ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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JCSA
James City Service Authority
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James City Service Authority

A Component Unit of the County of James City, Virginia

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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 Report of Independent Auditor Thereon*)

For the Fiscal Years Ended
June 30, 2023 and 2022

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

INTRODUCTORY SECTION

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

Table of Contents

Table of Contents, Continued

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

Authority Officials
June 30, 2023

Board of Directors

Sue Sadler, Chairman

Jim Icenhour, Vice Chairman

John J. McGlennon

Ruth Larson

Michael J. Hipple

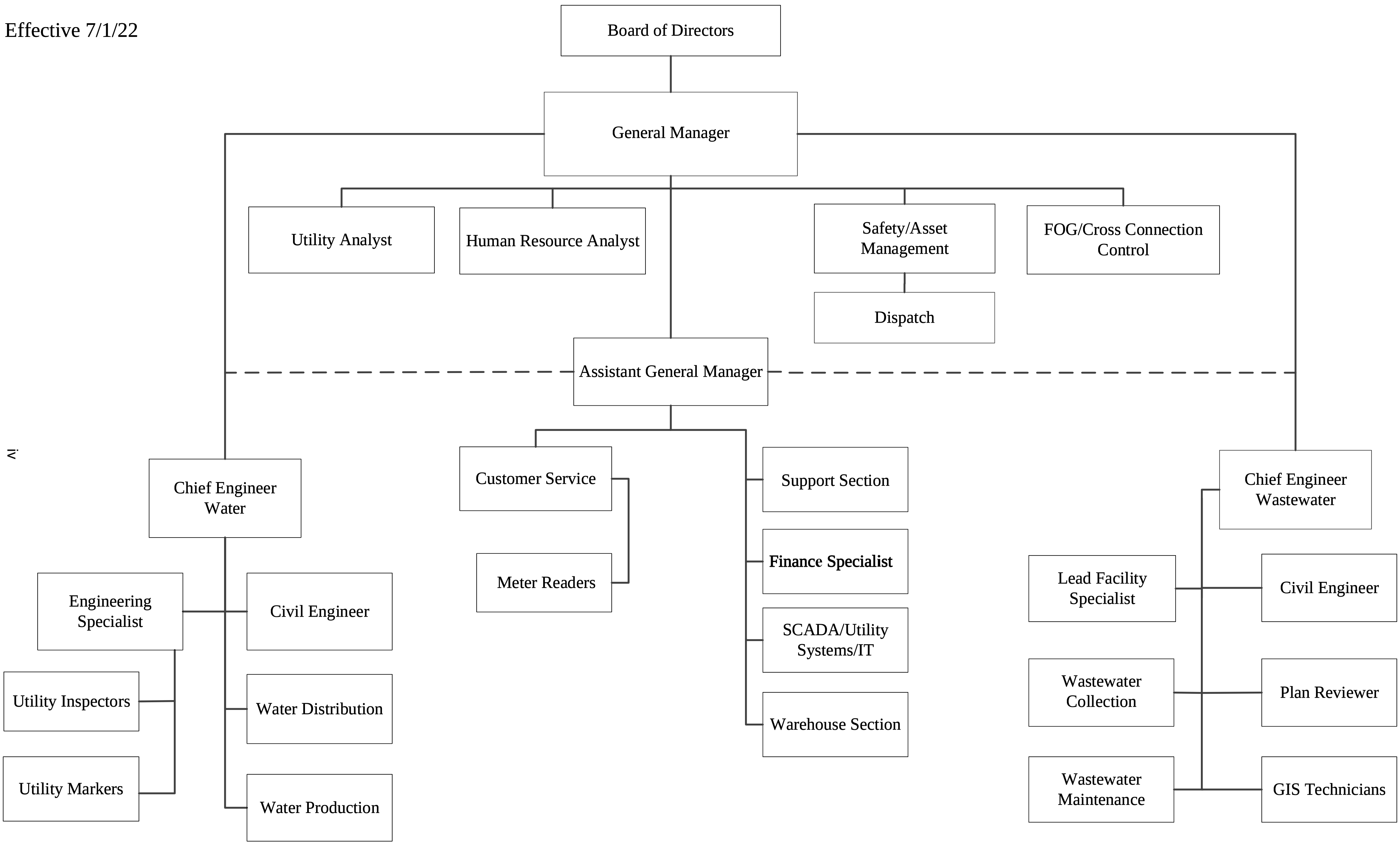
Officials

M. Douglas Powell
General Manager

Stephanie A. Luton
Assistant Manager/Treasurer

JCSA Organizational Chart

Effective 7/1/22



James City Service Authority
Operations Center
119 Tewning Road
Williamsburg, VA 23188
P: 757-229-7421

December 11, 2023

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

The Annual Comprehensive 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, 2023 and 2022, 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 Cherry Bekaert 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 Annual Comprehensive 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 report of the independent auditor.

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 (FFWTP) with 10 water production facilities, and 8 independent water production facilities that are located outside the PSA. There are approximately 421 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 4.9 million gallons of water per day to 24,047 water customers.

The JCSA's sewer system includes 77 pump stations with approximately 454 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.3 million gallons of sewage per day for 25,778 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, 2023, the JCSA had 103 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 18.6 percent from the 2010 census to 2022 while the Commonwealth of Virginia's population increased 8.7 percent during the same 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: Promoting Affordability and Financial Resilience – The JCSA's Financial Policy requires a comprehensive rate study every five years. The latest study was completed in fiscal year 2020 and rate structure 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 rate structure changes in fiscal year 2021 consisted of adjusting the number and volumes of the water service single-family residential tiers to better reflect current usage patterns while promoting water conservation. The four tiers are 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 and the water fixed charge increased in fiscal year 2023 as recommended in the multi-year plan established in the latest rate study. The water fixed charge, paid by all customers regardless of consumption level, 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 2023.

From fiscal year 2022 to fiscal year 2023, the total monthly water and sewer bill for a typical 5,000 gallons per month residential user increased by $0.94 per month from $44.77 to $45.71. In fiscal year 2023 the JCSA had the lowest water rate for a 5,000 gallons per month residential user and the third lowest combined water and sewer bill among the 18 Hampton Roads localities.

Maintaining reasonable rates while saving for future investments is an on-going challenge. The JCSA's multi-year rate plan includes gradual increases over time to avoid sudden large rate shocks that are difficult for customers to budget for. Long range financial planning promotes affordability by identifying time periods when no rate increase is required. These planning efforts have increased JCSA's financial resilience by building reserves to levels required by policy and favored by credit rating agencies and reducing reliance on one-time, non-recurring revenue sources such as facility fees. JCSA's current bond ratings of AAA from Standard & Poor's and Aa1 from Moody's Investors Service demonstrate the continued effectiveness of these plans.

Capital Projects: Modernizing Aging Infrastructure, Facilities and Technology – Most of the fiscal year 2023 capital projects focused on investing to modernize aging infrastructure, facilities, and technology. The fiscal year 2023 budget included a $1 million contribution to the JCSA's Repair and Replacement Reserve that promotes infrastructure asset management by funding unexpected repair and replacement activity to maintain current levels of service.

Major projects completed in fiscal year 2023 include the White Oaks Area Water Main Replacement Project consisting 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; three wastewater lift station generator replacements; and roof replacements at three wastewater lift stations and two well facilities.

Major multi-year projects started or continuing in 2023 include complete replacement of the water mains and water service lines in the Kingswood neighborhood; extensive facility and equipment upgrades at four wastewater lift stations in the Carriage Heights, Raleigh Square, Chambrel and Windy Hills Trailer Park neighborhoods; implementation of a cloud-based enterprise software system to replace separate software systems currently used for asset management, customer billing and information, maintenance management, and work orders; upgrading FFWTP's Supervisory Control and Data Acquisition (SCADA) communication and industrial control system; replacement of variable frequency drives (VFDs), the hardware and software package that controls electric motor speed and power in pump and motor assemblies, at ten water production wells and eighteen wastewater lift stations; and engineering design for replacement of the Toano Estates neighborhood water mains, a 12-inch water main near the County Recreation Center, and the 16-inch steel water main originally installed in 1976 across the College Creek bridge on Route 199.

Regulatory Compliance – Major compliance efforts in 2023 centered on the United States Environmental Protection Agency's Lead and Copper Rule and the on-going Consent Agreement with the Virginia Department of Environmental Quality (DEQ) to address sanitary sewer overflows.

The Lead and Copper Rule requires JCSA to control pipe corrosion. A corrosion control construction project started in 2023 and consists of equipment upgrades at seven well facilities to optimize treatment processes by adding corrosion inhibitor that protects both JCSA and customer pipes. In addition, design work started for storage facilities at FFWTP to house additional chemicals required for corrosion control.

The Board of Directors authorized the JCSA to enter into a Consent Agreement with the Virginia DEQ in 2007. Maintenance and repair activities associated with the Agreement continued in fiscal year 2023 and included sewer pipe easement inspection and clearing; closed circuit television (CCTV) pipeline and manhole inspections; repairs to pipe and manhole defects identified during the CCTV inspections; lift station inspections; flow monitoring and associated hydraulic modeling; and fats, oils, and grease abatement through high pressure pipe cleaning.

Sustainable Long-Term 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 DEQ 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. The Water Fund fiscal year 2023 budget included a $1 million contribution to the Alternative Water Supply Reserve to build dedicated funding for future water supply investments and reduce future borrowing costs.

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, expansion of the increasing block water rate structure to four tiers for single family residential customers with a unit charge that increases with higher consumption, monthly billing implemented in fiscal year 2020 that provides customers with timely consumption information and helps to efficiently detect leaks, a popular customer rebate program for water efficient appliances, and implementation of a communication plan to increase the frequency and quality of conservation education outreach efforts including an updated website.

Succession Management: Recruitment and Retention - 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. Actions in fiscal year 2023 to address this challenge were a 5% salary increase and a one-time $1,500 salary supplement to promote advancement in salary ranges.

Accounting System and Budgetary Control

The JCSA'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 JCSA'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 JCSA'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 JCSA.

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, 2022. This was the thirty-eighth year that the JCSA has received this prestigious award.

In order to be awarded a Certificate of Achievement, the JCSA 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.

The GFOA also awarded JCSA the Distinguished Budget Presentation Award for its fiscal year 2023 Adopted Budget. This was the second year the JCSA received this award recognizing budget documents that meet program criteria as a policy document, financial plan, operations guide, and communications device.

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 JCSA. 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. Doug Powell

M. Douglas Powell
General Manager

Stephanie A. Luton

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the James City Service Authority (the "Authority"), a component unit of the County of James City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

We did not audit the financial statements of the Authority, as of and for the year ended June 30, 2022. Those financial statements and related notes were audited by other auditors whose report dated December 8, 2022 expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Notes 1, 14 and 15 to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of that Statement resulted in a restatement of beginning net position. See Notes 1, 14 and 15 for further information. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. We did not audit the Supplementary Information of the Authority, as of and for the year ended June 30, 2022, as it was audited by other auditors whose report dated December 8, 2022 expressed an unmodified opinion on the Supplementary Information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
December 11, 2023

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2023 and 2022

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 as of and for the fiscal years ended June 30, 2023 and 2022. 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 $191,855,262 and $190,511,872 at June 30, 2023 and 2022, respectively.

- Capital assets increased by 0.9% in 2023 from 2022, primarily attributable to the dedication of water and sewer systems and construction in progress. For fiscal year 2023, there was formal acceptance of 6 new water system dedications and 5 new sewer system dedications.

  Capital assets increased by 0.5% in 2022 from 2021, primarily attributable to the dedication of water and sewer systems and construction in progress. For fiscal year 2022, there was formal acceptance of 3 new water system dedications and 4 new sewer system dedications.

- The Authority's total operating expenses before depreciation and amortization increased by 18.9% in 2023 from 2022 and decreased by (2.0%) in 2022 from 2021. The changes in 2023 were primarily related to an increase in personnel salaries and benefits to keep pace with inflation and maintain job market competitiveness; inflationary increases in operating supply costs for items such as water system chemicals; and sewer system maintenance costs related to the Authority's Consent Agreement with the Virginia Department of Environmental Quality for activities to prevent sanitary sewer overflows such as pipeline and manhole inspections and routine repair. The changes in 2022 were primarily due to a decrease in maintenance costs.

- The Authority's total operating revenues decreased by (3.6%) in 2023 from 2022 and increased by 0.8% in 2022 from 2021. The change in 2023 was primarily due to a decrease in revenue related to facility charges attributable to an approximately 30% drop in new water and sewer connections in 2023 compared to 2022 as housing costs and mortgage interest rates remained high. The increase in 2022 was primarily attributable to an increase in water and sewer rates.

- In fiscal year 2023, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in a restatement of net position as of June 30, 2022 from $190,509,234 to $190,511,872. In fiscal year 2022, the Authority implemented GASB Statement No. 87, *Leases*, which resulted in a restatement of net position as of June 30, 2021 from $190,625,289 to $190,629,876. Additional information on these restatements is provided in Note 15. Also, additional information on these implementations can be found in Notes 1, 4, 6, 13, and 14.

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, 2023 and 2022, 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.

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 postemployment benefits to its employees. The required supplementary information begins on page 52.

