

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

JAMES CITY SERVICE AUTHORITY

A Component Unit of the
County of James City, Virginia

Prepared by the Department of Financial & Management Services



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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 Year Ended
June 30, 2025

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

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INTRODUCTORY SECTION

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

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

Authority Officials
June 30, 2025

Board of Directors

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

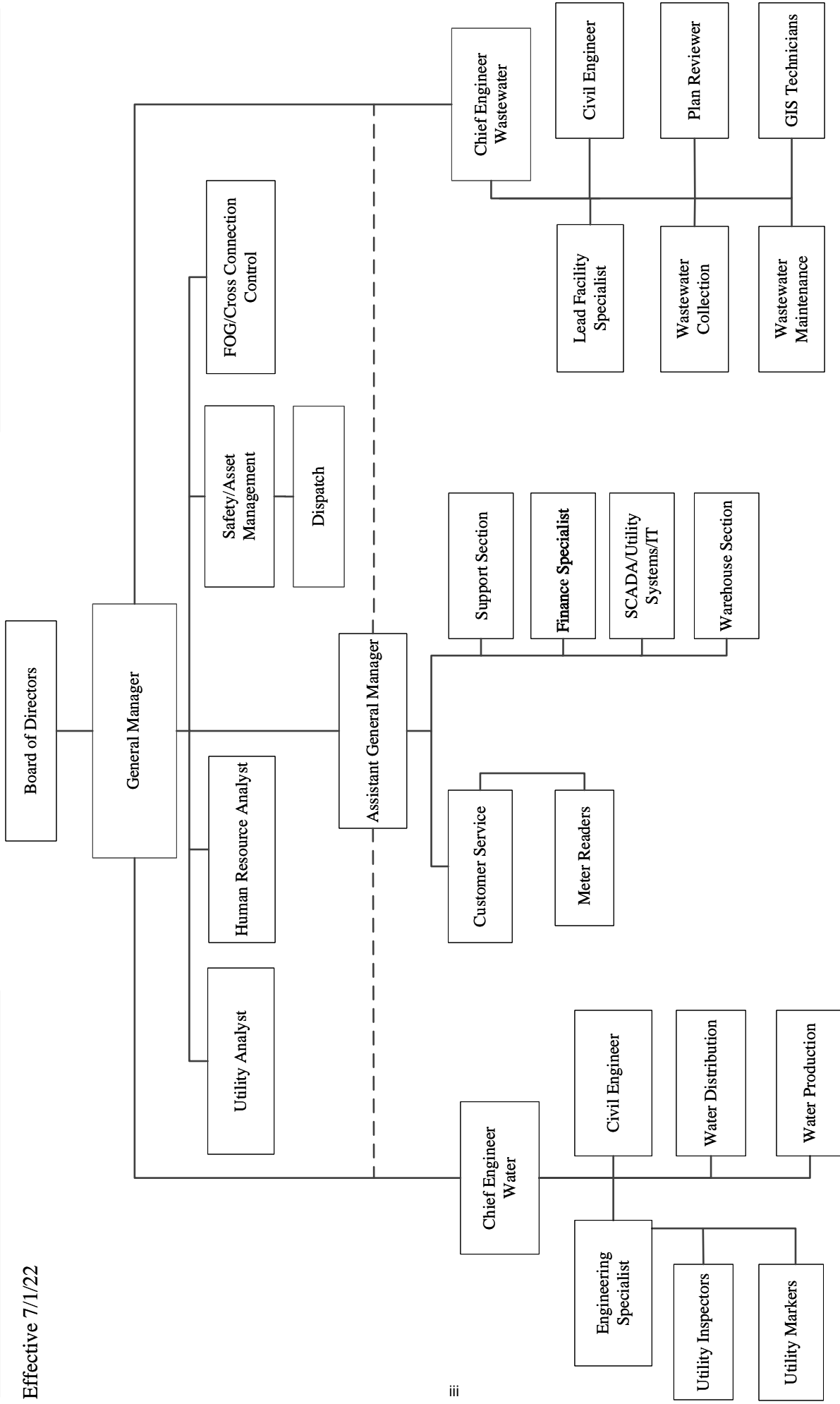
Officials

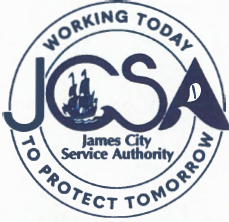
M. Douglas Powell
General Manager

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: 757-253-6800

October 31, 2025

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 year ending June 30, 2025, 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 year 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 located outside the PSA. There are approximately 428 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 5.4 million gallons of water per day to 24,606 water customers.

The JCSA's sewer system includes 77 pump stations with approximately 463 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.7 million gallons of sewage per day for 26,294 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, 2025, the JCSA had 107 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 water 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 4.6 percent from 2020 to 2024 while the Commonwealth of Virginia's population increased 1.9 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. Fiscal year 2025 rates reflected increases above the 2020 rate study multi-year plan 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 JCSA could no longer follow the multi-year rate plan and still maintain adequate reserves and debt service coverage as required by the Financial Policy and bond covenants.

The fiscal year 2025 rate increases to water and sewer service rates and water and sewer fixed charges addressed 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 increases allowed 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.

From fiscal year 2024 to fiscal year 2025, the total monthly water and sewer bill for a typical 5,000 gallons per month residential user increased by \$3.93 per month from \$46.71 to \$50.64. In fiscal year 2025 the JCSA had 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.

Maintaining reasonable rates while also saving for future investments is an on-going challenge, especially amid increased operating and capital costs caused by significant inflation over the past several years. Long range financial planning promotes affordability by spreading required increases over time to avoid sudden large rate shocks that are difficult for customers to budget for. These planning efforts increased JCSA's financial resilience by building reserves to levels required by policy and favored by credit rating agencies while 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 completed in fiscal year 2025. A cloud-based enterprise software system replaced multiple separate software systems formerly used for asset management, billing, maintenance management, and work orders. This initiative improved the level of service for JCSA customers and increased the efficiency and effectiveness of field operations, business processes, data collection, data exchange, reporting, and system upgrades. The new system includes modules for customer billing, customer information, work orders, asset management, and backflow along with a customer self-service portal.

Another major technology project completed in fiscal year 2025 was implementation of data visualization software that uses information from the Supervisory Control and Data Acquisition (SCADA) communication and industrial control system to improve identification and diagnosis of water and sewer system capacity and pressure issues.

Major infrastructure and facilities projects completed in fiscal year 2025 include replacement of 710 feet of 16 inch water main on the Jack L. Massie Bridge on Route 199 at College Creek; well replacement in the Wexford Hills independent water system; substantial rehabilitation of Lift Station 2-4 that has the third highest wastewater flows

in JCSA's wastewater collection system and serves the Windy Hills Mobile Home Park, the Virginia Peninsula Regional Jail, and the Merrimac Juvenile Detention Center; engineering design for pump replacement and building structural upgrades for Lift station 6-2 serving Forest Heights; and HVAC replacement at the JCSA Operations Center.

The fiscal year 2025 budget included a \$528,000 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.

