury Obligations	100%	100%	N/A	5 Years
Federal Agency Obligations	100%	35%	AA or equivalent by at least two NRSROs, which will either be Moody's or S&P	5 Years
Federal Agency Mortgage-Backed Securities	25%	25%	AA or equivalent by at least two NRSROs, which will either be Moody's or S&P	5 Years WAL
Municipal Obligations	20%	5%	AA (S&P) and Aa (Moody's)	5 Years
Commercial Paper	35%	5%	A-1 or equivalent by at least two NRSROs which will be S&P, Moody's or Fitch	270 Days
Bankers' Acceptances	35%	5%	A-1 or equivalent by at least two NRSROs	180 Days
Corporate Notes	30%	5%	At least two of the following ratings by a NRSRO: AA (S&P), Aa (Moody's) or AA (Fitch)	5 Years
Negotiable Certificates of Deposit and Bank Deposit Notes	30%	5%	At least two of the following ratings by a NRSRO: A-1 (S&P), P-1 (Moody's) or F1 (Fitch) if less than one year to maturity; AA (S&P), Aa (Moody's) or AA (Fitch) if greater than one year to maturity	5 Years
Money Market Mutual Funds	50%	50%	AAAm or equivalent by an NRSRO	N/A
Principal Stability Pools	50%	50%	AAAm or equivalent by an NRSRO	N/A
Short-term Bond Pools	50%	50%	AAf or equivalent by an NRSRO	Maximum duration of 3 years
Repurchase Agreements	50%	25%	Counterparty: AA or the equivalent from an NRSRO	30 days
Collateralized Bank Deposits	100%	100%	Collateralized in accordance with the Security for Public Deposits Act	N/A

1. Issuer Limit refers to the allowable percentage of the entire Portfolio

2. Ratings by Nationally Recognized Statistical Ratings Organizations ("NRSROs") as designated by the Securities and Exchange Commission

3. At time of purchase

4. From transaction settlement date

5. Rating requirements are without regards to the ratings modifiers

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

2) Cash, Cash Equivalents, and Investments, Continued

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). Corporate notes must have a minimum rating of Aa by Moody's Investors Service, AA by Standard & Poor's, or AA by Fitch Ratings, Inc., from at least two of the NRSROs. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have, from at least two of the NRSROs, a minimum rating of A-1 by Standard & Poor's, P-1 by Moody's Investors Service, or F1 by Fitch Ratings, Inc., and if maturing in over one year, the minimum rating must be AA by Standard & Poor's, Aa by Moody's Investors Service, or AA by Fitch Ratings, Inc. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2021 and 2020, the Authority's investments rated by Standard & Poor's were as follows:

	Unrated	AAA	AA+	AA	AA-	A+	A-1+	A-1
6/30/2021:								
Money market funds	\$ 9,379,323	\$ 323,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LGIP	-	5,064,566	-	-	-	-	-	-
Federal agency notes/bonds	-	-	6,567,047	-	-	-	-	-
Corporate notes/bonds	-	235,418	298,698	370,542	1,474,309	-	-	-
Certificate of deposit	-	-	-	-	968,189	-	-	1,900,859
Municipal bond note	-	502,182	-	686,659	620,664	-	-	-
Federal agency mrtge. security	-	-	1,591,724	-	-	-	-	-
Fed. agency coll. mrtge. ob.	-	-	3,331,921	-	-	-	-	-
Total	\$ 9,379,323	\$ 6,126,142	\$ 11,789,390	\$ 1,057,201	\$ 3,063,162	\$ -	\$ -	\$ 1,900,859
6/30/2020:								
Money market funds	\$ 9,401,879	\$ 70,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LGIP	-	1,959,498	-	-	-	-	-	-
Federal agency notes/bonds	-	-	9,427,670	-	-	-	-	-
Corporate notes/bonds	-	-	795,819	2,117,014	3,101,012	489,368	-	-
Certificate of deposit	-	-	-	-	978,850	-	-	1,836,924
Commercial paper	-	-	-	-	-	-	498,840	-
Municipal bond note	-	250,000	256,480	502,745	365,183	-	-	-
Federal agency mrtge. security	-	-	1,262,893	-	-	-	-	-
Fed. agency coll. mrtge. ob.	-	-	4,191,317	-	-	-	-	-
Total	\$ 9,401,879	\$ 2,280,464	\$ 15,934,179	\$ 2,619,759	\$ 4,445,045	\$ 489,368	\$ 498,840	\$ 1,836,924

Concentration of Credit Risk

The Policy establishes guidelines on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the exceptions noted in the table above under "Issuer Limit."

At June 30, 2021 and 2020, the portions of the Authority's portfolio (excluding restricted investments) that exceeded 5% of the total were:

Issuer	% of Portfolio	
	6/30/2021	6/30/2020
U.S. Treasury	56.0%	45.8%
Freddie Mac	10.8%	12.4%
LGIP	9.3%	3.8%
Fannie Mae	9.1%	11.3%
Federal Home Loan Banks	1.2%	5.1%

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Notes to Financial Statements
June 30, 2021 and 2020

2) Cash, Cash Equivalents, and Investments, Continued

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds.

The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from transaction settlement date (with the exception of Agency Mortgage-Backed Securities ("MBS") which must have a weighted average life of no more than 5 years. To control the volatility of the core portfolio, the Authority will determine a duration target, not to exceed three years.

Proceeds from the sale of bonds will be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities, so long as the maturity does not exceed the expected disbursement date of those funds.

Custodial Credit Risk

In accordance with the *Code of Virginia* Section 2.2-4515, the Policy requires that all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counter party to the investment transaction. As of June 30, 2021 and 2020, all of the Authority's investments were held in a bank's trust department in the name of James City Service Authority.

3) Note Receivable

In June 2017, the Authority entered into a deferred payment agreement with Franciscus at Promenade, LLC ("Franciscus") under which Franciscus would make installment payments for water and sewer system facility charges related to a construction project. Upon either the completion of the project or December 31, 2021, a final reconciliation of charges and payments will occur, and any outstanding balance owed to the Authority will be due. At June 30, 2021 and 2020, the note receivable balance was \$1,090.

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
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4) Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2021 and 2020:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Utility plant:				
Land	\$ 955,995	\$ -	\$ -	\$ 955,995
Nonutility plant:				
Land	1,741,991	-	-	1,741,991
Land improvements	13,183	-	-	13,183
Construction in progress	3,395,592	3,626,731	1,863,004	5,159,319
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	<u>6,111,331</u>	<u>3,626,731</u>	<u>1,863,004</u>	<u>7,875,058</u>
Capital assets being depreciated/amortized:				
Utility plant:				
Water and sewer systems	267,675,732	6,541,536	-	274,217,268
Nonutility plant:				
Land improvements (depreciable)	8,930	-	-	8,930
Central shop	5,185,411	342,710	-	5,528,121
Office fixtures and equipment	4,133,294	293,528	500	4,426,322
Automotive equipment	3,051,767	202,167	184,467	3,069,467
Infrastructure	91,798	-	-	91,798
Intangible:				
Water rights	25,000,000	-	-	25,000,000
Software	10,562	-	-	10,562
Total capital assets being depreciated/amortized	<u>305,157,494</u>	<u>7,379,941</u>	<u>184,967</u>	<u>312,352,468</u>
Less accumulated depreciation/amortization:				
Water and sewer systems	145,972,373	6,855,281	-	152,827,654
Land improvements	669	449	-	1,118
Central shop	1,385,040	153,453	-	1,538,493
Office fixtures and equipment	1,729,435	268,467	500	1,997,402
Automotive equipment	2,690,405	155,758	184,467	2,661,696
Infrastructure	6,650	3,069	-	9,719
Water rights	6,901,841	631,331	-	7,533,172
Software	-	2,148	-	2,148
Total accumulated depreciation/amortization	<u>158,686,413</u>	<u>8,069,956</u>	<u>184,967</u>	<u>166,571,402</u>
Total capital assets being depr./amort, net	<u>146,471,081</u>	<u>(690,015)</u>	<u>-</u>	<u>145,781,066</u>
Total capital assets, net	<u>\$ 152,582,412</u>	<u>\$ 2,936,716</u>	<u>\$ 1,863,004</u>	<u>\$ 153,656,124</u>

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2021 and 2020

4) Capital Assets, Continued

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Utility plant:				
Land	\$ 955,995	\$ -	\$ -	\$ 955,995
Nonutility plant:				
Land	1,741,991	-	-	1,741,991
Land improvements	13,183	-	-	13,183
Construction in progress	3,464,970	5,843,839	5,913,217	3,395,592
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	<u>6,180,709</u>	<u>5,843,839</u>	<u>5,913,217</u>	<u>6,111,331</u>
Capital assets being depreciated:				
Utility plant:				
Water and sewer systems	264,309,916	3,365,816	-	267,675,732
Nonutility plant:				
Land improvements (depreciable)	8,930	-	-	8,930
Central shop	4,435,895	798,941	49,425	5,185,411
Office fixtures and equipment	2,379,905	1,776,153	22,764	4,133,294
Automotive equipment	3,018,468	155,882	122,583	3,051,767
Software	-	10,562	-	10,562
Infrastructure	91,798	-	-	91,798
Intangible - water rights	25,000,000	-	-	25,000,000
Total capital assets being depreciated	<u>299,244,912</u>	<u>6,107,354</u>	<u>194,772</u>	<u>305,157,494</u>
Less accumulated depreciation/amortization:				
Water and sewer systems	139,083,418	6,888,955	-	145,972,373
Land improvements	223	446	-	669
Central shop	1,286,420	128,687	30,067	1,385,040
Office fixtures and equipment	1,534,952	217,247	22,764	1,729,435
Automotive equipment	2,549,256	263,732	122,583	2,690,405
Infrastructure	3,590	3,060	-	6,650
Intangibles - water rights	6,288,344	613,497	-	6,901,841
Total accumulated depreciation/amortization	<u>150,746,203</u>	<u>8,115,624</u>	<u>175,414</u>	<u>158,686,413</u>
Total capital assets being depr./amort, net	<u>148,498,709</u>	<u>(2,008,270)</u>	<u>19,358</u>	<u>146,471,081</u>
Total capital assets, net	<u>\$ 154,679,418</u>	<u>\$ 3,835,569</u>	<u>\$ 5,932,575</u>	<u>\$ 152,582,412</u>

5) Advances for Construction

Advances for construction consist of two separate agreement types. Funds can be advanced by developers for the construction of specific facilities. These agreements call for rebates, up to the amount advanced, and have no expiration date. Developers can also construct a facility, dedicate it to the Authority, and receive rebates up to the cost of the facility for up to 10 years. The Authority no longer enters into these types of agreements. As of June 30, 2021 and 2020, advances for construction consisted of:

Funds advanced	\$ 27,020
Facilities constructed	5,882
Total	<u>\$ 32,902</u>

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2021 and 2020

6) Long-Term Liabilities

The Authority's long-term debt activity for the fiscal years ended June 30, 2021 and 2020, was as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due within one year
Refunding revenue bonds	\$ 19,920,000	\$ -	\$ 690,000	\$ 19,230,000	\$ 720,000
Revenue bonds	9,135,000	-	584,000	8,551,000	526,000
Premium, refunding revenue bonds	1,267,481	-	63,907	1,203,574	63,907
Compensated absences	475,240	527,083	506,597	495,726	371,795
Total	<u>\$ 30,797,721</u>	<u>\$ 527,083</u>	<u>\$ 1,844,504</u>	<u>\$ 29,480,300</u>	<u>\$ 1,681,702</u>

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Due within one year
Refunding revenue bonds	\$ 20,575,000	\$ -	\$ 655,000	\$ 19,920,000	\$ 690,000
Revenue bonds	-	9,135,000	-	9,135,000	584,000
Premium, refunding revenue bonds	1,331,388	-	63,907	1,267,481	63,907
Compensated absences	416,497	502,416	443,673	475,240	356,429
Total	<u>\$ 22,322,885</u>	<u>\$ 9,637,416</u>	<u>\$ 1,162,580</u>	<u>\$ 30,797,721</u>	<u>\$ 1,694,336</u>

Revenue Bonds and Refunding Revenue Bonds (including Premium)

In August 2008, the Authority issued revenue bonds totaling \$27,120,000 to finance the purchase from the City of Newport News, Virginia of a "safe yield share" of treated water capacity from the King William Reservoir Project or an alternate water supply source. In April 2016, the Authority issued revenue refunding bonds totaling \$22,595,000 to advance refund the outstanding 2008 revenue bonds. There was a \$1,533,760 premium issued on the new bonds. The interest rate on the bonds ranges from 3% - 5% and the net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. Consequently, the outstanding balance for the 2008 revenue bonds in the amount of \$20,385,000 and \$21,075,000 at June 30, 2021 and 2020, respectively, is considered defeased, and the liability for those bonds has been removed from the statements of net position.

