

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

JAMES CITY SERVICE AUTHORITY

A Component Unit of the County of James City, Virginia

James City County, Virginia • jcsava.gov

Prepared by the
Department of
Financial and
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, 2024 and 2023

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

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INTRODUCTORY SECTION

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

Table of Contents

	Page(s)
Introductory Section	
Table of Contents	i
Authority Officials	ii
Organizational Chart	iii
Letter of Transmittal	iv-viii
Certificate of Achievement	ix
Financial Section	
Report of Independent Auditor	1-3
Management's Discussion and Analysis (MD&A)	4-10
Basic Financial Statements:	
Statements of Net Position	11-12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15-51
Required Supplementary Information Other Than MD&A (Unaudited):	
Schedule of Changes in the Net Pension Liability and Related Ratios	52
Schedule of Employer Pension Contributions	53
Schedule of Employer's Share of Retiree Healthcare OPEB Liability	54
Schedule of Employer OPEB – Retiree Healthcare Contributions	55
Schedule of Changes in the Net OPEB Health Insurance Credit (HIC) Liability	56
Schedule of Employer OPEB – Health Insurance Credit Contributions	57
Schedule of Employer's Share of Net Group Life Insurance (GLI) OPEB Liability	58
Schedule of Employer OPEB – Group Life Insurance Contributions	59
Notes to Required Supplementary Information	60-61
Supplementary Information:	
Schedule of Net Position - by Activity	62
Schedule of Revenues, Expenses, and Changes in Net Position - by Activity	63
Schedule of Operating Revenues and Expenses - Budget and Actual - by Activity	64
Statistical Section	
Statistical Section Overview	65
Financial Trends:	
Net Position	66
Changes in Revenues, Expenses and Net Position	67
Revenue Capacity:	
Water and Sewer Rates	68
Largest Utility Customers	69
Debt Capacity:	
Ratio of Outstanding Debt	70
Revenue Bond Coverage	71
Outstanding Debt for James City County	72
Demographic and Economic Information:	
County Demographic and Economic Statistics	73
Principal Employers in James City County	74
Operating Information:	
Full-Time Employees by Function	75
Operating Indicators by Function	76
Capital Asset Statistics by Function	77
Summary of Historical Flows (MGD)	78
Miscellaneous Statistics	79
Rates and Fees	80-86
Compliance Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in in Accordance with <i>Government Auditing Standards</i>	87-88

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

Authority Officials
June 30, 2024

Board of Directors

Barbara E. Null, Chairman
John J. McGlennon, Vice Chairman
Jim Icenhour
Ruth Larson
Michael J. Hipple

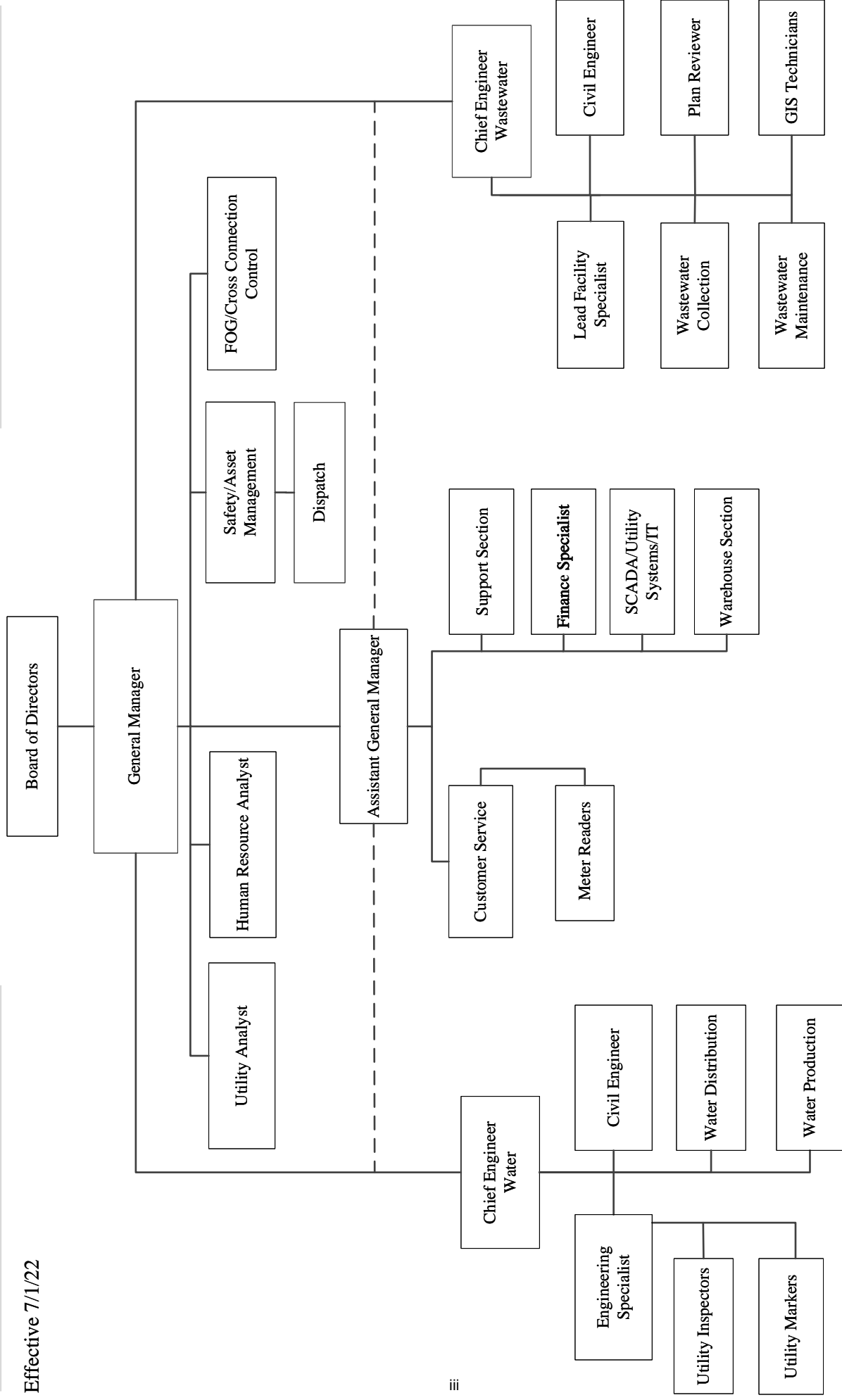
Officials

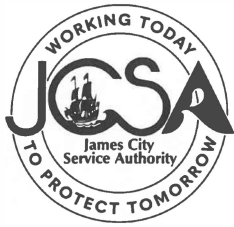
M. Douglas Powell
General Manager

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

November 8, 2024

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, 2024 and 2023, 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 4-10, immediately following the report of 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 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 423 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 5.0 million gallons of water per day to 24,317 water customers.

The JCSA's sewer system includes 77 pump stations with approximately 458 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.4 million gallons of sewage per day for 26,043 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, 2024, the JCSA had 106 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 3.1 percent from 2020 to 2023 while the Commonwealth of Virginia's population increased 1.0 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 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 2024 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 2024.

From fiscal year 2023 to fiscal year 2024, the total monthly water and sewer bill for a typical 5,000 gallons per month residential user increased by \$1.00 per month from \$45.71 to \$46.71. In fiscal year 2024 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.

Modernizing Aging Infrastructure, Facilities and Technology – Modernization of the JCSA's main information technology systems was a major initiative in fiscal year 2024. A cloud-based enterprise software system replaced multiple separate software systems formerly used for asset management, billing, maintenance management, and work orders. This initiative improves the level of service for JCSA customers and increases the efficiency and effectiveness of field operations, business processes, data collection, data exchange, reporting, and system upgrades. The customer billing, customer information, and related service order modules

were implemented in March 2024. Customers now receive their water and sewer collection bill directly from JCSA, replacing the joint bill formerly issued by Hampton Roads Utility Billing Services (HRUBS) for JCSA water, JCSA sewer collection and HRSD sewer treatment. Completion is scheduled for early fiscal year 2025 with implementation of the work order module.

Two other major technology upgrade projects reaching substantial completion in fiscal year 2024 were the upgrade of FFWTP's Supervisory Control and Data Acquisition (SCADA) communication and industrial control system; and 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.

Major infrastructure and facilities projects completed in fiscal year 2024 include the replacement and upsizing of approximately 15,100 feet of water main in the 1960-70s era neighborhood water distribution system primarily serving the Kingswood subdivision; wet well and gravity pipe replacements at three wastewater lift stations in the Carriage Heights, Raleigh Square and Neck-o-Land neighborhoods; and replacement of the JCSA Operations Center Data Room air conditioning units.

The fiscal year 2024 budget included a \$650,000 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.

Regulatory Compliance – Major compliance efforts in 2024 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 completed in fiscal year 2024 consisted 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 was completed, and the construction bid was released 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 2024 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 - 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 2024 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.

Resource Conservation and Protection - 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. Since the water system is designed to meet peak demands, reducing irrigation in the high demand summer months and practicing year-round conservation can delay or eliminate the need to significantly expand supply sources and associated infrastructure. Resource protection maintains and improves current

quality standards and infrastructure for water supply, water production, water distribution and wastewater collection to protect customers and the community.

Water conservation and resource protection initiatives continuing in fiscal year 2024 included every other day irrigation from May 1-September 30, an increasing block water rate structure to promote water conservation using a unit charge that increases with higher consumption, a popular rebate program for water efficient appliances, and maintenance and rehabilitation of sewer infrastructure to prevent sanitary sewer overflows.

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 2024 to address this challenge were a 5% salary increase and an increase in the standby pay hourly rate.

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, 2023. This was the thirty-ninth 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 2024 Adopted Budget. This was the third 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. Douglas Powell
General Manager



Stephanie A. Luton
Assistant General Manager/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**James City Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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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 years ended June 30, 2024 and 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, 2024 and 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, 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.

The signature is written in a cursive, handwritten style. It reads "Cherry Bekaert LLP". The letters are fluidly connected, with a prominent "C" at the start and a clear "LLP" at the end.

Richmond, Virginia
November 8, 2024

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

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, 2024 and 2023. The information presented in this section should be read in conjunction with the letter of transmittal, which begins on page iv.

Financial Highlights

- ◆ The Authority's total net position was \$196,380,464 and \$191,855,262 at June 30, 2024 and 2023, respectively.
- ◆ Capital assets increased by 4.3% in 2024 from 2023, primarily attributable to the dedication of water and sewer systems and a right-to-use subscription asset related to new billing software. For fiscal year 2024, there was formal acceptance of 7 new water system dedications and 9 new sewer system dedications.

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.

- ◆ The Authority's total operating expenses before depreciation and amortization increased by 10.8% in 2024 from 2023 and increased by 18.9% in 2023 from 2022. The changes in 2024 were primarily related to an increase in personnel salaries and benefits to keep pace with inflation and maintain job market competitiveness, and inflationary increases in utilities, operating supplies, and maintenance services. 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 Authority's total operating revenues increased by 11.4% in 2024 from 2023 and decreased by (3.6%) in 2023 from 2022. The change in 2024 was primarily due to an increase in facility charges from two new large apartment complexes and a general increase in new construction activity as well as an increase in water rates. 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.

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, 2024 and 2023, with the difference between the two reported as net position.

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

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

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 15.

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			
	6/30/2024	6/30/2023	6/30/2022 (as restated)
Current and other assets	\$ 65,652,455	\$ 65,338,394	\$ 68,797,507
Capital assets	163,966,757	157,188,092	154,515,556
Total assets	<u>229,619,212</u>	<u>222,526,486</u>	<u>223,313,063</u>
Deferred outflows	2,162,663	2,390,840	2,193,677
Total assets and deferred outflows	<u>\$ 231,781,875</u>	<u>\$ 224,917,326</u>	<u>\$ 225,506,740</u>
Current liabilities	\$ 6,200,915	\$ 5,115,318	\$ 4,800,552
Noncurrent liabilities	28,426,186	26,754,513	27,072,259
Total liabilities	<u>34,627,101</u>	<u>31,869,831</u>	<u>31,872,811</u>
Deferred inflows	774,310	1,192,233	3,122,057
Net position:			
Net investment in capital assets	136,949,396	132,964,313	133,822,621
Restricted	889,575	882,704	2,007,927
Unrestricted	58,541,493	58,008,245	54,681,324
Total net position	<u>196,380,464</u>	<u>191,855,262</u>	<u>190,511,872</u>
Total liabilities, deferred inflows and net position	<u>\$ 231,781,875</u>	<u>\$ 224,917,326</u>	<u>\$ 225,506,740</u>

The largest portion of the Authority's net position at June 30, 2024 (69.7%), 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, 2024 (29.8%) may be used to meet the Authority's ongoing obligations.