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 2025 to address this challenge were a 3% salary increase effective July 1, 2024 and a new stepped pay plan effective January 1, 2025. The new step plan 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 - Major compliance efforts in 2025 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. The corrosion control project completed in 2024 consisted of equipment upgrades at well facilities to optimize treatment processes by adding corrosion inhibitor that protects both JCSA and customer pipes. A FFWTP building addition containing corrosion control chemical storage and a shop was completed in fiscal year 2025.

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 2025 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.

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. 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.

A FOG (fats, oils, and grease) inspector position created in fiscal year 2025 is dedicated to resource protection by reducing sewer backups and overflows that can cause health hazards and damage homes and the environment. This position performs 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.

Water conservation and resource protection initiatives continuing in fiscal year 2025 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.

Sustainable Long-Term Water Supply - 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. A possible solution is 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 corresponding rate model to plan and pay for these investments. A full rate study was conducted in fiscal year 2025 to update the Authority's strategy to build dedicated funding and reduce possible future borrowing costs of water sourcing solutions.

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, 2024. This was the fortieth 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 annual comprehensive 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 2025 Adopted Budget. This was the fourth 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, 2024

Christopher P. Morill

Executive Director/CEO

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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 year ended June 30, 2025 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, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025, 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.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Richmond, Virginia
October 28, 2025

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2025

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 year ended June 30, 2025. The information presented in this section should be read in conjunction with the letter of transmittal, which begins on page iv. Prior year information, to the extent presented here, is provided for comparative purposes only.

Financial Highlights

- ◆ The Authority's total net position was \$199,890,033 at June 30, 2025.
- ◆ Capital assets increased by 0.5% in 2025 from 2024, primarily attributable to the dedication of water and sewer systems. For fiscal year 2025, there was formal acceptance of 8 new water system dedications and 9 new sewer system dedications.
- ◆ The Authority's total operating revenues increased by 4.1% in 2025 from 2024. This change was primarily due to an increase in water and sewer service rates and water and sewer fixed charges.
- ◆ The Authority's total operating expenses before depreciation and amortization increased by 8.5% in 2025 from 2024. This change primarily related to the interior and exterior maintenance painting of a 1.25 million-gallon elevated water storage tank and a new stepped pay plan implemented in fiscal year 2025. In addition, the Authority implemented a new accounting standard, discussed further below, which increased personnel costs.
- ◆ In fiscal year 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*, which resulted in a restatement of net position as of June 30, 2024 from \$196,380,464 to \$195,692,526. Prior year information provided here remains as originally presented and does not reflect this restatement. Additional information on this new standard and the restatement is provided in Notes 1 and 13.

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 statement of net position, statement of revenues, expenses, and changes in net position, statement 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 *Statement of Net Position* presents information on the Authority's (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources as of June 30, 2025, with the difference between the two reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents 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 *Statement of Cash Flows* supplements 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 year.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress in funding its obligation to provide pension and other postemployment benefits to its employees. The required supplementary information begins on page 42.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2025

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

	<u>6/30/2025</u>	<u>6/30/2024</u>
Current and other assets	\$ 68,531,519	\$ 65,652,455
Capital assets	164,705,976	163,966,757
Total assets	<u>233,237,495</u>	<u>229,619,212</u>
Deferred outflows	2,261,904	2,162,663
Total assets and deferred outflows	<u>\$ 235,499,399</u>	<u>\$ 231,781,875</u>
Current liabilities	\$ 6,536,980	\$ 6,200,915
Noncurrent liabilities	27,274,903	28,426,186
Total liabilities	<u>33,811,883</u>	<u>34,627,101</u>
Deferred inflows	1,797,483	774,310
Net position:		
Net investment in capital assets	139,280,644	136,949,396
Restricted	887,357	889,575
Unrestricted	59,722,032	58,541,493
Total net position	<u>199,890,033</u>	<u>196,380,464</u>
Total liabilities, deferred inflows and net position	<u>\$ 235,499,399</u>	<u>\$ 231,781,875</u>

During the current fiscal year, the unrestricted net position increased by \$1,180,539 from 2024, to \$59,722,032. The largest portion of the Authority's net position at June 30, 2025 (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, 2025 (29.9%) may be used to meet the Authority's ongoing obligations.

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

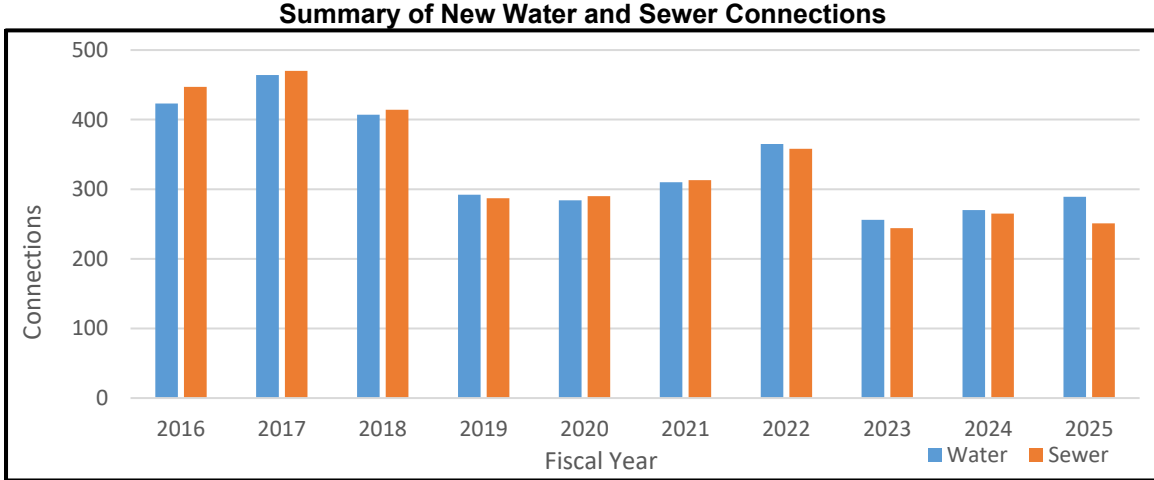
**Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Year Ended**

	<u>6/30/2025</u>	<u>6/30/2024</u>
Water and sewer services	\$ 21,737,960	\$ 20,244,598
Facility charges	2,213,890	2,845,645
Other	611,696	508,287
Total operating revenues	<u>24,563,546</u>	<u>23,598,530</u>
Operating expenses	18,745,215	17,276,177
Depreciation and amortization	9,089,417	8,615,771
Total expenses	<u>27,834,632</u>	<u>25,891,948</u>
Other non-operating revenues (expenses), net	1,797,268	298,560
Loss before capital contributions	(1,473,818)	(1,994,858)
Capital contributions	5,671,325	6,520,060
Change in net position	4,197,507	4,525,202
Net position, beginning of year, as restated	<u>195,692,526</u>	<u>191,855,262</u>
Net position, end of year	<u>\$ 199,890,033</u>	<u>\$ 196,380,464</u>

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In fiscal year 2025, water and sewer service revenue increased by 7.4% over 2024, primarily due to an increase in water and sewer service rates and water and sewer fixed charges. There was a decrease in facility charges of (22.2%) during 2025, as 2024 included two new large apartment complexes. The Authority received \$286,476 in proffers from developers to fund capital improvements, which was an increase of 88.8% from the previous year.