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

	6/30/2023	6/30/2022 (as restated)	6/30/2021 (as restated)
Current and other assets	$ 65,338,394	$ 68,797,507	$ 69,639,949
Capital assets	157,188,092	154,515,556	153,664,457
Total assets	222,526,486	223,313,063	223,304,406
Deferred outflows	2,390,840	2,193,677	2,687,438
Total assets and deferred outflows	$ 224,917,326	$ 225,506,740	$ 225,991,844
Current liabilities	$ 5,115,318	$ 4,800,552	$ 4,060,867
Noncurrent liabilities	26,754,513	27,072,259	30,700,190
Total liabilities	31,869,831	31,872,811	34,761,057
Deferred inflows	1,192,233	3,122,057	600,911
Net position:			
Net investment in capital assets	132,964,313	133,822,621	134,630,228
Restricted	882,704	2,007,927	9,379,323
Unrestricted	58,008,245	54,681,324	46,620,325
Total net position	191,855,262	190,511,872	190,629,876
Total liabilities, deferred inflows and net position	$ 224,917,326	$ 225,506,740	$ 225,991,844

The largest portion of the Authority's net position at June 30, 2023 (69.3%), 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, 2023 (30.2%) 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.

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

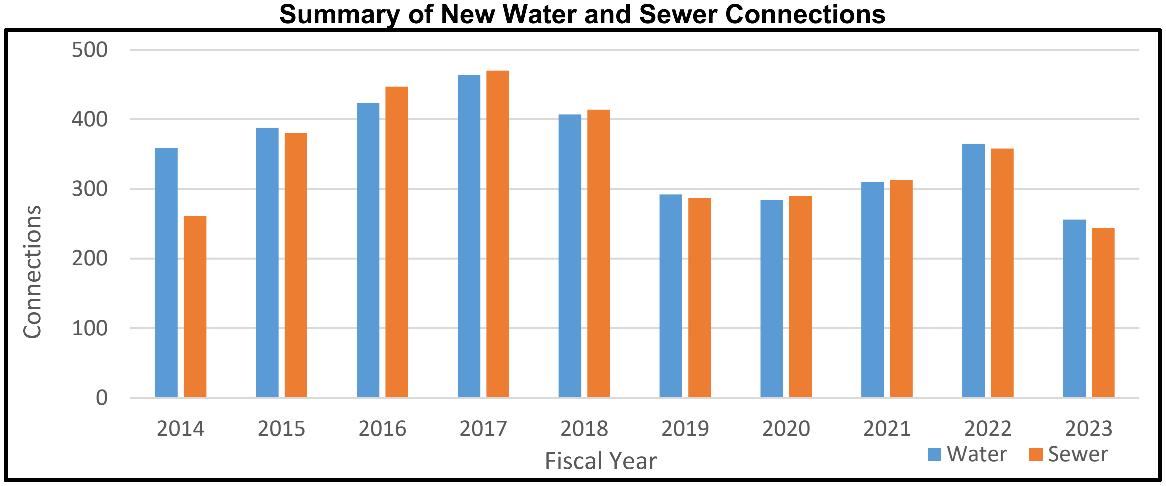
	6/30/2023	6/30/2022 (as restated)	6/30/2021 (as restated)
Water and sewer services	$ 19,206,566	$ 18,413,514	$ 18,122,211
Facility charges	1,433,205	2,811,965	2,773,767
Other	542,741	738,626	887,774
Total operating revenues	21,182,512	21,964,105	21,783,752
Operating expenses	15,594,561	13,113,952	13,407,680
Depreciation and amortization	8,239,658	8,089,390	8,073,284
Total expenses	23,834,219	21,203,342	21,480,964
Other non-operating expenses, net	(72,913)	(3,000,272)	(691,828)
Loss before capital contributions	(2,724,620)	(2,239,509)	(389,040)
Capital contributions	4,068,010	2,121,505	5,254,205
Change in net position	1,343,390	(118,004)	4,865,165
Net position, beginning of year	190,511,872	190,629,876	185,764,711
Net position, end of year	$ 191,855,262	$ 190,511,872	$ 190,629,876

In fiscal year 2023, water and sewer service revenue increased by 4.3% over 2022, primarily as a result of an increase in water rates. There was a decrease in facility charges of (49.0%) during 2023, primarily attributable to a significant decrease in new water and sewer connections in 2023 that would result in facility fees. Also, the Authority received $114,806 in proffers from developers to fund capital improvements, which was a decrease of (25.1%) from the amount received in 2022.

In fiscal year 2022, water and sewer service revenue increased by 1.6% over 2021, primarily as a result of an increase in water rates. There was an increase in facility charges of 1.4% during 2022, primarily attributable to facility fees for a portion of a large master metered condominium complex. Also, the Authority received $153,347 in proffers from developers to fund capital improvements, which was an increase of 12.3% from the amount received in 2021.

The Authority's net position increased by $1,343,390 in 2023 from 2022, which was primarily a result of capital asset contributions received. The Authority's net position decreased by $118,004 in 2022 from 2021, which was primarily a result of a decrease in capital asset contributions and a decrease in investment income.

Summary of New Water and Sewer Connections



Capital Assets

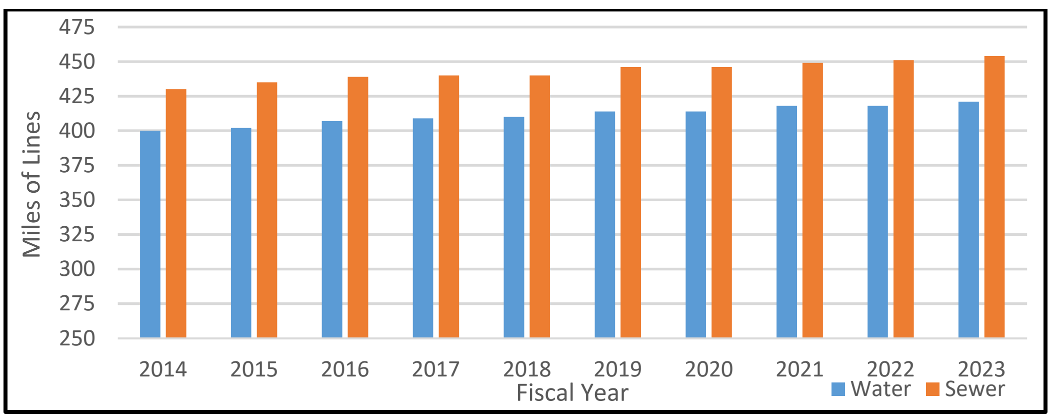
The following table summarizes the Authority's capital assets at June 30, 2023, 2022, and 2021:

Summary of Capital Assets, Net

	6/30/2023	6/30/2022 (as restated)	6/30/2021 (as restated)
Utility plant	$ 289,286,540	$ 279,144,203	$ 275,173,263
Nonutility plant	16,386,206	16,194,255	14,879,812
Intangible assets	25,096,311	25,015,132	25,015,132
Right-to-use lease assets	96,911	11,661	11,661
Right-to-use subscription assets	109,645	60,892	-
Construction in progress	8,921,782	8,753,533	5,159,319
Less accum. depreciation and amortization	182,709,303	174,664,120	166,574,730
Net capital assets	$ 157,188,092	$ 154,515,556	$ 153,664,457

At the end of fiscal year 2023, the Authority had invested $157,188,092 (net of accumulated depreciation and amortization) in a broad range of capital assets. This was an increase of $2,672,536, which was primarily the result of dedications of water and sewer systems and construction in progress. At the end of fiscal year 2022, the Authority had invested $154,515,556 (net of accumulated depreciation and amortization) in a broad range of capital assets. This was an increase of $851,099, which was primarily the result of dedications of water and sewer systems and construction in progress. 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.

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.

The White Oaks project was completed in fiscal year 2023 and the Kingswood project is scheduled for completion in calendar year 2023.

At the close of the fiscal years 2023 and 2022, the Authority's total outstanding bonded debt was $25,252,000 (before premiums) and $26,535,000, 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 $3,326,921 from 2022, to approximately $58.0 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 2024 budget reflects JCSA's commitment to provide reliable and affordable water and wastewater services to protect public health today, promote operational and financial sustainability for tomorrow, and proactively respond to six major issues:

- Sustainable Long-Term Water Supply
- Modernizing Aging Infrastructure, Facilities, and Technology
- Regulatory Compliance
- Resource Conservation and Protection
- Succession Management: Recruitment and Retention
- Affordability and Financial Resilience

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 and resource protection to maintain clean, safe drinking water and prevent sanitary sewer overflows are key elements in JCSA's mission. Water conservation and resource protection initiatives in the fiscal year 2024 budget include continuing use of an increasing block water rate structure to promote water conservation using a unit charge that increases with higher consumption, expansion of a communication plan to increase the frequency and quality of conservation education outreach efforts through multiple channels, continuation of the popular rebate program for water efficient appliances, and CIP budget funding for maintaining and rehabilitating sewer infrastructure to prevent sanitary sewer overflows.

The majority of the Authority's $2.6 million (excluding reserve contributions) fiscal year 2024 Capital Improvement Plan focuses on meeting the second goal of the County's 2035 Strategic Plan, investing to modernize infrastructure, facilities and technology. Infrastructure and facility upgrade projects include replacement of the Toano Estates neighborhood water mains and continuing rehabilitation of 1970s era sewer lift stations. The fiscal year 2024 Capital Improvement Plan continues equipment replacement at the Five Forks Water Treatment Plant (FFWTP) to maintain service levels.

The fiscal year 2024 budget also provides $650,000 towards the approximately $8 million target balance in the Authority's Repair and Replacement Reserve, bringing the total balance at the beginning of fiscal year 2024 to $2.69 million or 34.0% percent of the target. This reserve promotes infrastructure asset management by funding unexpected repairs and planned replacement activity to maintain current levels of service. In keeping with the generator replacement schedule recently established through the JCSA's Asset Management program, three sewer lift station generators and one well facility generator will be replaced in fiscal year 2024, using reserve funds.

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 major initiatives in the fiscal year 2024 budget to address this challenge include a 5% salary increase and an increase in the standby pay hourly rate. In addition, three new positions were included in the fiscal year 2024 budget focused on safely maintaining aging infrastructure while keeping up with system growth. These new positions create internal career growth promotional pathways to address recruitment and retention and improve succession management.

JCSA's regulatory compliance efforts center on the United States Environmental Protection Agency's Lead and Copper Rule and the ongoing Consent Agreement with the Virginia Department of Environmental Quality (DEQ) to address sanitary sewer overflows. In anticipation of future requirements contained in the Lead and Copper Rule, JCSA completed a corrosion control study and is currently constructing the recommended improvements to optimize treatment processes by adding corrosion inhibitor at 7 well facilities to protect JCSA and customer infrastructure from corrosion. In addition, storage facilities will be added at FFWTP to house additional chemicals required for the corrosion control program. The fiscal year 2024 operating budget includes funding for additional chemicals required for the corrosion control program and increased sampling and water quality analysis activities required as the water system grows and adds new customers. The fiscal year 2024 Sewer Fund operating and CIP budgets contain funding to fulfill the JCSA's ongoing 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.

Maintaining reasonable rates while saving for future investments is an on-going challenge. The JCSA's multi-year rate plan includes gradual increases over time to avoid sudden large rate shocks that are difficult for customers to budget for. Long range financial planning promotes affordability by identifying time periods when no rate increase is required such as the maintenance of current sewer service and sewer fixed rates through fiscal year 2024. These planning efforts have increased JCSA's financial resilience by building reserves to levels required by policy and favored by credit rating agencies and reducing reliance on tap fees which are a one-time, non-recurring revenue source. JCSA's current bond ratings of AAA from Standard & Poor's and Aa1 from Moody's Investors Service demonstrate the continued effectiveness of these plans.

The fiscal year 2024 operating budget continues the multi-year plan of incremental increases to the water service rates. The water fixed charge increases to promote long-term revenue and rate stability and moves the Authority's fixed cost recovery level closer to the range favored by credit rating agencies. Water charges increase approximately 3.5% for a typical 5,000 gallons per month residential user while there are no changes to the current sewer service rate or sewer fixed charge. The total monthly water and sewer bill for a typical 5,000 gallons per month residential user increases by $1.00 per month from $45.71 to $46.71. 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.