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

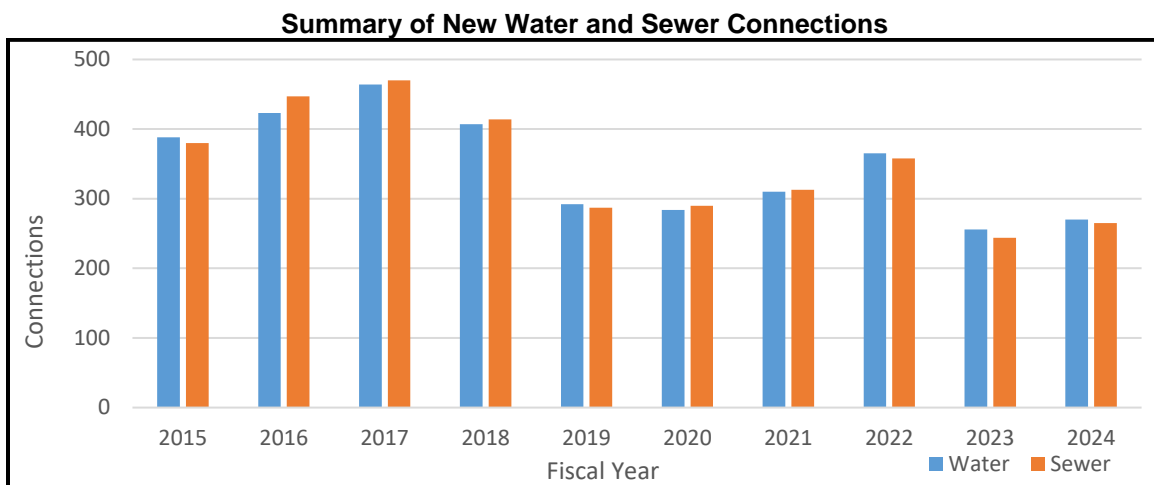
Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Year Ended

	6/30/2024	6/30/2023	6/30/2022 (as restated)
Water and sewer services	\$ 20,244,598	\$ 19,206,566	\$ 18,413,514
Facility charges	2,845,645	1,433,205	2,811,965
Other	508,287	542,741	738,626
Total operating revenues	23,598,530	21,182,512	21,964,105
Operating expenses	17,276,177	15,594,561	13,113,952
Depreciation and amortization	8,615,771	8,239,658	8,089,390
Total expenses	25,891,948	23,834,219	21,203,342
Other non-operating revenues (expenses), net	298,560	(72,913)	(3,000,272)
Loss before capital contributions	(1,994,858)	(2,724,620)	(2,239,509)
Capital contributions	6,520,060	4,068,010	2,121,505
Change in net position	4,525,202	1,343,390	(118,004)
Net position, beginning of year	191,855,262	190,511,872	190,629,876
Net position, end of year	\$ 196,380,464	\$ 191,855,262	\$ 190,511,872

In fiscal year 2024, water and sewer service revenue increased by 5.4% over 2023, primarily as a result of an increase in water rates. There was an increase in facility charges of 98.6% during 2024, primarily attributable to an increase in new water and sewer connections in 2024, including two new large apartment complexes, that resulted in facility fees. Also, the Authority received \$151,771 in proffers from developers to fund capital improvements, which was an increase of 32.2% from the amount received in 2023.

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.

The Authority's net position increased by \$4,525,202 in 2024 from 2023, which was primarily a result of capital asset contributions received. The Authority's net position increased by \$1,343,390 in 2023 from 2022, which was primarily a result of capital asset contributions received.



JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

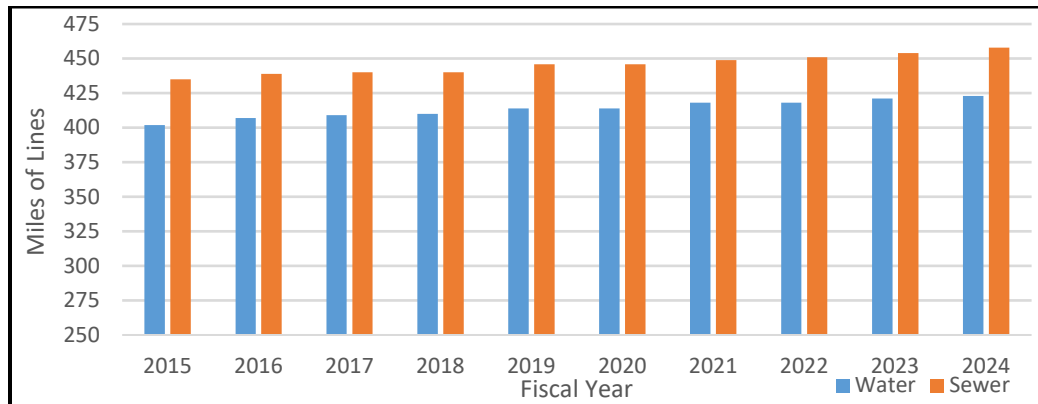
Capital Assets

The following table summarizes the Authority's capital assets at June 30, 2024, 2023, and 2022:

Summary of Capital Assets, Net			
	6/30/2024	6/30/2023	6/30/2022 (as restated)
Utility plant	\$ 295,844,258	\$ 289,286,540	\$ 279,144,203
Nonutility plant	16,560,658	16,386,206	16,194,255
Intangible assets	25,091,741	25,096,311	25,015,132
Right-to-use lease assets	61,868	96,911	11,661
Right-to-use subscription assets	4,063,983	109,645	60,892
Construction in progress	9,078,572	8,921,782	8,753,533
Less accum. depreciation and amortization	186,734,323	182,709,303	174,664,120
Net capital assets	<u>\$ 163,966,757</u>	<u>\$ 157,188,092</u>	<u>\$ 154,515,556</u>

At the end of fiscal year 2024, the Authority had invested \$163,966,757 (net of accumulated depreciation and amortization) in a broad range of capital assets. This was an increase of \$6,778,665, which was primarily the result of dedications of water and sewer systems and a right-to-use subscription asset related to new billing software. 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. Further information related to the Authority's capital assets can be found in Note 3 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

The White Oaks project was completed in fiscal year 2023 and the Kingswood project was completed in fiscal year 2024.

At the close of the fiscal years 2024 and 2023, the Authority's total outstanding bonded debt was \$23,917,000 (before premiums) and \$25,252,000, respectively. Further information on the Authority's outstanding debt can be found in Note 5 to these financial statements.

Economic Factors and Next Year Budgets and Rates

During the current fiscal year, the unrestricted net position increased by \$533,248 from 2023, to approximately \$58.5 million.

JCSA accounts for its operations and Capital Improvement Program (CIP) utilizing two separate funds: the Water Fund and the Sewer Fund, 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 2025 budget includes changes to the water and sewer service rates and water and sewer fixed charges designed to maintain adequate revenue amid increased operating and capital costs caused by significant inflation over the past several years and a continuing downward trend in per person water use.

The fiscal year 2025 rate changes reflect increases above the multi-year plan from the 2020 JCSA Rate Study that the Authority followed from fiscal year 2021 through fiscal year 2024. While water service and water fixed rates increased incrementally each year of the original multi-year rate plan, the last increase to sewer service and sewer fixed rates was in fiscal year 2020. The fiscal year 2025 budget preparation process revealed the Authority could no longer follow the multi-year rate plan and still maintain adequate reserves and debt service coverage as required by the Authority's Financial Policy and bond covenants.

The rate increases address substantial cost increases in both the operating and capital budgets particularly in the areas of personnel, construction, vehicles, electricity, and supplies such as treatment chemicals. The water and sewer service rate and fixed charge increases allow the Authority to cover increased costs while continuing to promote water conservation, repair and replace aging infrastructure and equipment, and develop long-term revenue and rate stability.

The total monthly water and sewer bill for a typical 5,000 gallons per month residential user increases by \$3.93 per month from \$46.71 to \$50.64. The JCSA currently 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.

The fiscal year 2025 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:

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

Affordability and Financial Resilience – The JCSA faces an on-going challenge to maintain reasonable rates while covering operating costs, maintaining infrastructure, and saving for future investments. Long-range financial planning builds reserves that create financial resilience and flexibility to meet economic challenges.

Approximately 90% of JCSA's water production and sewer collection costs are fixed meaning the cost stays the same regardless of water demand. As water demand continues to decline, rates must increase to cover the costs of providing safe and reliable water and sewer services.

Recent inflationary spikes producing significant price increases in a relatively short span of time combined with increases in the replacement rate for aging infrastructure and equipment require larger rate increases than in recent years to generate required levels of operating revenue and maintain long-term financial strength. To promote affordability and avoid sudden large one-time rate shocks to the greatest extent possible, the required rate increases will be spread over a multi-year period. Sewer rates will increase more gradually than water rates to reduce the overall bill impact to customers.

Modernizing Aging Infrastructure, Facilities and Technology – Replacement of aging infrastructure and equipment, the second goal in the County's 2035 Strategic Plan, is a major initiative in both the capital and operating budgets.

Almost 88 percent or \$3.7M of the \$4.2M CIP consists of investments to replace aging infrastructure and equipment. Two new major CIP projects to improve reliability are replacement of aging water distribution pipes in the Kingspoint neighborhood at a total cost of \$7M and the Jamestown 1607 neighborhood at a total cost of \$2.75M. Both projects will be phased over several years to permit cash funding rather than issuing debt since interest rates increased significantly over the past several years. On the sewer side, replacement of 12" to 20" sewer force main pipe is planned for several locations in Kingsmill along with renovations of lift stations in Forest Heights and on Depot Street in Tolano.

On-going operating budget initiatives focused on prolonging infrastructure life include water tank painting and inspections, hydrant maintenance, sewer pipe CCTV inspections and associated in-place spot repairs, and water and sewer easement maintenance.

The budget also provides \$528K towards the approximately \$8 million target balance in the JCSA's Repair and Replacement Reserve that promotes infrastructure asset management by funding unexpected repairs and planned replacement activity to maintain current levels of service.

Succession Management: Recruitment and Retention – Finding, training, and retaining staff with the knowledge required for water and sewer utility work is an on-going challenge because these skilled employees are in high demand in the workplace.

The major initiatives in the budget to address this challenge are a 3% salary increase effective July 1, 2024 and a new stepped pay plan effective January 1, 2025 that provides regularly scheduled wage increases throughout an employee's career in addition to annual cost-of-living increases. The plan supports early career retention with 5% annual increases for the first four years of service and 1.5% annual increases thereafter. Larger increases during an employee's first years create an incentive for employees to remain with the JCSA.

Regulatory Compliance - JCSA's regulatory compliance responsibilities are a major driver of budget expenses. Major compliance efforts center on the on-going Consent Agreement with the Virginia Department of Environmental Quality (DEQ) to address sanitary sewer overflows and the United States Environmental Protection Agency's Lead and Copper Rule.

The CIP and Sewer Fund operating budgets fulfill the JCSA's on-going 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 (FOG) abatement; and rehabilitation of defective assets. In addition to ensuring JCSA meets its regulatory responsibilities, the Consent Agreement Management, Operation, and Maintenance (MOM) program improves system reliability and service levels for residents by proactively identifying and repairing infrastructure defects before they cause larger problems.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2024 and 2023

In anticipation of future requirements contained in the Lead and Copper Rule, JCSA completed building and equipment upgrades at 7 well facilities in 2024 to optimize treatment processes by adding corrosion inhibitor that protects JCSA and customer infrastructure. The 2025 operating budget includes funding for additional chemicals required for this corrosion control program and increased sampling and water quality analysis activities required as the water system grows.

Resource Conservation and Protection - Water conservation and resource protection to maintain clean, safe drinking water and prevent sanitary sewer overflows are key elements in JCSA's mission. The only new position in the budget is a FOG (fats, oils, and grease) inspector dedicated to resource protection by reducing sewer backups and overflows that can cause health hazards and damage homes and the environment. This position will perform inspection and education activities aimed at reducing the number and severity of stoppages and spills caused by fat, oils, and grease placed into the sewer collection system. Ongoing initiatives include an increasing block water rate structure to promote water conservation using a unit charge that increases with higher consumption, the popular rebate program for water efficient appliances, and CIP budget funding for maintaining and rehabilitating sewer infrastructure to prevent sanitary sewer overflows.

Sustainable Long-Term Water Supply - Work continues to identify an alternative future water source to address the first goal of James City County's 2035 Strategic Plan, obtaining a sustainable long-term supply to meet future water needs, and the vision statement of the County's 2045 Comprehensive Plan that identifies water availability as a key future issue.

JCSA's current 10-year groundwater withdrawal permit from the Virginia Department of Environmental Quality (DEQ) expires in 2027. DEQ has expressed an interest in reducing groundwater withdrawals within the Eastern Virginia Groundwater Management Area, of which JCSA is a part. Possible solutions include on-going negotiations with DEQ to delay and decrease the proposed permit reductions or groundwater replenishment through HRSD's Sustainable Water Initiative for Tomorrow (SWIFT) initiative to treat already highly treated wastewater effluent to drinking water standards and return it to the aquifer.