The Authority's net position increased by \$4,197,507 in 2025, which was primarily due to capital asset contributions.



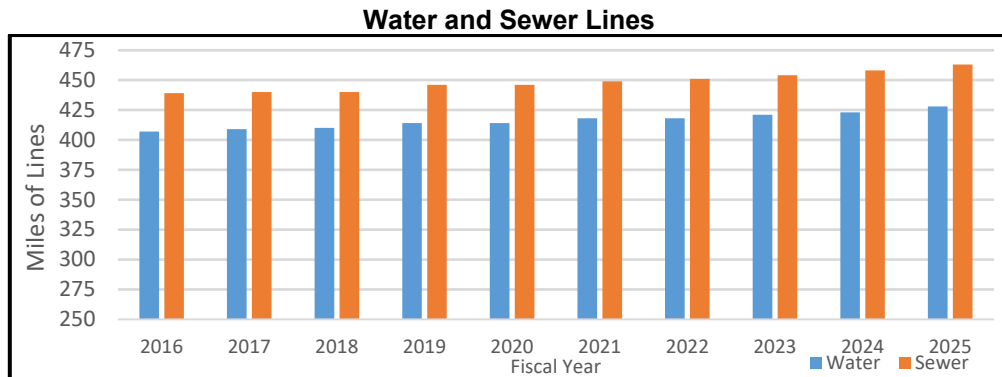
Capital Assets

The following table summarizes the Authority's capital assets at June 30, 2025 and 2024:

Summary of Capital Assets, Net

	<u>6/30/2025</u>	<u>6/30/2024</u>
Utility plant	\$ 308,429,638	\$ 295,844,258
Nonutility plant	17,506,635	16,560,658
Intangible assets	25,091,741	25,091,741
Right-to-use lease assets	61,868	61,868
Right-to-use subscription assets	4,013,933	4,063,983
Construction in progress	3,716,050	9,078,572
Less accum. depreciation and amortization	194,113,889	186,734,323
Net capital assets	<u>\$ 164,705,976</u>	<u>\$ 163,966,757</u>

At June 30, 2025, the Authority had \$164,705,976 invested in a broad range of capital assets. This was an increase of \$739,219, which was primarily from dedications of water and sewer systems. Further information on the Authority's capital assets can be found in Note 3 to these financial statements.



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Debt Administration

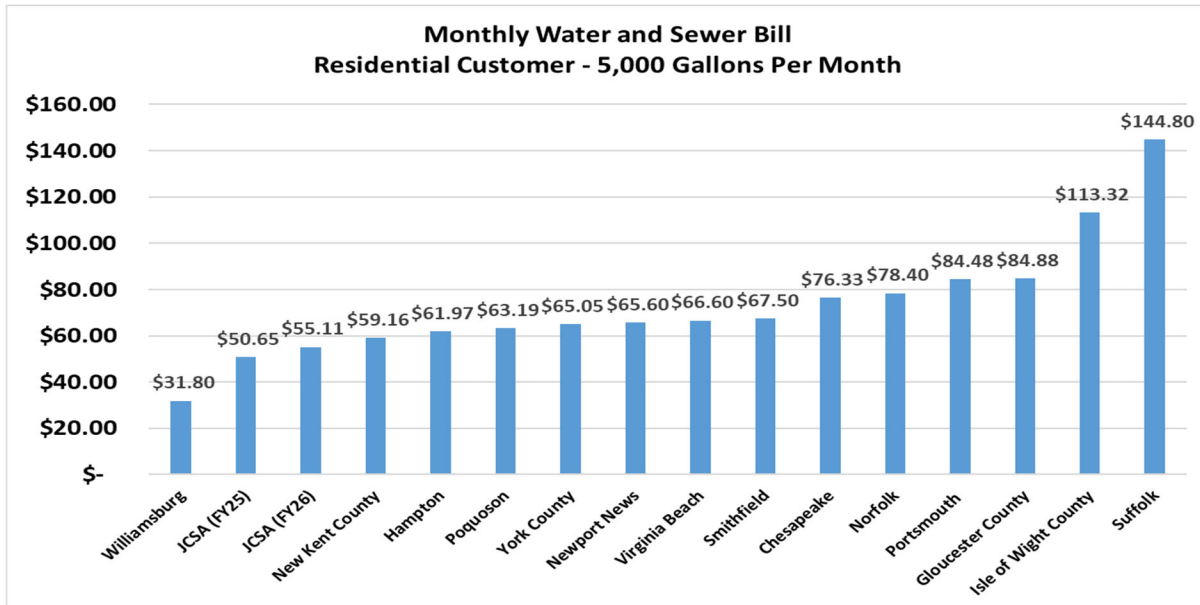
At the close of the fiscal year 2025, the Authority's total outstanding bonded debt was \$22,535,000 (before premiums). Further information on the Authority's outstanding debt can be found in Note 5 to these financial statements.

Economic Factors and Next Year Budgets and Rates

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.

A comprehensive rate study was completed in 2025 in keeping with the Authority's Financial Policy requirement for such a study every five years. As recommended in the rate study, the fiscal year 2026 budget includes changes to the water service rates and the water and sewer fixed charges designed to maintain adequate revenue and reserves amid increased operating and capital costs from recent significant inflation and continued decreases in water usage. To promote affordability and avoid sudden large one-time rate increases, the rate study plan spreads required increases over a multi-year period. 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 and plastic pipe. The service rate and fixed charge increases allow the Authority to cover higher 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 single family residential user increases by \$4.46 per month from \$50.65 to \$55.11. The water portion of the bill increases by \$2.96 from \$31.94 to \$34.90 and the sewer portion increases by \$1.50 from \$18.71 to \$20.21. The Authority currently has the second lowest monthly combined water and sewer bill among the 15 Hampton Roads localities shown in the graph below.



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The 2025 rate study also recommended changes to the water and sewer system facility fees, last updated five years ago during the 2020 comprehensive rate study. Facility fees are charged to new development in JCSA’s service area to cover the cost of system expansion so that “growth pays for growth.” System facility fees are assessed for major backbone infrastructure. The fee updates reflect the cost of system infrastructure or “capacity” in current dollars. System facility fees for the new connection of a typical single family residence to water and sewer service increase by \$1,055 from \$6,802 to \$7,857.

The fiscal year 2026 budget reflects JCSA’s continuing commitment to provide reliable and affordable water and sewer services to protect public health today and promote operational and financial sustainability for tomorrow by proactively responding to the following seven major issues currently facing the JCSA.

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

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 short 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 2025 rate study proposed relatively equal annual increases spread over a five-year period.