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

Exhibit 1

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Statements of Net Position

June 30, 2023 and 2022

	2023	2022 (as restated)
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 15,101,121	$ 6,894,387
Investments (Note 2)	43,183,250	49,469,680
Restricted cash and cash equivalents (Note 2)	1,807,604	6,524,603
Accounts receivable, customers	2,980,594	3,157,287
Lease receivable, current portion (Note 13)	82,842	122,079
Accounts receivable, other	6,913	6,634
Interest receivable	87,812	70,045
Lease interest receivable (Note 13)	580	573
Inventories	1,884,966	1,246,614
Total current assets	65,135,682	67,491,902
Noncurrent assets:		
Net pension asset (Note 7)	-	1,142,756
Lease receivable, net of current portion (Note 13)	202,712	162,849
Capital assets (Note 4):		
Non-depreciable	11,643,320	11,467,672
Depreciable	145,433,560	143,009,231
Subscription assets, net	30,747	33,647
Lease assets, net	80,465	5,006
Net capital assets	157,188,092	154,515,556
Total assets	222,526,486	223,313,063
Deferred Outflows of Resources		
Deferred charge on refunding, net (Note 6)	1,282,221	1,358,393
Deferred pension (Note 7)	989,778	713,208
Deferred OPEB group life insurance (GLI) (Note 8)	82,198	75,914
Deferred OPEB health insurance credit (HIC) (Note 8)	11,896	12,394
Deferred OPEB retiree healthcare (Note 8)	24,747	33,768
Total deferred outflows of resources	2,390,840	2,193,677
Total assets and deferred outflows of resources	$ 224,917,326	$ 225,506,740

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, 2023 and 2022

	2023	2022 (as restated)
Liabilities		
Current liabilities:		
Accounts payable, trade	$ 1,152,175	$ 770,293
Retainage payable	190,378	329,897
Accrued salaries	19,619	21,231
Compensated absences, current portion (Note 6)	424,724	415,714
Due to James City County (Note 10)	729,267	636,338
Due to Commonwealth	50	275
Deposits	829,924	883,130
Interest payable	340,751	363,406
Lease payable, current portion (Notes 6 and 13)	18,100	3,393
Lease and subscription interest payable	603	72
Subscription payable, current portion (Note 6)	10,820	29,896
Bonds payable, current portion (Note 6)	1,398,907	1,346,907
Total current liabilities	5,115,318	4,800,552
Noncurrent liabilities:		
Advances for construction (Note 5)	32,902	32,902
Compensated absences, net of current portion (Note 6)	141,574	138,571
Lease payable, net of current portion (Notes 6 and 13)	62,642	1,750
Subscription payable, net of current portion (Note 6)	11,578	1,054
Bonds payable, net of current portion (Note 6)	24,928,853	26,327,760
Net pension liability (Note 7)	1,002,620	-
Retiree healthcare OPEB liability (Note 8)	258,038	284,440
Net GLI OPEB liability (Note 8)	287,779	263,708
Net HIC OPEB liability (Note 8)	28,527	22,074
Total noncurrent liabilities	26,754,513	27,072,259
Total liabilities	31,869,831	31,872,811
Deferred Inflows of Resources		
Deferred pension (Note 7)	658,780	2,521,900
Deferred lease (Note 13)	281,996	278,809
Deferred OPEB retiree healthcare (Note 8)	175,719	185,730
Deferred OPEB GLI (Note 8)	58,689	102,792
Deferred OPEB HIC (Note 8)	17,049	32,826
Total deferred inflows of resources	1,192,233	3,122,057
Net Position		
Net position:		
Net investment in capital assets	132,964,313	133,822,621
Restricted for:		
Pensions	-	1,142,756
Debt service	882,704	865,171
Unrestricted	58,008,245	54,681,324
Total net position	191,855,262	190,511,872
Total liabilities, deferred inflows of resources and net position	$ 224,917,326	$ 225,506,740

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, 2023 and 2022

	2023	2022 (as restated)
Operating revenues:		
Water and sewer services	$ 19,206,566	$ 18,413,514
Facility charges	1,433,205	2,811,965
Water supply proffers	114,806	153,347
Lease revenue (Note 13)	108,813	121,493
COVID-19 relief funding	-	240,808
Other	319,122	222,978
Total operating revenues	21,182,512	21,964,105
Operating expenses:		
Personnel services	8,666,017	7,564,177
Operating supplies	1,829,692	1,528,918
Maintenance	2,624,931	1,662,145
Utilities	1,167,262	961,832
Contractual fees	1,070,849	958,226
COVID-19 expenses	-	240,808
Other	235,810	197,846
Total operating expenses	15,594,561	13,113,952
Operating income before depreciation and amortization	5,587,951	8,850,153
Depreciation and amortization (Note 4)	8,239,658	8,089,390
Operating gain (loss)	(2,651,707)	760,763
Nonoperating revenues (expenses):		
Investment income (loss)	689,902	(2,194,170)
Gain on disposal of capital assets	19,680	17,200
Interest expense	(782,495)	(823,302)
Net nonoperating expenses	(72,913)	(3,000,272)
Loss before capital contributions	(2,724,620)	(2,239,509)
Capital asset contributions	4,068,010	2,121,505
Changes in net position	1,343,390	(118,004)
Net position, beginning of year, as restated (Note 15)	190,511,872	190,629,876
Net position, end of year	$ 191,855,262	$ 190,511,872

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, 2023 and 2022

	2023	2022 (as restated)
Cash flows from operating activities:		
Cash received from customers	$ 19,329,774	$ 18,456,927
Other cash receipts	542,741	738,626
Cash payments to suppliers for goods and services	(7,228,417)	(5,176,782)
Cash payments for personnel services	(8,712,689)	(7,880,906)
Facility charges	1,433,205	2,813,055
Net cash provided by operating activities	5,364,614	8,950,920
Cash flows from capital and related financing activities:		
Repayments of debt	(1,283,000)	(1,246,000)
Payment of lease liabilities	(9,651)	(3,293)
Payment of subscription liabilities	(57,305)	(29,942)
Interest paid	(792,354)	(826,345)
Acquisition and construction of capital assets	(6,713,064)	(6,758,092)
Proceeds from sale of capital assets	22,563	56,901
Net cash used in capital and related financing activities	(8,832,811)	(8,806,771)
Cash flows from investing activities:		
Purchases of investments	(16,758,843)	(15,900,830)
Proceeds from sale of investments	23,383,223	13,234,265
Lease payments received	108,621	119,283
Interest received	224,931	6,230
Net cash provided by (used in) investing activities	6,957,932	(2,541,052)
Increase (decrease) in cash and cash equivalents	3,489,735	(2,396,903)
Cash and cash equivalents, start of year (including $6,524,603 and $9,379,323 in restricted accounts at June 30, 2022 and 2021, respectively)	13,418,990	15,815,893
Cash and cash equivalents, end of year (including $1,807,604 and $6,524,603 in restricted accounts at June 30, 2023 and 2022, respectively)	$ 16,908,725	$ 13,418,990
Reconciliation of operating gain (loss) to net cash provided by operating activities:		
Operating gain (loss)	$ (2,651,707)	$ 760,763
Adjustments to reconcile operating gain (loss) to cash provided by operating activities:		
Depreciation and amortization	8,239,658	8,089,390
Pension expense, net of employer contributions	5,686	(340,205)
Retiree healthcare OPEB expense, net of employer contributions	(27,392)	(8,519)
Group life insurance OPEB expense, net of employer contributions	(26,316)	(17,128)
Health insurance credit OPEB expense, net of employer contributions	(8,826)	(10,000)
Lease income	3,187	(121,493)
Change in operating assets and liabilities:		
Accounts receivable, customers	176,693	19,750
Accounts receivable, others	(279)	4,942
Note receivable	-	1,090
Inventories	(638,352)	(130,306)
Accounts payable, trade	381,882	129,527
Retainage payable	(139,519)	329,897
Accrued salaries	(1,612)	289
Compensated absences	12,013	58,559
Due to James City County	92,929	165,368
Due to Commonwealth	(225)	275
Deposits	(53,206)	18,721
Total adjustments	8,016,321	8,190,157
Net cash provided by operating activities	$ 5,364,614	$ 8,950,920
Supplemental schedules:		
Noncash capital activities:		
Capital asset contributions	$ 4,068,010	$ 2,121,505
Noncash investing activity:		
Unrealized loss from change in fair value of investments	$ 228,808	$ 2,599,598

See accompanying notes to basic financial statements.

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 accounting principles generally accepted in the United States of America (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 an enterprise fund. The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows along with 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.

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 GAAP. 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. GAAP 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
Right-to-use lease assets	2-5 years
Right-to-use subscription assets	2-6 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, Virginia 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 $1,676,000 and $1,900,000 at June 30, 2023 and 2022, respectively, and are included in Accounts receivable, customers on the statements of net position.

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, 2023, there were two supplemental appropriations as follows: (1) $129,065 for a one-time bonus and leave payout for staff and (2) $43,000 for a general wage increase. For the year ended June 30, 2022, there were three supplemental appropriations as follows: (1) $240,808 for the ARPA Municipality utility assistance program, discussed further in Note 12, (2) $425,000 for Kingswood water main replacement and (3) $214,595 for vacuum rodding machine replacement.

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, 2023 were as follows:

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	$ 10,000	$ 50,209,739
Business interruption/extra expense	N/A	$ 3,000,000
Inland marine	$ 1,000	$ 850,961
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	$ 100,000,000
General liability	$ -	$ 2,000,000
Public officials liability	$ -	$ 1,000,000
Automobile liability	$ -	$ 2,000,000
Automobile comprehensive/collision	$ 1,000	$ 1,016,979
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	$ -	$ 5,000,000
Worker's compensation	$ -	Statutory limits

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

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 assets 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 assets that applies to future periods 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.
- ***Value of lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods:*** These values will be recognized as inflows of resources systematically over the term of the lease.

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.

1) Organization and Summary of Significant Accounting Policies, Continued

Leases

Lessee: The Authority is a lessee for a noncancellable lease of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Authority recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Authority is a lessor for noncancellable leases of property. The Authority recognizes a lease receivable and a deferred inflow of resources in the statements of net position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses the interest rate included in the lease as the discount rate. When the interest rate is not provided, the interest rate implicit in the lease is determined and used as the discount rate.
- The lease term includes the noncancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

1) Organization and Summary of Significant Accounting Policies, Continued

Adoption of New Accounting Statement

For fiscal year 2023, the Authority implemented Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The objective of this statement is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition, which will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The implementation of this statement resulted in the Authority recognizing new assets and liabilities related to its SBITAs, as well as the amortization of the subscription assets over the subscription term and the reduction of the subscription liabilities for the portion of principal payments made.

For fiscal year 2022, the Authority implemented Governmental Accounting Standards Board's Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this pronouncement had the effect of restating information from fiscal year 2021.

Further information on the related restatements is provided in note 15, and additional details on the Authority's leases and SBITAs can be found in notes 13 and 14, respectively.

Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has entered into certain SBITAs. The Authority recognizes a subscription liability and an intangible right-to-use subscription asset in the Statement of Net Position.

At the commencement of a subscription, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The right-to-use subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the subscription commencement date, plus certain initial implementation stage costs. Subsequently, the right-to-use subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate used to discount expected SBITA payments to present value, (2) subscription term, and (3) SBITA payments.

- The Authority uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period in which the Authority has the right to use the underlying subscription asset. In addition, the likelihood of any extension or termination option is assessed in determining the subscription term.

1) Organization and Summary of Significant Accounting Policies, Continued

Subscription-Based Information Technology Arrangements (SBITAs), Continued

The Authority monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription liabilities and right-to-use subscription assets if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported with other depreciable capital assets and subscription liabilities are reported with long-term debt on the Statements of Net Position.

2) Cash, Cash Equivalents, and Investments

The Authority's cash, cash equivalents, and investments at June 30, 2023 and 2022, consisted of the following:

	6/30/2023	6/30/2022
Bank deposits	$ 1,045,606	$ 1,587,934
Petty cash	700	700
Money market	1,996,687	7,103,407
Investments, LGIP*	13,865,732	4,726,949
Investments, other	43,183,250	49,469,680
Total	$ 60,091,975	$ 62,888,670
Reconcilation to Statements of Net Position:		
Cash and cash equivalents	$ 15,101,121	$ 6,894,387
Investments	43,183,250	49,469,680
Restricted cash and cash equivalents	1,807,604	6,524,603
Total	$ 60,091,975	$ 62,888,670

**State Treasurer's Local Government Investment Pool*

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.

2) Cash, Cash Equivalents, and Investments, Continued

The Authority's investments measured at fair value at June 30, 2023 and 2022, were as follows:

Investment Type	Cost	Fair Value	Level 1	Level 2	Level 3
6/30/2023:					
U.S. Treasury securities	$ 36,668,266	$ 34,271,649	$ -	$ 34,271,649	$ -
Municipal Bond/Note	705,000	689,658	-	689,658	-
Federal agency mortgage security	1,278,931	1,183,785	-	1,183,785	-
Federal agency notes and bonds	2,893,588	2,860,044	-	2,860,044	-
Corporate notes and bonds	1,974,101	1,866,392	-	1,866,392	-
Fed. Agency comm. mortgage ob.	1,972,700	1,923,128	-	1,923,128	-
Fed. agency coll. mortgage ob.	414,699	388,594	-	388,594	-
Total	$ 45,907,285	$ 43,183,250	$ -	$ 43,183,250	$ -
6/30/2022:					
U.S. Treasury securities	$ 39,706,009	$ 37,596,414	$ -	$ 37,596,414	$ -
Municipal Bond/Note	705,000	677,666	-	677,666	-
Federal agency mortgage security	1,276,115	1,209,192	-	1,209,192	-
Federal agency notes and bonds	5,884,055	5,735,104	-	5,735,104	-
Corporate notes and bonds	2,271,413	2,166,676	-	2,166,676	-
Fed. Agency comm. mortgage ob.	1,522,139	1,498,418	-	1,498,418	-
Fed. agency coll. mortgage ob.	600,177	586,210	-	586,210	-
Total	$ 51,964,908	$ 49,469,680	$ -	$ 49,469,680	$ -

		Investment maturity (in years)		
Investment Type	**Amount**	**Less than 1**	**1-2**	**2-15**
6/30/2023:				
U.S. Treasury securities	$ 34,271,649	$ 7,252,140	$ 11,076,252	$ 15,943,257
LGIP*	14,790,632	14,790,632	-	-
Money Market*	1,071,787	1,071,787		
Municipal bond	689,658	689,658	-	-
Federal agency notes and bonds	2,860,044	2,377,839	482,205	-
Federal agency mortgage security	1,183,785	-	-	1,183,785
Corporate notes and bonds	1,866,392	-	211,987	1,654,405
Fed. agency comm. mortgage ob.	1,923,128	-	518,737	1,404,391
Fed. agency coll. mortgage ob.	388,594	-	-	388,594
Total	$ 59,045,669	$ 26,182,056	$ 12,289,181	$ 20,574,432
6/30/2022:				
U.S. Treasury securities	$ 37,596,414	$ -	$ 11,555,392	$ 26,041,022
LGIP*	10,386,380	10,386,380	-	-
Money Market*	1,443,976	1,443,976		
Municipal bond	677,666	-	677,666	-
Federal agency notes and bonds	5,735,104	2,685,582	3,049,522	-
Federal agency mortgage security	1,209,192	-	-	1,209,192
Corporate notes and bonds	2,166,676	996,127	-	1,170,549
Fed. agency comm. mortgage ob.	1,498,418	720,116	6,436	771,866
Fed. agency coll. mortgage ob.	586,210	-	-	586,210
Total	$ 61,300,036	$ 16,232,181	$ 15,289,016	$ 29,778,839

*LGIP and Money Market balances above include restricted cash equivalents of $6,524,603 and $1,807,604 for fiscal years 2022 and 2023, respectively.