The reacquisition price exceeded the carrying value of the old debt by \$1,828,117 ("deferred charge on refunding"), and this amount is being amortized over the life of the new debt. The deferred charge on refunding net of accumulated amortization, was \$1,434,564 and \$1,510,736 at June 30, 2021 and 2020, respectively. The advance refunding reduced its total debt service payments over 24 years by \$6,956,051 to obtain an economic gain of \$3,548,748. The refunding revenue bonds mature in various installments through 2040 with interest payable semiannually.

In May 2020, the Authority issued revenue bonds totaling \$9,135,000 to finance the upgrade, repair, and replacement of a portion of the Authority's water distribution system and pay for the costs of issuance associated with the bonds. The interest rate on the bonds is 2.264%, with a maturity date of January 15, 2035. The first principal payment of \$584,000 was made in January 2021. The amount of the revenue bonds outstanding is \$8,551,000 and \$9,135,000 as of June 30, 2021 and June 30, 2020, respectively, and is reflected on the statements of net position.

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2021 and 2020

6) Long-Term Liabilities, Continued

Revenue Bonds and Refunding Revenue Bonds (including Premium), Continued

Future maturities of principal and interest payments on the Authority's bonds are as follows:

Year Ended June 30	2016 Refunding Revenue Bonds		2020 Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 720,000	\$ 632,800	\$ 526,000	\$ 193,594
2023	745,000	611,200	538,000	181,686
2024	785,000	573,950	550,000	169,506
2025	820,000	534,700	562,000	157,054
2026	855,000	501,900	575,000	144,330
2027-2031	4,750,000	2,018,850	3,077,000	520,334
2032-2036	5,515,000	1,262,100	2,723,000	155,852
2037-2040	5,040,000	383,400	-	-
Total	<u>\$ 19,230,000</u>	<u>\$ 6,518,900</u>	<u>\$ 8,551,000</u>	<u>\$ 1,522,356</u>

Compensated Absences

Compensated absences consist of earned but unused vacation, sick leave and paid time off. The costs attributable to Authority personnel are paid by the County and reimbursed by the Authority. Upon termination and only after a minimum of 2 years of employment with the Authority, employees are entitled to receive cash payments for sick leave at 25% of accumulated values up to a maximum of \$5,000. At June 30, 2021 and 2020, compensated absences consisted of the following:

	6/30/2021	6/30/2020
Vacation	\$ 347,459	\$ 339,727
Sick	77,611	75,082
Paid-time off	70,656	60,431
Total	<u>\$ 495,726</u>	<u>\$ 475,240</u>

7) Defined Benefit Pension Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's retirement plan and the additions to/deductions from the Authority's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the 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.

Plan Description

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

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7) Defined Benefit Pension Plan, Continued

Plan Description, Continued

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/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Authority Number
Inactive members or their beneficiaries currently receiving benefits	55
Inactive members:	
Vested inactive members	16
Non-vested inactive members	23
LTD	-
Active elsewhere in VRS	30
Total inactive members	69
Active members	89
Total covered employees	213

Contributions

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

The Authority's contractually required contribution rate for the years ended June 30, 2021, and June 30, 2020, was 6.39% and 5.67%, respectively, of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2019 and June 30, 2017, respectively.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$271,540 and \$265,027 for the years ended June 30, 2021 and June 30, 2020, respectively.

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. The net pension liability reported as of June 30, 2021, was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020. The net pension liability for fiscal year 2020 was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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7) Defined Benefit Pension Plan, Continued

Actuarial Assumptions

The total pension liability for fiscal years 2021 and 2020 for general employees in the Authority's retirement plan was based on actuarial valuations as of June 30, 2019 and June 30, 2018, respectively, 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, 2020 and June 30, 2019, respectively.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019 and June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

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 tables:

<u>June 30, 2021:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

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7) Defined Benefit Pension Plan, Continued

Long-Term Expected Rate of Return, Continued

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.*

<u>June 30, 2020:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.61%	1.91%
Fixed income	15.00%	0.88%	0.13%
Credit strategies	14.00%	5.13%	0.72%
Real assets	14.00%	5.27%	0.74%
Private equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP- Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 and 2020, 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.

Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 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.

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7) Defined Benefit Pension Plan, Continued

Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (a) - (b)
Balances at June 30, 2019	\$ 19,119,813	\$ 17,854,485	\$ 1,265,328
Changes for the year:			
Service cost	400,579	-	400,579
Interest	1,265,059	-	1,265,059
Change in benefit terms	26,989	-	26,989
Change of assumptions	-	-	-
Difference between expected and actual experience	(172,618)	-	(172,618)
Contributions - employer	-	243,251	(243,251)
Contributions - employee	-	220,872	(220,872)
Net investment income	-	340,716	(340,716)
Benefit payments, including refunds of employee contributions	(756,401)	(756,401)	-
Administrative expenses	-	(11,611)	11,611
Other changes	-	(403)	403
Net changes	763,608	36,424	727,184
Balances at June 30, 2020	\$ 19,883,421	\$ 17,890,909	\$ 1,992,512

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (a) - (b)
Balances at June 30, 2018	\$ 17,437,059	\$ 16,913,889	\$ 523,170
Changes for the year:			
Service cost	378,585	-	378,585
Interest	1,198,755	-	1,198,755
Change of assumptions	546,875	-	546,875
Difference between expected and actual experience	182,506	-	182,506
Contributions - employer	-	235,463	(235,463)
Contributions - employee	-	212,351	(212,351)
Net investment income	-	1,128,516	(1,128,516)
Benefit payments, including refunds of employee contributions	(623,967)	(623,967)	-
Administrative expenses	-	(11,054)	11,054
Other changes	-	(713)	713
Net changes	1,682,754	940,596	742,158
Balances at June 30, 2019	\$ 19,119,813	\$ 17,854,485	\$ 1,265,328

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7) Defined Benefit Pension Plan, Continued

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset) at June 30, 2021	\$ 4,462,610	\$ 1,992,512	\$ (72,064)
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset) at June 30, 2020	\$ 3,723,268	\$ 1,265,328	\$ (702,029)

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

For the years ended June 30, 2021 and June 30, 2020, the Authority recognized pension expense of \$543,783 and \$358,709, respectively. At June 30, 2021 and June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	6/30/2021		6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 81,135	\$ 118,843	\$ 169,449	\$ 42,704
Changes of assumptions	215,435	-	381,155	67,086
Net difference between projected and actual earnings on plan investments	537,104	-	-	152,635
Employer contributions subsequent to the measurement date	271,540	-	265,027	-
Total	<u>\$ 1,105,214</u>	<u>\$ 118,843</u>	<u>\$ 815,631</u>	<u>\$ 262,425</u>

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7) Defined Benefit Pension Plan, Continued

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

The \$271,540 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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,	Reduction to Pension Expense
2022	\$ 195,007
2023	179,664
2024	169,320
2025	170,840
2026	-
Thereafter	-
	\$ 714,831

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Annual Financial Report. A copy of the 2020 VRS Certified Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Other Post-Employment Benefits (OPEB) Liability

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

The Authority provides other post-employment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through a cost-sharing, multiple-employer defined benefit plan administered by James City County. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority through its personnel manual.

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2021, the pre-Medicare retirees have a choice of two plans offered by Optima. Dental plans are available at the retiree's cost and therefore, there is no employer obligation. There is no coverage for post-Medicare retirees.

Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the retiree healthcare OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption that the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. Retirees pay 100% of the published rates for individual and dependent coverage until age 65.

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020, the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 2.45% and 3.13% for June 30, 2020 and 2019, respectively, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2020, the medical trend assumption was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health share of GDP in 2029	20.00%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection, tolerance ranges and input variables have been developed under the guidance of an SOA Project Oversight Group.

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements used in the January 1, 2020, valuation:

- Pre-Retirement
 - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Post-Retirement
 - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
- Disabled:
 - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
 - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Changes in Assumptions Since Prior Valuation

- Discount rate was updated.
- Mortality assumptions were updated to the latest SOA public sector experience study rates.
- Medical trend was updated based on SOA Long-Run Medical Cost Trend Model.

Retiree Healthcare OPEB Liability

At June 30, 2021 and 2020, the Authority reported retiree healthcare OPEB liabilities of \$432,846 and \$381,436, respectively, for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2021, retiree healthcare OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation performed January 1, 2020. The County's June 30, 2020, retiree healthcare OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation performed January 1, 2020. The Authority's proportion of the County's retiree healthcare OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB plan as compared to the total projected long-term contribution effort of all contributing entities to determine the Authority's proportion. At June 30, 2021, 2020, and 2019, the Authority's proportion of the County's retiree healthcare OPEB liability was 7.30%, 7.30%, and 7.35%, respectively.

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents the retiree healthcare OPEB liability for 2021 and 2020, using the discount rates of 2.45% and 3.13%, respectively, as well as what the retiree healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45% and 2.13%, respectively) or one percentage point higher (3.45% and 4.13%, respectively) than the current rates:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Retiree Healthcare OPEB Liability as of June 30, 2021	\$ 473,703	\$ 432,846	\$ 395,166
	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Retiree Healthcare OPEB Liability as of June 30, 2020	\$ 418,056	\$ 381,436	\$ 347,794

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the retiree healthcare OPEB liability for 2021 and 2020 using the health care cost trend rate of 4.00%, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Current Health Care Cost Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability as of June 30, 2021	\$ 378,362	\$ 432,846	\$ 497,651
	1% Decrease (3.00%)	Current Health Care Cost Trend Rate (4.00%)	1% Increase (5.00%)
Retiree Healthcare OPEB Liability as of June 30, 2020	\$ 336,833	\$ 381,436	\$ 434,028

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

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

For the years ended June 30, 2021 and 2020, the Authority recognized retiree healthcare OPEB expense of \$29,989 and \$28,017, respectively. Given that there was a change in proportionate share between measurement dates, a portion of the retiree healthcare OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	6/30/2021		6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 26,774	\$ 32,582	\$ 13,002	\$ 40,728
Changes of assumptions	21,525	26,747	-	34,509
Change in proportion	48	1,093	60	1,368
Total	<u>\$ 48,347</u>	<u>\$ 60,422</u>	<u>\$ 13,062</u>	<u>\$ 76,605</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2021, will be recognized in retiree healthcare OPEB expense (recovery) as follows:

Year Ended June 30	
2022	\$ (5,992)
2023	(5,992)
2024	(5,993)
2025	(1,675)
2026	7,577
Thereafter	-
Total	<u>\$ (12,075)</u>

Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Authority also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time 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.