Typical Single Family Residential Monthly Bill Impact	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Water Bill (5,000 Gallons Per Month)	\$ 31.94	\$ 34.90	\$ 37.96	\$ 40.28	\$ 41.50	\$ 42.74
Sewer Bill (5,000 Gallons Per Month)	\$ 18.71	\$ 20.21	\$ 21.71	\$ 24.01	\$ 27.31	\$ 30.66
Total Water and Sewer Bill	\$ 50.65	\$ 55.11	\$ 59.67	\$ 64.29	\$ 68.81	\$ 73.40
\$ Change		\$ 4.46	\$ 4.56	\$ 4.62	\$ 4.52	\$ 4.59

The budget includes the creation of a Rate Stabilization Reserve to manage unexpected revenue shortfalls and unexpected expenses and minimize the need for sudden rate increases. The minimum target balance for the Reserve is five percent of projected annual water and sewer retail service charges which for 2026 is \$1,103,250, split as \$735,000 for water and \$368,250 for sewer. The initial appropriation provides 50% of the target balance with the remainder planned for next year’s budget.

The JCSA pursues applicable grant opportunities to promote affordability and received a \$2.49 million community grant from the US Environmental Protection Agency for water and sewer pipe replacements to be completed over several years in the Lake Toano Estates and Church Lane areas of Toano.

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 82 percent or \$5.8 million of JCSA’s \$7.1 million CIP consists of investments to replace aging infrastructure and equipment. Major CIP projects to improve reliability are replacement of aging water infrastructure in Lake Toano Estates and near the Recreation Center.

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The Lake Toano Estates project consists of upsizing and replacing 3,300 feet of 1970s era 4" PVC water main and associated service lines and fire hydrants. The Recreation Center project consists of rerouting and replacing 3,500 feet of 12" water main to improve redundancy and service level to surrounding customers. A production well will be replaced in the Ware Creek Manor independent water system to improve reliability and a second well will be drilled in the Glenwood independent water system to improve redundancy. On the sewer side, lift station renovations continue in Forest Heights and on Depot Street in Toano along with gravity pipe replacements at lift stations along Jamestown Road and John Tyler Highway. Information technology equipment upgrades include replacement of computer servers and the communication input/output cards used in the SCADA (Supervisory Control and Data Acquisition) system that monitors and controls JCSA's 108 remote water production and sewer collection facilities.

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 \$500,000 towards the approximately \$8.6 million target balance in the JCSA's Repair and Replacement Reserve, bringing the total balance at the beginning of fiscal year 2026 to \$2.8 million or 33% of the target. This reserve promotes infrastructure asset management by funding unexpected repairs and planned replacement activity to maintain current levels of service.

Managing Demand from Growth - The JCSA serves a rapidly growing community. As estimated by the Weldon Cooper Center, Virginia's population increased 1.9% from the 2020 census to 2024 while James City County grew 4.6% from 78,254 to 81,826 residents in this same period. The Center estimates 2020-2030 population growth for Virginia at 5.6% and the County at 12.7% or 88,216 residents by 2030.

The Advanced Metering Infrastructure (AMI) CIP project will help manage a growing customer base by providing real time meter data via remote collectors, reducing the number of drive-by meter routes required for monthly billing. Real time data will help customers and staff detect leaks sooner and promote conservation. AMI is planned as a multi-year project.

Given that growth occurs in concentrated areas such as large residential subdivisions spread through JCSA's service area, the associated increase in demand has the potential to create capacity and pressure issues at individual water production wells and sewer lift stations. The budget includes funding for further development and annual maintenance of data visualization software, initially installed in March 2025, that uses data from the SCADA (Supervisory Control and Data Acquisition) system to improve identification and diagnosis of water and sewer system capacity and pressure issues.

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. Given that 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.

Continuing water conservation and resource protection initiatives include an increasing block water rate structure promoting water conservation using a unit charge that increases with higher consumption, the popular rebate program for water efficient appliances, and an increase in the CIP budget funding for maintaining and rehabilitating sewer infrastructure to prevent sanitary sewer overflows.

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.

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The Sewer Fund CIP and 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 Consent Order 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.

In anticipation of future requirements contained in the Lead and Copper Rule, JCSA completed a corrosion control project in fiscal year 2025 consisting of building and equipment upgrades at 9 well facilities to optimize treatment processes by adding corrosion inhibitor that protects JCSA and customer infrastructure. The fiscal year 2026 operating budget includes funding for additional chemicals required for this corrosion control program, increased sampling required by the Lead and Copper Rule, and water quality analysis activities required as the water system grows.

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. Solutions include promoting conservation with new budget actions like Advanced Metering Infrastructure (AMI) and continuing practices such as the increasing block water rates and every other day irrigation from May 1-September 30; 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) project 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 creates long range financial forecasts 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 the annual update to the rate model to continually refine 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.

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.

Major initiatives to address this challenge are a 3% salary increase effective July 1, 2025 with an estimated cost of \$234,000 and a stepped pay plan providing regularly scheduled wage increases throughout an employee's career in addition to annual cost-of-living increases. The step plan has an estimated cost of \$108,000 and 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. A new initiative is \$107,000 for a Retirement Health Reimbursement Account providing reimbursement for qualified medical expenses and premiums during retirement for eligible employees.

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 James City Service Authority, 119 Tewning Road, Williamsburg, Virginia 23188.

BASIC FINANCIAL STATEMENTS

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statement of Net Position
June 30, 2025

Assets

Current assets:	
Cash and cash equivalents (Note 2)	\$ 39,554,490
Investments (Note 2)	21,676,539
Restricted cash and cash equivalents (Note 2)	887,357
Accounts receivable, customers, net of allowance	3,280,665
Lease receivable, current portion (Note 11)	78,412
Accounts receivable, other	17,773
Interest receivable	52,818
Lease interest receivable (Note 11)	2,526
Inventories	2,124,476
Total current assets	<u>67,675,056</u>
Noncurrent assets:	
Lease receivable, net of current portion (Note 11)	856,463
Capital assets (Note 3):	
Non-depreciable	6,407,549
Depreciable	<u>158,298,427</u>
Net capital assets	<u>164,705,976</u>
Total assets	<u>233,237,495</u>

Deferred Outflows of Resources

Deferred charge on refunding, net (Note 5)	1,129,878
Deferred pension (Note 6)	984,057
Deferred OPEB (Note 7)	147,969
Total deferred outflows of resources	<u>2,261,904</u>
Total assets and deferred outflows of resources	<u>\$ 235,499,399</u>

Liabilities

Accounts payable, trade	\$ 1,287,498
Retainage payable	264,905
Accrued salaries	24,609
Due to James City County	1,465,364
Deposits	696,804
Interest payable	296,189
Lease and subscription interest payable (Notes 11 and 12)	61,630
Long-term liabilities (Note 5)	
Due within one year	2,439,981
Due in more than one year	<u>27,274,903</u>
Total liabilities	<u>33,811,883</u>

Deferred Inflows of Resources

Deferred pension (Note 6)	644,723
Deferred lease (Note 11)	987,174
Deferred OPEB (Note 7)	165,586
Total deferred inflows of resources	<u>1,797,483</u>

Net Position

Net position:	
Net investment in capital assets	139,280,644
Restricted for debt service	887,357
Unrestricted	<u>59,722,032</u>
Total net position	<u>199,890,033</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 235,499,399</u>

See accompanying notes to basic financial statements.