Given that any solution will require significant capital investment, the JCSA conducts long range financial forecasting consisting of a full rate study every five years and annual updates to the rate model to plan for and pay for these investments. The budget funds a full rate study to update the Authority's strategy to build dedicated funding and reduce future borrowing costs of water sourcing solutions through contributions to the Alternative Water Supply Reserve.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Net Position
June 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents (Note 2)	\$ 25,031,534	\$ 15,101,121
Investments (Note 2)	33,389,775	43,183,250
Restricted cash and cash equivalents (Note 2)	889,583	1,807,604
Accounts receivable, customers	4,037,204	2,980,594
Lease receivable, current portion (Note 11)	81,527	82,842
Accounts receivable, other	27,115	6,913
Interest receivable	77,332	87,812
Lease interest receivable (Note 11)	401	580
Inventories	1,996,799	1,884,966
Total current assets	<u>65,531,270</u>	<u>65,135,682</u>
Noncurrent assets:		
Lease receivable, net of current portion (Note 11)	121,185	202,712
Capital assets (Note 3):		
Non-depreciable	11,749,171	11,643,320
Depreciable	148,244,617	145,433,560
Subscription assets, net	3,927,599	30,747
Lease assets, net	45,370	80,465
Net capital assets	<u>163,966,757</u>	<u>157,188,092</u>
Total assets	<u>229,619,212</u>	<u>222,526,486</u>
Deferred Outflows of Resources		
Deferred charge on refunding, net (Note 5)	1,206,049	1,282,221
Deferred pension (Note 6)	785,966	989,778
Deferred OPEB group life insurance (GLI) (Note 7)	96,642	82,198
Deferred OPEB health insurance credit (HIC) (Note 7)	10,862	11,896
Deferred OPEB retiree healthcare (Note 7)	63,144	24,747
Total deferred outflows of resources	<u>2,162,663</u>	<u>2,390,840</u>
Total assets and deferred outflows of resources	<u><u>\$ 231,781,875</u></u>	<u><u>\$ 224,917,326</u></u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Liabilities		
Current liabilities:		
Accounts payable, trade	\$ 1,126,945	\$ 1,152,175
Retainage payable	236,477	190,378
Accrued salaries	43,208	19,619
Compensated absences, current portion (Note 5)	437,053	424,724
Due to James City County (Note 9)	1,388,661	729,267
Due to Commonwealth	50	50
Deposits	943,714	829,924
Interest payable	317,213	340,751
Lease payable, current portion (Notes 5 and 11)	12,163	18,100
Lease and subscription interest payable	27,570	603
Subscription payable, current portion (Notes 5 and 12)	221,956	10,820
Bonds payable, current portion (Note 5)	1,445,905	1,398,907
Total current liabilities	<u>6,200,915</u>	<u>5,115,318</u>
Noncurrent liabilities:		
Advances for construction (Note 4)	32,902	32,902
Compensated absences, net of current portion (Note 5)	145,684	141,574
Lease payable, net of current portion (Notes 5 and 11)	33,789	62,642
Subscription payable, net of current portion (Notes 5 and 12)	2,790,178	11,578
Bonds payable, net of current portion (Note 5)	23,482,950	24,928,853
Net pension liability (Note 6)	1,364,244	1,002,620
Retiree healthcare OPEB liability (Note 7)	250,687	258,038
Net GLI OPEB liability (Note 7)	300,548	287,779
Net HIC OPEB liability (Note 7)	25,204	28,527
Total noncurrent liabilities	<u>28,426,186</u>	<u>26,754,513</u>
Total liabilities	<u>34,627,101</u>	<u>31,869,831</u>
Deferred Inflows of Resources		
Deferred pension (Note 6)	342,486	658,780
Deferred lease (Note 11)	198,538	281,996
Deferred OPEB retiree healthcare (Note 7)	178,693	175,719
Deferred OPEB GLI (Note 7)	42,771	58,689
Deferred OPEB HIC (Note 7)	11,822	17,049
Total deferred inflows of resources	<u>774,310</u>	<u>1,192,233</u>
Net Position		
Net position:		
Net investment in capital assets	136,949,396	132,964,313
Restricted for:		
Debt service	889,575	882,704
Unrestricted	58,541,493	58,008,245
Total net position	<u>196,380,464</u>	<u>191,855,262</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 231,781,875</u>	<u>\$ 224,917,326</u>

See accompanying notes to basic financial statements.

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, 2024 and 2023

	2024	2023
Operating revenues:		
Water and sewer services	\$ 20,244,598	\$ 19,206,566
Facility charges	2,845,645	1,433,205
Water supply proffers	151,771	114,806
Lease revenue (Note 11)	83,458	108,813
Other	273,058	319,122
Total operating revenues	<u>23,598,530</u>	<u>21,182,512</u>
Operating expenses:		
Personnel services	9,715,764	8,666,017
Operating supplies	2,015,851	1,829,692
Maintenance	2,813,064	2,624,931
Utilities	1,265,362	1,167,262
Contractual fees	1,141,135	1,070,849
Other	325,001	235,810
Total operating expenses	<u>17,276,177</u>	<u>15,594,561</u>
Operating income before depreciation and amortization	6,322,353	5,587,951
Depreciation and amortization (Note 3)	8,615,771	8,239,658
Operating loss	<u>(2,293,418)</u>	<u>(2,651,707)</u>
Nonoperating revenues (expenses):		
Investment income	2,825,956	689,902
(Loss)/gain on disposal of capital assets (Note 3)	(1,795,213)	19,680
Interest expense	<u>(732,183)</u>	<u>(782,495)</u>
Net nonoperating expenses	298,560	(72,913)
Loss before capital contributions	<u>(1,994,858)</u>	<u>(2,724,620)</u>
Capital asset contributions	6,520,060	4,068,010
Changes in net position	4,525,202	1,343,390
Net position, beginning of year	191,855,262	190,511,872
Net position, end of year	<u><u>\$ 196,380,464</u></u>	<u><u>\$ 191,855,262</u></u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from customers	\$ 19,286,109	\$ 19,329,774
Other cash receipts	508,287	542,741
Cash payments to suppliers for goods and services	(7,075,441)	(7,228,417)
Cash payments for personnel services	(9,494,477)	(8,712,689)
Facility charges	2,845,645	1,433,205
Net cash provided by operating activities	<u>6,070,123</u>	<u>5,364,614</u>
Cash flows from capital and related financing activities:		
Repayments of debt	(1,335,000)	(1,283,000)
Payment of lease liabilities	(15,253)	(9,651)
Payment of subscription liabilities	(148,078)	(57,305)
Interest paid	(716,465)	(792,354)
Acquisition and construction of capital assets	(7,560,744)	(6,713,064)
Proceeds from sale of capital assets	4,877	22,563
Net cash used in capital and related financing activities	<u>(9,770,663)</u>	<u>(8,832,811)</u>
Cash flows from investing activities:		
Purchases of investments	(1,019,490)	(16,758,843)
Proceeds from sale of investments	12,619,431	23,383,223
Lease payments received	82,842	108,621
Interest received	1,030,149	224,931
Net cash provided by investing activities	<u>12,712,932</u>	<u>6,957,932</u>
Increase in cash and cash equivalents	9,012,392	3,489,735
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)	<u>16,908,725</u>	<u>13,418,990</u>
Cash and cash equivalents, end of year (including \$889,583 and \$1,807,604 in restricted accounts at June 30, 2024 and 2023, respectively)	<u>\$ 25,921,117</u>	<u>\$ 16,908,725</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,293,418)	\$ (2,651,707)
Adjustments to reconcile operating loss to cash provided by operating activities:		
Depreciation and amortization	8,615,771	8,239,658
Pension expense, net of employer contributions	249,142	5,686
Retiree healthcare OPEB expense, net of employer contributions	(42,774)	(27,392)
Group life insurance OPEB expense, net of employer contributions	(17,593)	(26,316)
Health insurance credit OPEB expense, net of employer contributions	(7,516)	(8,826)
Lease income	(83,458)	3,187
Change in operating assets and liabilities:		
Accounts receivable, customers	(1,052,077)	176,693
Accounts receivable, others	(20,202)	(279)
Inventories	(111,833)	(638,352)
Accounts payable, trade	(25,230)	381,882
Retainage payable	46,099	(139,519)
Accrued salaries	23,589	(1,612)
Compensated absences	16,439	12,013
Due to James City County	659,394	92,929
Due to Commonwealth	-	(225)
Deposits	113,790	(53,206)
Total adjustments	<u>8,363,541</u>	<u>8,016,321</u>
Net cash provided by operating activities	<u>\$ 6,070,123</u>	<u>\$ 5,364,614</u>
Supplemental schedules:		
Noncash capital activities:		
Capital asset contributions	<u>\$ 6,520,060</u>	<u>\$ 4,068,010</u>
Noncash investing activity:		
Unrealized gain (loss) from change in fair value of investments	<u>\$ 1,392,776</u>	<u>\$ (228,808)</u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

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 guidance 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 utility systems.

Capital Assets

For fiscal year 2024, the Authority updated its asset capitalization policy. For fiscal year 2023 and prior years, the Authority's policy was to capitalize capital assets with a cost or acquisition value at the date of donation of \$5,000 or greater. The Authority's new policy is to capitalize capital assets as noted in the table below, and this update was treated prospectively for fiscal year 2024. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. The Authority provides for depreciation of capital assets using the straight-line method over their estimated useful lives.

The capitalization policy and estimated useful lives for the Authority's capital assets are as follows:

Capital Asset	Capitalize at Value	Useful Life
Land	All	Indefinite
Right-to-use leases - equipment	\$ 10,000	2-5
Right-to-use subscription assets	10,000	2-14
Equipment	10,000	5-30
Vehicles	10,000	4-10
Intangibles	10,000	5-40
Land improvements	10,000	20
Building improvements	25,000	20
Infrastructure	25,000	30
Buildings	50,000	40
Water systems	50,000	30
Sewer systems	50,000	40

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

1) Organization and Summary of Significant Accounting Policies, Continued

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.

All direct costs of water and sewer transmission facilities constructed are capitalized. Nonutility property is capitalized at cost.

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 nonoperating revenues (expenses) 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 \$2,040,000 and \$1,676,000 at June 30, 2024 and 2023, respectively, and are included in Accounts receivable, customers on the statements of net position.

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, 2024, there was one supplemental appropriation of \$50,500 for a one-time leave payout for staff. 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.

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 investment income, interest expense, and gain or loss on disposal of capital assets.

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, 2024 were as follows:

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

1) Organization and Summary of Significant Accounting Policies, Continued

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	\$ 10,000	\$ 52,025,315
Business interruption/extra expense	N/A	\$ 3,000,000
Inland marine	\$ 1,000	\$ 1,084,693
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.

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

1) Organization and Summary of Significant Accounting Policies, Continued

- ***Differences resulting from a change 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.

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. Starting in fiscal year 2024, the Authority recognizes lease liabilities with an initial, individual value of \$10,000 or more. In prior fiscal years, the Authority recognized 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

1) Organization and Summary of Significant Accounting Policies, Continued

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.

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. 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.

Further information on the Authority's SBITAs can be found in note 12.

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. Starting in fiscal year 2024, the Authority recognizes subscription liabilities with an initial, individual value of \$10,000 or more.

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

1) Organization and Summary of Significant Accounting Policies, Continued

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.

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, 2024 and 2023, consisted of the following:

	<u>6/30/2024</u>	<u>6/30/2023</u>
Bank deposits	\$ 1,320,583	\$ 1,045,606
Petty cash	700	700
Money market	1,218,138	1,996,687
Investments, LGIP*	23,381,696	13,865,732
Investments, other	33,389,775	43,183,250
Total	<u>\$ 59,310,892</u>	<u>\$ 60,091,975</u>
<u>Reconciliation to Statements of Net Position:</u>		
Cash and cash equivalents	\$ 25,031,534	\$ 15,101,121
Investments	33,389,775	43,183,250
Restricted cash and cash equivalents	889,583	1,807,604
Total	<u>\$ 59,310,892</u>	<u>\$ 60,091,975</u>

**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 cash and cash equivalents reflect funds held by a trustee in escrow for future debt service payments and for future capital projects.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

2) Cash, Cash Equivalents, and Investments, Continued

The Authority's investments measured at fair value at June 30, 2024 and 2023, were as follows:

Investment Type	Cost	Fair Value	Level 1	Level 2	Level 3
6/30/2024:					
U.S. Treasury securities	\$ 29,098,567	\$ 27,939,962	\$ -	\$ 27,939,962	\$ -
Federal agency mortgage security	1,001,386	928,245	-	928,245	-
Federal agency notes and bonds	501,093	499,639	-	499,639	-
Corporate notes and bonds	1,974,101	1,912,885	-	1,912,885	-
Fed. agency comm. mortgage ob.	1,877,404	1,853,812	-	1,853,812	-
Fed. agency coll. mortgage ob.	268,482	255,232	-	255,232	-
Total	\$ 34,721,033	\$ 33,389,775	\$ -	\$ 33,389,775	\$ -
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	\$ -

Investment Type	Investment maturity (in years)			
	Amount	Less than 1	1-2	2-15
6/30/2024:				
U.S. Treasury securities	\$ 27,939,962	\$ 11,490,978	\$ 9,655,664	\$ 6,793,320
LGIP*	23,381,696	23,381,696	-	-
Money Market*	1,218,138	1,218,138	-	-
Federal agency notes and bonds	499,639	-	-	499,639
Federal agency mortgage security	928,245	-	-	928,245
Corporate notes and bonds	1,912,885	216,389	1,464,400	232,096
Fed. agency comm. mortgage ob.	1,853,812	493,592	308,770	1,051,450
Fed. agency coll. mortgage ob.	255,232	-	-	255,232
Total	\$ 57,989,609	\$ 36,800,793	\$ 11,428,834	\$ 9,759,982
6/30/2023:				
U.S. Treasury securities	\$ 34,271,649	\$ 7,252,140	\$ 11,076,252	\$ 15,943,257
LGIP*	13,865,732	13,865,732	-	-
Money Market*	1,996,687	1,996,687	-	-
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

*LGIP and Money Market balances above include restricted cash equivalents of \$1,807,604 and \$889,583 for fiscal years 2023 and 2024, 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

2) Cash, Cash Equivalents, and Investments, Continued

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.