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Plan Descriptions, Continued

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered to be a multiple employer, cost sharing plan.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Authority Number</u>
Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Active elsewhere in VRS	-
Total inactive members	15
Active members	89
Total covered employees	104

Contributions

Contributions to the VRS OPEB programs for the fiscal years ended June 30, 2021 and June 30, 2020 were based on actuarially determined rates from actuarial valuations as of June 30, 2019 and June 30, 2017, respectively. 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:	<i>Code of Virginia</i> 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 as of June 30, 2021:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
Total rate as of June 30, 2020:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$25,063
June 30, 2020 Contribution	\$24,492
June 30, 2019 Contribution	\$21,000

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June 30, 2021 and 2020

8) Other Post-Employment Benefits (OPEB) Liability, Continued

Contributions, Continued

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1402(E)</i> and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate as of June 30, 2021:	0.18% of covered employee compensation.
Total rate as of June 30, 2020:	0.18% of covered employee compensation.
June 30, 2021 Contribution	\$8,417
June 30, 2020 Contribution	\$8,413
June 30, 2019 Contribution	\$8,467

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

For fiscal years 2021 and 2020, the net OPEB liabilities were measured as of June 30, 2020 and June 30, 2019, respectively, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2019 and 2018, respectively, and rolled forward to measurement dates of June 30, 2020 and 2019, respectively. The covered employer's proportion of the net OPEB liabilities as of June 30, 2021 and June 30, 2020 were based on the covered employer's actuarially determined employer contributions for the years ended June 30, 2020 and June 30, 2019, respectively, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	\$379,494
June 30, 2020 proportionate share of liability	\$369,227
June 30, 2020 proportion	0.02274%
June 30, 2019 proportion	0.02269%
June 30, 2018 proportion	0.02234%
June 30, 2021 expense	\$15,417
June 30, 2020 expense	\$8,976

Given that 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.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2019	\$ 167,837	\$ 113,416	\$ 54,421
Changes for the year:			
Service cost	3,812	-	3,812
Interest	11,040	-	11,040
Difference between expected and actual experience	(113)	-	(113)
Contributions - employer	-	8,413	(8,413)
Net investment income	-	2,272	(2,272)
Benefit payments	(8,554)	(8,554)	-
Administrative expense	-	(219)	219
Other changes	-	(1)	1
Net changes	6,185	1,911	4,274
Balances at June 30, 2020	\$ 174,022	\$ 115,327	\$ 58,695

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

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

General Employee Health Insurance Credit Program, Continued

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2018	\$ 162,155	\$ 107,782	\$ 54,373
Changes for the year:			
Service cost	3,579	-	3,579
Interest	11,031	-	11,031
Changes of assumptions	4,095	-	4,095
Difference between expected and actual experience	(3,892)	-	(3,892)
Contributions - employer	-	8,002	(8,002)
Net investment income	-	6,922	(6,922)
Benefit payments	(9,131)	(9,131)	-
Administrative expense	-	(151)	151
Other changes	-	(8)	8
Net changes	5,682	5,634	48
Balances at June 30, 2019	\$ 167,837	\$ 113,416	\$ 54,421

In addition, for the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense of \$6,136 and \$4,920, respectively, related to the General Employee Health Insurance Credit Program.

At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	6/30/2021		6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 24,341	\$ 3,409	\$ 24,556	\$ 4,789
Net difference between projected and actual investment earnings on OPEB Plan investments	11,400	-	-	7,584
Changes of assumptions	18,979	7,924	23,311	11,134
Changes in proportionate share	4,432	1,102	4,670	1,551
Employer contributions subsequent to the measurement date	25,063	-	24,492	-
Total	\$ 84,215	\$ 12,435	\$ 77,029	\$ 25,058

General Employee Health Insurance Credit Program

	6/30/2021		6/30/2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 7,204	\$ -	\$ 8,797
Changes of assumptions	2,881	1,705	3,488	2,267
Net difference between projected and actual investment earnings on OPEB Plan investments	3,800	-	-	1,203
Employer contributions subsequent to the measurement date	8,417	-	8,413	-
Total	\$ 15,098	\$ 8,909	\$ 11,901	\$ 12,267

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

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

The deferred outflows of resources related to OPEB for fiscal years 2021 and 2020 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2022 and June 30, 2021, respectively.

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

Group Life Insurance Program

<u>Year Ended June 30,</u>	<u>Increase to OPEB Expense</u>
2022	\$ 6,661
2023	9,881
2024	13,064
2025	13,398
2026	3,469
Thereafter	244
Total	<u>\$ 46,717</u>

General Employee Health Insurance Credit Program

<u>Year Ended June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2022	\$ (1,293)
2023	(493)
2024	(473)
2025	36
2026	6
Thereafter	(11)
Total	<u>\$ (2,228)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability reported as of June 30, 2021, was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
Locality – General employees	3.50% – 5.35%
Locality – Hazardous duty employees	3.50% – 4.75%
Teachers	3.50% – 5.95%
Healthcare cost trend rates:	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Investment rate of return	GLI & HIC: 6.75%; net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Actuarial Assumptions and Other Inputs, Continued

Mortality rates used for the various VRS OPEB plans are 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 Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020 and June 30, 2019, net OPEB liability amounts for the Group Life Insurance program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
	6/30/2020	6/30/2019
	Measurement Date	Measurement Date
Total OPEB Liability	\$ 3,523,937	\$ 3,390,238
Plan Fiduciary Net Position	1,855,102	1,762,972
Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability	52.64%	52.00%

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

The long-term expected rate of return on VRS 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 OPEB 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 tables for the years ending:

<u>June 30, 2021:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides for a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Long-Term Expected Rate of Return, Continued

<u>June 30, 2020:</u>		Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Asset Class (Strategy)	Target Allocation		
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities at June 30, 2020 and 2019 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 Guidance 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. Through the fiscal year ending June 30, 2020, 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. From July 1, 2020 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 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 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 as of June 30, 2021 and June 30, 2020, 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% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability as of June 30, 2021	\$ 498,873	\$ 379,494	\$ 282,546
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability as of June 30, 2020	\$ 485,062	\$ 369,227	\$ 275,288

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net HIC OPEB liability as of June 30, 2021	\$ 76,967	\$ 58,695	\$ 43,065
	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net HIC OPEB liability as of June 30, 2020	\$ 72,530	\$ 54,421	\$ 38,954

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Financial Report. A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

OPEB – Aggregate Information

Liabilities

The balances of the Authority's OPEB liabilities for the years ending June 30, 2021 and 2020 are summarized below:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Retiree healthcare	\$ 432,846	\$ 381,436
Group life insurance	379,494	369,227
Health insurance credit program	58,695	54,421
Total	<u>\$ 871,035</u>	<u>\$ 805,084</u>

The OPEB liabilities are presented as noncurrent liabilities on the Authority's statements of net position.

Expense

The total amount of expense recognized by the Authority for its OPEB plans is summarized below for the years ended June 30, 2021 and 2020:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Retiree healthcare	\$ 29,989	\$ 28,017
Group life insurance	15,417	8,976
Health insurance credit program	6,136	4,920
Total	<u>\$ 51,542</u>	<u>\$ 41,913</u>

OPEB expense is included in personnel services in the Authority's statements of revenues, expenses, and changes in net position.

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8) Other Post-Employment Benefits (OPEB) Liability, Continued

Deferred Outflows and Inflows of Resources Related to OPEB

The balances of the Authority's deferred outflows and inflows related to OPEB for the years ending June 30, 2021 and 2020 are summarized below:

	<u>6/30/2021</u>		<u>6/30/2020</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<i>Difference between expected and actual experience:</i>				
Retiree healthcare	\$ 26,774	\$ 32,582	\$ 13,002	\$ 40,728
Group life insurance	24,341	3,409	24,556	4,789
Health insurance credit program	-	7,204	-	8,797
<i>Net difference between projected and actual investment earnings on OPEB Plan investments:</i>				
Group life insurance	11,400	-	-	7,584
Health insurance credit program	3,800	-	-	1,203
<i>Changes of assumptions:</i>				
Retiree healthcare	21,525	26,747	-	34,509
Group life insurance	18,979	7,924	23,311	11,134
Health insurance credit program	2,881	1,705	3,488	2,267
<i>Change in proportion:</i>				
Retiree healthcare	48	1,093	60	1,368
Group life insurance	4,432	1,102	4,670	1,551
<i>Employer contributions subsequent to measurement date:</i>				
Group life insurance	25,063	-	24,492	-
Health insurance credit program	8,417	-	8,413	-
	<u>\$ 147,660</u>	<u>\$ 81,766</u>	<u>\$ 101,992</u>	<u>\$ 113,930</u>

9) Deferred Compensation Plan

The Authority offers its employees a deferred-compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to regular part-time and full-time Authority employees, permits them to defer 25% of their gross income up to a maximum of \$19,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

As required by Internal Revenue Code Section 457, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust for the participants. The County acts as trustee for the plan with the choice of investment options being made by the participants.

10) Transactions with Related Parties

Certain financial management, accounting, and other services are provided to the Authority by the County. The charges for these services amounted to \$1,004,389 and \$810,170 for the years ended June 30, 2021 and 2020, respectively, and are included in the expenses under contractual fees. The Authority also owed the County \$470,970 and \$494,045 at June 30, 2021 and 2020, respectively, which primarily represents payroll expenses and purchase card expenses paid by the County on behalf of the Authority.

In addition, the County has leased space in Authority buildings under long-term leases. Rent revenue from the County was \$85,680 for years ended June 30, 2021 and 2020, and is included in rental income. As of June 30, 2021, the County has one lease agreement in effect with the Authority for building space. The term of this lease began in July 2014 and ends in June 2024. Future minimum payments under this lease are as follows:

<u>Year ended</u>	
2022	\$ 85,680
2023	85,680
2024	85,680
Total	<u>\$ 257,040</u>

JAMES CITY SERVICE AUTHORITY
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June 30, 2021 and 2020

11) Commitments and Contingencies

Construction in Progress

At June 30, 2021, the Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Below are the details for each project:

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Sewer improvements	\$ 5,410,275	\$ 1,321,839	\$ 363,389	\$ 3,725,047
Water supply	8,146,326	1,764,734	150,870	6,230,722
Water distribution	12,534,893	1,034,514	5,040,556	6,459,823
Water transmission	877,332	810,575	56,444	10,313
Water storage	185,620	-	-	185,620
Other	4,415,640	227,657	529,962	3,658,021
	<u>\$ 31,570,086</u>	<u>\$ 5,159,319</u>	<u>\$ 6,141,221</u>	<u>\$ 20,269,546</u>

Project Development Agreement - Long Term Water Supply

The Authority entered into a project development agreement with the City of Newport News on March 25, 2008 for long-term water supply. Under the agreement, JCSA has the right to a minimum of 4 million gallons of potable water capacity per day per calendar year for future water demands. The initial term of this agreement ends on January 1, 2050, at which time this agreement shall be automatically renewed for additional terms of 25 years. The Authority paid the City of Newport News \$25 million on December 31, 2008. The optional 2nd installment of \$25 million was not paid in 2019, and water capacity was reduced to 2 million gallons per day. The first installment was considered to be for the purchase of an intangible asset (rights to water supply) and, as such, was capitalized and is being amortized over the remaining life of the agreement (initial term). See note 4 for more information on the intangible asset.

In addition to the installment payments, the Authority agreed to pay variable and fixed operating and maintenance costs to the City of Newport News payable by September 1 each year, based on its safe yield share of 20%. The Authority did not receive any water from the City of Newport News for the years ended June 30, 2021 and 2020. Therefore, the Authority did not make a payment to the City of Newport News for the years ended June 30, 2021 and 2020, for these costs. Further, the Authority agreed that if it receives water from the City of Newport News through this agreement, to pay for the treatment of such water at a cost of \$1.44 per 1,000 gallons for fiscal year ended June 30, 2021 and \$1.34 per 1,000 gallons for fiscal year 2020. For the years ended June 30, 2021 and 2020, the Authority did not receive water from the City of Newport News under this agreement, and, as such, did not incur or pay for water treatment during these fiscal years.

Grinder Pump Maintenance

The Authority entered into a contract with Final Phase Installations, Inc. where they will provide grinder pump maintenance. The initial term of the contract was from October 26, 2016 through October 25, 2017, with the option to renew for up to 4 additional years. The contract was renewed on October 26, 2021 for the period October 26, 2021 through October 25, 2022. The contract allows for an increase based on the Consumer Price Index. For the years ended June 30, 2021 and 2020, the Authority paid \$196,716 and \$203,174, respectively, for grinder pump maintenance.

Water Storage Tank Maintenance

The Authority entered into a contract with Superior Industrial Maintenance Company where they will provide water storage tank maintenance. The term of the contract is July 13, 2017 through July 12, 2018, with the option to renew for up to 5 additional years. The contract was renewed on July 9, 2021, for the period July 1, 2021 through June 30, 2022. For the years ended June 30, 2021 and 2020, the Authority paid \$542,564 and \$153,826, respectively, towards this contract.