Exhibit 2

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2025

Operating revenues:	
Water and sewer services	\$ 21,737,960
Facility charges	2,213,890
Water supply proffers	286,476
Lease revenue (Note 11)	49,231
Other	275,989
Total operating revenues	<u>24,563,546</u>
Operating expenses:	
Personnel services	10,342,342
Operating supplies	2,089,746
Maintenance	3,221,385
Utilities	1,289,281
Contractual fees	1,442,009
Bad debt expense	93,872
Other	266,580
Total operating expenses	<u>18,745,215</u>
Operating income before depreciation and amortization	5,818,331
Depreciation and amortization (Note 3)	<u>9,089,417</u>
Operating loss	<u>(3,271,086)</u>
Nonoperating revenues (expenses):	
Investment income	3,052,082
Loss on disposal of capital assets (Note 3)	(562,283)
Interest expense	(692,531)
Net nonoperating revenues	<u>1,797,268</u>
Loss before capital contributions	(1,473,818)
Capital asset contributions	<u>5,671,325</u>
Changes in net position	<u>4,197,507</u>
Net position, beginning of year, as previously presented	196,380,464
Restatement - change in accounting principle	(687,938)
Net position, beginning of year, as restated	<u>195,692,526</u>
Net position, end of year	<u>\$ 199,890,033</u>

See accompanying notes to basic financial statements.

JAMES CITY SERVICE AUTHORITY
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Statement of Cash Flows
Year ended June 30, 2025

Cash flows from operating activities:	
Cash received from customers	\$ 22,261,719
Other cash receipts	611,696
Cash payments to suppliers for goods and services	(8,314,097)
Cash payments for personnel services	(10,121,547)
Facility charges	2,213,890
Net cash provided by operating activities	<u>6,651,661</u>
Cash flows from capital and related financing activities:	
Repayments of debt	(1,382,000)
Payment of lease liabilities	(12,162)
Payment of subscription liabilities	(210,084)
Interest paid	(667,010)
Acquisition and construction of capital assets	(4,796,332)
Proceeds from sale of capital assets	43,246
Net cash used in capital and related financing activities	<u>(7,024,342)</u>
Cash flows from investing activities:	
Purchases of investments	(1,431,238)
Proceeds from sale of investments	14,765,318
Lease payments received	103,620
Interest received	1,455,711
Net cash provided by investing activities	<u>14,893,411</u>
Increase in cash and cash equivalents	14,520,730
Cash and cash equivalents, end of year (including \$889,583 restricted cash)	<u>25,921,117</u>
Cash and cash equivalents, end of year (including \$887,357 restricted cash)	<u>\$ 40,441,847</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (3,271,086)</u>
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation and amortization	9,089,417
Pension expense, net of employer contributions	137,230
OPEB expense, net of employer contributions	(60,943)
Lease income	(49,231)
Change in operating assets and liabilities:	
Accounts receivable, customers	756,539
Accounts receivable, others	14,130
Inventories	(127,677)
Accounts payable, trade	160,553
Retainage payable	28,428
Accrued salaries	(18,599)
Compensated absences	163,157
Due to James City County	76,703
Due to Commonwealth	(50)
Deposits	(246,910)
Total adjustments	<u>9,922,747</u>
Net cash provided by operating activities	<u>\$ 6,651,661</u>
Supplemental schedules:	
Noncash capital activities:	
Capital asset contributions	\$ 5,671,325
Proceeds from sale included in accounts receivable	4,788
Total noncash capital activities	<u>\$ 5,676,113</u>
Noncash investing activity:	
Unrealized gain from change in fair value of investments	\$ 1,332,395
Initiation of a lease receivable	873,690
Total noncash capital activities	<u>\$ 2,206,085</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, 2025

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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement 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, 2025

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

In fiscal year 2025, the Authority implemented a new write-off policy related to uncollectible accounts and established an allowance for doubtful accounts in the amount of \$43,730 at June 30, 2025 to recognize estimates related to bad debt. The Authority calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The balance of customer accounts receivable on the statement of net position is presented net of this allowance.

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

The Authority's policy is to capitalize capital assets as indicated in the table below. 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:

<u>Capital Asset</u>	<u>Capitalize at Value</u>	<u>Useful Life</u>
Land	All	Indefinite
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
Right-to-use subscription assets	50,000	2-14
Buildings	50,000	40
Right-to-use leases - buildings	50,000	5
Water systems	50,000	30
Sewer systems	50,000	40

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 statement of revenues, expenses, and changes in net position.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

1) Organization and Summary of Significant Accounting Policies, Continued

Unbilled Revenue

The Authority records the amount of accrued, but unbilled revenue by prorating actual subsequent billings. Amounts accrued, but unbilled were approximately \$1,998,000 at June 30, 2025, and are included in Accounts receivable, customers, net of allowance on the statement 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, 2025, there were two supplemental appropriations as follows: (1) \$47,000 for a leave payout for staff and (2) \$2,490,000 for an Environmental Protection Agency grant for water and sewer infrastructure improvements in Toano.

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.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then. Deferred inflows represent an acquisition of net assets that applies to future periods and, therefore, will not be recognized as an inflow of resources until that time. The Authority has the following items that qualify for reporting in these categories:

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

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1) Organization and Summary of Significant Accounting Policies, Continued

Bond Premiums and Discounts

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

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, 2025 were as follows:

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	\$ 10,000	\$ 53,552,621
Business interruption/extra expense	N/A	\$ 3,000,000
Inland marine	\$ 1,000	\$ 1,361,812
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	\$ 812,555
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.

Estimates

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

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2025

1) Organization and Summary of Significant Accounting Policies, Continued

Leases

Lessee: The Authority is a lessee for a non-cancellable lease of a building. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Authority recognizes lease liabilities with an initial, individual value of \$10,000 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 non-cancellable period of the lease. In addition, the likelihood of any extension, renewal, or termination option is assessed in determining the lease term. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Authority is a lessor for non-cancellable leases of property. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement 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 non-cancellable 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.

Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has entered into certain SBITAs. SBITAs are identified as a contract that conveys control of the right to use a SBITA vendor's information technology (IT) software, alone or in combination with tangible capital assets, as specified for a contract period of time in an exchange or exchange-like transaction. A contract conveys control of the right to use the underlying IT asset if it has both of the following: (1) the right to obtain present service capacity from the use of the underlying IT asset and (2) the right to determine the nature and manner of use of the underlying IT asset.

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Notes to Financial Statements
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1) Organization and Summary of Significant Accounting Policies, Continued

The Authority recognizes a subscription liability and an intangible right-to-use subscription asset in the Statement of Net Position at the commencement of the subscription term. Commencement of the subscription occurs when the initial implementation state is completed, and the asset is placed in service. The Authority recognizes subscription liabilities with an initial, individual value of \$50,000 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.

The Authority uses the same key estimates, judgments, and monitoring of changes in circumstances for SBITAs as leases. Right-to-use subscription assets are reported with other depreciable capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

Adoption of New Accounting Statement

For fiscal year 2025, the Authority implemented Governmental Accounting Standards Board's (GASB) Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences, aligning that guidance under a unified model, and amending certain previously required disclosures. The unified recognition and measurement model in this statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences: annual leave, paid time off, compensatory time earned, and sick leave. The liability for compensated absences is reported as incurred in the Statement of Net Position and includes salary-related benefits.