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

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

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

3. At time of purchase

4. From transaction settlement date

5. Rating requirements are without regards to the ratings modifiers

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, the Authority's investments rated by Standard & Poor's were as follows:

	Unrated	AAA	AA+	AA	AA-	A+
6/30/2024:						
Money market funds	\$ 889,575	\$ 328,563	\$ -	\$ -	\$ -	\$ -
LGIP	8	23,381,688	-	-	-	-
U.S. Treasury securities	-	-	27,939,962	-	-	-
Federal agency notes/bonds	-	-	499,639	-	-	-
Corporate notes/bonds	-	723,866	-	157,692	464,442	566,885
Federal agency mrtge. security	-	-	928,245	-	-	-
Fed. agency comm. mrtge. ob.	-	-	1,853,812	-	-	-
Fed. agency coll. mrtge. ob.	-	-	255,232	-	-	-
Total	\$ 889,583	\$ 24,434,117	\$ 31,476,890	\$ 157,692	\$ 464,442	\$ 566,885
6/30/2023:						
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	\$ -

Concentration of Credit Risk

The Policy establishes guidelines on portfolio composition by issuer 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, 2024 and 2023, the portions of the Authority's portfolio (excluding restricted investments) that exceeded 5% of the total were:

Issuer	% of Portfolio	
	6/30/2024	6/30/2023
U.S. Treasury	48.9%	60.6%
LGIP	40.9%	24.2%
Freddie Mac	3.7%	6.8%

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024, and 2023, all of the Authority's investments were held in a bank's trust department in the name of James City Service Authority.

3) Capital Assets

The Authority updated its capitalization thresholds for fiscal year 2024, resulting in the write-off capital assets that do not meet the new thresholds. For the right-to-use lease and subscription assets that were below these thresholds, the Authority wrote off the remaining balance of the corresponding lease and SBITA liabilities and the lease and SBITA interest payable. The adjustments for any capital asset with an initial value in excess of its accumulated depreciation or amortization as well as the write off of the remaining lease and SBITA liability balances are reflected as a loss on the sale or disposal of capital assets for fiscal year 2024 on the Statement of Revenues, Expenses, and Changes in Net Position.

Summaries of the changes in capital assets for the fiscal years ended June 30, 2024 and 2023 are presented in this note. The reductions to capital assets presented in the summary for fiscal year 2024 differ from the loss on the sale or disposal of capital assets on the Statements of Revenues, Expenses, and Changes in Net Position, as shown in the reconciliation directly below:

Statement of Revenues, Expenses, and Changes in Net Position -	
Loss on the sale/disposal of capital assets	\$ (1,795,213)
Construction in progress recognized as increases to assets	(6,905,850)
Reduction to lease liabilities	(19,554)
Reduction to SBITA liabilities	(1,059)
Gain on the sale of equipment	(9,410)
Total net capital assets -	
Reductions, per summary	<u>\$ (8,731,086)</u>

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

3) Capital Assets, Continued

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2024 and 2023:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets not being depreciated:				
Utility plant:				
Land	\$ 963,394	\$ 8,064	\$ -	\$ 971,458
Nonutility plant:				
Land	1,740,391	-	41,250	1,699,141
Land improvements	13,183	-	13,183	-
Construction in progress	8,921,782	7,162,855	7,006,065	9,078,572
Intangibles - easements	4,570	-	4,570	-
Total capital assets not being depreciated	11,643,320	7,170,919	7,065,068	11,749,171
Capital assets being depreciated/amortized:				
Utility plant:				
Water and sewer systems	288,323,146	11,520,522	4,970,868	294,872,800
Nonutility plant:				
Land improvements (depreciable)	63,370	-	15,845	47,525
Central shop	6,283,904	403,007	310,126	6,376,785
Right-to-use lease asset - building	61,868	-	-	61,868
Office fixtures and equipment	4,501,642	581,388	742,448	4,340,582
Right-to-use lease asset - equipment	35,043	-	35,043	-
Right-to-use subscription asset	109,645	4,031,637	77,299	4,063,983
Automotive equipment	3,691,917	252,101	105,139	3,838,879
Infrastructure	91,798	165,948	-	257,746
Intangible:				
Water rights	25,000,000	-	-	25,000,000
Software	91,741	-	-	91,741
Total capital assets being depreciated/amortized	328,254,074	16,954,603	6,256,768	338,951,909
Less accumulated depreciation/amortization:				
Water and sewer systems	166,613,036	7,144,093	3,720,264	170,036,865
Land improvements	5,109	2,442	2,600	4,951
Central shop	1,898,936	285,431	140,267	2,044,100
Right-to-use lease asset - building	4,125	12,373	-	16,498
Office fixtures and equipment	2,343,882	194,029	549,461	1,988,450
Right-to-use lease asset - equipment	12,321	3,524	15,845	-
Right-to-use subscription asset	78,898	133,543	76,057	136,384
Automotive equipment	2,925,675	185,339	86,256	3,024,758
Infrastructure	15,857	5,282	-	21,139
Water rights	8,795,834	631,331	-	9,427,165
Software	15,629	18,384	-	34,013
Total accumulated depreciation/amortization	182,709,302	8,615,771	4,590,750	186,734,323
Total capital assets being depreciated/amortized, net	145,544,772	8,338,832	1,666,018	152,217,586
Total capital assets, net	\$ 157,188,092	\$ 15,509,751	\$ 8,731,086	\$ 163,966,757

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

3) Capital Assets, Continued

	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	<u>11,467,672</u>	<u>6,442,716</u>	<u>6,267,068</u>	<u>11,643,320</u>
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	<u>317,712,004</u>	<u>10,739,429</u>	<u>197,359</u>	<u>328,254,074</u>
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	<u>174,664,120</u>	<u>8,239,658</u>	<u>194,476</u>	<u>182,709,302</u>
Total capital assets being depreciated/amortized, net	<u>143,047,884</u>	<u>2,499,771</u>	<u>2,883</u>	<u>145,544,772</u>
Total capital assets, net	<u>\$ 154,515,556</u>	<u>\$ 8,942,487</u>	<u>\$ 6,269,951</u>	<u>\$ 157,188,092</u>

4) 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, 2024 and 2023, advances for construction consisted of:

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

5) Long-Term Liabilities

The Authority's long-term debt activity for the fiscal years ended June 30, 2024 and 2023, was as follows:

	Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024	Due within one year
Refunding revenue bonds	\$ 17,765,000	\$ -	\$ 785,000	\$ 16,980,000	\$ 820,000
Revenue bonds	7,487,000	-	550,000	6,937,000	562,000
Premium, refunding revenue bonds	1,075,760	-	63,905	1,011,855	63,905
Lease liability	80,742	-	34,790	45,952	12,163
Subscription liability	22,398	3,138,868	149,132	3,012,134	221,956
Net pension liability	1,002,620	361,624	-	1,364,244	-
Net retiree healthcare OPEB liability	258,038	-	7,351	250,687	-
Net GLI OPEB liability	287,779	12,769	-	300,548	-
Net HIC OPEB liability	28,527	-	3,323	25,204	-
Advances for construction	32,902	-	-	32,902	-
Compensated absences	566,298	721,627	705,188	582,737	437,053
Total	\$ 28,607,064	\$ 4,234,888	\$ 2,298,689	\$ 30,543,263	\$ 2,117,077

	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

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 \$18,185,000 and \$18,955,000 at June 30, 2024 and 2023, 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 \$1,206,049 and \$1,282,221 at June 30, 2024 and 2023, 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

5) Long-Term Liabilities, 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 \$6,937,000 and \$7,487,000 as of June 30, 2024 and June 30, 2023, 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		2020 Revenue Bonds	
	Principal	Interest	Principal	Interest
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	950,000	404,550	615,000	104,370
2030-2034	5,190,000	1,578,300	3,291,000	306,566
2035-2039	6,030,000	750,600	704,000	15,938
2040	1,315,000	39,450	-	-
Total	<u>\$ 16,980,000</u>	<u>\$ 4,700,950</u>	<u>\$ 6,937,000</u>	<u>\$ 977,570</u>

Compensated Absences

Compensated absences consist of earned but unused vacation, sick leave and paid time off. The costs attributable to Authority personnel are paid by the County and reimbursed by the Authority. Upon termination and only after a minimum of 2 years of employment with the Authority, employees are entitled to receive cash payments for sick leave at 25% of accumulated values up to a maximum of \$5,000. At June 30, 2024 and 2023, compensated absences consisted of the following:

	6/30/2024	6/30/2023
Vacation	\$ 377,888	\$ 378,357
Sick	74,291	81,243
Paid-time off	130,558	106,698
Total	<u>\$ 582,737</u>	<u>\$ 566,298</u>

6) 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) Defined Benefit Pension Plan, 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, 2022 and 2021, actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2022 Actuarial Valuation	June 30, 2021 Actuarial Valuation
Inactive members or their beneficiaries currently receiving benefits	65	61
Inactive members:		
Vested inactive members	14	15
Non-vested inactive members	43	34
LTD	-	-
Active elsewhere in VRS	46	38
Total inactive members	103	87
Active members	90	91
Total covered employees	258	239

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, 2024, and June 30, 2023, was 6.69% of covered employee compensation. This rate was based on actuarially determined rates from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$368,602 and \$341,006 for the years ended June 30, 2024, and June 30, 2023, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. The net pension liability reported as of June 30, 2024 was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) Defined Benefit Pension Plan, Continued

Actuarial Assumptions

The total pension liability for fiscal years 2024 and 2023 for general employees in the Authority's retirement plan was based on actuarial valuations as of June 30, 2022, and June 30, 2021, 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, 2023, and June 30, 2022, 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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 public sector mortality tables projected generationally with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022, 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, 2021. 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, 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.

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) Defined Benefit Pension Plan, Continued

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following tables:

<u>June 30, 2024:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	6.14%	2.09%
Fixed income	15.00%	2.56%	0.38%
Credit strategies	14.00%	5.60%	0.78%
Real assets	14.00%	5.02%	0.70%
Private equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP- Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		**Expected arithmetic nominal return	8.25%

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

<u>June 30, 2023:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	34.00%	5.71%	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%.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2024 and 2023 was 6.75%.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) Defined Benefit Pension Plan, Continued

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

Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (a) - (b)
Balances at June 30, 2022	\$ 23,181,763	\$ 22,179,143	\$ 1,002,620
Changes for the year:			
Service cost	440,954	-	440,954
Interest	1,561,858	-	1,561,858
Difference between expected and actual experience	383,483	-	383,483
Contributions - employer	-	340,978	(340,978)
Contributions - employee	-	269,746	(269,746)
Net investment income	-	1,427,563	(1,427,563)
Benefit payments, including refunds of employee contributions	(968,152)	(968,152)	-
Administrative expenses	-	(14,191)	14,191
Other changes	-	575	(575)
Net changes	1,418,143	1,056,519	361,624
Balances at June 30, 2023	\$ 24,599,906	\$ 23,235,662	\$ 1,364,244

	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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) 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:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability (asset) at June 30, 2024	\$ 4,674,833	\$ 1,364,244	\$ (1,341,601)
	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability (asset) at June 30, 2023	\$ 4,128,883	\$ 1,002,620	\$ (1,534,010)

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

For the years ended June 30, 2024, and June 30, 2023, the Authority recognized pension expense of \$617,716 and \$346,693, respectively. At June 30, 2024, and June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>6/30/2024</u>		<u>6/30/2023</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 417,364	\$ -	\$ 504,237	\$ 18,498
Changes of assumptions	-	-	144,535	-
Net difference between projected and actual earnings on plan investments	-	342,486	-	640,282
Employer contributions subsequent to the measurement date	368,602	-	341,006	-
Total	<u>\$ 785,966</u>	<u>\$ 342,486</u>	<u>\$ 989,778</u>	<u>\$ 658,780</u>

The \$368,602 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Increase to Pension Expense</u>
2025	\$ 97,648
2026	(352,248)
2027	318,076
2028	11,402
	<u>\$ 74,878</u>

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

6) Defined Benefit Pension Plan, Continued

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS's 2023 Annual Comprehensive Annual Report, which can be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

7) Other Postemployment Benefits (OPEB) Liability

<i>Multiple Employer Cost-Sharing Plan – Retiree Healthcare</i>
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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 2024, the pre-Medicare retirees have a choice of two plans offered by Optima. As of the January 1, 2024, actuarial valuation, there were 81 active employees, and no retirees enrolled in these plans. 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.