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11) Commitments and Contingencies, Continued

Regional Hybrid Consolidation Plan

In February 2014, the Authority, HRSD and fourteen Hampton Roads localities entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements to reduce sewer overflows. Under this plan, HRSD is responsible for major rehabilitation projects to repair deteriorated infrastructure and projects to increase the capacity of HRSD and locality pump stations and pipelines. HRSD will fund the work through a regional HRSD rate. The Authority keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects on an ongoing basis. In fiscal year 2018, HRSD proposed an amendment to the Plan to extend the schedule for rehabilitation work and assign HRSD the responsibility and liability for all regional overflows earlier than originally proposed. The purpose of the amendment is to accommodate HRSD's implementation of the SWIFT (Sustainable Water Initiative for Tomorrow) project to treat already highly treated wastewater effluent to drinking water standards and return it to the aquifer.

Other

The Authority is not currently involved in any litigation in which management deems would have a material impact to the financial statements.

12) COVID-19

During fiscal year 2021, the novel coronavirus disease (COVID-19) impacted the operational and financial activities of the Authority. In March 2020, the Authority adopted an Emergency Staffing Plan with split shifts and teleworking to maintain service levels and protect employee health. On June 8, 2021, the terms of this plan were updated and the plan was extended indefinitely or until termination by the Board.

In November 2020, a provision was approved by the State Appropriation Act that entitled utility providers to apply for funding under the COVID-19 Municipal Utility Relief Program. On January 4, 2021, the Authority received \$315,872 from this program to provide assistance to customers who have been impacted by COVID-19 with delinquent utility bills. Under the terms of the governing Memorandum of Agreement between the Authority, James City County as fiscal agent, and Hampton Roads Sanitation District (HRSD) as billing agent, the Authority transferred these funds to HRSD during fiscal year 2021, so that relief could be applied directly to customers' delinquent accounts, as these customers applied and qualified for the relief. Under the terms of the program, funds not obligated by October 31, 2021, were to be returned to the State by December 1, 2021. On November 17, 2021, the Authority returned \$80,694 of unspent funds to the Commonwealth.

The Authority also incurred \$7,122 of operational expenses in response to the COVID-19 pandemic during fiscal year 2021, related to the purchase of protective, sanitary, and disinfecting supplies. These costs are included in other operating expenses on the statements of revenues, expenses and changes in net position.

The Authority received \$120,839 of funding from the County in December 2020 to reimburse COVID-19 related expenses incurred since March 2020. This amount was provided through the allocation of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding received by the County from the U.S. Treasury for qualifying expenses necessary as a result of the pandemic. The CARES Act funding is included in other operating revenues on the statements of revenues, expenses and changes in net position.

The extent to which COVID-19 may impact the Authority's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As a result, the Authority cannot reasonably estimate the future impact of COVID-19 at this time.

* * * * *

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A (Unaudited)**

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Changes in the Net Pension Liability and Related Ratios
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	\$ 417,066	\$ 430,269	\$ 404,294	\$ 411,137	\$ 379,364	\$ 378,585	\$ 400,579
Interest	913,818	978,647	1,032,165	1,104,651	1,132,686	1,198,755	1,265,059
Differences between expected and actual experience	-	(146,331)	128,139	(213,521)	62,537	182,506	(172,618)
Changes in benefit terms	-	-	-	-	-	-	26,989
Changes in assumptions	-	-	-	(335,427)	-	546,875	-
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)
Net change in total pension liability	954,519	829,439	1,001,653	471,659	937,065	1,682,754	763,608
Total pension liability, beginning	13,242,723	14,197,242	15,026,681	16,028,334	16,499,994	17,437,059	19,119,813
Total pension liability, ending	<u>\$ 14,197,242</u>	<u>\$ 15,026,681</u>	<u>\$ 16,028,334</u>	<u>\$ 16,499,993</u>	<u>\$ 17,437,059</u>	<u>\$ 19,119,813</u>	<u>\$ 19,883,421</u>
Plan fiduciary net position							
Contributions - employer	\$ 308,820	\$ 329,381	\$ 336,720	\$ 288,588	\$ 297,525	\$ 235,463	\$ 243,251
Contributions - employee	197,188	193,349	197,261	210,624	204,311	212,351	220,872
Net investment income	1,802,418	612,704	245,617	1,734,000	1,174,317	1,128,516	340,716
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)
Administrative expense	(9,511)	(8,173)	(8,604)	(9,804)	(10,045)	(11,054)	(11,611)
Other	95	(130)	(104)	(1,553)	(1,050)	(713)	(403)
Net change in plan fiduciary net position	1,922,645	693,985	207,945	1,726,674	1,027,536	940,596	36,424
Plan fiduciary net position, beginning	11,335,104	13,257,749	13,951,734	14,159,679	15,886,353	16,913,889	17,854,485
Plan fiduciary net position, ending	<u>\$ 13,257,749</u>	<u>\$ 13,951,734</u>	<u>\$ 14,159,679</u>	<u>\$ 15,886,353</u>	<u>\$ 16,913,889</u>	<u>\$ 17,854,485</u>	<u>\$ 17,890,909</u>
Net pension liability	<u>\$ 939,493</u>	<u>\$ 1,074,947</u>	<u>\$ 1,868,655</u>	<u>\$ 613,640</u>	<u>\$ 523,170</u>	<u>\$ 1,265,328</u>	<u>\$ 1,992,512</u>
Plan fiduciary net position as a percentage of the total pension liability	93.38%	92.85%	88.34%	96.28%	97.00%	93.38%	89.98%
Covered payroll	<u>\$ 3,943,666</u>	<u>\$ 3,897,762</u>	<u>\$ 4,026,779</u>	<u>\$ 4,083,082</u>	<u>\$ 4,230,543</u>	<u>\$ 4,445,820</u>	<u>\$ 4,673,979</u>
Net pension liability as a percentage of the total covered payroll	23.82%	27.58%	46.41%	15.03%	12.37%	28.46%	42.63%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

Exhibit 5

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Employer Pension Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2015	\$ 330,920	\$ 330,920	\$ -	\$ 3,897,762	8.49%
2016	341,874	341,874	-	4,026,779	8.49%
2017	297,668	297,668	-	4,083,082	7.29%
2018	308,672	308,672	-	4,230,543	7.29%
2019	250,534	250,534	-	4,445,820	5.63%
2020	265,027	265,027	-	4,673,979	5.67%
2021	271,540	271,540	-	4,675,862	5.81%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Schedule of Employer's Share of Retiree Healthcare OPEB Liability (1) (2)
 Required Supplementary Information (Unaudited)
 Last Ten Fiscal Years*

Fiscal year ending June 30,	2021	2020	2019	2018
Employer's proportion of the County's Retiree Healthcare OPEB liability	7.30%	7.30%	7.35%	7.35%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	\$ 432,846	\$ 381,436	\$ 432,969	\$ 406,742
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	6	6	7	7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Schedule of Employer OPEB - Retiree Healthcare Contributions
 Required Supplementary Information (Unaudited)
 Last Ten Fiscal Years (1) (2)

Fiscal year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)
2018	\$ 27,725	\$ -	\$ 27,725
2019	37,604	-	37,604
2020	28,017	-	28,017
2021	29,989	-	29,989

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Liability
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1) *

	2018	2019	2020	2021
Total OPEB - HIC liability				
Service cost	\$ 3,682	\$ 3,588	\$ 3,579	\$ 3,812
Interest cost	10,769	11,121	11,031	11,040
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(7,706)	(3,892)	(113)
Changes in assumptions	(3,953)	-	4,095	-
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)
Net change in total OPEB - HIC liability	6,990	(437)	5,682	6,185
Total OPEB - HIC liability, beginning	155,602	162,592	162,155	167,837
Total OPEB - HIC liability, ending (a)	<u>\$ 162,592</u>	<u>\$ 162,155</u>	<u>\$ 167,837</u>	<u>\$ 174,022</u>
Plan fiduciary net position - HIC				
Contributions - employer	8,166	8,467	8,002	8,413
Contributions - employee	-	-	-	-
Net investment income	10,122	7,150	6,922	2,272
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)
Administrative expense	(170)	(170)	(151)	(219)
Other	494	(494)	(8)	(1)
Net change in plan fiduciary net position - HIC	15,104	7,513	5,634	1,911
Plan fiduciary net position - HIC, beginning	85,165	100,269	107,782	113,416
Plan fiduciary net position - HIC, ending (b)	<u>100,269</u>	<u>107,782</u>	<u>113,416</u>	<u>115,327</u>
Net OPEB - HIC liability (a) - (b)	<u>\$ 62,323</u>	<u>\$ 54,373</u>	<u>\$ 54,421</u>	<u>\$ 58,695</u>
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability	61.67%	66.47%	67.58%	66.27%
Covered payroll	\$ 4,083,082	\$ 4,230,543	\$ 4,445,820	4,673,979
Net OPEB - HIC liability as a percentage of the total covered payroll	1.53%	1.29%	1.22%	1.26%

(1) This schedule is intended to present 10 years of information. GASB 75 were implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
Schedule of Employer OPEB - Health Insurance Credit Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	\$ 8,461	\$ 8,467	\$ (6)	\$ 4,230,543	0.20%
2019	\$ 8,002	\$ 8,467	\$ (465)	\$ 4,445,820	0.19%
2020	\$ 8,413	\$ 8,413	\$ -	\$ 4,673,979	0.18%
2021	\$ 8,417	\$ 8,417	\$ -	\$ 4,675,862	0.18%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Employer's proportion of the net GLI OPEB liability	0.02217%	0.02234%	0.02269%	0.02274%
Employer's proportionate share of the net GLI OPEB liability	\$ 333,000	\$ 340,000	\$ 369,227	\$ 379,494
Employer's covered payroll	\$ 4,083,082	\$ 4,230,543	\$ 4,445,820	\$ 4,673,979
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.16%	8.04%	8.31%	8.12%
Plan fiduciary net position as a % of total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
Schedule of Employer OPEB - Group Life Insurance Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years* (1)

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	\$ 21,999	\$ 22,168	\$ (169)	\$ 4,230,543	0.52%
2019	\$ 23,118	\$ 21,000	\$ 2,118	\$ 4,445,820	0.47%
2020	\$ 23,131	\$ 24,492	\$ (1,361)	\$ 4,673,979	0.52%
2021	\$ 24,339	\$ 25,063	\$ (724)	\$ 4,675,862	0.54%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

See accompanying notes and independent auditor's report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Required Supplementary Information (Unaudited)
June 30, 2021 and 2020

1) Pension - Changes of Benefit Terms

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

2) Pension - Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year through 9 years of service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

3) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

4) OPEB Retiree Healthcare - Changes of Benefit Terms

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

5) OPEB Retiree Healthcare - Changes of Assumptions

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

<u>Measurement Date</u>	<u>Discount Rate</u>
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%

6) OPEB Health Insurance Credit and Group Life Insurance - Changes of Benefit Terms

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

7) OPEB Group Life Insurance – Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

See independent auditors' report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Required Supplementary Information (Unaudited)
June 30, 2021 and 2020

7) OPEB Group Life Insurance – Changes of Assumptions, Continued

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

See independent auditors' report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Required Supplementary Information (Unaudited)
June 30, 2021 and 2020

7) OPEB Group Life Insurance – Changes of Assumptions, Continued

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

See independent auditors' report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Required Supplementary Information (Unaudited)
June 30, 2021 and 2020

7) OPEB Group Life Insurance – Changes of Assumptions, Continued

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

8) OPEB Health Insurance Credit – Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Net Position – by Activity
June 30, 2021
(with comparative totals for 2020)