The Authority's policies regarding the qualifying types of leave are as follows:

- **Annual Leave:** The Authority's policy permits eligible employees to accumulate earned but unused annual leave up to the amount of leave that can be earned by an employee in a two-year period. Any excess above that annual maximum is forfeited. Upon separation of employment from the Authority, employees receive the monetary equivalent of their accrued annual leave up to the annual maximum.
- **Paid Time Off:** The Authority's policy permits eligible employees to accumulate earned but unused paid time off up to the amount of leave that can be earned in one and a half years. Any excess above that annual maximum is forfeited. Upon separation of employment from the Authority, employees receive the monetary equivalent of their accrued paid time off up to the annual maximum.
- **Compensatory Time Earned:** The Authority's policy permits eligible employees to accumulate earned but unused compensatory time in lieu of overtime pay up to a maximum of 240 hours. For compensatory time earned during a fiscal year, employees receive the monetary equivalent for the balance of compensatory time that remains unused by September 30 of the following fiscal year.

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
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1) Organization and Summary of Significant Accounting Policies, Continued

- **Sick Leave:** The Authority's policy permits eligible employees to accumulate earned but unused sick leave with no maximum limit to the amount of sick leave that may be accrued. Upon separation of employment from the Authority, employees receive a monetary payment based on their sick leave balance up to maximum amounts that vary based on years of service.

Further information on the Authority's compensated absences can be found in note 5.

2) Cash, Cash Equivalents, and Investments

The Authority's cash, cash equivalents, and investments at June 30, 2025, consisted of the following:

Bank deposits	\$	654,471
Petty cash		800
Money market		965,302
Investments, LGIP*		38,821,274
Investments, other		21,676,539
Total	\$	<u>62,118,386</u>

Reconciliation to Statements of Net Position:

Cash and cash equivalents	\$	39,554,490
Investments		21,676,539
Restricted cash and cash equivalents		887,357
Total	\$	<u>62,118,386</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.

The Authority's investments measured at fair value at June 30, 2025, were as follows:

Investment Type	Cost	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 17,214,913	\$ 17,201,513	\$ -	\$ 17,201,513	\$ -
Federal agency mortgage security	752,780	712,752	-	712,752	-
Federal agency notes and bonds	501,093	522,501	-	522,501	-
Corporate notes and bonds	1,739,108	1,755,457	-	1,755,457	-
Fed. agency comm. mortgage ob.	1,316,286	1,337,362	-	1,337,362	-
Fed. agency coll. mortgage ob.	151,221	146,954	-	146,954	-
Total	<u>\$ 21,675,401</u>	<u>\$ 21,676,539</u>	<u>\$ -</u>	<u>\$ 21,676,539</u>	<u>\$ -</u>

Investment Type	Amount	Investment maturity (in years)		
		Less than 1	1-2	2-15
U.S. Treasury securities	\$ 17,201,513	\$ 10,129,606	\$ 6,336,614	\$ 735,293
LGIP*	38,821,274	38,821,274	-	-
Money Market*	965,302	965,302	-	-
Federal agency notes and bonds	522,501	-	522,501	-
Federal agency mortgage security	712,752	-	-	712,752
Corporate notes and bonds	1,755,457	1,513,253	242,204	-
Fed. agency comm. mortgage ob.	1,337,362	284,210	544,726	508,426
Fed. agency coll. mortgage ob.	146,954	-	-	146,954
Total	<u>\$ 61,463,115</u>	<u>\$ 51,713,645</u>	<u>\$ 7,646,045</u>	<u>\$ 2,103,425</u>

*LGIP and Money Market balances above include restricted cash equivalents of \$887,357 for fiscal year 2025.

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2025

2) Cash, Cash Equivalents, and Investments, Continued

Investment Policy

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

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

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
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Notes to Financial Statements
June 30, 2025

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, 2025, the Authority's investments rated by Standard & Poor's were as follows:

	Unrated	AAA	AA+	AA	AA-	A+
Money market funds	\$ 887,357	\$ 77,945	\$ -	\$ -	\$ -	\$ -
LGIP	-	38,821,274	-	-	-	-
U.S. Treasury securities	-	-	17,201,513	-	-	-
Federal agency notes/bonds	-	-	522,501	-	-	-
Corporate notes/bonds	-	531,554	-	159,821	485,197	578,885
Federal agency mrtge. security	-	-	712,752	-	-	-
Fed. agency comm. mrtge. ob.	-	-	1,337,362	-	-	-
Fed. agency coll. mrtge. ob.	-	-	146,954	-	-	-
Total	<u>\$ 887,357</u>	<u>\$ 39,430,773</u>	<u>\$ 19,921,082</u>	<u>\$ 159,821</u>	<u>\$ 485,197</u>	<u>\$ 578,885</u>

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, 2025, the portions of the Authority's portfolio (excluding restricted investments) that exceeded 5% of the total were:

<u>Issuer</u>	<u>% of Portfolio</u>
LGIP	64.1%
U.S. Treasury	28.4%

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, 2025, all of the Authority's investments were held in a bank's trust department in the name of James City Service Authority.

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Notes to Financial Statements
June 30, 2025

3) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>
Capital assets not being depreciated:				
Utility plant:				
Land	\$ 971,458	\$ -	\$ -	\$ 971,458
Nonutility plant:				
Land	1,699,141	20,900	-	1,720,041
Construction in progress	9,078,572	4,268,036	9,630,558	3,716,050
Total capital assets not being depreciated	<u>11,749,171</u>	<u>4,288,936</u>	<u>9,630,558</u>	<u>6,407,549</u>
Capital assets being depreciated/amortized:				
Utility plant:				
Water and sewer systems	294,872,800	14,594,792	2,009,412	307,458,180
Nonutility plant:				
Land improvements (depreciable)	47,525	-	-	47,525
Central shop	6,376,785	222,346	-	6,599,131
Right-to-use lease asset - building	61,868	-	-	61,868
Office fixtures and equipment	4,340,582	297,168	108,903	4,528,847
Right-to-use subscription asset	4,063,983	-	50,050	4,013,933
Automotive equipment	3,838,879	691,593	177,127	4,353,345
Infrastructure	257,746	-	-	257,746
Intangible:				
Water rights	25,000,000	-	-	25,000,000
Software	91,741	-	-	91,741
Total capital assets being depreciated/amortized	<u>338,951,909</u>	<u>15,805,899</u>	<u>2,345,492</u>	<u>352,412,316</u>
Less accumulated depreciation/amortization:				
Water and sewer systems	170,036,865	7,394,886	1,411,974	176,019,777
Land improvements	4,951	2,376	-	7,327
Central shop	2,044,100	195,572	-	2,239,672
Right-to-use lease asset - building	16,498	12,374	-	28,872
Office fixtures and equipment	1,988,450	235,009	99,187	2,124,272
Right-to-use subscription asset	136,384	338,855	21,563	453,676
Automotive equipment	3,024,758	251,102	177,127	3,098,733
Infrastructure	21,139	9,707	-	30,846
Water rights	9,427,165	631,331	-	10,058,496
Software	34,013	18,205	-	52,218
Total accumulated depreciation/amortization	<u>186,734,323</u>	<u>9,089,417</u>	<u>1,709,851</u>	<u>194,113,889</u>
Total capital assets being depreciated/amortized, net	<u>152,217,586</u>	<u>6,716,482</u>	<u>635,641</u>	<u>158,298,427</u>
Total capital assets, net	<u>\$ 163,966,757</u>	<u>\$ 11,005,418</u>	<u>\$ 10,266,199</u>	<u>\$ 164,705,976</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, 2025, advances for construction consisted of:

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

JAMES CITY SERVICE AUTHORITY
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Notes to Financial Statements
June 30, 2025

5) Long-Term Liabilities

The Authority's long-term debt activity for the fiscal year ended June 30, 2025, was as follows:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025	Due within one year
Refunding revenue bonds	\$ 16,980,000	\$ -	\$ 820,000	\$ 16,160,000	\$ 855,000
Revenue bonds	6,937,000	-	562,000	6,375,000	575,000
Premium, refunding revenue bonds	1,011,855	-	63,906	947,949	63,906
Lease liability	45,952	-	12,162	33,790	12,437
Subscription liability	3,012,134	-	238,568	2,773,566	186,512
Net pension liability	1,364,244	33,084	-	1,397,328	-
Net retiree healthcare OPEB liability	250,687	17,273	-	267,960	-
Net GLI OPEB liability	300,548	-	21,567	278,981	-
Net HIC OPEB liability	25,204	-	11,628	13,576	-
Advances for construction	32,902	-	-	32,902	-
Compensated absences, as restated*	1,270,675	163,157	-	1,433,832	747,126
Total	<u>\$ 31,231,201</u>	<u>\$ 213,514</u>	<u>\$ 1,729,831</u>	<u>\$ 29,714,884</u>	<u>\$ 2,439,981</u>

*The balance of compensated absences as of June 30, 2024 reflects a restatement due to the implementation of GASB Statement No. 101, *Compensated Absences*. Additional information on this restatement can be found in Note 13. The change in compensated absences for fiscal year 2025 is a net change for the year.

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 \$17,385,000 at June 30, 2025 is considered defeased, and the liability for those bonds has been removed from the statement 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 \$1,129,878 at June 30, 2025. The advance refunding reduced its total debt service payments over 24 years by \$6,956,051 to obtain an economic gain of \$3,548,748. The refunding revenue bonds mature in various installments through 2040 with interest payable semiannually.

In May 2020, the Authority issued revenue bonds totaling \$9,135,000 to finance the upgrade, repair, and replacement of a portion of the Authority's water distribution system and pay for the costs of issuance associated with the bonds. The interest rate on the bonds is 2.264%, with a maturity date of January 15, 2035. The amount of the revenue bonds outstanding is \$6,375,000 as of June 30, 2025 and is reflected on the statement of net position.

The debt service requirements on the Authority's bonds are as follows:

Year Ended June 30	Refunding Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	975,000	376,050	629,000	90,446
2031-2035	5,350,000	1,422,600	3,366,000	232,058
2036-2040	6,210,000	569,700	-	-
Total	<u>\$ 16,160,000</u>	<u>\$ 4,166,250</u>	<u>\$ 6,375,000</u>	<u>\$ 820,516</u>

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5) Long-Term Liabilities, Continued

Compensated Absences

Compensated absences consist of earned but unused vacation, sick leave, paid time off, compensatory time (when applicable), and salary-related benefits. At June 30, 2025, the balance consisted of the following:

Vacation	\$	392,524
Sick		756,056
Paid-time off		178,558
Salary-related benefits		<u>106,694</u>
Total	\$	<u><u>1,433,832</u></u>

6) Pensions

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.

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.

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>.

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6) Pensions, Continued

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Numbers
Inactive members or their beneficiaries	
currently receiving benefits	66
Inactive members:	
Vested inactive members	17
Non-vested inactive members	49
Active elsewhere in VRS	40
Total inactive members	106
Active members	96
Total covered employees	268

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 year ended June 30, 2025, was 6.43% of covered employee compensation. This rate was based on actuarially determined rates from an actuarial valuation as of June 30, 2023. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$447,479 and \$368,602 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$34,580 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$44,856 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$3,457,960 for the year ended June 30, 2025.

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. For the Authority, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

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6) Pensions, Continued

Actuarial Assumptions

The total pension liability for general employees in the Authority's retirement plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP- Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%	* Expected arithmetic nominal return	7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was 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%.

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6) Pensions, Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024 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, 2023	\$ 24,599,906	\$ 23,235,662	\$ 1,364,244
Changes for the year:			
Service cost	499,243	-	499,243
Interest	1,659,124	-	1,659,124
Difference between expected and actual experience	768,989	-	768,989
Contributions - employer	-	368,602	(368,602)
Contributions - employee	-	293,636	(293,636)
Net investment income	-	2,246,210	(2,246,210)
Benefit payments, including refunds of employee contributions	(1,039,080)	(1,039,080)	-
Administrative expenses	-	(14,651)	14,651
Other changes	-	475	(475)
Net changes	<u>1,888,276</u>	<u>1,855,192</u>	<u>33,084</u>
Balances at June 30, 2024	<u>\$ 26,488,182</u>	<u>\$ 25,090,854</u>	<u>\$ 1,397,328</u>

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 4,840,398	\$ 1,397,328	\$ (1,422,850)

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6) Pensions, Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the Authority recognized pension expense of \$584,709, respectively. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 536,578	\$ -
Net difference between projected and actual earnings on plan investments	-	644,723
Employer contributions subsequent to the measurement date	447,479	-
Total	\$ 984,057	\$ 644,723

The \$447,479 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase to Pension Expense
2026	\$ (188,884)
2027	345,737
2028	(126,798)
2029	(138,200)
	\$ (108,145)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS's 2024 Annual Comprehensive Annual Report, which can be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-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

Multiple Employer Cost-Sharing Plan – Retiree Healthcare

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Authority and are at least 55 years of age with 15 years of service. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. For fiscal year 2025, 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.

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7) Other Postemployment Benefits (OPEB) Liability, Continued

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 (measurement dates of June 30, 2024), 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 3.97% for June 30, 2024, 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. 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

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, valuation:

- 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

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7) Other Postemployment Benefits (OPEB) Liability, Continued

- 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 3.97% (based on January 1, 2024, census data).

Retiree Healthcare OPEB Liability

At June 30, 2025, the Authority reported retiree healthcare OPEB liabilities of \$267,960, for its proportionate share of the County's retiree healthcare OPEB liability. The County's June 30, 2025, retiree healthcare OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation performed January 1, 2024. 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, 2025, the Authority's proportion of the County's retiree healthcare OPEB liability was 7.29%.