Actuarial Methods and Assumptions

For the actuarial valuation at January 1, 2024 and April 1, 2021 (measurement dates of June 30, 2023, 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 3.86% and 3.69% for June 30, 2023 and 2022, respectively, for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher.

For the actuarial valuation dated January 1, 2024, the medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The current valuation uses the 2024 version of the model with baseline assumptions.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

The following assumptions were used as input variables into this model:

Inflation	2.60%
Rate of growth in real income/ GDP per capita	1.40%
Extra trend due to technology and other factors	0.90%
Expected health share of GDP in 2029	19.00%
Health share of GDP resistance point	17.00%
Year for limiting cost growth to GDP growth	2075

For the actuarial valuation dated April 1, 2021, the medical trend assumption was changed from the previous valuation to an assumption developed using the 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 January 1, 2024 and April 1, 2021, valuations:

- Pre-Retirement
 - General: SOA Pub-2010 General Employees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021
 - LEOS: SOA Pub-2010 Public Safety Employees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021
- Post-Retirement
 - General: SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021
 - LEOS: SOA Pub-2010 Public Safety Retirees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021
- Disabled:
 - General: SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021
 - LEOS: SOA Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality Table, Projected on a Fully Generational Basis Using Mortality Improvement Scale MP-2021

Changes in Assumptions Since Prior Valuation

- Discount rate was updated to 3.86% (based on January 1, 2024, census data).

Changes in Assumptions Since April 1, 2021 Valuation

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

Retiree Healthcare OPEB Liability

At June 30, 2024 and 2023, the Authority reported retiree healthcare OPEB liabilities of \$250,687 and \$258,038, respectively, for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2024, retiree healthcare OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation performed January 1, 2024. 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 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, 2024, 2023, and 2022, the Authority's proportion of the County's retiree healthcare OPEB liability was 7.29%, 6.46%, and 6.46%, respectively.

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

The following presents the retiree healthcare OPEB liability for 2024 and 2023, using the discount rates of 3.86% and 3.69%, 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 (2.86% and 2.69%, respectively) or one percentage point higher (4.86% and 4.69%, respectively) than the current rates:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Retiree Healthcare OPEB Liability as of June 30, 2024	\$ 274,812	\$ 250,687	\$ 228,677
	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

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 2024 and 2023 using the health care cost trend rates of 4.04% and 3.94%, respectively, as well as what the retiree healthcare OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.04% and 2.94%, respectively), or one percentage point higher (5.04% and 4.94%, respectively), than the current rate:

	1% Decrease (3.04%)	Current Health Care Cost Trend Rate (4.04%)	1% Increase (5.04%)
Retiree Healthcare OPEB Liability as of June 30, 2024	\$ 222,784	\$ 250,687	\$ 283,304
	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

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

For the years ended June 30, 2024 and 2023, the Authority recognized retiree healthcare OPEB expense (recovery) of (\$33,476) and (\$29,301), 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

At June 30, 2024 and 2023, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	6/30/2024		6/30/2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 9,137	\$ 121,710	\$ 13,295	\$ 95,460
Changes of assumptions	13,540	36,281	11,428	49,068
Change in proportion	40,467	20,702	24	31,191
Total	<u>\$ 63,144</u>	<u>\$ 178,693</u>	<u>\$ 24,747</u>	<u>\$ 175,719</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2024, will be/were recognized in retiree healthcare OPEB expense (recovery) as follows:

Year Ended June 30	Reduction to OPEB Expense (Recovery)
2025	\$ (54,598)
2026	(45,351)
2027	(12,903)
2028	(1,348)
2029	(1,349)
Thereafter	-
Total	<u>\$ (115,549)</u>

Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

In addition to the Basic 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.

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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

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, 2022 and 2021 actuarial valuations, the following employees were covered by the benefit terms of the General Employee HIC Program:

	<u>June 30, 2022</u> <u>Actuarial Valuation</u>	<u>June 30, 2021</u> <u>Actuarial Valuation</u>
Inactive members or their beneficiaries		
currently receiving benefits	32	17
Inactive members:		
Vested inactive members	1	1
Non-vested inactive members	-	-
Active elsewhere in VRS	47	-
Total inactive members	80	18
Active members	89	91
Total covered employees	169	109

Contributions

Contributions to the VRS OPEB programs for the fiscal years ended June 30, 2024, and June 30, 2023, were based on actuarially determined rates from actuarial valuations as of June 30, 2022, and June 30, 2021, respectively. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 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.</i>
Total rate as of June 30, 2024:	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, 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.
June 30, 2024 Contribution	\$34,413
June 30, 2023 Contribution	\$31,526
June 30, 2022 Contribution	\$27,864

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, 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, 2024:	0.10% of covered employee compensation.
Total rate as of June 30, 2023:	0.10% of covered employee compensation.
June 30, 2024 Contribution	\$6,421
June 30, 2023 Contribution	\$5,884
June 30, 2022 Contribution	\$9,358

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

For fiscal years 2024 and 2023, the net OPEB liabilities were measured as of June 30, 2023 and June 30, 2022, respectively, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2022 and 2021, respectively, and rolled forward to measurement dates of June 30, 2023 and 2022, respectively. The covered employer's proportion of the net OPEB liabilities as of June 30, 2024 and June 30, 2023 were based on the covered employer's actuarially determined employer contributions for the years ended June 30, 2023 and June 30, 2022, 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	\$300,548
June 30, 2023 proportionate share of liability	\$287,779
June 30, 2023 proportion	0.02506%
June 30, 2022 proportion	0.02390%
June 30, 2021 proportion	0.02265%
June 30, 2024 expense	\$19,709
June 30, 2023 expense	\$12,693

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, 2022	\$ 176,478	\$ 147,951	\$ 28,527
Changes for the year:			
Service cost	1,875	-	1,875
Interest	11,721	-	11,721
Change in assumptions	-	-	-
Difference between expected and actual experience	(2,333)	-	(2,333)
Contributions - employer	-	5,884	(5,884)
Net investment income	-	8,760	(8,760)
Benefit payments	(9,405)	(9,405)	-
Administrative expense	-	(210)	210
Other changes	-	152	(152)
Net changes	1,858	5,181	(3,323)
Balances at June 30, 2023	\$ 178,336	\$ 153,132	\$ 25,204

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

	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

In addition, for the years ended June 30, 2024 and 2023, the Authority recognized OPEB (recovery) of (\$1,096) and (\$2,941), respectively, related to the General Employee Health Insurance Credit Program.

At June 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	6/30/2024		6/30/2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 30,017	\$ 9,123	\$ 22,788	\$ 11,545
Net difference between projected and actual investment earnings on OPEB Plan investments	-	12,078	-	17,982
Changes of assumptions	6,424	20,823	10,734	28,031
Changes in proportionate share	25,788	747	17,150	1,131
Employer contributions subsequent to the measurement date	34,413	-	31,526	-
Total	\$ 96,642	\$ 42,771	\$ 82,198	\$ 58,689

General Employee Health Insurance Credit Program

	6/30/2024		6/30/2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 861	\$ 10,562	\$ 1,098	\$ 12,960
Changes of assumptions	3,580	19	4,914	581
Net difference between projected and actual investment earnings on OPEB Plan investments	-	1,241	-	3,508
Employer contributions subsequent to the measurement date	6,421	-	5,884	-
Total	\$ 10,862	\$ 11,822	\$ 11,896	\$ 17,049

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

The deferred outflows of resources related to OPEB for fiscal years 2024 and 2023 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, 2025 and June 30, 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be/were recognized in OPEB expense (recovery) in future periods as follows:

	Group Life Insurance Program	General Employee Health Insurance Credit Program
Year Ended June 30,	Increase (Reduction) to OPEB Expense (Recovery)	
2025	\$ 4,251	\$ (4,375)
2026	(6,631)	(4,407)
2027	10,384	668
2028	6,075	733
2029	5,379	-
Thereafter	-	-
Total	\$ 19,458	\$ (7,381)

Actuarial Assumptions and Other Inputs

The total OPEB liability reported as of June 30, 2024 and June 30, 2023, was determined using the following assumptions based on actuarial valuations as of June 30, 2022 and June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023 and June 30, 2022, respectively:

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

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 6.

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, 2023 and June 30, 2022, net OPEB liability amounts for the Group Life Insurance program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
	Measurement Date	
	6/30/2023	6/30/2022
Total OPEB Liability	\$ 3,907,052	\$ 3,672,085
Plan Fiduciary Net Position	2,707,739	2,467,989
Net OPEB Liability	\$ 1,199,313	\$ 1,204,096
Plan Fiduciary Net Position as a % of the Total OPEB Liability	69.30%	67.21%

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

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:

<u>June 30, 2024:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
	** Expected arithmetic nominal return		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

<u>June 30, 2023:</u>			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	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	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	** Expected arithmetic nominal return		<u>7.83%</u>

* 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%.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 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, 2023, 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, 2023 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, 2024 and June 30, 2023, 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%)
Group Life Insurance Program			
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability as of June 30, 2024	\$ 445,506	\$ 300,548	\$ 183,348
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability as of June 30, 2023	\$ 418,752	\$ 287,779	\$ 181,935
General Employee Health Insurance Credit Program			
Net HIC OPEB liability as of June 30, 2024	\$ 45,179	\$ 25,204	\$ 8,371
Net HIC OPEB liability as of June 30, 2023	\$ 47,526	\$ 28,527	\$ 12,392

OPEB Plan Fiduciary Net Position

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

The balances of the Authority's OPEB liabilities for the years ending June 30, 2024 and 2023 are as follows:

	6/30/2024	6/30/2023
Retiree healthcare	\$ 250,687	\$ 258,038
Group life insurance	300,548	287,779
Health insurance credit program	25,204	28,527
Total	<u>\$ 576,439</u>	<u>\$ 574,344</u>

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

7) Other Postemployment Benefits (OPEB) Liability, Continued

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

The total amount of expense (recovery) recognized by the Authority for its OPEB plans is summarized below for the years ended June 30, 2024 and 2023:

	<u>6/30/2024</u>	<u>6/30/2023</u>
Retiree healthcare	\$ (33,476)	\$ (29,301)
Group life insurance	19,709	12,693
Health insurance credit program	(1,096)	(2,941)
Total	<u>\$ (14,863)</u>	<u>\$ (19,549)</u>

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

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, 2024 and 2023, are summarized below:

	<u>6/30/2024</u>		<u>6/30/2023</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<i>Difference between expected and actual experience:</i>				
Retiree healthcare	\$ 9,137	\$ 121,710	\$ 13,295	\$ 95,460
Group life insurance	30,017	9,123	22,788	11,545
Health insurance credit program	861	10,562	1,098	12,960
<i>Net difference between projected and actual investment earnings on OPEB Plan investments:</i>				
Group life insurance	-	12,078	-	17,982
Health insurance credit program	-	1,241	-	3,508
<i>Changes of assumptions:</i>				
Retiree healthcare	13,540	36,281	11,428	49,068
Group life insurance	6,424	20,823	10,734	28,031
Health insurance credit program	3,580	19	4,914	581
<i>Change in proportion:</i>				
Retiree healthcare	40,467	20,702	24	31,191
Group life insurance	25,788	747	17,150	1,131
<i>Employer contributions subsequent to measurement date:</i>				
Group life insurance	34,413	-	31,526	-
Health insurance credit program	6,421	-	5,884	-
	<u>\$ 170,648</u>	<u>\$ 233,286</u>	<u>\$ 118,841</u>	<u>\$ 251,457</u>

8) 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 \$23,000 and \$22,500 per year in calendar years 2024 and 2023, respectively. 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

9) 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 \$1,108,695 and \$1,100,704 for the years ended June 30, 2024 and 2023, respectively, and are included in the expenses under contractual fees and maintenance.

The Authority also owed the County \$1,388,661 and \$729,267 at June 30, 2024 and 2023, respectively, which primarily represents payroll expenses and purchase card expenses paid by the County on behalf of the Authority.