	Water operations	Sewer operations	Totals	
			2021	2020
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,218,555	\$ 3,218,015	\$ 6,436,570	\$ 3,088,624
Investments	23,358,458	25,626,444	48,984,902	49,828,908
Restricted cash and cash equivalents	9,379,323	-	9,379,323	9,401,879
Accounts receivable, customers	2,068,499	1,148,239	3,216,738	2,412,576
Accounts receivable, other	11,533	43	11,576	1,044
Note receivable	1,090	-	1,090	1,090
Interest receivable	44,215	44,214	88,429	293,410
Inventories	1,116,308	-	1,116,308	1,109,615
Total current assets	<u>39,197,981</u>	<u>30,036,955</u>	<u>69,234,936</u>	<u>66,137,146</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	5,549,716	2,325,342	7,875,058	6,111,331
Depreciable	82,965,631	62,815,435	145,781,066	146,471,081
Net capital assets	<u>88,515,347</u>	<u>65,140,777</u>	<u>153,656,124</u>	<u>152,582,412</u>
Total assets	<u>127,713,328</u>	<u>95,177,732</u>	<u>222,891,060</u>	<u>218,719,558</u>
Deferred Outflows of Resources				
Deferred charge on refunding, net	1,434,564	-	1,434,564	1,510,736
Deferred pension	552,607	552,607	1,105,214	815,631
Deferred OPEB group life insurance (GLI)	42,107	42,108	84,215	77,029
Deferred OPEB health insurance credit (HIC)	7,549	7,549	15,098	11,901
Deferred OPEB retiree healthcare	24,174	24,173	48,347	13,062
Total deferred outflows of resources	<u>2,061,001</u>	<u>626,437</u>	<u>2,687,438</u>	<u>2,428,359</u>
Total assets and deferred outflows of resources	<u>\$ 129,774,329</u>	<u>\$ 95,804,169</u>	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>
Liabilities				
Current liabilities:				
Accounts payable, trade	\$ 563,317	\$ 77,449	\$ 640,766	\$ 428,901
Accrued salaries	17,404	3,538	20,942	23,170
Compensated absences, current portion	371,795	-	371,795	356,429
Due to James City County	374,939	96,031	470,970	494,045
Deposits	864,409	-	864,409	830,721
Interest payable	378,764	-	378,764	328,979
Bond payable, current portion	1,309,907	-	1,309,907	1,337,907
Total current liabilities	<u>3,880,535</u>	<u>177,018</u>	<u>4,057,553</u>	<u>3,800,152</u>
Noncurrent liabilities:				
Advances for construction	5,882	27,020	32,902	32,902
Compensated absences, net of current portion	123,931	-	123,931	118,811
Bonds payable, net of current portion	27,674,667	-	27,674,667	28,984,574
Net pension liability	996,256	996,256	1,992,512	1,265,328
Net retiree healthcare OPEB liability	216,423	216,423	432,846	381,436
Net GLI OPEB liability	189,747	189,747	379,494	369,227
Net HIC OPEB liability	29,348	29,347	58,695	54,421
Total noncurrent liabilities	<u>29,236,254</u>	<u>1,458,793</u>	<u>30,695,047</u>	<u>31,206,699</u>
Total liabilities	<u>33,116,789</u>	<u>1,635,811</u>	<u>34,752,600</u>	<u>35,006,851</u>
Deferred Inflows of Resources				
Deferred pension	59,422	59,421	118,843	262,425
Deferred OPEB retiree healthcare	30,211	30,211	60,422	76,605
Deferred OPEB GLI	6,217	6,218	12,435	25,058
Deferred OPEB HIC	4,455	4,454	8,909	12,267
Total deferred inflows of resources	<u>100,305</u>	<u>100,304</u>	<u>200,609</u>	<u>376,355</u>
Net Position				
Net position:				
Net investment in capital assets	69,481,118	65,140,777	134,621,895	132,512,264
Restricted for:				
Capital projects	8,515,781	-	8,515,781	8,741,597
Debt service	863,542	-	863,542	660,282
Unrestricted	17,696,794	28,927,277	46,624,071	43,850,568
Total net position	<u>96,557,235</u>	<u>94,068,054</u>	<u>190,625,289</u>	<u>185,764,711</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 129,774,329</u>	<u>\$ 95,804,169</u>	<u>\$ 225,578,498</u>	<u>\$ 221,147,917</u>

See accompanying independent auditor's report

Exhibit B

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Revenues, Expenses, and Changes in Net Position – by Activity
Year ended June 30, 2020
(with comparative totals for year ended June 30, 2020)

	Water operations	Sewer operations	Totals	
			2021	2020
Operating revenues:				
Water and sewer services	\$ 11,512,307	\$ 6,609,904	\$ 18,122,211	\$ 17,692,654
COVID-19 relief funding	218,445	218,266	436,711	-
Other	315,373	130,979	446,352	484,897
Total operating revenues	<u>12,046,125</u>	<u>6,959,149</u>	<u>19,005,274</u>	<u>18,177,551</u>
Operating expenses:				
Personnel services	3,953,850	3,435,177	7,389,027	7,168,937
Operating supplies	849,882	395,240	1,245,122	1,229,827
Maintenance	1,011,692	1,252,571	2,264,263	1,735,381
Utilities	675,641	287,646	963,287	919,745
Contractual fees	597,872	430,038	1,027,910	991,478
COVID-19 expenses	161,497	161,497	322,994	-
Other	124,730	73,551	198,281	319,050
Total operating expenses	<u>7,375,164</u>	<u>6,035,720</u>	<u>13,410,884</u>	<u>12,364,418</u>
Operating income before depreciation and amortization	4,670,961	923,429	5,594,390	5,813,133
Depreciation and amortization	5,110,476	2,959,480	8,069,956	8,115,624
Operating loss	<u>(439,515)</u>	<u>(2,036,051)</u>	<u>(2,475,566)</u>	<u>(2,302,491)</u>
Nonoperating revenues (expenses):				
Facility charges	1,449,491	1,324,276	2,773,767	2,386,850
Investment income	74,217	54,623	128,840	2,033,417
Gain on disposal of capital assets	43,687	-	43,687	17,813
Interest expense	(864,355)	-	(864,355)	(854,412)
Net nonoperating revenues	<u>703,040</u>	<u>1,378,899</u>	<u>2,081,939</u>	<u>3,583,668</u>
Income before capital contributions	263,525	(657,152)	(393,627)	1,281,177
Capital asset contributions	1,848,125	3,406,080	5,254,205	17,325
Changes in net position	2,111,650	2,748,928	4,860,578	1,298,502
Net position, beginning of year	93,220,559	92,544,152	185,764,711	184,466,209
Net position, end of year	<u>\$ 95,332,209</u>	<u>\$ 95,293,080</u>	<u>\$ 190,625,289</u>	<u>\$ 185,764,711</u>

See accompanying independent auditor's report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Operating Revenues and Expenses – Budget and Actual – by Activity
Year ended June 30, 2021

	Water operations		Variance favorable (unfavorable)	Sewer operations		Variance favorable (unfavorable)
	Actual	Budget		Actual	Budget	
Operating revenues:						
Water and sewer services	\$ 11,512,307	\$ 10,850,294	\$ 662,013	\$ 6,609,904	\$ 6,364,687	\$ 245,217
COVID-19 relief funding	218,445	195,841	22,604	218,266	120,031	98,235
Other	315,373	86,500	228,873	130,979	103,180	27,799
Total operating revenues	<u>\$ 12,046,125</u>	<u>\$ 11,132,635</u>	<u>\$ 913,490</u>	<u>\$ 6,959,149</u>	<u>\$ 6,587,898</u>	<u>\$ 371,251</u>
Operating expenses:						
Personnel services	\$ 3,953,850	\$ 4,060,476	\$ 106,626	\$ 3,435,177	\$ 3,498,835	\$ 63,658
Operating supplies	849,882	1,150,448	300,566	395,240	734,910	339,670
Maintenance *	1,011,692	1,168,130	156,438	1,252,571	1,517,447	264,876
Utilities	675,641	816,000	140,359	287,646	334,000	46,354
Contractual fees	597,872	774,443	176,571	430,038	496,784	66,746
COVID-19 expenses	161,497	195,841	34,344	161,497	120,031	(41,466)
Other	124,730	281,705	156,975	73,551	209,256	135,705
Total operating expenses	<u>\$ 7,375,164</u>	<u>\$ 8,447,043</u>	<u>\$ 1,071,879</u>	<u>\$ 6,035,720</u>	<u>\$ 6,911,263</u>	<u>\$ 875,543</u>

*Includes budget from Capital Improvements Program for expenses related to the Department of Environmental Quality consent order.

See accompanying independent auditor's report.

STATISTICAL SECTION

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statistical Section Overview

This part of the James City Service Authority's comprehensive annual 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 overall financial health.

Contents

Financial Trends **Tables 1-2**

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

Revenue Capacity **Tables 3-4**

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

Debt Capacity **Tables 5-7**

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

Demographic & Economic Information **Tables 8-9**

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

Operation Information **Tables 10-16**

These tables contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

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

Table 1

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Net Position
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Position										
Net investment in capital assets	\$ 134,872,139	\$ 139,966,206	\$ 137,922,955	\$ 137,173,064	\$ 139,312,785	\$ 135,887,432	\$ 131,175,547	\$ 134,359,937	\$ 132,512,264	\$ 134,621,895
Restricted for debt service	-	-	-	-	729,605	677,614	567,011	569,708	660,282	863,542
Restricted for capital projects	4,876,760	2,620,384	2,601,160	2,716,277	-	-	-	-	8,741,597	8,515,781
Unrestricted	34,106,903	29,699,494	29,159,119	32,903,518	37,014,202	40,532,314	46,257,823	49,733,750	43,850,568	46,624,071
Total net position	<u>\$ 173,855,802</u>	<u>\$ 172,286,084</u>	<u>\$ 169,683,234</u>	<u>\$ 172,792,859</u>	<u>\$ 177,056,592</u>	<u>\$ 177,097,360</u>	<u>\$ 178,000,381</u>	<u>\$ 184,663,395</u>	<u>\$ 185,764,711</u>	<u>\$ 190,625,289</u>