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.

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 wihout regards to the ratings modifiers

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, 2023 and 2022, the Authority's investments rated by Standard & Poor's were as follows:

	Unrated	AAA	AA+	AA	AA-
6/30/2022:					
Money market funds	$ 1,807,604	$ 189,083	$ -	$ -	$ -
LGIP	-	13,865,732	-	-	-
U.S. Treasury securities	-	-	34,271,649	-	-
Federal agency notes/bonds	-	-	2,860,044	-	-
Corporate notes/bonds	-	699,993	-	156,549	1,009,850
Municipal bond note	-	249,035	-	182,101	258,522
Federal agency mrtge. security	-	-	1,183,785	-	-
Fed. agency comm. mrtge. ob.	-	-	1,923,128	-	-
Fed. agency coll. mrtge. ob.	-	-	388,594	-	-
Total	$ 1,807,604	$ 15,003,843	$ 40,627,200	$ 338,650	$ 1,268,372
6/30/2022:					
Money market funds	$ 6,524,603	$ 578,804	$ -	$ -	$ -
LGIP	-	4,726,949	-	-	-
U.S. Treasury securities	-	-	37,596,414	-	-
Federal agency notes/bonds	-	-	5,735,104	-	-
Corporate notes/bonds	-	712,191	157,064	350,628	946,793
Municipal bond note	-	243,420	-	177,641	256,605
Federal agency mrtge. security	-	-	1,209,192	-	-
Fed. agency comm. mrtge. ob.	-	-	1,498,418	-	-
Fed. agency coll. mrtge. ob.	-	-	586,210	-	-
Total	$ 6,524,603	$ 6,261,364	$ 46,782,402	$ 528,269	$ 1,203,398

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, 2023 and 2022, the portions of the Authority's portfolio (excluding restricted investments) that exceeded 5% of the total were:

	% of Portfolio	
Issuer	**6/30/2023**	**6/30/2022**
U.S. Treasury	60.6%	69.4%
LGIP	24.2%	8.7%
Freddie Mac	6.8%	9.1%
Fannie Mae	4.3%	7.5%

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, 2023, and 2022, 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, the note receivable balance was $1,090, and during fiscal year 2022, the balance was paid in full, leaving no amount remaining on this receivable.

4) Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2023 and 2022:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Utility plant:				
Land	$ 955,995	$ 7,399	$ -	$ 963,394
Nonutility plant:				
Land	1,740,391	-	-	1,740,391
Land improvements	13,183	-	-	13,183
Construction in progress	8,753,533	6,435,317	6,267,068	8,921,782
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	11,467,672	6,442,716	6,267,068	11,643,320
Capital assets being depreciated/amortized:				
Utility plant:				
Water and sewer systems	278,188,208	10,134,938	-	288,323,146
Nonutility plant:				
Land improvements (depreciable)	63,370	-	-	63,370
Central shop	6,283,904	-	-	6,283,904
Right-to-use lease asset - building*	-	61,868	-	61,868
Office fixtures and equipment	4,495,367	144,488	138,213	4,501,642
Right-to-use lease asset - equipment*	11,661	23,382	-	35,043
Right-to-use subscription asset*	60,892	48,753	-	109,645
Automotive equipment	3,506,242	244,821	59,146	3,691,917
Infrastructure	91,798	-	-	91,798
Intangible:				
Water rights	25,000,000	-	-	25,000,000
Software	10,562	81,179	-	91,741
Total capital assets being depreciated/amortized	317,712,004	10,739,429	197,359	328,254,074
Less accumulated depreciation/amortization:				
Water and sewer systems	159,685,491	6,927,545	-	166,613,036
Land improvements	1,938	3,171	-	5,109
Central shop	1,704,262	194,674	-	1,898,936
Right-to-use lease asset - building*	-	4,125	-	4,125
Office fixtures and equipment	2,240,239	235,611	131,968	2,343,882
Right-to-use lease asset - equipment*	6,655	5,666	-	12,321
Right-to-use subscription asset*	27,245	51,653	-	78,898
Automotive equipment	2,816,703	171,480	62,508	2,925,675
Infrastructure	12,788	3,069	-	15,857
Water rights	8,164,503	631,331	-	8,795,834
Software	4,296	11,333	-	15,629
Total accumulated depreciation/amortization	174,664,120	8,239,658	194,476	182,709,302
Total capital assets being depr./amort, net	143,047,884	2,499,771	2,883	145,544,772
Total capital assets, net	$ 154,515,556	$ 8,942,487	$ 6,269,951	$ 157,188,092

* The right-to-use lease asset and related amortization resulted from the implementation of GASB Statement No. 87 in fiscal year 2022. The right-to-use subscription asset and related amortization resulted from the implementation of GASB Statement No. 96 in fiscal year 2023. Additional information on these assets can be found in Notes 1, 13, 14, and 15. Information on the related restatements can be found in Note 15.

4) Capital Assets, Continued

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Utility plant:				
Land	$ 955,995	$ -	$ -	$ 955,995
Nonutility plant:				
Land	1,741,991	-	1,600	1,740,391
Land improvements	13,183	-	-	13,183
Construction in progress	5,159,319	6,640,046	3,045,832	8,753,533
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	7,875,058	6,640,046	3,047,432	11,467,672
Capital assets being depreciated/amortized:				
Utility plant:				
Water and sewer systems	274,217,268	3,970,940	-	278,188,208
Nonutility plant:				
Land improvements (depreciable)	8,930	54,440	-	63,370
Central shop	5,528,121	755,783	-	6,283,904
Office fixtures and equipment	4,426,322	69,045	-	4,495,367
Right-to-use lease asset - equipment*	11,661	-	-	11,661
Right-to-use subscription asset*	-	60,892	-	60,892
Automotive equipment	3,069,467	436,775	-	3,506,242
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	312,364,129	5,347,875	-	317,712,004
Less accumulated depreciation/amortization:				
Water and sewer systems	152,827,654	6,857,837	-	159,685,491
Land improvements	1,118	820	-	1,938
Central shop	1,538,493	165,769	-	1,704,262
Office fixtures and equipment	1,997,402	242,837	-	2,240,239
Right-to-use lease asset - equipment*	3,328	3,327	-	6,655
Right-to-use subscription asset*	-	27,245	-	27,245
Automotive equipment	2,661,696	155,007	-	2,816,703
Infrastructure	9,719	3,069	-	12,788
Water rights	7,533,172	631,331	-	8,164,503
Software	2,148	2,148	-	4,296
Total accumulated depreciation/amortization	166,574,730	8,089,390	-	174,664,120
Total capital assets being depr./amort, net	145,789,399	(2,741,515)	-	143,047,884
Total capital assets, net	$ 153,664,457	$ 3,898,531	$ 3,047,432	$ 154,515,556

*The right-to-use lease asset and related amortization resulted from the implementation of GASB Statement No. 87 in fiscal year 2022. The right-to-use subscription asset and related amortization resulted from the implementation of GASB Statement No. 96 in fiscal year 2023. Additional information on these assets can be found in Notes 1, 13, 14, and 15. Information on the related restatements can be found in Note 15.

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, 2023 and 2022, advances for construction consisted of:

Funds advanced	$ 27,020
Facilities constructed	5,882
Total	$ 32,902

6) Long-Term Liabilities

The Authority's long-term debt activity for the fiscal years ended June 30, 2023 and 2022, was as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023	Due within one year
Refunding revenue bonds	$ 18,510,000	$ -	$ 745,000	$ 17,765,000	$ 785,000
Revenue bonds	8,025,000	-	538,000	7,487,000	550,000
Premium, refunding revenue bonds	1,139,667	-	63,907	1,075,760	63,907
Lease liability*	5,143	85,250	9,651	80,742	18,100
Subscription liability*	30,950	48,753	57,305	22,398	10,820
Net pension liability	-	1,002,620	-	1,002,620	-
Net retiree healthcare OPEB liability	284,440	-	26,402	258,038	-
Net GLI OPEB liability	263,708	24,071	-	287,779	-
Net HIC OPEB liability	22,074	6,453	-	28,527	-
Advances for construction	32,902	-	-	32,902	-
Compensated absences	554,285	672,590	660,577	566,298	424,724
Total	$ 28,868,169	$ 1,839,737	$ 2,100,842	$ 28,607,064	$ 1,852,551

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022	Due within one year
Refunding revenue bonds	$ 19,230,000	$ -	$ 720,000	$ 18,510,000	$ 745,000
Revenue bonds	8,551,000	-	526,000	8,025,000	538,000
Premium, refunding revenue bonds	1,203,574	-	63,907	1,139,667	63,907
Lease liability*	8,436	-	3,293	5,143	3,393
Subscription liability*	-	60,892	29,942	30,950	29,896
Net pension liability	1,992,512	-	1,992,512	-	-
Net retiree healthcare OPEB liability	432,846	-	148,406	284,440	-
Net GLI OPEB liability	379,494	-	115,786	263,708	-
Net HIC OPEB liability	58,695	-	36,621	22,074	-
Advances for construction	32,902	-	-	32,902	-
Compensated absences	495,726	668,407	609,848	554,285	415,714
Total	$ 32,385,185	$ 729,299	$ 4,246,315	$ 28,868,169	$ 1,795,910

*The lease liability resulted from the implementation of new GAAP in fiscal year 2022. The subscription liability resulted from the implementation of new GAAP in fiscal year 2023. Additional information on these liabilities can be found in Notes 13 and 14, and information on the related restatements can be found in Note 15.

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 $18,955,000 and $19,665,000 at June 30, 2023 and 2022, 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 $1,282,221 and $1,358,393 at June 30, 2023 and 2022, 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.

6) Long-Term Liabilities, Continued

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

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 amount of the revenue bonds outstanding is $7,487,000 and $8,025,000 as of June 30, 2023 and June 30, 2022, respectively, and is reflected on the statements of net position.

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

Year Ended June 30	2016 Refunding Revenue Bonds Principal	2016 Refunding Revenue Bonds Interest	2020 Revenue Bonds Principal	2020 Revenue Bonds Interest
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	895,000	459,150	588,000	131,312
2028	925,000	432,300	602,000	118,000
2029-2033	5,040,000	1,729,500	3,218,000	379,422
2034-2038	5,855,000	926,250	1,392,000	47,452
2039-2040	2,590,000	117,150	-	-
Total	$ 17,765,000	$ 5,274,900	$ 7,487,000	$ 1,147,076

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, 2023 and 2022, compensated absences consisted of the following:

	6/30/2023	6/30/2022
Vacation	$ 378,357	$ 390,073
Sick	81,243	73,816
Paid-time off	106,698	90,396
Total	$ 566,298	$ 554,285

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.

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, 2021 and 2020, actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2021 Actuarial Valuation	June 30, 2020 Actuarial Valuation
Inactive members or their beneficiaries currently receiving benefits	61	58
Inactive members:		
Vested inactive members	15	14
Non-vested inactive members	34	30
LTD	-	-
Active elsewhere in VRS	38	34
Total inactive members	87	78
Active members	91	91
Total covered employees	239	227

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, 2023, and June 30, 2022, was 6.69% and 6.39%, respectively, of covered employee compensation. This rate was based on actuarially determined rates from actuarial valuations as of June 30, 2021 and 2019, 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 $341,006 and $295,888 for the years ended June 30, 2023, and June 30, 2022, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. The net pension liability reported as of June 30, 2023, was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

The net pension asset reported as of June 30, 2022, was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

7) Defined Benefit Pension Plan, Continued

Actuarial Assumptions

The total pension liability for fiscal years 2023 and 2022 for general employees in the Authority's retirement plan was based on actuarial valuations as of June 30, 2021, and June 30, 2020, 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, 2022, and June 30, 2021, 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 Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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): Updated mortality table; adjusted retirement rates to better fit experience for Plan 1, set separate rates based on experience for Plan 2/Hybrid, changed final retirement age; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale, no change to line of duty disability; no change to discount rate.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, salary scale, line of duty disability, or discount rate.