10) Commitments and Contingencies

Construction in Progress

At June 30, 2024, 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	\$ 7,601,634	\$ 2,832,377	\$ 745,038	\$ 4,024,219
Water supply	7,620,153	2,273,597	71,259	5,275,297
Water distribution	4,476,723	2,535,656	395,332	1,545,735
Water transmission	1,481,349	1,120,183	1,836	359,330
Water storage	608,620	79,620	2,330	526,670
Other	7,880,301	237,139	78,112	7,565,050
	<u>\$ 29,668,780</u>	<u>\$ 9,078,572</u>	<u>\$ 1,293,907</u>	<u>\$ 19,296,301</u>

Project Development Agreement - Long Term Water Supply

The Authority entered into a project development agreement with the City of Newport News on March 25, 2008 for long-term water supply. Under the agreement, JCSEA 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 3 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, 2024 and 2023. Therefore, the Authority did not make a payment to the City of Newport News for the years ended June 30, 2024 and 2023, 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 \$1.31 per 1,000 gallons for fiscal year ended June 30, 2024 and \$1.27 per 1,000 gallons for fiscal year ended June 30, 2023. For the years ended June 30, 2024 and 2023, 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 a contract with Final Phase Installations, Inc. where they will provide grinder pump maintenance. The initial term of the contract was from October 26, 2021 through October 25, 2022, with the option to renew for up to 4 additional years. The contract was renewed on June 20, 2023 for the period July 1, 2023 through June 30, 2024. The contract allows for an increase based on the Consumer Price Index. For the years ended June 30, 2024 and 2023, the Authority paid \$135,748 and \$183,112, respectively, for grinder pump maintenance.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

10) Commitments and Contingencies, Continued

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 year ended June 30, 2023, the Authority paid \$153,881 toward this contract.

During fiscal year 2024, the Authority entered into a contract with Minoan Industrial LLC for water storage tank maintenance. The term of the contract is from September 13, 2023 through September 12, 2024, with the option to renew for up to 5 additional years. For the year ended June 30, 2024, the Authority paid \$173,980 toward this contract.

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.

11) Leases

Lease Receivable

In fiscal years 2024 and 2023, the Authority leased approximately 3,500 square feet of its property at 107 Tewning Road to the 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 of lease revenue during fiscal years 2023. 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, 2024 and 2023, the Authority has a lease receivable for payments totaling \$164,805 and \$207,464, respectively, and a lease interest receivable of \$306 and \$386, respectively. 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 \$162,715 and \$207,093 as of June 30, 2024 and 2023, respectively. For fiscal years 2024 and 2023, the Authority recognized \$44,377 and \$14,792, respectively, in lease revenues for the property.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

11) Leases, Continued

The future payments on this lease as of June 30, 2024, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	<u>\$ 164,805</u>	<u>\$ 6,983</u>	<u>\$ 171,788</u>

The Authority entered into an agreement as the lessor, with Triton PCS Property Company LLC (now New Cingular Wireless PCS, 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, 2024 and 2023, the Authority has a lease receivable for payments totaling \$37,907 and \$78,090, respectively, and a lease interest receivable of \$95 and \$195, respectively. 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 \$35,823 and \$74,903, as of June 30, 2024 and 2023, respectively. For fiscal years 2024 and 2023, the Authority recognized \$39,079 in lease revenues for the property.

The future payments on this lease as of June 30, 2024, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 37,907	\$ 571	\$ 38,478
Total	<u>\$ 37,907</u>	<u>\$ 571</u>	<u>\$ 38,478</u>

Lease Payable

In fiscal year 2024, the Authority updated its capitalization policy for capital assets, including right-to-use lease assets, as discussed in Note 1. The capitalization threshold for right-to-use lease assets for equipment is now \$10,000. Based on the policy revision, the Authority wrote off lease liabilities and the related right-to-use lease assets with initial values below this new threshold during fiscal year 2024.

The Authority was a lessee of two copiers whose terms end in fiscal year 2024, and these leases were below the new capitalization thresholds. The discount rate for these leases was 3% annually, and the Authority was required to make monthly principal and interest payments of \$292 for the copiers. As of June 30, 2023, the Authority had a lease liability for this copier equipment of \$1,750, which was written off during fiscal year 2024 due to the change in capitalization thresholds. The value of the right-to-use assets as of June 30, 2023 was \$11,661, and these right-to-use assets had accumulated amortization of \$9,983 as of June 30, 2023. The right-to-use assets and related accumulated amortization were written off in fiscal year 2024.

During fiscal year 2023, the Authority entered into two copier leases whose terms end in fiscal year 2028. The discount rate for these leases was 2.59% annually. As of June 30, 2023, the Authority had a lease liability for these copiers of \$21,146. The Authority was 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 was \$23,382, and these right-to-use assets had accumulated amortization of \$2,338. One of these leases was below the new capitalization threshold, and as a result, the related lease liability of \$5,213, the related right-to-use lease asset of \$5,764, and the related accumulated amortization of \$576 were written off in fiscal year 2024. The other lease was above the new capitalization thresholds, but the copier was purchased in June 2024, thereby terminating the lease at that time. This copier had a lease liability of \$12,575, a right-to-use lease asset of \$17,618, and accumulated amortization of \$5,286 at the time of purchase, and these amounts were written off in fiscal year 2024 when the lease was ended.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

11) Leases, Continued

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, 2024 and 2023, the Authority has a lease liability for this office space of \$45,952 and \$57,847. The Authority is required to make monthly principal and interest payments of \$1,089 for the office space. The value of this right-to-use asset as of June 30, 2024 and 2023 is \$61,868, and this right-to-use asset had accumulated amortization of \$16,498 and \$4,125, respectively.

The present value of future payments on this lease as of June 30, 2024, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	\$ 45,952	\$ 1,948	\$ 47,900

12) 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.

In fiscal year 2024, the Authority updated its capitalization policy for capital assets, including right-to-use subscription assets, as discussed in Note 1. The capitalization threshold for right-to-use subscription assets is now \$10,000. Based on the policy revision, the Authority wrote off certain subscription liabilities and the related right-to-use subscription assets with initial values below this new threshold during fiscal year 2024.

In August 2021, the Authority entered a 24-month subscription for the use of Microsoft Office 365. As of June 30, 2023, there was no balance remaining on this subscription liability. The Authority was required to make annual fixed payments of \$29,704 and the subscription had an interest rate of 0.2% annually. The value of the right-to-use asset as of June 30, 2023 was \$59,349 and had accumulated amortization of \$56,877. Remaining amortization of \$2,472 was recognized in fiscal year 2024 before this agreement ended. At that time, the right-to-use asset and accumulated amortization of \$59,349 were written off.

In August 2023, the Authority entered into a 72-month subscription for the use of Microsoft Office 365 with an initial subscription liability of \$225,670. As of June 30, 2024, there is a balance of \$185,585 on this subscription liability. The Authority is required to make annual fixed payments of \$40,085 and the subscription has an interest rate of 2.62% annually. The value of the right-to-use asset as of June 30, 2024 is \$225,670 and has accumulated amortization of \$34,477.

In May 2022, the Authority entered into a 6-year subscription for the use of Bluebeam software. The Authority was required to make annual fixed payments of \$277 and the subscription had an interest rate of 2.02% annually. This SBITA was below the Authority's new capitalization thresholds, and as a result, the subscription liability, the subscription asset, and the related accumulated amortization were written off as of the start of fiscal year 2024. As of June 30, 2023, the balance on this subscription liability was \$1,054. The value of the right-to-use asset was \$1,543 and accumulated amortization was \$300 as of June 30, 2023.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

12) Subscription-Based Information Technology Arrangements (SBITAs), Continued

In July 2022, the Authority entered 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, 2024 and 2023, there is a balance on this subscription liability of \$10,780 and \$21,344, respectively. 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, 2024 and 2023 is \$32,345 and had accumulated amortization of \$21,563 and \$10,782 as of June 30, 2024 and 2023, respectively.

In July 2022, the Authority entered 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 was 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 was \$16,408 and had accumulated amortization of \$10,939. Remaining amortization of \$5469 was recognized in fiscal year 2024 before this agreement ended. At that time, the right-to-use asset and accumulated amortization of \$16,408 were written off.

The Authority entered a 120-month subscription for the use of meter-reading software beginning in January 2024. An initial subscription liability was recorded in the amount of \$203,556. As of June 30, 2024, there is a balance on this subscription liability of \$194,532. The Authority is required to make payments increasing each July, and the subscription has an interest rate of 2.60% annually. The value of the right-to-use asset as of June 30, 2024 is \$203,556 and had accumulated amortization of \$10,178 as of June 30, 2024.

In March 2024, the Authority went live with new billing and collection software, which is a 162-month subscription. An initial subscription liability was recorded in the amount of \$2,540,042. As of June 30, 2024, there is a balance on this subscription liability of \$2,540,042. The Authority is required to make annual payments increasing by the consumer-price index each year, which at the start of the liability was 3.00%, and the subscription has an interest rate of 2.59% annually. Prior to the launch of the software, the Authority incurred implementation costs and made other payments to the vendor related to this subscription. As a result, the Authority recognized a right-to-use subscription asset of \$3,432,812 in fiscal year 2024 and had accumulated amortization of \$67,809 as of June 30, 2024.

In June 2024, the Authority entered a 72-month subscription for firewall software. An initial subscription liability was recorded in the amount of \$169,600. As of June 30, 2024, there is a balance on this subscription liability of \$81,195. The Authority is required to make payments of \$88,405 every three years, and the subscription has an interest rate of 2.96% annually. The value of the right-to-use asset as of June 30, 2024 is \$169,600 and had accumulated amortization of \$2,356 as of June 30, 2024.

The future principal and interest payments on these subscriptions as of June 30, 2024, for the Authority's agreements were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 221,956	\$ 41,206	\$ 263,162
2026	188,680	70,225	258,905
2027	281,736	72,536	354,272
2028	212,941	60,119	273,060
2029	225,898	54,591	280,489
2030-2034	1,119,092	188,508	1,307,600
2035-2037	761,831	40,203	802,034
Total	<u>\$ 3,012,134</u>	<u>\$ 527,388</u>	<u>\$ 3,539,522</u>

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024 and 2023

13) Subsequent Event

In August 2024, the Authority entered into a new lease agreement with lessee New Cingular Wireless PCS, LLC for approximately 225 square feet of an existing water tank so that the lessee can operate communications equipment. The prior lease agreement with this lessee is set to expire on May 31, 2025 with no further extensions, and the new agreement will commence on June 1, 2025 for a 60-month term with two additional 60-month extension terms. Rent payable by the lessee will be \$60,000 per year at the commencement, and this amount will increase by 3.00% annually.

* * * * *

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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 417,066	\$ 430,269	\$ 404,294	\$ 411,137	\$ 379,364	\$ 378,585	\$ 400,579	\$ 393,653	\$ 387,269	\$ 440,954
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	1,561,858
Differences between expected and actual experience	-	(146,331)	128,139	(213,521)	62,537	182,506	(172,618)	(27,793)	817,428	383,483
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)	(968,152)
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	1,418,143
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	23,181,763
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	\$ 24,599,906
Plan fiduciary net position										
Contributions - employer	\$ 308,820	\$ 329,381	\$ 336,720	\$ 288,588	\$ 297,525	\$ 235,463	\$ 243,251	\$ 271,540	\$ 295,888	\$ 340,978
Contributions - employee	197,188	193,349	197,261	210,624	204,311	212,351	220,872	219,619	241,614	269,746
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)	1,427,563
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)	(968,152)
Administrative expense	(9,511)	(8,173)	(8,604)	(9,804)	(10,045)	(11,054)	(11,611)	(12,088)	(14,003)	(14,191)
Other	95	(130)	(104)	(1,553)	(1,050)	(713)	(403)	463	521	575
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)	1,056,519
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	22,179,143
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	\$ 23,235,662
Net pension liability (asset)	\$ 939,493	\$ 1,074,947	\$ 1,868,655	\$ 613,640	\$ 523,170	\$ 1,265,328	\$ 1,992,512	\$ (1,142,756)	\$ 1,002,620	\$ 1,364,244
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%	94.45%
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	\$ 5,881,716
Net pension liability (asset) 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%	23.19%

* 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

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%
2024	368,602	368,602	-	6,420,348	5.74%

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,	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the County's Retiree Healthcare OPEB liability	7.29%	6.46%	6.46%	7.30%	7.30%	7.35%	7.35%
Employer's proportionate share of the County's Retiree Healthcare OPEB liability	\$ 250,687	\$ 258,038	\$ 284,440	\$ 432,846	\$ 381,436	\$ 432,969	\$ 406,742
Employer's covered payroll	\$ 5,881,716	\$ 5,198,520	\$ 4,675,862	\$ 4,673,979	\$ 4,445,820	\$ 4,230,543	\$ 4,083,082
Employer's proportionate share of Retiree Healthcare OPEB liability as a percentage of its covered payroll	4.26%	4.96%	6.08%	9.26%	8.58%	10.23%	9.96%
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected average remaining service years of all participants	6	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