Table 2

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Changes in Revenues, Expenses and Net Position
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019 (as restated)	2020	2021
Operating revenues:										
Water and sewer services	\$ 11,718,297	\$ 12,002,533	\$ 11,825,702	\$ 12,588,470	\$ 12,774,840	\$ 14,400,361	\$ 15,942,612	\$ 16,299,006	\$ 17,692,654	\$ 18,122,211
Water supply proffers	26,967	13,362	57,446	450,262	218,987	298,054	293,900	213,825	220,804	136,572
Rental income	144,381	164,875	160,914	325,991	326,377	377,880	354,987	124,964	127,656	127,656
Other	198,025	242,028	285,892	214,104	272,599	158,917	44,045	141,896	136,437	182,124
Storm/COVID-19 cost reimbursement	349,541	-	900	-	-	-	-	-	-	436,711
Total operating revenues	<u>12,437,211</u>	<u>12,422,798</u>	<u>12,330,854</u>	<u>13,578,827</u>	<u>13,592,803</u>	<u>15,235,212</u>	<u>16,635,544</u>	<u>16,779,691</u>	<u>18,177,551</u>	<u>19,005,274</u>
Operating expenses:										
Personnel services	5,729,403	5,942,193	5,626,049	5,804,449	5,930,763	6,184,243	6,064,295	6,158,232	7,168,937	7,389,027
Operating supplies	899,095	822,882	882,253	836,288	1,094,002	1,045,132	1,150,760	1,200,220	1,229,827	1,245,122
Maintenance	3,065,512	3,364,910	3,501,598	2,067,464	1,670,023	1,913,322	2,013,679	2,193,410	1,735,381	2,264,263
Utilities	917,498	862,665	875,020	861,074	870,220	899,294	913,104	974,168	919,745	963,287
Contractual fees	882,505	910,491	836,634	915,365	903,463	920,714	877,652	872,374	991,478	1,027,910
Other	560,671	504,573	496,851	497,803	233,233	215,633	222,249	270,685	319,050	198,281
Storm/COVID-19 costs	359,921	-	-	-	-	-	-	-	-	322,994
Total operating expenses	<u>12,414,605</u>	<u>12,407,714</u>	<u>12,218,405</u>	<u>10,982,443</u>	<u>10,701,704</u>	<u>11,178,338</u>	<u>11,241,739</u>	<u>11,669,089</u>	<u>12,364,418</u>	<u>13,410,884</u>
Operating income before depreciation and amortization	22,606	15,084	112,449	2,596,384	2,891,099	4,056,874	5,393,805	5,110,602	5,813,133	5,594,390
Depreciation and amortization	<u>7,469,016</u>	<u>7,619,431</u>	<u>7,670,391</u>	<u>7,810,808</u>	<u>7,930,632</u>	<u>8,194,083</u>	<u>7,992,438</u>	<u>7,922,613</u>	<u>8,115,624</u>	<u>8,069,956</u>
Operating loss	<u>(7,446,410)</u>	<u>(7,604,347)</u>	<u>(7,557,942)</u>	<u>(5,214,424)</u>	<u>(5,039,533)</u>	<u>(4,137,209)</u>	<u>(2,598,633)</u>	<u>(2,812,011)</u>	<u>(2,302,491)</u>	<u>(2,475,566)</u>
Nonoperating revenues (expenses):										
Facility charges	3,165,330	3,868,654	4,305,728	3,863,650	3,243,535	4,664,316	3,581,360	2,949,130	2,386,850	2,773,767
Investment income (loss)	351,929	(1,249,111)	267,061	248,207	519,767	90,148	43,940	1,904,327	2,033,417	128,840
Gain (loss) on disposal of capital assets	21,285	(44,507)	15,352	23,497	(193,113)	49,018	(165,655)	14,522	17,813	43,687
Insurance recovery	-	-	-	-	14,219	1,000	-	-	-	-
Bond issuance costs	-	-	-	-	(402,364)	-	-	-	-	-
Interest expense	<u>(1,478,060)</u>	<u>(1,141,052)</u>	<u>(1,114,130)</u>	<u>(1,095,684)</u>	<u>(744,124)</u>	<u>(778,073)</u>	<u>(754,226)</u>	<u>(727,965)</u>	<u>(854,412)</u>	<u>(864,355)</u>
Net nonoperating revenues	<u>2,060,484</u>	<u>1,433,984</u>	<u>3,474,011</u>	<u>3,039,670</u>	<u>2,437,920</u>	<u>4,026,409</u>	<u>2,705,419</u>	<u>4,140,014</u>	<u>3,583,668</u>	<u>2,081,939</u>
Income (loss) before contributions	(5,385,926)	(6,170,363)	(4,083,931)	(2,174,754)	(2,601,613)	(110,800)	106,786	1,328,003	1,281,177	(393,627)
Capital asset contributions	<u>5,395,362</u>	<u>4,600,645</u>	<u>3,388,700</u>	<u>5,284,379</u>	<u>6,865,346</u>	<u>1,509,214</u>	<u>796,235</u>	<u>5,137,825</u>	<u>17,325</u>	<u>5,254,205</u>
Changes in net position	<u>\$ 9,436</u>	<u>\$ (1,569,718)</u>	<u>\$ (695,231)</u>	<u>\$ 3,109,625</u>	<u>\$ 4,263,733</u>	<u>\$ 1,398,414</u>	<u>\$ 903,021</u>	<u>\$ 6,465,828</u>	<u>\$ 1,298,502</u>	<u>\$ 4,860,578</u>

Table 3

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Water and Sewer Rates
 Last Ten Fiscal Years

Quarterly Continuing Service Charges for Residential Water Service				
Fiscal Year	Basic Charge	Rate per 1,000 gallons (1)	Quarterly Total (2)	% Change
2012	\$ -	\$2.85 - \$3.45 - \$9.80	\$ 63.45	0.0%
2013	-	2.85 - 3.45 - 9.80	63.45	0.0%
2014	-	2.85 - 3.45 - 9.80	63.45	0.0%
2015	-	2.85 - 3.45 - 9.80	63.45	0.0%
2016	7.22	2.47 - 4.93 - 11.59	73.85	16.4%
2017	8.19	2.80 - 5.60 - 13.15	83.79	13.5%
2018	9.30	3.18 - 6.36 - 14.93	95.16	13.6%
2019	10.56	3.61 - 7.22 - 16.95	108.03	13.5%
2020	11.99	4.10 - 8.19 - 19.24	122.63	13.5%
2021	15.69	3.62-6.58-13.16-20.40	118.35	-3.5%

Quarterly Continuing Service Charges for Residential Sewer Service				
Fiscal Year	Basic Charge	Rate per 1,000 gallons	Quarterly Total (2)	% Change
2012	\$ -	\$ 2.80	\$ 58.80	0.0%
2013	-	3.22	67.62	15.0%
2014	-	3.22	67.62	0.0%
2015	-	3.22	67.62	0.0%
2016	5.66	2.93	67.19	-0.6%
2017	5.77	2.99	68.56	2.0%
2018	5.89	3.05	69.94	2.0%
2019	5.95	3.08	70.63	1.0%
2020	6.01	3.11	71.32	1.0%
2021	6.01	3.11	71.32	0.0%

(1) Inverted Block Rate Structure through FY2020:

1st Block based on 0 to 15,000 gallons used per quarter.

2nd Block based on 15,000 to 30,000 gallons used per quarter.

3rd Block based on over 30,000 gallons used per quarter.

Inverted Block Rate Structure starting FY2021:

1st Block based on 0 to 4,000 gallons used per month.

2nd Block based on 4,001 to 8,000 gallons used per month.

3rd Block based on 8,001 to 12,000 gallons used per month.

4th Block based on over 12,000 gallons used per month.

(2) Assumes 21,000 gallons average quarterly use.

Source: James City Service Authority Schedule of Rates and Fees

Table 4

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Largest Utility Customers (1)
Current Year and Nine Years Ago

	2021			2012		
	Gallons Billed	Service Charges	Rank	Gallons Billed	Service Charges	Rank
Historic Powhatan Resort	26,391,861	\$ 256,555	1	N/A	N/A	N/A
Owens-Illinois*	21,671,065	154,355	2	9,846,150	\$ 61,538	8
Vacation Village (Williamsburg Plantation)	17,966,803	159,069	3	N/A	N/A	N/A
Country Village Mobile Home Park (sewer only)	15,479,523	48,141	4	16,259,276	\$ 45,526	2
Williamsburg Landing	14,288,856	126,349	5	N/A	N/A	N/A
Eastern State Hospital*	13,684,213	121,095	6	14,915,500	93,222	3
Windy Hill Trailer (sewer only)	13,503,171	41,995	7	11,806,432	33,058	6
Greystone*	12,919,431	108,756	8	13,761,000	86,006	5
Marriott Ownership Resorts	12,737,910	112,719	9	N/A	N/A	N/A
Patriots Colony	12,476,220	249,300	10	18,005,500	112,534	1
Williamsburg-James City County Schools*	-	-		14,872,600	89,159	4
Platinum Management	-	-		10,249,000	64,056	7
Oxford-James	-	-		8,823,150	55,145	9
Rolling Meadows	-	-		8,423,650	52,648	10
Total	<u>161,119,053</u>	<u>\$ 1,378,335</u>		<u>126,962,258</u>	<u>\$ 692,892</u>	

* Subject to wastewater sub-meter adjustments

(1) Reports implemented in fiscal year 2019 improved identification of customers with numerous individual accounts such as timeshare resorts.

Source: James City Service Authority, Administration Department

Table 5

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Ratio of Outstanding Debt
 Last Ten Fiscal Years

Fiscal year		Revenue bonds	Number of water connections	Debt per water connection
2012	\$	32,938,175	20,070	1,641.2
2013		25,185,000	20,549	1,225.6
2014		24,660,000	20,858	1,182.3
2015		24,115,000	21,246	1,135.0
2016		24,118,109	21,669	1,113.0
2017		23,269,202	22,133	1,051.3
2018		22,600,295	22,540	1,002.7
2019		21,906,388	22,832	959.5
2020		30,322,481	23,116	1,311.8
2021		28,984,576	23,426	1,237.3

Note: The James City Service Authority has no legal debt margin nor overlapping debt.

Source: James City Service Authority, Administration Department

Table 6

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Revenue Bond Coverage
 Last Ten Fiscal Years

Fiscal year	Gross revenue	Direct operating expenses	Net revenue available for debt service	Principal	Interest	Total	Coverage
2012	\$ 15,975,755	\$ 12,414,605	\$ 3,561,150	\$ 1,545,000	\$ 1,483,100	\$ 3,028,100	1.18
2013	14,997,834	12,407,714	2,590,120	525,000	1,119,306	1,644,306	1.58
2014	16,918,995	12,218,405	4,700,590	545,000	1,100,931	1,645,931	2.86
2015	17,714,181	10,982,443	6,731,738	565,000	1,081,856	1,646,856	4.09
2016	17,370,324	10,701,704	6,668,620	785,000	571,161	1,356,161	4.92
2017	20,128,694	10,904,086	9,224,608	605,000	749,450	1,354,450	6.81
2018	22,597,818	11,241,739	9,019,105	630,000	725,250	1,355,250	6.65
2019	21,647,670	11,669,089	9,978,581	655,000	700,050	1,355,050	7.36
2020	22,615,631	12,364,418	10,251,213	1,274,000	802,305	2,076,305	4.94
2021	21,951,568	13,410,884	8,540,684	1,246,000	826,394	2,072,394	4.12

Note: The James City Service Authority has no legal debt margin nor overlapping debt.

Table 7

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Outstanding Debt for James City County
 Last Ten Fiscal Years

Fiscal year	General obligation bonds	Capital leases	Lease revenue bonds	Total
2012	\$ 86,134,103	\$ 9,235,074	\$ 104,472,000	\$ 199,841,177
2013	80,004,294	1,098,854	123,034,000	204,137,148
2014	72,164,244	984,528	114,416,000	187,564,772
2015	65,458,589	858,833	103,604,000	169,921,422
2016	49,844,842	728,456	130,451,552	181,024,850
2017	44,155,482	4,195,266	119,855,768	168,206,516
2018	38,348,323	3,183,141	109,069,984	150,601,448
2019	33,966,163	2,146,958	112,183,815	148,296,936
2020	29,479,003	1,086,117	102,028,321	132,593,441
2021	25,252,504	1,340,157	90,434,122	117,026,783

Table 8

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 County Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2012	69,451	\$ 4,703,429,000	\$ 55,990	5.7%
2013	70,376	4,745,679,000	55,550	5.3%
2014	71,254	4,954,338,000	56,960	4.9%
2015	72,682	5,160,028,000	58,504	4.3%
2016	73,767	5,344,090,000	59,632	4.1%
2017	74,795	5,646,096,000	62,350	3.8%
2018	75,776	5,869,000,000	64,466	2.9%
2019	76,211	6,066,000,000	66,306	2.7%
2020	77,202	6,341,149,000	68,279	10.3%
2021	78,254	**	**	4.5%

Source:

- (1) Planning Division, supplemented by data from Virginia Employment Commission (<http://www.vec.virginia.gov/>)
- (2) Data from the Bureau of Economic Analysis (<http://www.bea.gov/>), and has combined data for James City County and the City of Williamsburg
- ** Statistics not yet available

Table 9

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Principal Employers in James City County
 Current Year and Nine Years Ago

	2021			2012		
	Employees	Rank	Percent of total County employment	Employees	Rank	Percent of total County employment
Williamsburg-James City County Public Schools	1000+	1	7.30%	1000+	2	6.48%
Busch Entertainment	1000+	2	**	1000+	1	11.76%
Wal-Mart Distribution Center	500-999	3	4.59%	500-999	5	1.77%
James City County	500-999	4	3.96%	500-999	4	2.19%
Riverside Regional Medical Center	500-999	5	2.47%			
Eastern State Hospital	500-999	6	2.39%	500-999	3	2.76%
Anheuser-Busch Inbev	500-999	7	2.10%	500-999	7	1.49%
Owens & Minor/AVID	500-999	8	1.39%			
Williamsburg Landing	500-999	9	1.25%	250-499	10	0.94%
Greystone of Lincoln	250-499	10	0.84%			
Kingsmill Resort & Spa				500-999	6	1.56%
Avid Medical				250-499	8	1.27%
Jamestown-Yorktown Foundation				250-499	9	1.16%
			<u>26.29%</u>			<u>31.38%</u>

Source: Economic Development, James City County and Virginia Employment Commission

** Busch Gardens became publicly traded during fiscal year 2013, and information is not available.

Table 10

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Schedule of Insurance in Force
 June 30, 2021