7) Defined Benefit Pension Plan, Continued

Long-Term Expected Rate of Return

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

June 30, 2023:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP- Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		**Expected arithmetic nominal return	7.83%

** The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

June 30, 2022:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit strategies	14.00%	4.49%	0.63%
Real assets	14.00%	4.76%	0.67%
Private equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP- Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

** The above allocation provides a one-year return of 7.39%. 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 6.94%, 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 7.11%, including expected inflation of 2.50%.*

7) Defined Benefit Pension Plan, Continued

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2023 and 2022 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, 2023, 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, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (asset) (a) - (b)
Balances at June 30, 2021	$ 21,395,112	$ 22,537,868	$ (1,142,756)
Changes for the year:			
Service cost	387,269	-	387,269
Interest	1,441,308	-	1,441,308
Difference between expected and actual experience	817,428	-	817,428
Contributions - employer	-	295,888	(295,888)
Contributions - employee	-	241,614	(241,614)
Net investment income	-	(23,391)	23,391
Benefit payments, including refunds of employee contributions	(859,354)	(859,354)	-
Administrative expenses	-	(14,003)	14,003
Other changes	-	521	(521)
Net changes	1,786,651	(358,725)	2,145,376
Balances at June 30, 2022	$ 23,181,763	$ 22,179,143	$ 1,002,620

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (asset) (a) - (b)
Balances at June 30, 2020	$ 19,883,421	$ 17,890,909	$ 1,992,512
Changes for the year:			
Service cost	393,653	-	393,653
Interest	1,317,521	-	1,317,521
Change of assumptions	557,493	-	557,493
Difference between expected and actual experience	(27,793)	-	(27,793)
Contributions - employer	-	271,540	(271,540)
Contributions - employee	-	219,619	(219,619)
Net investment income	-	4,896,608	(4,896,608)
Benefit payments, including refunds of employee contributions	(729,183)	(729,183)	-
Administrative expenses	-	(12,088)	12,088
Other changes	-	463	(463)
Net changes	1,511,691	4,646,959	(3,135,268)
Balances at June 30, 2021	$ 21,395,112	$ 22,537,868	$ (1,142,756)

7) Defined Benefit Pension Plan, Continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) 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, 2023	$ 4,128,883	$ 1,002,620	$ (1,534,010)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset) at June 30, 2022	$ 1,708,024	$ (1,142,756)	$ (3,493,371)

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

For the years ended June 30, 2023, and June 30, 2022, the Authority recognized pension expense (recovery) of $346,693 and ($44,318), respectively. At June 30, 2023, and June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	6/30/2023		6/30/2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 504,237	$ 18,498	$ 16,591	$ 82,567
Changes of assumptions	144,535	-	400,729	-
Net difference between projected and actual earnings on plan investments	-	640,282	-	2,439,333
Employer contributions subsequent to the measurement date	341,006	-	295,888	-
Total	$ 989,778	$ 658,780	$ 713,208	$ 2,521,900

7) Defined Benefit Pension Plan, Continued

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

The $341,006 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 (increase) of the net pension liability in the year ending June 30, 2024. 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
2024	$ 187,037
2025	(70,918)
2026	(432,802)
2027	306,675
2028	-
Thereafter	-
	$ (10,008)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS's 2022 Annual Comprehensive Annual Report, which can be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

8) Other Postemployment Benefits (OPEB) Liability

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

The Authority provides other postemployment 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 the 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 2023, 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.

8) Other Postemployment Benefits (OPEB) Liability, Continued

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2020 and April 1, 2021, (measurement dates of June 30, 2021, and 2022, respectively), 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 3.69% and 1.92% for June 30, 2022 and 2021, 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 April 1, 2021, 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 on October 30, 2021. The following assumptions were used as input variables into this model:

Inflation	2.50%
Rate of growth in real income/ GDP per capita	1.40%
Extra trend due to technology and other factors	1.00%
Expected health share of GDP in 2029	19.00%
Health share of GDP resistance point	20.00%
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 2.85%-1.00% (general) and 2.25%-1.00% (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 April 1, 2021, valuation:

- Pre-Retirement
  - General: Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
- Post-Retirement
  - General: Pub-2010 General Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
- Disabled:
  - General: Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
  - LEOS: Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.69% (the latest 20-year municipal GO AA Index as of June 30, 2022).

8) Other Postemployment Benefits (OPEB) Liability, Continued

Changes in Assumptions Since January 1, 2020 Valuation

- The discount rate was updated to 1.92% (the latest 20-year Municipal GO AA Index as of June 30, 2021).
- The mortality improvement scale was updated to the latest MP2021 scale.
- The medical trend was updated. The trend was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions.
- The Salary Scale, Retirement, Termination, and Disability assumptions have been updated to the rates disclosed in the Virginia Retirement System Experience Study dated September 10, 2021.

Retiree Healthcare OPEB Liability

At June 30, 2023 and 2022, the Authority reported retiree healthcare OPEB liabilities of $258,038 and $284,440, respectively, for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2023, retiree healthcare OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation performed April 1, 2021. The County's June 30, 2022, retiree healthcare OPEB liability was measured as of June 30, 2021, 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, 2023, 2022, and 2021, the Authority's proportion of the County's retiree healthcare OPEB liability was 6.46%, 6.46%, and 7.30%, respectively.

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

The following presents the retiree healthcare OPEB liability for 2023 and 2022, using the discount rates of 3.69% and 1.92%, 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 (2.69% and 0.92%, respectively) or one percentage point higher (4.69% and 2.92%, respectively) than the current rates:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Retiree Healthcare OPEB Liability as of June 30, 2023	$ 282,618	$ 258,038	$ 235,607

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Retiree Healthcare OPEB Liability as of June 30, 2022	$ 311,921	$ 284,440	$ 259,053

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 2023 and 2022 using the health care cost trend rate of 3.94%, 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 (2.94%), or one percentage point higher (4.94%), than the current rate:

	1% Decrease (2.94%)	Current Health Care Cost Trend Rate (3.94%)	1% Increase (4.94%)
Retiree Healthcare OPEB Liability as of June 30, 2023	$ 228,543	$ 258,038	$ 292,597

	1% Decrease (2.94%)	Current Health Care Cost Trend Rate (3.94%)	1% Increase (4.94%)
Retiree Healthcare OPEB Liability as of June 30, 2022	$ 251,164	$ 284,440	$ 323,512

8) Other Postemployment Benefits (OPEB) Liability, Continued

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

For the years ended June 30, 2023 and 2022, the Authority recognized retiree healthcare OPEB expense (recovery) of ($29,301) and ($7,398), 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, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	6/30/2023		6/30/2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 13,295	$ 95,460	$ 18,494	$ 123,055
Changes of assumptions	11,428	49,068	15,238	20,995
Change in proportion	24	31,191	36	41,680
Total	$ 24,747	$ 175,719	$ 33,768	$ 185,730

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2023, will be recognized in retiree healthcare OPEB expense (recovery) as follows:

Year Ended June 30	Reduction to OPEB Expense
2024	$ (52,193)
2025	(48,382)
2026	(40,157)
2027	(10,240)
2028	-
Thereafter	-
Total	$ (150,972)

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 GLI Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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.

8) Other Postemployment 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 (HIC) Program

The General Employee 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, 2021 and 2020 actuarial valuations, the following employees were covered by the benefit terms of the General Employee HIC Program:

	June 30, 2021 Actuarial Valuation	June 30, 2020 Actuarial Valuation
Inactive members or their beneficiaries currently receiving benefits	17	14
Inactive members:		
Vested inactive members	1	1
Non-vested inactive members	-	-
Active elsewhere in VRS	-	-
Total inactive members	18	15
Active members	91	91
Total covered employees	109	106

Contributions

Contributions to the VRS OPEB programs for the fiscal years ended June 30, 2023, and June 30, 2022, were based on actuarially determined rates from actuarial valuations as of June 30, 2021, and June 30, 2020, 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:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate as of June 30, 2023:	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, 2022:	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.
June 30, 2023 Contribution	$31,526
June 30, 2022 Contribution	$27,864
June 30, 2021 Contribution	$25,063

8) Other Postemployment Benefits (OPEB) Liability, Continued

Contributions, Continued

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate as of June 30, 2023:	0.10% of covered employee compensation.
Total rate as of June 30, 2022:	0.18% of covered employee compensation.
June 30, 2023 Contribution	$5,884
June 30, 2022 Contribution	$9,358
June 30, 2021 Contribution	$8,417

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

For fiscal years 2023 and 2022, the net OPEB liabilities were measured as of June 30, 2022 and June 30, 2021, respectively, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2021 and 2020, respectively, and rolled forward to measurement dates of June 30, 2022 and 2021, respectively. The covered employer's proportion of the net OPEB liabilities as of June 30, 2023 and June 30, 2022 were based on the covered employer's actuarially determined employer contributions for the years ended June 30, 2022 and June 30, 2021, respectively, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	$287,779
June 30, 2022 proportionate share of liability	$263,708
June 30, 2022 proportion	0.02390%
June 30, 2021 proportion	0.02265%
June 30, 2020 proportion	0.02274%
June 30, 2023 expense	$12,693
June 30, 2022 expense	$10,997

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, 2021	$ 167,455	$ 145,381	$ 22,074
Changes for the year:			
Service cost	2,822	-	2,822
Interest	11,172	-	11,172
Change in assumptions	3,212	-	3,212
Difference between expected and actual experience	1,335	-	1,335
Contributions - employer	-	9,357	(9,357)
Net investment income	-	172	(172)
Benefit payments	(9,518)	(9,518)	-
Administrative expense	-	(256)	256
Other changes	-	2,815	(2,815)
Net changes	9,023	2,570	6,453
Balances at June 30, 2022	$ 176,478	$ 147,951	$ 28,527

8) Other Postemployment 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, 2020	$ 174,022	$ 115,327	$ 58,695
Changes for the year:			
Service cost	3,338	-	3,338
Interest	11,465	-	11,465
Change in assumptions	919	-	919
Difference between expected and actual experience	(13,932)	-	(13,932)
Contributions - employer	-	8,417	(8,417)
Net investment income	-	30,356	(30,356)
Benefit payments	(8,357)	(8,357)	-
Administrative expense	-	(362)	362
Other changes	-	-	-
Net changes	(6,567)	30,054	(36,621)
Balances at June 30, 2021	$ 167,455	$ 145,381	$ 22,074

In addition, for the years ended June 30, 2023 and 2022, the Authority recognized OPEB (recovery) of ($2,941) and ($644), respectively, related to the General Employee Health Insurance Credit Program.

At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	6/30/2023		6/30/2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 22,788	$ 11,545	$ 30,077	$ 2,009
Net difference between projected and actual investment earnings on OPEB Plan investments	-	17,982	-	62,941
Changes of assumptions	10,734	28,031	14,538	36,081
Changes in proportionate share	17,150	1,131	3,435	1,761
Employer contributions subsequent to the measurement date	31,526	-	27,864	-
Total	$ 82,198	$ 58,689	$ 75,914	$ 102,792

General Employee Health Insurance Credit Program

	6/30/2023		6/30/2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,098	$ 12,960	$ -	$ 17,048
Changes of assumptions	4,914	581	3,036	1,144
Net difference between projected and actual investment earnings on OPEB Plan investments	-	3,508	-	14,634
Employer contributions subsequent to the measurement date	5,884	-	9,358	-
Total	$ 11,896	$ 17,049	$ 12,394	$ 32,826

8) Other Postemployment 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 2023 and 2022 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, 2024 and June 30, 2023, respectively.

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

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ (1,296)
2025	(955)
2026	(11,360)
2027	4,849
2028	745
Thereafter	-
Total	$ (8,017)

General Employee Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ (4,462)
2025	(3,953)
2026	(3,985)
2027	851
2028	512
Thereafter	-
Total	$ (11,037)

Actuarial Assumptions and Other Inputs

The total OPEB liability reported as of June 30, 2023, was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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 GAAP 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.*

8) Other Postemployment 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 GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2021 and June 30, 2020, net OPEB liability amounts for the Group Life Insurance program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
	6/30/2022 Measurement Date	6/30/2021 Measurement Date
Total OPEB Liability	$ 3,672,085	$ 3,577,346
Plan Fiduciary Net Position	2,467,989	2,413,074
Net OPEB Liability	$ 1,204,096	$ 1,164,272
Plan Fiduciary Net Position as a % of the Total OPEB Liability	67.21%	67.45%

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 GAAP 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:

June 30, 2023:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Onvestment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	** Expected arithmetic nominal return		7.83%

** The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

8) Other Postemployment Benefits (OPEB) Liability, Continued

Long-Term Expected Rate of Return, Continued

June 30, 2022:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Onvestment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

** The above allocation provides for a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities at June 30, 2022 and 2021, 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, 2022, 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, 2022 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, 2023 and June 30, 2022, 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, 2023	$ 418,752	$ 287,779	$ 181,935

	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, 2022	$ 385,286	$ 263,708	$ 165,527

8) Other Postemployment Benefits (OPEB) Liability, Continued

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net HIC OPEB liability as of June 30, 2023	$ 47,526	$ 28,527	$ 12,392

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net HIC OPEB liability as of June 30, 2022	$ 40,888	$ 22,074	$ 6,158

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS's 2022 Annual Comprehensive Financial Report, which can be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2022-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, 2023 and 2022, are summarized below:

	6/30/2023	6/30/2022
Retiree healthcare	$ 258,038	$ 284,440
Group life insurance	287,779	263,708
Health insurance credit program	28,527	22,074
Total	$ 574,344	$ 570,222

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

Expense

The total amount of expense (recovery) recognized by the Authority for its OPEB plans is summarized below for the years ended June 30, 2023 and 2022:

	6/30/2023	6/30/2022
Retiree healthcare	$ (29,301)	$ (7,398)
Group life insurance	12,693	10,997
Health insurance credit program	(2,941)	(644)
Total	$ (19,549)	$ 2,955

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

8) Other Postemployment 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, 2022 and 2021, are summarized below:

	6/30/2023		6/30/2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience:				
Retiree healthcare	$ 13,295	$ 95,460	$ 18,494	$ 123,055
Group life insurance	22,788	11,545	30,077	2,009
Health insurance credit program	1,098	12,960	-	17,048
Net difference between projected and actual investment earnings on OPEB Plan investments:				
Group life insurance	-	17,982	-	62,941
Health insurance credit program	-	3,508	-	14,634
Changes of assumptions:				
Retiree healthcare	11,428	49,068	15,238	20,995
Group life insurance	10,734	28,031	14,538	36,081
Health insurance credit program	4,914	581	3,036	1,144
Change in proportion:				
Retiree healthcare	24	31,191	36	41,680
Group life insurance	17,150	1,131	3,435	1,761
Employer contributions subsequent to measurement date:				
Group life insurance	31,526	-	27,864	-
Health insurance credit program	5,884	-	9,358	-
	$ 118,841	$ 251,457	$ 122,076	$ 321,348

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 $1,100,704 and $1,012,440 for the years ended June 30, 2023 and 2022, respectively, and are included in the expenses under contractual fees and maintenance.