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)	Employer's covered payroll	Contributions as a % of covered payroll
2018	\$ 27,725	\$ -	\$ 27,725	\$ 4,230,543	0.00%
2019	37,604	-	37,604	4,445,820	0.00%
2020	28,017	-	28,017	4,673,979	0.00%
2021	29,989	-	29,989	4,675,862	0.00%
2022	(7,398)	-	(7,398)	5,198,520	0.00%
2023	(29,301)	-	(29,301)	5,881,716	0.00%
2024	(33,476)	-	(33,476)	6,420,348	0.00%

(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	2024
Total OPEB - HIC liability							
Service cost	\$ 3,682	\$ 3,588	\$ 3,579	\$ 3,812	\$ 3,338	\$ 2,822	\$ 1,875
Interest cost	10,769	11,121	11,031	11,040	11,465	11,172	11,721
Differences between expected and actual experience	-	(7,706)	(3,892)	(113)	(13,932)	1,335	(2,333)
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)	(9,405)
Net change in total OPEB - HIC liability	6,990	(437)	5,682	6,185	(6,567)	9,023	1,858
Total OPEB - HIC liability, beginning	155,602	162,592	162,155	167,837	174,022	167,455	176,478
Total OPEB - HIC liability, ending (a)	\$ 162,592	\$ 162,155	\$ 167,837	\$ 174,022	\$ 167,455	\$ 176,478	\$ 178,336
Plan fiduciary net position - HIC							
Contributions - employer	8,166	8,467	8,002	8,413	8,417	9,357	5,883
Net investment income	10,122	7,150	6,922	2,272	30,356	172	8,761
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)	(8,357)	(9,518)	(9,405)
Administrative expense	(170)	(170)	(151)	(219)	(362)	(256)	(210)
Other	494	(494)	(8)	(1)	-	2,815	152
Net change in plan fiduciary net position - HIC	15,104	7,513	5,634	1,911	30,054	2,570	5,181
Plan fiduciary net position - HIC, beginning	85,165	100,269	107,782	113,416	115,327	145,381	147,951
Plan fiduciary net position - HIC, ending (b)	100,269	107,782	113,416	115,327	145,381	147,951	153,132
Net OPEB - HIC liability (a) - (b)	\$ 62,323	\$ 54,373	\$ 54,421	\$ 58,695	\$ 22,074	\$ 28,527	\$ 25,204
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%	85.87%
Covered payroll	\$ 4,083,082	\$ 4,230,543	\$ 4,445,820	4,673,979	4,675,862	5,198,520	5,881,716
Net OPEB - HIC liability as a percentage of the total covered payroll	1.53%	1.29%	1.22%	1.26%	0.47%	0.55%	0.43%

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

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

See accompanying notes and independent auditor's report.

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

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	\$ 8,461	\$ 8,467	\$ (6)	\$ 4,230,543	0.20%
2019	8,002	8,467	(465)	4,445,820	0.19%
2020	8,413	8,413	-	4,673,979	0.18%
2021	8,417	8,417	-	4,675,862	0.18%
2022	9,358	9,358	-	5,198,520	0.18%
2023	5,884	5,884	-	5,881,716	0.10%
2024	6,421	6,421	-	6,420,348	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	2024
Employer's proportion of the net GLI OPEB liability	0.02217%	0.02234%	0.02269%	0.02274%	0.02265%	0.02390%	0.02506%
Employer's proportionate share of the net GLI OPEB liability	\$ 333,000	\$ 340,000	\$ 369,227	\$ 379,494	\$ 263,708	\$ 287,779	\$ 300,548
Employer's covered payroll	\$ 4,083,082	\$ 4,230,543	\$ 4,445,820	\$ 4,673,979	\$ 4,675,862	\$ 5,198,520	\$ 5,881,716
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%	5.11%
Plan fiduciary net position as a % of total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%	69.30%

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

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

See accompanying notes and independent auditor's report.

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

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	\$ 21,999	\$ 22,168	\$ (169)	\$ 4,230,543	0.52%
2019	23,118	21,000	2,118	4,445,820	0.47%
2020	23,131	24,492	(1,361)	4,673,979	0.52%
2021	24,339	25,063	(724)	4,675,862	0.54%
2022	25,250	27,864	(2,614)	5,198,520	0.54%
2023	28,072	31,526	(3,454)	5,881,716	0.54%
2024	31,873	34,413	(2,540)	6,420,348	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, 2024 and 2023

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, 2022, 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, 2021. 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:

<u>Measurement Date</u>	<u>Discount Rate</u>
June 30, 2017	3.58%
June 30, 2018	3.62%
June 30, 2019	3.13%
June 30, 2020	2.45%
June 30, 2021	1.92%
June 30, 2022	3.69%
June 30, 2023	3.86%

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, 2022 and 2021 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, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

See independent auditors' report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Required Supplementary Information (Unaudited)
June 30, 2024 and 2023

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 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 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

8) OPEB Health Insurance Credit – Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 and 2021 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, 2021. 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 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 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

See independent auditors' report.

SUPPLEMENTARY INFORMATION

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Net Position – by Activity
June 30, 2024
(with comparative totals for 2023)

		Water operations	Sewer operations	Totals				
				2024	2023			
Assets								
Current assets:								
Cash and cash equivalents	\$	12,516,117	\$	12,515,417	\$	25,031,534	\$	15,101,121
Investments		17,539,858		15,849,917		33,389,775		43,183,250
Restricted cash and cash equivalents		889,583		-		889,583		1,807,604
Accounts receivable, customers		2,763,454		1,273,750		4,037,204		2,980,594
Lease receivable, current portion (Note 13)		37,907		43,620		81,527		82,842
Accounts receivable, other		27,115		-		27,115		6,913
Interest receivable		38,666		38,666		77,332		87,812
Lease interest receivable (Note 13)		95		306		401		580
Inventories		1,996,799		-		1,996,799		1,884,966
Total current assets		35,809,594		29,721,676		65,531,270		65,135,682
Noncurrent assets:								
Lease receivable, net of current portion (Note 13)		-		121,185		121,185		202,712
Capital assets:								
Non-depreciable		7,826,766		3,922,405		11,749,171		11,643,320
Depreciable		85,553,238		62,691,379		148,244,617		145,433,560
Subscription assets, net		1,986,830		1,940,769		3,927,599		30,747
Lease assets, net		-		45,370		45,370		80,465
Net capital assets		95,366,834		68,599,923		163,966,757		157,188,092
Total assets		131,176,428		98,442,784		229,619,212		222,526,486
Deferred Outflows of Resources								
Deferred charge on refunding, net		1,206,049		-		1,206,049		1,282,221
Deferred pension		392,983		392,983		785,966		989,778
Deferred OPEB group life insurance (GLI)		48,321		48,321		96,642		82,198
Deferred OPEB health insurance credit (HIC)		5,431		5,431		10,862		11,896
Deferred OPEB retiree healthcare		31,572		31,572		63,144		24,747
Total deferred outflows of resources		1,684,356		478,307		2,162,663		2,390,840
Total assets and deferred outflows of resources	\$	132,860,784	\$	98,921,091	\$	231,781,875	\$	224,917,326
Liabilities								
Current liabilities:								
Accounts payable, trade	\$	569,109	\$	557,836	\$	1,126,945	\$	1,152,175
Retainage payable		225,477		11,000		236,477		190,378
Accrued salaries		27,523		15,685		43,208		19,619
Compensated absences, current portion		437,053		-		437,053		424,724
Due to James City County		846,316		542,345		1,388,661		729,267
Due to Commonwealth		50		-		50		50
Deposits		943,714		-		943,714		829,924
Interest payable		317,213		-		317,213		340,751
Lease payable, current portion (Note 13)		-		12,163		12,163		18,100
Lease and subscription interest payable (Note 13)		13,698		13,872		27,570		603
Subscription payable, current portion		110,978		110,978		221,956		10,820
Bond payable, current portion		1,445,905		-		1,445,905		1,398,907
Total current liabilities		4,937,036		1,263,879		6,200,915		5,115,318
Noncurrent liabilities:								
Advances for construction		5,882		27,020		32,902		32,902
Compensated absences, net of current portion		145,684		-		145,684		141,574
Lease payable, net of current portion (Note 13)		-		33,789		33,789		62,642
Subscription payable, net of current portion		1,377,226		1,412,952		2,790,178		11,578
Bonds payable, net of current portion		23,482,950		-		23,482,950		24,928,853
Net pension liability		682,122		682,122		1,364,244		1,002,620
Net retiree healthcare OPEB liability		125,344		125,343		250,687		258,038
Net GLI OPEB liability		150,274		150,274		300,548		287,779
Net HIC OPEB liability		12,602		12,602		25,204		28,527
Total noncurrent liabilities		25,982,084		2,444,102		28,426,186		26,754,513
Total liabilities		30,919,120		3,707,981		34,627,101		31,869,831
Deferred Inflows of Resources								
Deferred pension		171,243		171,243		342,486		658,780
Deferred lease related (Note 13)		35,823		162,715		198,538		281,996
Deferred OPEB retiree healthcare		89,347		89,346		178,693		175,719
Deferred OPEB GLI		21,385		21,386		42,771		58,689
Deferred OPEB HIC		5,911		5,911		11,822		17,049
Total deferred inflows of resources		323,709		450,601		774,310		1,192,233
Net Position								
Net position:								
Net investment in capital assets		69,930,355		67,019,041		136,949,396		132,964,313
Restricted for:								
Debt service		889,575		-		889,575		882,704
Unrestricted		30,798,025		27,743,468		58,541,493		58,008,245
Total net position		101,617,955		94,762,509		196,380,464		191,855,262
Total liabilities, deferred inflows of resources and net position	\$	132,860,784	\$	98,921,091	\$	231,781,875	\$	224,917,326

See accompanying independent auditor's report.

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, 2024
(with comparative totals for year ended June 30, 2023)

	Water operations	Sewer operations	Totals	
			2024	2023
Operating revenues:				
Water and sewer services	\$ 13,542,974	\$ 6,701,624	\$ 20,244,598	\$ 19,206,566
Facility charges	1,535,921	1,309,724	2,845,645	1,433,205
Other	389,817	118,470	508,287	542,741
Total operating revenues	<u>15,468,712</u>	<u>8,129,818</u>	<u>23,598,530</u>	<u>21,182,512</u>
Operating expenses:				
Personnel services	5,027,959	4,687,805	9,715,764	8,666,017
Operating supplies	1,398,555	617,296	2,015,851	1,829,692
Maintenance	1,131,167	1,681,897	2,813,064	2,624,931
Utilities	933,085	332,277	1,265,362	1,167,262
Contractual fees	667,420	473,715	1,141,135	1,070,849
Other	194,042	130,959	325,001	235,810
Total operating expenses	<u>9,352,228</u>	<u>7,923,949</u>	<u>17,276,177</u>	<u>15,594,561</u>
Operating income before depreciation and amortization	6,116,484	205,869	6,322,353	5,587,951
Depreciation and amortization	<u>5,443,819</u>	<u>3,171,952</u>	<u>8,615,771</u>	<u>8,239,658</u>
Operating gain (loss)	<u>672,665</u>	<u>(2,966,083)</u>	<u>(2,293,418)</u>	<u>(2,651,707)</u>
Nonoperating revenues (expenses):				
Investment income	1,441,302	1,384,654	2,825,956	689,902
Gain/(loss) on disposal of capital assets	(972,373)	(822,840)	(1,795,213)	19,680
Interest expense	(732,183)	-	(732,183)	(782,495)
Net nonoperating revenues (expenses)	<u>(263,254)</u>	<u>561,814</u>	<u>298,560</u>	<u>(72,913)</u>
Gain/(loss) before capital contributions	409,411	(2,404,269)	(1,994,858)	(2,724,620)
Capital asset contributions	<u>2,594,725</u>	<u>3,925,335</u>	<u>6,520,060</u>	<u>4,068,010</u>
Changes in net position	3,004,136	1,521,066	4,525,202	1,343,390
Net position, beginning of year	<u>98,613,819</u>	<u>93,241,443</u>	<u>191,855,262</u>	<u>190,511,872</u>
Net position, end of year	<u>\$ 101,617,955</u>	<u>\$ 94,762,509</u>	<u>\$ 196,380,464</u>	<u>\$ 191,855,262</u>

See accompanying independent auditor's report.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Operating Revenues and Expenses – Budget and Actual – by Activity
Year ended June 30, 2024