Insurer	Type of coverage	Policy number	Policy period	Annual Premium
Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP)	General liability, property, automobile, public officials' liability, crime, cyber risk, excess risk	VA-JA-131D-21	7/1/2020 - 7/1/2021	\$ 99,523
Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP)	Workers' compensation	VA-JA-131D-21	7/1/2020 - 7/1/2021	\$ 67,517

Table 11

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Full-time Employees by Function
 Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	63	63	63	63	63	63	63	68	68	67
Water	15	15	15	15	15	15	17	17	17	17
Sewer	11	11	11	11	11	11	11	11	11	11
Total	89	89	89	89	89	89	91	96	96	95

Source: James City County, Fiscal Year Adopted Budgets

Table 12

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Operating Indicators by Function
 Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water:										
New connections	351	448	359	388	423	464	407	292	284	310
Water main breaks	31	25	21	26	21	34	25	30	28	27
Sewer:										
New connections	296	347	261	380	447	470	414	287	290	313

Source: James City Service Authority, Administration Department

Table 13

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water:										
Water lines (miles)	390	393	400	402	407	409	410	414	414	418
Water customers	20,070	20,549	20,858	21,246	21,669	22,133	22,540	22,832	23,116	23,426
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	19,200	18,597	18,937	19,415	18,921	20,025	20,220	19,247	18,977	19,142
Sewer:										
Sewer lines (miles)	423	425	430	435	439	440	440	446	446	449
Gallons collected (millions)	1,771	1,739	1,862	1,897	1,863	1,971	1,987	1,898	1,879	1,901
Sewer customers	21,488	21,962	22,575	22,955	23,402	23,872	24,286	24,573	24,863	25,176

(1) Equivalent Residential Connections (ERCs) are determined based upon the rated capacity of a water meter (e.g., the average amount of water which can flow through such meter on a continuous basis) as compared to the rated capacity for a typical 5/8"

Source: James City Service Authority, Administration Department

Table 14

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Summary of Historical Flows (MGD)
 Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water:										
Average Day	4.8	4.7	4.7	4.7	4.7	5.0	5.1	4.8	4.7	4.8
Average Day in Month of Maximum Flow	6.4	6.1	5.9	6.1	5.9	6.4	7.2	6.3	6.0	6.3
Month of Maximum Flow	July	July	June	July	August	August	July	July	September	July
Sewer:										
Average Day	5.0	5.0	5.1	5.1	5.1	5.4	5.4	5.2	5.1	5.2

Source: James City Service Authority, Administration Department

Table 15

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Miscellaneous Statistics

Comparison of Area Water Bills
Annual Consumption 60,000 Gallons as of June 2021

Virginia Jurisdiction	Water Service
City of Williamsburg	\$ 381.60
City of Norfolk	549.48
City of Newport News	456.72
City of Virginia Beach	382.92
James City Service Authority	315.48

Source: James City Service Authority

Comparison of Area Sewer Bills
Annual Consumption 60,000 Gallons as of June 2021

Virginia Jurisdiction	Sewer Service *
City of Hampton	\$ 171.60
City of Newport News	330.12
City of Virginia Beach	369.72
City of Norfolk	372.96
York County	312.00
James City Service Authority	210.60

* Rates charged by the municipality. Residents of these municipalities pay a separate wastewater treatment fee to Hampton Roads Sanitation District of \$7.83 per 1,000 gallons.

Source: James City Service Authority

Availability Charges for a Typical Residential Connection (1)
Last Ten Fiscal Years

Fiscal Year	Water	Sewer	Total
2012	4,200	3,360	7,560
2013	4,200	3,360	7,560
2014	4,200	3,360	7,560
2015	4,200	3,360	7,560
2016	4,200	3,360	7,560
2017	4,200	3,360	7,560
2018	4,200	3,360	7,560
2019	4,200	3,360	7,560
2020	4,200	3,360	7,560
2021	3,219	3,583	6,802

(1) A system facilities charge for water service is assessed for each new separate service connection. The purpose of the charge is to defray in part the cost of providing major supply, transmission main, booster pumping and distribution facilities. A similar system facilities charge for sewer service is assessed for each new separate service connection. Through FY2020, the water system facilities charge for a residential 5/8 inch meter was \$500 per bathroom fixture and had been in effect since 2008. Through FY2020, the sewer system facilities charge for a residential 5/8 inch meter was \$400 per bathroom fixture and had been in effect since 2009. The water and sewer system facilities charge structure was updated in FY2021 and is based on meter size.

Source: James City Service Authority

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Rates and Fees

Wastewater Charges

A. 1. System Facilities Charge

System facilities charge. A system facility charge for wastewater collection service to be furnished through each new separate service connection which is to be made to the Authority's Sanitary Sewer System shall be paid by each applicant for service prior to the installation of wastewater service connections, as follows:

(a) Metered Water Service

<u>Meter Size (inches)</u>	<u>Wastewater System Facilities Fee</u>
5/8"	\$ 3,583
3/4"	5,375
1"	8,958
1 1/2"	17,915
2"	28,664
3"	62,703
4"	107,490
6"	241,853
8"	286,640
10"	412,045

The system facilities charge for compound meters shall be based on the largest meter size unless the Authority determines, at its sole discretion, the charge shall be based on a smaller meter size fee as supported by project specific data and sound engineering judgement.

Additional system facility charges shall apply for additions to existing structures requiring an increase in meter size. The additional charge shall consist of the incremental increase from the original meter size to the new meter size. No credit shall be granted for a decrease in meter size.

(b) Non-metered Water Service

Where water is provided by an unmetered source, the charges shall be assessed as follows:

Non-metered single family residential connections shall pay the 5/8" meter size wastewater system facilities fee.

Non-metered commercial and non-metered non-single-family residential connections shall pay the wastewater system facilities fee based on the water meter size that would be required for the facility to be served if water service was available. The applicant shall provide the Authority with the plumbing fixtures associated with the facility and the Authority will determine the appropriate meter size as follows:

1. Peak water demand will be calculated from fixture unit load valves based on Table E103.3 (2) from the 2003 International Plumbing Code.

2. The meter size will then be selected from Table C.1.1.12 (AWWA Standard C700-77) assuming 80% safe operating capacity for the meter.

The purpose of the system facility charge is to defray in part the cost of providing force mains, pump stations, and collection systems. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

JAMES CITY SERVICE AUTHORITY
 (A Component Unit of the County of James City, Virginia)
 Rates and Fees

Wastewater Charges

2. Wastewater service connection fee

A wastewater service connection fee of \$1,818 for each separate connection to the Authority's sanitary sewer system shall be paid by each applicant upon approval of the application for service, and prior to the issuance of a plumbing permit by Building Safety and Permits, and making the connection.

If the service connection is required by the Authority, the wastewater service connection fee shall be paid and the Authority shall provide the service connection. Exceptions are as follows:

- a. If the service connection is not required by the Authority, the service connection fee shall be waived and the applicant shall be required to make the connection at their own expense.
- b. If a service connection previously installed by a developer exists to the applicant's property, the service connection fee is waived.
- c. Non-Residential properties are exempt from the service connection fee; however, the applicant must make the connection at their own expense.

The purpose of this charge is to defray in part the cost of installing wastewater service connections where applicable. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

3. Grinder Pump Installation and Maintenance Charge

(a) Maintenance of sanitary sewer grinder pumps is the responsibility of the property owner, unless a residential property owner applies for and enters into a grinder pump service agreement with the Authority subject to compliance with the Authority's current grinder pump policy. The Authority shall not maintain nonresidential grinder pumps or other commercial pump stations unless it is deemed to be in the best interest of the Authority.

(b) If a residential grinder pump service agreement is entered into, an annual grinder pump maintenance charge of \$350.00 shall be paid for each separate connection to a grinder pump. The payment for this charge will be prorated in equal amounts in the customers' utility service charge billing.

(c) Existing grinder pump service agreements, contracts, or grandfathered grinder pump maintenance agreements between the property owner and the Authority are not transferable or assignable by the property owner and automatically terminate upon transfer of title or ownership of the property.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

4. Retail Service Charge

The wastewater service charge shall be based on usage from a metered water source where available. For wastewater service on an unmetered water source a meter size equivalent shall be used, based upon an estimated charge. Wastewater service charges shall be as follows:

(a) Metered water source.

Charge for all collection of wastewater.

(1) Fixed Charge - Each customer bill shall include a fixed charge based upon the size of the meter serving the customer. The fixed charge for each billing cycle shall be calculated based on the monthly fixed charge chart below. This fixed charge is for expenses associated with operating and maintaining the wastewater collection system.

Meter Size	Monthly Fixed Charge
5/8"	\$ 2.00
3/4"	3.00
1"	5.01
1 1/2"	10.01
2"	16.01
3"	32.02
4"	50.03
6"	100.06
8"	160.10
10"	230.14

Charge for all collection and treatment of wastewater:

(2) Volumetric Charge	Collection
The wastewater service charge shall be based upon a volumetric consumption (of water) charged as follows:	
Per 1,000 gallons of water consumed	\$ 3.11
Per 100 cubic feet of water consumed	2.33

Wastewater volumetric charges may be reduced by a sub-metered reading if an irrigation sub-meter is registered with the Authority. Sub-meter reading adjustments will only be allowed up to the consumption in the current billing period and must be submitted by the required due date.

(b) Unmetered Water Source

Where no meter exists or where meter readings are not made available by the water supplier to the Authority, then the following estimated charges shall be assessed.

Activity, Use	Unit	Collection-Monthly
Single-family residences	Each	\$ 14.00
Single-family mobile homes	Each	14.00
Mobile homes in parks	Each lot	12.42
Duplex, apartments and townhouses	Each	12.42
Manufacturing	1,000 square feet	3.70
Minimum		18.62
Warehouses	1,000 square feet	2.48
Minimum		15.50
Restaurants	Seat	1.65
Minimum		18.62
Commercial	1,000 square feet	6.18
Minimum		18.62
Churches	Each	13.55

Commercial condensate discharged to the sanitary sewer system, when approved by HRSD and the Authority, shall be billed at the current wastewater collection volumetric rate. The bill shall be based on an estimated condensate volume prepared in accordance with HRSD's criteria and shall be agreed upon by HRSD and the Authority.

The purpose of the retail service charge is to defray all costs associated with operation and maintenance, and capital improvement for providing wastewater collection for domestic, commercial, and industrial uses including replacement, renewals, and extensions, and the repayment of money borrowed to acquire or construct the wastewater collection and transmission system.

Table 16, continued

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Water Charges**B. 1. System Facilities Charge**

A system facilities charge for water service to be furnished through each new separate service connection which is to be made to the Authority's water system shall be paid by each applicant for service prior to the installation of the water service connection, as follows:

Meter Size	Water System Facilities Fee
5/8"	\$ 3,219
3/4"	4,829
1"	8,048
1 1/2"	16,095
2"	25,752
3"	56,333
4"	96,570
6"	217,283
8"	257,520
10"	370,185

(a) The system facilities charge for compound meters shall be based on the largest meter size.

(b) The system facilities charge for a designated fire protection connection shall be based on the connection size rather than the meter size.

(c) A meter installation charge of \$50, plus the meter cost if the meter is provided by the Authority, shall be paid by each applicant for each new service connection and meter installation prior to the connection being made.

(d) Additional system facility charges shall apply for additions to existing structures requiring an increase in meter size. The additional charge shall consist of the incremental increase from the original meter size to the new meter size. No credit shall be granted for a decrease in meter size.

(e) System Facilities Charge Exemption. Any lots created after August 10, 2004, which are to be served by an Independent Water System, shall be exempt from the Water System Facilities Charge.

The purpose of the system facilities charge is to defray in part the cost of providing major supply, transmission main, booster pumping, distribution storage tanks, and distribution system. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

2. Water Service Connection Fee

A water service connection fee of \$1,436 for each separate connection to the Authority's water system shall be paid by each applicant upon approval of the application for service, and prior to the issuance of a plumbing permit by Building Safety and Permits and making the connection.

If the service connection is required by the Authority, the water service connection fee shall be paid and the Authority shall provide the service connection. Exceptions are as follows:

a. If the service connection is not required by the Authority, the service connection fee shall be waived and the applicant shall be required to make the connection at their own expense.

b. If a service connection previously installed by a developer exists to the applicant's property, the service connection fee is waived.

c. Non-Residential properties are exempt from the service connection fee; however, the applicant must make the connection at their own expense.