The Authority also owed the County $729,267 and $636,338 at June 30, 2023 and 2022, respectively, which primarily represents payroll expenses and purchase card expenses paid by the County on behalf of the Authority.

11) Commitments and Contingencies

Construction in Progress

At June 30, 2023, 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	$ 7,020,809	$ 1,498,893	$ 963,973	$ 4,557,943
Water supply	7,639,536	2,110,596	357,609	5,171,331
Water distribution	9,310,809	3,714,294	3,893,794	1,702,721
Water transmission	1,487,335	946,783	165,823	374,729
Water storage	285,620	79,620	2,330	203,670
Other	7,555,815	571,596	578,238	6,405,981
	$ 33,299,924	$ 8,921,782	$ 5,961,767	$ 18,416,375

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, 2023 and 2022. Therefore, the Authority did not make a payment to the City of Newport News for the years ended June 30, 2023 and 2022, 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 $1.27 per 1,000 gallons for fiscal years ended June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022, 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 12, 2022 for the period October 26, 2022 through June 30, 2023. The contract allows for an increase based on the Consumer Price Index. For the years ended June 30, 2023 and 2022, the Authority paid $183,112 and $193,599, 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 August 3, 2022 for the period July 1, 2022 through June 30, 2023. For the years ended June 30, 2023 and 2022, the Authority paid $153,881 and $135,945, respectively, towards this contract.

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

In March 2021, Congress passed the American Rescue Plan Act (ARPA). Under the terms of this plan, funds were available through the State Corporation Commission (SCC) and the Virginia Department of Housing and Community Development (DHCD), the Authority was awarded $240,808 from this program to assist municipal utility customers experiencing economic hardship due the COVID-19 pandemic. The Authority received the funds on November 23, 2021, through James City County as the Authority's fiscal agent. As of June 30, 2022, the funding has been fully expended and there were no ARPA revenues or expenses during fiscal year 2023.

13) Leases

The Authority implemented GASB statement No. 87, *Leases,* in fiscal year 2022, and the Authority's lease assets and liabilities in its role as a lessee, and its lease receivable and deferred inflow of resources in its role as a lessor were determined as of the start of fiscal year 2021. Restated balances are provided in Note 15.

Lease Receivable

In fiscal years 2022 and 2023, the Authority leased approximately 3,500 square feet of its property at 107 Tewning Road to James City County. The term of this lease was scheduled to continue through June 2024, with the Authority receiving monthly payments of $7,140 and a discount rate of 2% annually. During fiscal year 2023, the Authority and the County entered into a new lease agreement whereby the County leases 107 Tewning Road from the Authority, and the Authority leases 109 Tewning Road from the County. Under the original lease, the Authority recognized $54,942 and $82,414 of lease revenue during fiscal years 2023 and 2022, respectively. As of June 30, 2022, the Authority's receivable for lease payments was $167,841 and its lease interest receivable was $280 under the original lease. Also, the Authority had a deferred inflow of resources associated with the original lease that was to be recognized as revenue over the lease term and, as of June 30, 2022, the balance of these deferred inflows of resources was $164,827. At the termination of the original lease in fiscal year 2023, the remaining receivable of $112,638 and the remaining deferred inflows of $109,885 were written off, and a new receivable and deferred inflows of resources were established under the terms of the new lease.

In March 2023, the Authority entered into a new agreement whereby the County leases 107 Tewning Road from the Authority. The term of this lease goes through February 2028 with the Authority receiving monthly payments of $3,904 for this lease. The discount rate for this lease is the incremental borrowing rate of 2.23% annually. As of June 30, 2023, the Authority has a lease receivable for payments totaling $207,464 and a lease interest receivable of $386. The Authority has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. The balance of these deferred inflows of resources was $207,093. For fiscal year 2023, the Authority recognized $14,792 in lease revenues for the property.

13) Leases, Continued

Lease Receivable, continued

The future payments on this lease as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 42,659	$ 4,192	$ 46,851
2025	43,620	3,231	46,851
2026	44,603	2,248	46,851
2027	45,607	1,244	46,851
2028	30,975	260	31,235
Total	$ 207,464	$ 11,175	$ 218,639

The Authority entered into an agreement as the lessor, with Triton PCS Property Company LLC, to lease approximately 225 square feet of an existing water tank for use by the lessee for the purpose of operating communications equipment. The discount rate for this lease is 3% annually. The term of the lease runs through May 2025. As of June 30, 2023 and 2022, the Authority has a lease receivable for payments totaling $78,090 and $117,087, respectively, and a lease interest receivable of $195 and $293, respectively, at June 30, 2023 and 2022. The Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. The balances of these deferred inflows of resources were $74,903 and $113,982, as of June 30, 2023 and 2022, respectively. For fiscal years 2023 and 2022, the Authority recognized $39,079 in lease revenues for the property.

The future payments on this lease as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 40,183	$ 1,793	$ 41,976
2025	37,907	571	38,478
Total	$ 78,090	$ 2,364	$ 80,454

Lease Payable

The Authority is a lessee of two copiers whose terms end in fiscal year 2024. The discount rate for these leases is 3% annually. As of June 30, 2023 and 2022, the Authority has a lease liability for this copier equipment of $1,750 and $5,143, respectively. The Authority is required to make monthly principal and interest payments of $292 for the copiers. The value of the right-to-use assets as of June 30, 2023 and June 30, 2022 is $11,661, respectively, and these right-to-use assets had accumulated amortization of $9,983 and $6,656, respectively.

The present value of future payments on this lease as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 1,749	$ 22	$ 1,771
Total	$ 1,749	$ 22	$ 1,771

During fiscal year 2023, the Authority entered into two copier leases whose terms end in fiscal year 2028. The discount rate for these leases is 2.59% annually. As of June 30, 2023, the Authority has a lease liability for this copier equipment of $21,146. The Authority is required to make monthly principal and interest payments of $419 for the copiers. The value of these right-to-use assets as of June 30, 2023 is $23,382, and these right-to-use assets had accumulated amortization of $2,338.

13) Leases, Continued

Lease Payable, Continued

The present value of future payments on this lease as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 4,456	$ 573	$ 5,029
2025	4,591	438	5,029
2026	4,731	298	5,029
2027	4,875	154	5,029
2028	2,493	22	2,515
Total	$ 21,146	$ 1,485	$ 22,631

As part of the new lease agreement with the County, the Authority leases approximately 1,000 square feet of office space at 109 Tewning Road from the County. The term of this lease goes through February 2028, and the discount rate for this lease is the incremental borrowing rate of 2.23% annually. As of June 30, 2023, the Authority has a lease liability for this office space of $57,847. The Authority is required to make monthly principal and interest payments of $1,089 for the copiers. The value of this right-to-use asset as of June 30, 2023 is $61,868, and this right-to-use asset had accumulated amortization of $4,125.

The present value of future payments on this lease as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 11,895	$ 1,169	$ 13,064
2025	12,163	901	13,064
2026	12,436	628	13,064
2027	12,717	347	13,064
2028	8,636	72	8,708
Total	$ 57,847	$ 3,117	$ 60,964

14) Subscription-Based Information Technology Arrangements (SBITAs)

The Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* in fiscal year 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. Information on the Authority's SBITAs is provided below.

In August 2021, the Authority entered into a 24-month subscription for the use of Microsoft Office 365. An initial subscription liability was recorded in the amount of $59,349. As of June 30, 2023 and 2022, there is a balance on this subscription liability of $0 and $29,645, respectively. The Authority is required to make annual fixed payments of $29,704 and the subscription has an interest rate of 0.2% annually. The value of the right-to-use asset as of June 30, 2023 and 2022 is $59,349 and had accumulated amortization of $56,877 and $27,202, respectively.

In May 2022, the Authority entered into a 6-year subscription for the use of Bluebeam software. An initial subscription liability was recorded in the amount of $1,543. As of June 30, 2023 and 2022, there is a balance on this subscription liability of $1,054 and $1,305, respectively. The Authority is required to make annual fixed payments of $277 and the subscription has an interest rate of 2.02% annually. The value of the right-to-use asset as of June 30, 2023 and 2022 is $1,543 and had accumulated amortization of $300 and $43, respectively.

14) Subscription-Based Information Technology Arrangements (SBITAs)

In July 2022, the Authority entered into a 3-year subscription for the use of mapping software. An initial subscription liability was recorded in the amount of $32,345. As of June 30, 2023, there is a balance on this subscription liability of $21,344. The Authority is required to make annual fixed payments of $11,000 and the subscription has an interest rate of 2.04% annually. The value of the right-to-use asset as of June 30, 2023 is $32,345 and had accumulated amortization of $10,782.

In July 2022, the Authority entered into an 18-month subscription for the use of meter-reading software. An initial subscription liability was recorded in the amount of $16,408. As of June 30, 2023, there is no balance remaining on this subscription liability. The Authority was required to make a payment of $16,408 and the subscription has an interest rate of 1.75% annually. The value of the right-to-use asset as of June 30, 2023 is $16,408 and had accumulated amortization of $10,939.

The future principal and interest payments on these subscriptions as of June 30, 2023, for the Authority's agreements were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 10,820	$ 457	$ 11,277
2025	11,041	236	11,277
2026	266	11	277
2027	271	6	277
Total	$ 22,398	$ 710	$ 23,108

15) Restatement

The Authority's net position as of the beginning of fiscal year 2023 was restated to reflect adjustments related to the Authority's implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). In addition, adjustments were made to the fiscal year 2022 classifications of net position to clarify certain restrictions on the Authority's net position. More information regarding the adjustments related to SBITAs can be found in Note 14 and the related balances for all adjustments have been restated as follows:

	6/30/2022 Previously Reported	Restatement	6/30/2022 As Restated
Noncurrent assets:			
Right-to-use subscription asset	$ -	$ 33,647	$ 33,647
Current liabilities:			
Lease and subscription interest payable	$ (13)	$ (59)	$ (72)
Subscription payable, current portion	$ -	$ (29,896)	$ (29,896)
Noncurrent liabilities:			
Subscription payable, net of current portion	$ -	$ (1,054)	$ (1,054)
Net position:			
Net position-unrestricted	$ (50,159,564)	$ (4,521,760)	$ (54,681,324)
Net position-net investment in capital assets	$ (133,825,067)	$ 2,446	$ (133,822,621)
Net position-restricted for capital projects	$ (5,659,432)	$ 5,659,432	$ -
Net position-restricted for pensions	$ -	$ (1,142,756)	$ (1,142,756)
Total net position	$ (190,509,234)	$ (2,638)	$ (190,511,872)

15) Restatement, Continued

The Authority's net position as of the beginning of fiscal years 2022 and 2021 was restated to reflect adjustments related to the Authority's implementation of GASB Statement No. 87, *Leases*. More information regarding the adjustments can be found in Note 13 and the related balances have been adjusted as follows:

	6/30/2021 Previously Reported	Restatement	6/30/2021 As Restated
Current assets:			
Lease receivable, current portion	$ -	$ 119,283	$ 119,283
Lease interest receivable	$ -	$ 802	$ 802
Noncurrent assets:			
Lease receivable, net of current portion		$ 284,928	$ 284,928
Lease asset, net	$ -	$ 8,333	$ 8,333
Current liabilities:			
Lease payable, current portion	$ -	$ (3,293)	$ (3,293)
Lease interest payable	$ -	$ (21)	$ (21)
Noncurrent liabilities:			
Lease payable, net of current portion		$ (5,143)	$ (5,143)
Deferred inflow of resources for leases	$ -	$ (400,302)	$ (400,302)
Net position:			
Net position-unrestricted	$ (46,624,071)	$ 3,746	$ (46,620,325)
Net position-net investment in capital assets	$ (134,621,895)	$ (8,333)	$ (134,630,228)
Total net position	$ (190,625,289)	$ (4,587)	$ (190,629,876)

	6/30/2020 Previously Reported	Restatement	6/30/2020 As Restated
Current assets:			
Lease receivable, current portion	$ -	$ 117,584	$ 117,584
Noncurrent assets:			
Lease receivable, net of current portion	$ -	$ 404,211	$ 404,211
Lease asset	$ -	$ 11,661	$ 11,661
Current liabilities:			
Lease payable, current portion	$ -	$ (3,225)	$ (3,225)
Noncurrent liabilities:			
Lease payable, net of current portion	$ -	$ (8,436)	$ (8,436)
Deferred inflow of resources for leases	$ -	$ (521,795)	$ (521,795)

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A (Unaudited)

Exhibit 4

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	2022	2023
Total pension liability									
Service cost	$ 417,066	$ 430,269	$ 404,294	$ 411,137	$ 379,364	$ 378,585	$ 400,579	$ 393,653	$ 387,269
Interest	913,818	978,647	1,032,165	1,104,651	1,132,686	1,198,755	1,265,059	1,317,521	1,441,308
Differences between expected and actual experience	-	(146,331)	128,139	(213,521)	62,537	182,506	(172,618)	(27,793)	817,428
Changes in benefit terms	-	-	-	-	-	-	26,989	-	-
Changes in assumptions	-	-	-	(335,427)	-	546,875	-	557,493	-
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)	(729,183)	(859,354)
Net change in total pension liability	954,519	829,439	1,001,653	471,659	937,065	1,682,754	763,608	1,511,691	1,786,651
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	19,883,421	21,395,112
Total pension liability, ending	$ 14,197,242	$ 15,026,681	$ 16,028,334	$ 16,499,993	$ 17,437,059	$ 19,119,813	$ 19,883,421	$ 21,395,112	$ 23,181,763
Plan fiduciary net position									
Contributions - employer	$ 308,820	$ 329,381	$ 336,720	$ 288,588	$ 297,525	$ 235,463	$ 243,251	$ 271,540	$ 295,888
Contributions - employee	197,188	193,349	197,261	210,624	204,311	212,351	220,872	219,619	241,614
Net investment income	1,802,418	612,704	245,617	1,734,000	1,174,317	1,128,516	340,716	4,896,608	(23,391)
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)	(729,183)	(859,354)
Administrative expense	(9,511)	(8,173)	(8,604)	(9,804)	(10,045)	(11,054)	(11,611)	(12,088)	(14,003)
Other	95	(130)	(104)	(1,553)	(1,050)	(713)	(403)	463	521
Net change in plan fiduciary net position	1,922,645	693,985	207,945	1,726,674	1,027,536	940,596	36,424	4,646,959	(358,725)
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	17,890,909	22,537,868
Plan fiduciary net position, ending	$ 13,257,749	$ 13,951,734	$ 14,159,679	$ 15,886,353	$ 16,913,889	$ 17,854,485	17,890,909	22,537,868	22,179,143
Net pension liability	$ 939,493	$ 1,074,947	$ 1,868,655	$ 613,640	$ 523,170	$ 1,265,328	$ 1,992,512	$ (1,142,756)	$ 1,002,620
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%	105.34%	95.67%
Covered payroll	$ 3,943,666	$ 3,897,762	$ 4,026,779	$ 4,083,082	$ 4,230,543	$ 4,445,820	$ 4,673,979	$ 4,675,862	$ 5,198,520
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%	-24.44%	19.29%

(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.