	Water operations			Sewer operations		
	Actual	Budget	Variance favorable (unfavorable)	Actual	Budget	Variance favorable (unfavorable)
Operating budgeted revenues:						
Water and sewer services	\$ 13,542,974	\$ 12,549,222	\$ 993,752	\$ 6,701,624	\$ 6,492,815	\$ 208,809
Facility charges	1,535,921	870,000	665,921	1,309,724	650,000	659,724
Other	389,817	131,975	257,842	118,470	51,283	67,187
Total operating budgeted revenues	<u>\$ 15,468,712</u>	<u>\$ 13,551,197</u>	<u>\$ 1,917,515</u>	<u>\$ 8,129,818</u>	<u>\$ 7,194,098</u>	<u>\$ 935,720</u>
Operating budgeted expenditures:						
Personnel services	\$ 4,920,891	\$ 5,358,800	\$ 437,909	\$ 4,597,175	\$ 4,858,526	\$ 261,351
Operating supplies	1,398,555	1,804,063	405,508	617,296	1,102,936	485,640
Maintenance*	1,131,214	1,242,573	111,359	1,681,897	2,048,095	366,198
Utilities	933,085	969,140	36,055	332,277	392,199	59,922
Contractual fees	667,420	856,853	189,433	473,715	661,375	187,660
Other	157,606	160,274	2,668	130,959	253,541	122,582
Total operating budgeted expenditures**	<u>\$ 9,208,771</u>	<u>\$ 10,391,703</u>	<u>\$ 1,182,932</u>	<u>\$ 7,833,319</u>	<u>\$ 9,316,672</u>	<u>\$ 1,483,353</u>

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)	\$ 9,208,771	\$ 7,833,319
Pension expense (recovery)	124,571	124,571
OPEB expense (recovery)	(33,942)	(33,941)
Compensated absences	16,439	-
Bad debt expense	36,436	-
Inventory issuances (disposals)	(47)	-
Total operating expenses in Statements of Revenues, Expenses, and Changes in Net Position	<u>\$ 9,352,228</u>	<u>\$ 7,923,949</u>

*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 annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends **Tables 1-2**

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

Revenue Capacity **Tables 3-4**

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

Debt Capacity **Tables 5-7**

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

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

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

Operation Information **Tables 10-15**

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

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive 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

	2015	2016	2017	2018	2019	2020	2021	2022 (as restated)	2023	2024
Net Position										
Net investment in capital assets	\$ 137,173,064	\$ 139,312,785	\$ 135,887,432	\$ 131,175,547	\$ 134,359,937	\$ 132,512,264	\$ 132,964,313	\$ 133,822,621	\$ 132,964,313	\$ 136,949,396
Restricted for debt service	-	729,605	677,614	567,011	569,708	660,282	863,542	865,171	882,704	889,575
Restricted for pensions	-	-	-	-	-	-	-	1,142,756	-	-
Restricted for capital projects	2,716,277	-	-	-	-	8,741,597	8,515,781	-	-	-
Unrestricted	32,903,518	37,014,202	40,532,314	46,257,823	49,733,750	43,850,568	58,008,245	54,681,324	58,008,245	58,541,493
Total net position	<u>\$ 172,792,859</u>	<u>\$ 177,056,592</u>	<u>\$ 177,097,360</u>	<u>\$ 178,000,381</u>	<u>\$ 184,663,395</u>	<u>\$ 185,764,711</u>	<u>\$ 200,351,881</u>	<u>\$ 190,511,872</u>	<u>\$ 191,855,262</u>	<u>\$ 196,380,464</u>

Table 2

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

	2015	2016	2017	2018	2019 (as restated)	2020	2021	2022 (as restated)	2023	2024
Operating revenues:										
Water and sewer services	\$ 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	\$ 20,244,598
Facility charges	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	2,845,645
Water supply proffers	450,262	218,987	298,054	293,900	213,825	220,804	136,572	153,347	114,806	151,771
Rental income	325,991	326,377	377,880	354,987	124,964	127,656	121,493	121,493	108,813	83,458
Other	214,104	272,599	158,917	44,045	141,896	136,437	192,998	222,978	319,122	273,058
Storm/COVID-19 cost reimbursement	-	-	-	-	-	-	436,711	240,808	-	-
Total operating revenues	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	23,598,530
Operating expenses:										
Personnel services	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	9,715,764
Operating supplies	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	2,015,851
Maintenance	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	2,813,064
Utilities	861,074	870,220	899,294	913,104	974,168	919,745	963,287	961,832	1,167,262	1,265,362
Contractual fees	915,365	903,463	920,714	877,652	872,374	991,478	1,027,910	958,226	1,070,849	1,141,135
Other	497,803	233,233	215,633	222,249	270,685	319,050	195,077	197,787	235,810	325,001
Storm/COVID-19 costs	-	-	-	-	-	-	322,994	240,808	-	-
Total operating expenses	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	17,276,177
Operating income before depreciation and amortization	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	6,322,353
Depreciation and amortization	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	8,615,771
Operating income (loss)	(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)	(2,293,418)
Nonoperating revenues (expenses):										
Investment income (loss)	248,207	519,767	90,148	43,940	1,904,327	2,033,417	128,840	(2,194,170)	689,902	2,825,956
Gain (loss) on disposal of capital assets	23,497	(193,113)	49,018	(165,655)	14,522	17,813	43,687	17,200	19,680	(1,795,213)
Insurance recovery	-	14,219	1,000	-	-	-	-	-	-	-
Bond issuance costs	-	(402,364)	-	-	-	-	-	-	-	-
Interest expense	(1,095,684)	(744,124)	(778,073)	(754,226)	(727,965)	(854,412)	(864,355)	(823,302)	(782,495)	(732,183)
Net nonoperating expenses	(823,980)	(805,615)	(637,907)	(875,941)	1,190,884	1,196,818	(691,828)	(3,000,272)	(72,913)	298,560
Income (loss) before contributions	(2,174,754)	(2,601,613)	(110,800)	106,786	1,328,003	1,281,177	(389,040)	(2,239,509)	(2,724,620)	(1,994,858)
Capital asset contributions	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	6,520,060
Changes in net position	\$ 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	\$ 4,525,202

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
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%
2024	18.06	3.98-7.22-14.45-22.39	130.08	2.8%

Quarterly Continuing Service Charges for Residential Sewer Service				
Fiscal Year	Basic Charge	Rate per 1,000 gallons	Quarterly Total (2)	% Change
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%
2024	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

	2024			2015		
	Gallons Billed	Service Charges	Rank	Gallons Billed	Service Charges	Rank
Escalante (Sewer only)*	30,394,521	\$ 95,006	1			
Owens-Illinois*	28,733,632	209,969	2			
Historic Powhatan Resort	25,921,892	279,047	3	25,044,250	\$ 139,016	1
Vacation Village (Williamsburg Plantation)	19,428,833	181,991	4			
Williamsburg Landing	16,612,246	160,474	5	19,787,592	63,716	2
Country Village Mobile Home Park (Sewer only)	14,389,628	44,852	6			
Patriots Colony	14,035,280	131,721	7			
Marriott Ownership Resorts*	14,026,941	134,296	8	13,857,620	85,075	5
Windy Hill Trailer (Sewer only)	13,587,705	42,358	9	12,257,476	39,469	7
Williamsburg-James City Schools*	12,757,062	135,112	10	14,310,316	95,450	4
Greystone	-	-		12,804,000	80,918	6
Eastern State Hospital*	-	-		16,277,500	101,005	3
Platinum Management	-	-		12,085,000	80,606	8
Rolling Meadows	-	-		8,953,950	59,723	9
Steeplechase	-	-		8,221,250	54,836	10
Total	189,887,740	\$ 1,414,826		143,598,954	\$ 799,814	

* 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	Subscriptions	Total debt	Number of water connections	Debt per water connection
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	30,950	27,710,760	23,791	1,163.2
2023	26,327,760	80,742	22,398	26,430,900	24,047	1,094.8
2024	24,928,855	45,952	3,012,134	27,986,941	24,317	1,025.2

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
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	23,305,619	11,241,739	12,063,880	630,000	725,250	1,355,250	8.90
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
2024	26,444,282	17,276,177	9,168,105	1,382,000	691,754	2,073,754	4.42

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
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
2024	16,959,574	3,227,557	60,237,567	80,424,698

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

Table 8

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

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2015	71,015	\$5,216,840,000	59,126	4.3%
2016	72,099	5,459,563,000	60,952	3.8%
2017	73,189	5,667,509,000	62,192	3.5%
2018	74,309	5,697,923,000	61,913	2.9%
2019	75,444	5,930,913,000	63,928	2.6%
2020	76,633	6,328,548,000	67,364	7.1%
2021	78,317	7,009,723,000	73,332	3.9%
2022	78,567	7,369,663,000	75,891	2.8%
2023	79,488	**	**	2.8%
2024	80,678	**	**	**

Source:

(1) Weldon Cooper Center

(2) Data from the Bureau of Economic Analysis (<http://www.bea.gov/>); combined data for James City County and the City of Williamsburg

**Statistics not yet available

Table 9

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

	2024			2015		
	Employees	Rank	Percent of total County employment	Employees	Rank	Percent of total County employment
Williamsburg-James City County Public Schools	1000+	1	7.05%	1000+	2	4.95%
James City County	1000+	2	2.84%	500-999	4	2.32%
Busch Entertainment	500-999	3	3.10%	1000+	1	**
Eastern State Hospital	500-999	4	2.39%	500-999	3	2.79%
Wal-Mart Import Distribution Center	500-999	5	2.15%	500-999	5	0.19%
Riverside Regional Medical Center	500-999	6	2.03%			
Anheuser-Busch Inbev	500-999	7	1.51%	500-999	7	1.55%
Williamsburg Landing	250-499	8	1.14%	250-999	10	0.93%
Owens & Minor/AVID Medical	250-499	9	1.18%	250-499	8	1.55%
Ball Metal	100-249	10	0.61%			
Kingsmill Resort & Spa				250-499	6	1.55%
Jamestown-Yorktown Foundation				250-499	9	0.93%
			<u>24.00%</u>			<u>16.76%</u>

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

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

Table 10

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Administration	63	63	63	63	68	68	67	69	72	72
Water	15	15	15	17	17	17	17	19	19	19
Sewer	11	11	11	11	11	11	11	11	12	14
Total	89	89	89	91	96	96	95	99	103	105

Source: James City Service Authority Adopted Budgets.

Table 11

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water:										
New connections	388	423	464	407	292	284	310	365	256	270
Water main breaks	26	21	34	25	30	28	27	19	28	27
Sewer:										
New connections	380	447	470	414	287	290	313	358	244	265

Source: James City Service Authority, Administration Department

Table 12

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water:										
Water lines (miles)	402	407	409	410	414	414	418	418	421	423
Water customers	21,246	21,669	22,133	22,540	22,832	23,116	23,426	23,791	24,047	24,317
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	19,415	18,921	20,025	20,220	19,247	18,977	19,142	18,933	19,417	20,193
Sewer:										
Sewer lines (miles)	435	439	440	440	446	446	449	451	454	458
Gallons collected (millions)	1,897	1,863	1,971	1,987	1,898	1,879	1,901	1,882	1,923	1,978
Sewer customers	22,955	23,402	23,872	24,286	24,573	24,863	25,176	25,534	25,778	26,043

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

Source: James City Service Authority, Administration Department

Table 13

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water:										
Average Day	4.7	4.7	5.0	5.1	4.8	4.7	4.8	4.7	4.9	5.0
Average Day in Month										
of Maximum Flow	6.1	5.9	6.4	7.2	6.3	6.0	6.3	5.8	6.0	6.8
Month of Maximum Flow	July	August	August	July	July	September	July	June	September	June
Sewer:										
Average Day	5.1	5.1	5.4	5.4	5.2	5.1	5.2	5.2	5.3	5.4

Source: James City Service Authority, Administration Department

Table 14

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 2024

Virginia Jurisdiction	Water Service
City of Williamsburg	\$ 381.60
City of Norfolk	555.12
City of Newport News	456.60
City of Virginia Beach	446.40
James City Service Authority	349.92

Source: James City Service Authority

Comparison of Area Sewer Bills
Annual Consumption 60,000 Gallons as of June 2024

Virginia Jurisdiction	Sewer Service*
City of Hampton	\$ 229.44
City of Newport News	330.36
City of Virginia Beach	378.96
City of Norfolk	419.52
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
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
2024	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

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 \$425.00 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 - The wastewater service charge shall be based upon a volumetric consumption (of water) charged as follows:

	Collection
Per 1,000 gallons of water consumed	\$ 3.11
Per 100 cubic feet of water consumed	2.33

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

(b) Unmetered Water Source

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

Activity, Use	Unit	Collection-Monthly
Single-family residences	Each	\$ 14.00
Single-family mobile homes	Each	14.00
Mobile homes in parks	Each lot	12.42
Duplex, apartments, 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:

- 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.
- If a service connection previously installed by a developer exists to the applicant's property, the service connection fee is waived.
- 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. On February 1, 2024, the restoration of service charge increased to \$50 during regular Authority operating hours or \$100 outside regular Authority operating hours.

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

5. Meter Test Fee

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

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

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

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

6. Temporary service charge

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

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

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

7. Fire Connection Detector Check Meter Charge

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

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

Table 15, continued

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

F. Multiple Charges Bills

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

G. No Free Service

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

H. Plan Review Fee

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

Document	Fee
Rezoning	\$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 utilities 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 residential 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 \$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

**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, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 8, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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
November 8, 2024