The purpose of this charge is to defray in part the cost of installing water service connections where applicable.

3. Retail Service Charge

The water service charge shall be based on usage from a metered water source, as follows:

(a) Fixed Charge - Each customer bill shall include a fixed charge based upon the size of the meter serving the customer. The fixed charge for each billing cycle shall be calculated based on the monthly fixed charge chart below. This fixed charge is for expenses associated with operating and maintaining the water distribution system.

Meter Size	Monthly Fixed Charge
5/8"	\$ 5.23
3/4"	7.84
1"	13.06
1 1/2"	26.13
2"	41.81
3"	91.45
4"	156.77
6"	352.74
8"	418.07
10"	600.97

(b) Volumetric Charge - Water service shall be based upon a volumetric consumption charge, as follows:

Single Family Residential

	Monthly Use			
	Tier 1	Tier 2	Tier 3	Tier 4
Gallons in Tier	0-4,000	4,001-8,000	8,001-12,000	12,001+
Rate Per 1,000 Gallons	\$ 3.62	\$ 6.58	\$ 13.16	\$ 20.40

Multi-Family Residential and Non-Residential

All Meter Sizes	All Use
Rate per 1,000 Gallons	\$ 5.72

The purpose of the retail service charge is to defray all costs associated with operation and maintenance, and capital improvement for providing water treatment, transmission, and distribution for domestic, commercial, and industrial uses and for firefighting purposes, including replacement, renewals, and extensions, and the repayment of money borrowed to acquire or construct the water treatment, transmission, and distribution system.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

D. Independent Water Systems Connection Fee

The developer of any subdivision that requires an Independent Water System to comply with the County Subdivision Ordinance, shall be required to pay to the Authority a connection fee as follows:

1. An independent water system approved by the County and the Authority prior to April 26, 2011, shall pay a fee of \$4,000 per lot or residential unit. Payment shall be made prior to final approval of a subdivision plat.
2. An independent water system approved by the County and the Authority after April 26, 2011, shall pay a fee of \$8,000 per lot or residential unit. Payment shall be made prior to the acceptance by the Authority of the independent water production and treatment facility.

The monies collected shall be placed in a dedicated account; the proceeds and investment returns will be used to offset the costs of operating the Independent Water Systems created after August 10, 2004. Should it become financially practical for the Authority to connect an Independent Water System constructed under these provisions to the Authority Central Water System and all necessary land use approvals are obtained from the County, then the monies deposited in the account for such system shall be used to offset the costs of constructing the infrastructure to connect the two water systems. Any balance of the funds will remain in the Authority account and will be used to offset the operating deficits of the Independent Water System created after August 10, 2004.

E. Billing and Account Charges

Where certain conditions are met, the following charges shall be assessed for any customer billed by the Authority.

1. Account Charge

An account charge of \$20.00 shall be paid by each applicant for a new account or for a transfer of account, for water and/or wastewater service.

The purpose of this charge is to defray the cost incurred in clerical and bookkeeping activities, the turning on of services, and meter reading required for each new account or transfer of account.

2. Transaction Charge for Late Payment

A transaction charge for late payment of 1.5% will be assessed on the balance due once the bill is delinquent and then every 30 days thereafter. The late charge will be added to a bill in the event the bill is not paid within twenty-one (21) days following the date thereof.

The purpose of this charge is to defray the cost associated with the rebilling of accounts not paid on a prompt basis.

3. Interest Charge for Late Payment with a Lien

An interest charge for late payment of 8 percent simple interest on the principal (delinquent amount) due, shall be added to any account when a lien has been placed upon real estate. Such lien on any real estate may be discharged by the payment to the Authority of the total lien amount, penalty, and the interest which has accrued to the date of the payment.

4. Restoration of Service Charge

Where service has been terminated due to nonpayment of any bill, a restoration of service charge of \$30.00 shall be paid.

The purpose of this charge is to defray the expenses of terminating and restoring service, including clerical and bookkeeping activities.

5. Meter Test Fee

A test of a water meter shall be done at the request of a water customer upon payment of a meter test fee. The meter test fee shall be determined by meter size, as follows:

Meter Size	Meter Test Fee
5/8" to 1"	\$ 75.00
Greater than 1"	100.00

When the meter is found to have registered three percent or greater increase between the meter reading and calibrated testing device, the customer shall receive a refund of the overcharge as a credit against future charges for the period that the meter was in use, but not to exceed six months. In addition, the fee remitted with the application for test shall be refunded in full.

No refund of the fee shall be made when the meter registration is less than three percent between the meter reading and calibrated testing device.

6. Temporary service charge

An applicant for temporary service shall pay, upon application, for the estimated costs of installing, replacing, and removing the infrastructure which is required to furnish such services plus an allowance of 33 percent for overhead. Any difference between the estimated costs and the actual costs shall either be billed or refunded to the applicant. All applicable usage charges and penalties shall apply. A temporary service shall not exceed 6 months.

In the event the temporary service becomes a permanent connection, the cost of facilities installed with moneys advanced by the applicant, which are used in providing permanent service to such applicant, shall be credited to such applicant when service connection fees are remitted for the permanent service connection.

The purpose of this charge is to cover the cost of installing, replacing, and removing temporary services for the benefit of the applicant.

7. Fire Connection Detector Check Meter Charge

Fire connection detector check meters shall be read and billed at least annually, or on a more frequent basis, as determined by the Authority. Rates governing normal water usage shall be assessed.

Fire connection detector check meters monitor non-fire flow usage from a fire connection and there should be little or no water activity.

Table 16, continued

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

F. Multiple Charges Bills

In addition to charges and fees described above, bills may include additional charges and fees assessed and owed to Newport News Waterworks, the Hampton Roads Sanitation District, or any other private or municipal utility.

G. No Free Service

There shall be no utility service provided to any customer without the assessment of service charges.

H. Plan Review Fee

The following are the charges that shall be assessed for the appropriate plan. The purpose of this charge is to defray cost incurred for time used to provide engineer technical review.

Document	Fee
<u>Rezoning</u>	\$ 150
<u>Special use permits</u>	\$ 100
<u>Site plan - Administrative and Planning Commission Reviews</u>	
Residential Structures (multifamily)	\$300 plus \$5 per unit
Nonresidential Use Structures	\$ 300
Mixed Use Structures	\$300 plus \$5 per residential unit
Each additional review after 2nd re-submission	\$ 150
<u>Subdivision Plan Review</u>	
No public utilities required	\$ 75
Public utilities required	\$300 plus \$5 per lot
Each additional review after 2nd re-submission	\$150 plus \$2 per lot
<u>Water/Wastewater Facility Review</u>	
Wastewater Pumping Station	\$ 3,500
Well Facility	\$ 5,000
Each additional review after 2nd re-submission	\$ 600
<u>Master Plan Review</u>	
General Review	\$ 600
Master Plan Revision	\$ 600
Master Utility Plan and Modeling (initial and revision)	\$1,000 plus \$2 per lot
<u>Conceptual Plan Review</u>	\$ 150
<u>Plat Review</u>	\$ 300
<u>Amendment to Approved Plan</u>	
<u>Site Plan</u>	
Residential Structures (multifamily)	\$150 plus \$2 unit
Nonresidential Use Structures	\$ 150
Mixed Use Structures	\$150 plus \$2 per residential unit
Each additional review after 2nd re-submission	\$ 150
<u>Subdivision Plan</u>	
Public utilities required	\$150 plus \$2 per lot
Each additional review after second resubmission	\$ 150

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

I. Re-inspection Fee

There shall be a re-inspection fee of \$50.00 for the third and subsequent inspections for water and sanitary sewer service connections and fats, oils, and grease (FOG) re-inspections. These will include, but are not limited to, water meter box installations, water and sanitary sewer service line connections, and grinder pump agreement inspections. This charge will be paid prior to the third and all subsequent inspections.

The purpose of this fee is to defray the expenses of making multiple on-site inspections to correct previously identified deficiencies.

J. Sub-Meter Account Charge

An account charge of \$18.00 shall be paid annually by each customer who has established a Sub-Meter Account. The payment for this charge will be prorated in equal amounts in the customer utility service charge billing.

The purpose of this charge is to defray the cost incurred in clerical and bookkeeping activities.

K. Inspection Fee for Water and Sanitary Sewer Mains

There shall be a fee for the inspection of water and sanitary sewer infrastructure to be dedicated or turned over to the Authority upon completion. The fee shall be \$4.10 per linear foot of water mains, sanitary sewer mains, and 6-inch laterals to be constructed. Inspection fees shall be paid at the time of filing an application for a Certificate to Construct.

Additional inspection fees will be required for any field modifications or plan amendments that result in water and sanitary sewer infrastructure changes to previously inspected infrastructure. The additional inspection fees shall be \$4.10 per linear foot of mains, any size of laterals, and water service piping requiring inspection. Additional inspection fees shall be paid prior to the Authority providing subsequent inspections.

The purpose of this change is to defray the cost incurred by the Authority to conduct inspection and administration on behalf of the Authority of the water and sanitary sewer mains and laterals.

L. Facility Inspection Fee

There shall be a fee for the inspection of water and sanitary sewer facilities (i.e. well facilities, storage tanks, and pump stations) to be dedicated or turned over to the Authority upon completion. The fee shall be 1.5% of the facility construction cost as approved by the Authority. Inspection fees shall be paid at the time of filing an application for a Certificate to Construct.

The purpose of this charge is to defray the cost incurred by the Authority to conduct the Authority's inspection and construction administration on behalf of the Authority for the water and sanitary sewer facilities.

M. Outdoor Water Use Fee

The following fee or fees will be assessed for any customer or builder who installs referenced outdoor watering devices or systems.

1. Outdoor Hose Bib Fee. There shall be Outdoor Hose Bib Fee of \$500.00 established for each residential and commercial account that has one or more outdoor hose bib installed. This fee will be paid prior to issuance of Plumbing Permit by the County Building Safety and Permits Division.
2. Lawn Irrigation System Fee. Where lawn irrigation systems are being connected to the Authority's water system, there shall be a Lawn Irrigation System Fee of \$1,000.00 established for each residential and commercial account. An irrigation system connected to the Authority's water system and supplemented by a cistern or rainwater harvesting type system will not be exempt from this fee. This fee will be paid to the Authority prior to issuance of a Lawn Irrigation Permit by the County Building Safety and Permits Division.

The purpose of the above fees are to defray in part the cost of providing major supply, transmission main, booster pumping, and distribution storage facilities required to meet irrigation demands.

N. Required deposit

At the discretion of the Authority deposits may be required in the following circumstances.

1. The applicant is a tenant and the owner does not execute an application for service and contract.
2. The applicant has previously had service terminated for nonpayment or had been assessed a transaction charge for late payment three times during the last 24-months of prior service.
3. The applicant currently has a utility bill that is past due.
4. The applicant desires temporary service for any purpose other than at a construction site.
5. Service is terminated and the customer requests that the service be reinstated.

If the Authority holds a deposit of a customer who has service terminated as a result of nonpayment, the deposit will not be applied to the outstanding balance if the customer desires service to be reinstated. In addition, a second deposit will be required before service is reinstated under the provisions of these Regulations. The Authority will hold no more than two deposits at any given time for the same customer account.

O. Returned payment charge

A charge of thirty dollars (\$30.00) plus any applicable bank or other charges incurred by the Authority as a result of the returned payment shall be assessed for any payment of a utility bill that is returned for insufficient or uncollected funds, or drawn on a closed or nonexistent account. If such payment was presented in order to avoid termination of service for nonpayment of a utility bill, or to have service restored after such termination, utility service shall be terminated and this charge, as well as all others due and payable, shall be submitted in cash, cashier's check, certified check, or money order before utility service is restored.

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***

To the Board of Directors
James City Service Authority
Williamsburg, 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 James City Service Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the James City Service Authority's basic financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the James City Service Authority's internal control over financial reporting (internal control) as a basis for designing the 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 James City Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the James City Service Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the James City Service 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 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 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 James City Service Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 30, 2021

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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
- Conflicts of Interest Act
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act