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%
2022	295,888	295,888	-	5,198,520	5.69%
2023	341,006	341,006	-	5,881,716	5.80%

(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,	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Employer's proportion of the County's Retiree Healthcare OPEB liability	6.46%	6.46%	7.30%	7.30%	7.35%	7.35%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	$ 258,038	$ 284,440	$ 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%	0.00%	0.00%
Expected average remaining service years of all participants	5	5	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

Exhibit 7

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
2022	(7,398)	-	(7,398)
2023	(29,301)	-	(29,301)

(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	2022	2023
Total OPEB - HIC liability						
Service cost	$ 3,682	$ 3,588	$ 3,579	$ 3,812	$ 3,338	$ 2,822
Interest cost	10,769	11,121	11,031	11,040	11,465	11,172
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(7,706)	(3,892)	(113)	(13,932)	1,335
Changes in assumptions	(3,953)	-	4,095	-	919	3,212
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)	(8,357)	(9,518)
Net change in total OPEB - HIC liability	6,990	(437)	5,682	6,185	(6,567)	9,023
Total OPEB - HIC liability, beginning	155,602	162,592	162,155	167,837	174,022	167,455
Total OPEB - HIC liability, ending (a)	$ 162,592	$ 162,155	$ 167,837	$ 174,022	$ 167,455	$ 176,478
Plan fiduciary net position - HIC						
Contributions - employer	8,166	8,467	8,002	8,413	8,417	9,357
Contributions - employee	-	-	-	-	-	-
Net investment income	10,122	7,150	6,922	2,272	30,356	172
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)	(8,357)	(9,518)
Administrative expense	(170)	(170)	(151)	(219)	(362)	(256)
Other	494	(494)	(8)	(1)	-	2,815
Net change in plan fiduciary net position - HIC	15,104	7,513	5,634	1,911	30,054	2,570
Plan fiduciary net position - HIC, beginning	85,165	100,269	107,782	113,416	115,327	145,381
Plan fiduciary net position - HIC, ending (b)	100,269	107,782	113,416	115,327	145,381	147,951
Net OPEB - HIC liability (a) - (b)	$ 62,323	$ 54,373	$ 54,421	$ 58,695	$ 22,074	$ 28,527
Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability	61.67%	66.47%	67.58%	66.27%	86.82%	83.84%
Covered payroll	$ 4,083,082	$ 4,230,543	$ 4,445,820	4,673,979	4,675,862	5,198,520
Net OPEB - HIC liability as a percentage of the total covered payroll	1.53%	1.29%	1.22%	1.26%	0.47%	0.55%

(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.

Exhibit 9

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%
2022	$ 9,358	$ 9,358	$ -	$ 5,198,520	0.18%
2023	$ 5,884	$ 5,884	$ -	$ 5,881,716	0.10%

(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*

	2018	2019	2020	2021	2022	2023
Employer's proportion of the net GLI OPEB liability	0.02217%	0.02234%	0.02269%	0.02274%	0.02265%	0.02390%
Employer's proportionate share of the net GLI OPEB liability	$ 333,000	$ 340,000	$ 369,227	$ 379,494	$ 263,708	$ 287,779
Employer's covered payroll	$ 4,083,082	$ 4,230,543	$ 4,445,820	$ 4,673,979	$ 4,675,862	$ 5,198,520
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%	5.64%	5.54%
Plan fiduciary net position as a % of total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

(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.

Exhibit 11

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%
2022	$ 25,250	$ 27,864	$ (2,614)	$ 5,198,520	0.54%
2023	$ 28,072	$ 31,526	$ (3,454)	$ 5,881,716	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, 2022 and 2021

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

2) 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.

3) OPEB Retiree Healthcare - Changes of Benefit Terms
There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

4) OPEB Retiree Healthcare - Changes of Assumptions
The following change in actuarial assumptions were made based on the most recent actuarial valuation:

Measurement Date	Discount Rate
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%
June 30, 2021	1.92%
June 30, 2022	3.69%

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, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

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

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For futuremortality improvements, replace load with a modified MortalityImprovement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and servicedecrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

8) OPEB Health Insurance Credit – Changes of Assumptions

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

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For furture mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SUPPLEMENTARY INFORMATION

Exhibit A

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Net Position – by Activity
June 30, 2023
(with comparative totals for 2022)

	Water operations	Sewer operations	Totals 2023	Totals 2022 (as restated)
Assets				
Current assets:				
Cash and cash equivalents	$ 7,550,911	$ 7,550,211	$ 15,101,121	$ 6,894,387
Investments	22,058,141	21,125,110	43,183,250	49,469,680
Restricted cash and cash equivalents	1,807,604	-	1,807,604	6,524,603
Accounts receivable, customers	1,953,180	1,027,414	2,980,594	3,157,287
Lease receivable, current portion (Note 13)	40,183	42,659	82,842	122,079
Accounts receivable, other	6,913	-	6,913	6,634
Interest receivable	43,906	43,906	87,812	70,045
Lease interest receivable (Note 13)	195	385	580	573
Inventories	1,884,966	-	1,884,966	1,246,614
Total current assets	35,345,998	29,789,684	65,135,682	67,491,902
Noncurrent assets:				
Net pension asset	-	-	-	1,142,756
Lease receivable, net of current portion (Note 13)	37,907	164,805	202,712	162,849
Capital assets:				
Non-depreciable	8,896,675	2,746,645	11,643,320	11,467,672
Depreciable	83,527,239	61,906,321	145,433,560	143,009,231
Subscription assets, net	15,373	15,374	30,747	33,647
Lease assets, net	14,794	65,671	80,465	5,006
Net capital assets	92,454,081	64,734,011	157,188,092	154,515,556
Total assets	127,837,986	94,688,500	222,526,486	223,313,063
Deferred Outflows of Resources				
Deferred charge on refunding, net	1,282,221	-	1,282,221	1,358,393
Deferred pension	494,889	494,889	989,778	713,208
Deferred OPEB group life insurance (GLI)	41,099	41,099	82,198	75,914
Deferred OPEB health insurance credit (HIC)	5,948	5,948	11,896	12,394
Deferred OPEB retiree healthcare	12,374	12,373	24,747	33,768
Total deferred outflows of resources	1,836,531	554,309	2,390,840	2,193,677
Total assets and deferred outflows of resources	$ 129,674,517	$ 95,242,809	$ 224,917,326	$ 225,506,740
Liabilities				
Current liabilities:				
Accounts payable, trade	$ 967,171	$ 185,004	$ 1,152,175	$ 770,293
Retainage payable	190,378	-	190,378	329,897
Accrued salaries	10,617	9,002	19,619	21,231
Compensated absences, current portion	424,724	-	424,724	415,714
Due to James City County	476,978	252,289	729,267	636,338
Due to Commonwealth	50	-	50	275
Deposits	829,924	-	829,924	883,130
Interest payable	340,751	-	340,751	363,406
Lease payable, current portion (Note 13)	4,527	13,573	18,100	3,393
Lease and subscription interest payable (Note 13)	257	346	603	72
Subscription payable, current portion	5,410	5,410	10,820	29,896
Bond payable, current portion	1,398,907	-	1,398,907	1,346,907
Total current liabilities	4,649,694	465,624	5,115,318	4,800,552
Noncurrent liabilities:				
Advances for construction	5,882	27,020	32,902	32,902
Compensated absences, net of current portion	141,574	-	141,574	138,571
Lease payable, net of current portion (Note 13)	10,402	52,240	62,642	1,750
Subscription payable, net of current portion	5,789	5,789	11,578	1,054
Bonds payable, net of current portion	24,928,853	-	24,928,853	26,327,760
Net pension liability	501,310	501,310	1,002,620	-
Net retiree healthcare OPEB liability	129,019	129,019	258,038	284,440
Net GLI OPEB liability	143,890	143,889	287,779	263,708
Net HIC OPEB liability	14,263	14,264	28,527	22,074
Total noncurrent liabilities	25,880,982	873,531	26,754,513	27,072,259
Total liabilities	30,530,676	1,339,155	31,869,831	31,872,811
Deferred Inflows of Resources				
Deferred pension	329,390	329,390	658,780	2,521,900
Deferred lease related (Note 13)	74,903	207,093	281,996	278,809
Deferred OPEB retiree healthcare	87,860	87,859	175,719	185,730
Deferred OPEB GLI	29,345	29,344	58,689	102,792
Deferred OPEB HIC	8,524	8,525	17,049	32,826
Total deferred inflows of resources	530,022	662,211	1,192,233	3,122,057
Net Position				
Net position:				
Net investment in capital assets	68,307,314	64,656,999	132,964,313	133,822,621
Restricted for:				
Pensions	-	-	-	1,142,756
Debt service	882,704	-	882,704	865,171
Unrestricted	29,423,801	28,584,444	58,008,245	54,681,324
Total net position	98,613,819	93,241,443	191,855,262	190,511,872
Total liabilities, deferred inflows of resources and net position	$ 129,674,517	$ 95,242,809	$ 224,917,326	$ 225,506,740

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, 2023

(with comparative totals for year ended June 30, 2022)

			Totals	
	Water operations	**Sewer operations**	**2023**	**2022 (as restated)**
Operating revenues:				
Water and sewer services	$ 12,449,347	$ 6,757,219	$ 19,206,566	$ 18,413,514
Facility charges	803,958	629,247	1,433,205	2,811,965
COVID-19 relief funding	-	-	-	240,808
Other	404,915	137,826	542,741	497,818
Total operating revenues	13,658,220	7,524,292	21,182,512	21,964,105
Operating expenses:				
Personnel services	4,562,169	4,103,848	8,666,017	7,564,177
Operating supplies	1,269,578	560,114	1,829,692	1,528,918
Maintenance	997,484	1,627,447	2,624,931	1,662,145
Utilities	841,180	326,082	1,167,262	961,832
Contractual fees	581,001	489,848	1,070,849	958,226
COVID-19 expenses	-	-	-	240,808
Other	154,171	81,639	235,810	197,846
Total operating expenses	8,405,583	7,188,978	15,594,561	13,113,952
Operating income before depreciation and amortization	5,252,637	335,314	5,587,951	8,850,153
Depreciation and amortization	5,148,790	3,090,868	8,239,658	8,089,390
Operating gain (loss)	103,847	(2,755,554)	(2,651,707)	760,763
Nonoperating revenues (expenses):				
Investment income (loss)	425,984	263,918	689,902	(2,194,170)
Gain on disposal of capital assets	16,820	2,860	19,680	17,200
Interest expense	(782,495)	-	(782,495)	(823,302)
Net nonoperating revenues (expenses)	(339,691)	266,778	(72,913)	(3,000,272)
Loss before capital contributions	(235,844)	(2,488,776)	(2,724,620)	(2,239,509)
Capital asset contributions	1,817,200	2,250,810	4,068,010	2,121,505
Changes in net position	1,581,356	(237,966)	1,343,390	(118,004)
Net position, beginning of year (as restated)	97,032,463	93,479,409	190,511,872	190,629,876
Net position, end of year	$ 98,613,819	$ 93,241,443	$ 191,855,262	$ 190,511,872

See accompanying independent auditor's report.

Exhibit C

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, 2023

	Water operations		Variance	Sewer operations		Variance
	Actual	Budget	favorable (unfavorable)	Actual	Budget	favorable (unfavorable)
Operating budgeted revenues:						
Water and sewer services	$ 12,449,347	$ 11,777,337	$ 672,010	$ 6,757,219	$ 6,404,578	$ 352,641
Facility charges	803,958	1,500,000	(696,042)	629,247	1,300,000	(670,753)
Other	404,915	196,975	207,940	137,826	51,283	86,543
Total operating budgeted revenues	$ 13,658,220	$ 13,474,312	$ 183,908	$ 7,524,292	$ 7,755,861	$ (231,569)
Operating budgeted expenditures:						
Personnel services	$ 4,578,579	$ 4,888,054	$ 309,475	$ 4,132,271	$ 4,395,599	$ 263,328
Operating supplies	1,269,578	1,547,210	277,632	560,114	918,833	358,719
Maintenance *	954,975	1,097,717	142,742	1,627,447	1,978,884	351,437
Utilities	841,180	886,454	45,274	326,082	384,307	58,225
Contractual fees	581,001	754,063	173,062	489,848	533,928	44,080
Other	121,551	184,899	63,348	81,639	270,061	188,422
Total operating budgeted expenditures**	$ 8,346,864	$ 9,358,397	$ 1,011,533	$ 7,217,401	$ 8,481,612	$ 1,264,211

Reconciliation between total budgetary basis expenditures and total expenses in statements of revenues, expenses, and changes in net position:

	Water operations	Sewer operations
Total operating budgeted expenditures (from above)	$ 8,346,864	$ 7,217,401
Pension expense (recovery)	2,843	2,843
OPEB expense (recovery)	(31,266)	(31,266)
Compensated absences	12,013	-
Bad debt expense	32,620	-
Inventory issuances (disposals)	42,509	-
Total operating expenses in statements of revenues, expenses, and changes in net position	$ 8,405,583	$ 7,188,978

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

**The Authority consists of enterprise funds and maintains accounting records using the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recognized when earned, and expenses are recognized when goods and services are received. The Authority's expenditure budget is prepared on a comparable basis to GAAP, with exceptions for long-term liabilities and other non-budgeted expenses that arise during the fiscal year.

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (as restated)	2023
Net Position										
Net investment in capital assets	$ 137,922,955	$ 137,173,064	$ 139,312,785	$ 135,887,432	$ 131,175,547	$ 134,359,937	$ 132,512,264	$ 133,822,621	$ 133,822,621	$ 132,964,313
Restricted for debt service	-	-	729,605	677,614	567,011	569,708	660,282	863,542	865,171	882,704
Restricted for pensions	-	-	-	-	-	-	-	-	1,142,756	-
Restricted for capital projects	2,601,160	2,716,277	-	-	-	-	8,741,597	8,515,781	-	-
Unrestricted	29,159,119	32,903,518	37,014,202	40,532,314	46,257,823	49,733,750	43,850,568	54,681,324	54,681,324	58,008,245
Total net position	$ 169,683,234	$ 172,792,859	$ 177,056,592	$ 177,097,360	$ 178,000,381	$ 184,663,395	$ 185,764,711	$ 197,883,268	$ 190,511,872	$ 191,855,262

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

	2013	2014	2015	2016	2017	2018	2019 (as restated)	2020	2021	2022 (as restated)	2023
Operating revenues:											
Water and sewer services	$ 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	$ 18,413,514	$ 19,206,566
Facility charges	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	2,811,965	1,433,205
Water supply proffers	13,362	57,446	450,262	218,987	298,054	293,900	213,825	220,804	136,572	153,347	114,806
Rental income	164,875	160,914	325,991	326,377	377,880	354,987	124,964	127,656	121,493	121,493	108,813
Other	242,028	285,892	214,104	272,599	158,917	44,045	141,896	136,437	192,998	222,978	319,122
Storm/COVID-19 cost reimbursement	-	900	-	-	-	-	-	-	436,711	240,808	-
Total operating revenues	16,291,452	16,636,582	17,442,477	16,836,338	19,899,528	20,216,904	19,728,821	20,564,401	21,783,752	21,964,105	21,182,512
Operating expenses:											
Personnel services	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	7,564,177	8,666,017
Operating supplies	822,882	882,253	836,288	1,094,002	1,045,132	1,150,760	1,200,220	1,229,827	1,245,122	1,528,918	1,829,692
Maintenance	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	1,662,145	2,624,931
Utilities	862,665	875,020	861,074	870,220	899,294	913,104	974,168	919,745	963,287	961,832	1,167,262
Contractual fees	910,491	836,634	915,365	903,463	920,714	877,652	872,374	991,478	1,027,910	958,226	1,070,849
Other	504,573	496,851	497,803	233,233	215,633	222,249	270,685	319,050	195,077	197,787	235,810
Storm/COVID-19 costs	-	-	-	-	-	-	-	-	322,994	240,808	-
Total operating expenses	12,407,714	12,218,405	10,982,443	10,701,704	11,178,338	11,241,739	11,669,089	12,364,418	13,407,680	13,113,893	15,594,561
Operating income before depreciation and amortization	15,084	112,449	2,596,384	2,891,099	4,056,874	5,393,805	5,110,602	5,813,133	8,376,072	8,850,153	5,587,951
Depreciation and amortization	7,619,431	7,670,391	7,810,808	7,930,632	8,194,083	7,992,438	7,922,613	8,115,624	8,073,284	8,089,390	8,239,658
Operating loss	(7,604,347)	(7,557,942)	(5,214,424)	(5,039,533)	(4,137,209)	(2,598,633)	(2,812,011)	(2,302,491)	302,788	760,763	(2,651,707)
Nonoperating revenues (expenses):											
Investment income (loss)	(1,249,111)	267,061	248,207	519,767	90,148	43,940	1,904,327	2,033,417	128,840	(2,194,170)	689,902
Gain (loss) on disposal of capital assets	(44,507)	15,352	23,497	(193,113)	49,018	(165,655)	14,522	17,813	43,687	17,200	19,680
Insurance recovery	-	-	-	14,219	1,000	-	-	-	-	-	-
Bond issuance costs	-	-	-	(402,364)	-	-	-	-	-	-	-
Interest expense	(1,141,052)	(1,114,130)	(1,095,684)	(744,124)	(778,073)	(754,226)	(727,965)	(854,412)	(864,355)	(823,302)	(782,495)
Net nonoperating revenues	(2,434,670)	(831,717)	(823,980)	(805,615)	(637,907)	(875,941)	1,190,884	1,196,818	(691,828)	(3,000,272)	(72,913)
Income (loss) before contributions	(6,170,363)	(4,083,931)	(2,174,754)	(2,601,613)	(110,800)	106,786	1,328,003	1,281,177	(389,040)	(2,239,509)	(2,724,620)
Capital asset contributions	4,600,645	3,388,700	5,284,379	6,865,346	1,509,214	796,235	5,137,825	17,325	5,254,205	2,121,505	4,068,010
Changes in net position	$ (1,569,718)	$ (695,231)	$ 3,109,625	$ 4,263,733	$ 1,398,414	$ 903,021	$ 6,465,828	$ 1,298,502	$ 4,865,165	$ (118,004)	$ 1,343,390

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
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%
2022	16.23	3.75-6.81-13.62-21.11	122.52	3.5%
2023	17.13	3.86-7.01-14.03-21.74	126.54	3.3%

Quarterly Continuing Service Charges for Residential Sewer Service

Fiscal Year	Basic Charge	Rate per 1,000 gallons	Quarterly Total (2)	% Change
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%
2022	6.01	3.11	71.32	0.0%
2023	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

	2023			2014		
	Gallons Billed	**Service Charges**	**Rank**	**Gallons Billed**	**Service Charges**	**Rank**
Escalante (Sewer only)*	25,552,869	$ 79,469	1			
Historic Powhatan Resort	25,049,605	228,261	2			
Owens-Illinios*	21,962,028	189,887	3	25,051,250	$ 167,092	1
Vacation Village (Williamsburg Plantation)	18,249,335	167,728	4			
Country Village Mobile Home Park (Sewer only)	17,960,072	55,856	5	16,366,240	$ 52,699	3
Marriott Ownership Resorts*	15,726,227	144,415	6			
Williamsburg Landing	15,589,665	143,176	7			
Williamsburg-James City Schools*	14,113,070	119,918	8	13,932,550	89,066	6
Windy Hill Trailer (Sewer only)	13,324,485	41,439	9	11,622,424	37,424	7
Patriots Colony	13,266,034	121,901	10	14,841,440	98,992	4
Greystone	-	-		17,168,000	114,511	2
Eastern State Hospital*	-	-		14,389,000	95,975	5
Platinum Management	-	-		11,000,000	73,370	8
Oxford-James	-	-		8,418,400	56,150	9
Rolling Meadows	-	-		8,393,220	55,983	10
Total	180,793,390	$ 1,292,050		141,182,524	$ 841,262	

* 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	Leases	Total debt	Number of water connections	Debt per water connection
2014	$ 24,660,000	$ -	$ 24,660,000	20,858	$ 1,182.3
2015	24,115,000	-	24,115,000	21,246	1,135.0
2016	24,118,109	-	24,118,109	21,669	1,113.0
2017	23,269,202	-	23,269,202	22,133	1,051.3
2018	22,600,295	-	22,600,295	22,540	1,002.7
2019	21,906,388	-	21,906,388	22,832	959.5
2020	30,322,481	-	30,322,481	23,116	1,311.8
2021	28,984,576	-	28,984,576	23,426	1,237.3
2022	27,674,667	5,143	27,679,810	23,791	1,163.2
2023	26,327,760	80,742	26,408,502	24,047	1,094.8

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
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	22,581,900	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	24,730,046	13,407,680	11,322,366	1,246,000	826,394	2,072,394	5.46
2022	22,599,100	13,143,835	9,455,265	1,283,000	792,886	2,075,886	4.55
2023	21,892,094	15,594,561	6,297,533	1,335,000	743,456	2,078,456	3.03

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	Financed purchases	Lease revenue bonds*	Total
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
2022	23,404,288	1,015,683	80,105,604	104,525,575
2023	20,231,931	4,488,517	70,254,086	94,974,534

*Lease revenue bonds represent amounts issued by the County's Economic Development Authority, for which the County is fully liable. The Economic Development Authority presents these bonds on their financial statements, and the County presents a liability on its financial statements to reflect amounts payable to the Economic Development Authority for these bonds.

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)
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	6,872,205,000	71,981	4.5%
2022	79,882	7,369,663,000	85,891	3.1%
2023	79,488	**	**	2.9%

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

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

	2023			2014		
	Employees	Rank	Percent of total County employment	Employees	Rank	Percent of total County employment
Williamsburg-James City County Public Schools	1000+	1	9.24%	1000+	2	5.13%
James City County	1000+	2	3.61%	500-999	4	2.07%
Busch Entertainment	500-999	3	3.39%	1000+	**	**
Eastern State Hospital	500-999	4	3.05%	500-999	3	2.56%
Wal-mart Import Distribution Center	500-999	5	2.88%	500-999	5	1.79%
Riverside Regional Medical Center	500-999	6	2.63%			
Anheuser-Busch Inbev	500-999	7	1.91%	500-999	6	1.68%
Williamsburg Landing	250-499	8	1.36%	250-999	10	0.88%
Owens & Minor/AVID Medical	250-499	9	1.33%	250-499	8	1.46%
Ball Metal	100-249	10	0.71%			
Kingsmill Resort & Spa				250-499	7	1.46%
Jamestown-Yorktown Foundation				250-499	9	0.88%
			30.11%			17.91%

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, 2023

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-22	7/1/2022 - 7/1/2023	$ 106,791
Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP)	Workers' compensation	VA-JA-131D-22	7/1/2022 - 7/1/2023	$ 57,440

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	63	63	63	63	63	68	68	67	69	72
Water	15	15	15	15	17	17	17	17	19	19
Sewer	11	11	11	11	11	11	11	11	11	12
Total	**89**	**89**	**89**	**89**	**91**	**96**	**96**	**95**	**99**	**103**

Source: For fiscal years 2021 and prior, James City County, Fiscal Year Adopted Budgets; for fiscal years 2022 and after, James City Service Authority, 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water:										
New connections	359	388	423	464	407	292	284	310	365	256
Water main breaks	21	26	21	34	25	30	28	27	19	28
Sewer:										
New connections	261	380	447	470	414	287	290	313	358	244

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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Water:										
Water lines (miles)	400	402	407	409	410	414	414	418	418	421
Water customers	20,858	21,246	21,669	22,133	22,540	22,832	23,116	23,426	23,791	24,047
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	18,937	19,415	18,921	20,025	20,220	19,247	18,977	19,142	18,933	19,417
Sewer:										
Sewer lines (miles)	430	435	439	440	440	446	446	449	451	454
Gallons collected (millions)	1,862	1,897	1,863	1,971	1,987	1,898	1,879	1,901	1,882	1,923
Sewer customers	22,575	22,955	23,402	23,872	24,286	24,573	24,863	25,176	25,534	25,778

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" residential water meter.

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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Water:										
Average Day	4.7	4.7	4.7	5.0	5.1	4.8	4.7	4.8	4.7	4.9
Average Day in Month of Maximum Flow	5.9	6.1	5.9	6.4	7.2	6.3	6.0	6.3	5.8	6.0
Month of Maximum Flow	June	July	August	August	July	July	September	July	June	September
Sewer:										
Average Day	5.1	5.1	5.1	5.4	5.4	5.2	5.1	5.2	5.2	5.3

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 2023

Virginia Jurisdiction	Water Service
City of Williamsburg	$ 381.60
City of Norfolk	538.32
City of Newport News	456.60
City of Virginia Beach	416.28
James City Service Authority	337.92

Source: James City Service Authority

Comparison of Area Sewer Bills
Annual Consumption 60,000 Gallons as of June 2023

Virginia Jurisdiction	Sewer Service *
City of Hampton	$ 220.56
City of Newport News	330.36
City of Virginia Beach	369.72
City of Norfolk	403.44
York County	324.00
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 $9.32 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
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
2022	3,219	3,583	6,802
2023	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

Meter Size (inches)	Wastewater System Facilities Fee
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 $400.00 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
Singe-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.

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"	$ 5.71
3/4"	8.56
1"	14.26
1 1/2"	28.53
2"	45.65
3"	99.86
4"	171.18
6"	385.17
8"	456.50
10"	656.21

(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	$ 3.86	$ 7.01	$ 14.03	$ 21.74

Multi-Family Residential and Non-Residential All Meter Sizes	All Use
Rate per 1,000 Gallons	$ 6.10

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 $40.00 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.

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

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor 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 "Specifications"), the financial statements of the James City Service Authority (the "Authority"), a component unit of the County of James City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
December 11, 2023