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

The following presents the retiree healthcare OPEB liability for 2025, using the discount rate of 3.97%, 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 (2.97%) or one percentage point higher (4.97%) than the current rates:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Retiree Healthcare OPEB Liability	\$ 293,130	\$ 267,960	\$ 245,043

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 2025 using the health care cost trend rate of 4.04%, 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%), or one percentage point higher (5.04%), than the current rate:

	1% Decrease (3.04%)	Current Health Care Cost Trend Rate (4.04%)	1% Increase (5.04%)
Retiree Healthcare OPEB Liability	\$ 237,010	\$ 267,960	\$ 304,360

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

For the year ended June 30, 2025, the Authority recognized retiree healthcare OPEB expense (recovery) of (\$31,069). 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.

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7) Other Postemployment Benefits (OPEB) Liability, Continued

At June 30, 2025, deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 3,270	\$ 73,382
Changes of assumptions	8,253	23,690
Change in proportion	32,364	10,216
Total	\$ 43,887	\$ 107,288

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retiree healthcare OPEB as of June 30, 2025, will be recognized in retiree healthcare OPEB expense (recovery) as follows:

Year Ended June 30	Reduction to OPEB Expense (Recovery)
2026	\$ (45,841)
2027	(13,396)
2028	(1,839)
2029	(1,835)
2030	(490)
Total	\$ (63,401)

Virginia Retirement System (VRS) Plans

In addition to their participation in the pension plans offered through the 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 (GLI) Program

All full-time employees of political subdivisions are automatically covered by the VRS 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.

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.

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7) Other Postemployment Benefits (OPEB) Liability, Continued

As of the June 30, 2024 actuarial valuations, the following employees were covered by the benefit terms of the General Employee HIC Program:

	Number
Inactive members or their beneficiaries currently receiving benefits	35
Inactive members:	
Vested inactive members	1
Active elsewhere in VRS	30
Total inactive members	66
Active members	96
Total covered employees	162

Contributions

Contributions to the VRS OPEB programs for the fiscal year ended June 30, 2025, were based on actuarially determined rates from an actuarial valuation as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

GLI Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$32,846
June 30, 2024 Contribution	\$34,413

General Employee HIC Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.07% of covered employee compensation.
June 30, 2024 Contribution	\$3,482
June 30, 2024 Contribution	\$6,421

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

For fiscal year 2025, the net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities as of June 30, 2025 were based on the covered employer's actuarially determined employer contributions for the years ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

GLI Program

June 30, 2025 proportionate share of liability	\$278,981
June 30, 2024 proportion	0.02500%
June 30, 2023 proportion	0.02506%
June 30, 2025 expense	\$13,088

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7) Other Postemployment Benefits (OPEB) Liability, Continued

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 HIC Program

Changes in net OPEB liability of the General Employee HIC Program were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2023	\$ 178,336	\$ 153,132	\$ 25,204
Changes for the year:			
Service cost	2,000	-	2,000
Interest	11,819	-	11,819
Difference between expected and actual experience	(5,064)	-	(5,064)
Contributions - employer	-	6,421	(6,421)
Net investment income	-	14,155	(14,155)
Benefit payments	(10,468)	(10,468)	-
Administrative expense	-	(194)	194
Other changes	-	1	(1)
Net changes	(1,713)	9,915	(11,628)
Balances at June 30, 2024	\$ 176,623	\$ 163,047	\$ 13,576

In addition, for the year ended June 30, 2025, the Authority recognized OPEB (recovery) of (\$2,571), related to the General Employee HIC Program.

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	GLI Program		General Employee HIC Program	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 44,002	\$ 6,815	\$ 624	\$ 9,750
Net difference between projected and actual investment earnings on OPEB Plan investments	-	23,515	-	3,137
Changes of assumptions	1,590	13,826	2,246	-
Changes in proportionate share	19,292	1,255	-	-
Employer contributions subsequent to the measurement date	32,846	-	3,482	-
Total	\$ 97,730	\$ 45,411	\$ 6,352	\$ 12,887

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (recovery) in future periods as follows:

Year Ended June 30,	GLI Program	General Employee HIC Program
	Increase (Reduction) to OPEB Expense (Recovery)	
2026	\$ (6,594)	\$ (6,422)
2027	10,379	(1,347)
2028	6,081	(1,282)
2029	5,380	(966)
2030	4,227	-
Total	\$ 19,473	\$ (10,017)

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

7) Other Postemployment Benefits (OPEB) Liability, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

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.

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, 2024, the net OPEB liability amount for the GLI program are as follows (amounts expressed in thousands):

	GLI Program
Total OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	3,080,133
Employers' Net OPEB Liability	<u>\$ 1,115,922</u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability	73.41%

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 table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	<u>(3.00%)</u>	3.50%	<u>(0.11%)</u>
Total	<u>100.00%</u>	* Expected arithmetic nominal return	<u>7.07%</u>

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

7) Other Postemployment Benefits (OPEB) Liability, Continued

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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, 2024, 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, 2024 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 (assets) of the Authority, as well as what the Authority's net OPEB liabilities (assets) would be as of June 30, 2025, 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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 433,851	\$ 278,981	\$ 153,866
General Employee HIC Net OPEB Liability (Asset)	\$ 32,813	\$ 13,576	\$ (2,702)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS's 2024 Annual Comprehensive Financial Report, which can be downloaded from the VRS website at varetire.org/pdf/publications/2024-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 year ending June 30, 2025 are as follows:

Retiree healthcare	\$ 267,960
GLI program	278,981
HIC program	13,576
Total	<u>\$ 560,517</u>

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

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

7) Other Postemployment Benefits (OPEB) Liability, Continued

The total amount of expense (recovery) recognized by the Authority for its OPEB plans is summarized below for the year ended June 30, 2025:

Retiree healthcare	\$ (31,069)
GLI program	13,088
HIC program	<u>(2,571)</u>
Total	<u>\$ (20,552)</u>

OPEB expense is included in personnel services in the Authority's statement 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 year ending June 30, 2025, are summarized below:

	Retiree Healthcare		GLI Program		General Employee HIC Program	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 3,270	\$ 73,382	\$ 44,002	\$ 6,815	\$ 624	\$ 9,750
Net difference between projected and actual investment earnings on OPEB Plan investments	-	-	-	23,515	-	3,137
Changes of assumptions	8,253	23,690	1,590	13,826	2,246	-
Changes in proportionate share	32,364	10,216	19,292	1,255	-	-
Employer contributions subsequent to the measurement date	-	-	32,846	-	3,482	-
Total	<u>\$ 43,887</u>	<u>\$ 107,288</u>	<u>\$ 97,730</u>	<u>\$ 45,411</u>	<u>\$ 6,352</u>	<u>\$ 12,887</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 \$23,500 in calendar year 2025. 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.

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 \$1,205,177 for the year ended June 30, 2025, and are included in the expenses under contractual fees and maintenance.

The Authority also owed the County \$1,465,364 at June 30, 2025, which primarily represents payroll expenses and purchase card expenses paid by the County on behalf of the Authority. In addition, this amount includes the Authority's contribution to the County for a project to improve the water quality of stormwater leaving the Tewning Road Convenience Center and the Tewning Road complex.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

10) Commitments and Contingencies

Construction in Progress

At June 30, 2025, the Authority had several major projects under construction. Below are the project details:

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Sewer improvements	\$ 8,673,308	\$ 1,756,369	\$ 557,876	\$ 6,359,063
Water supply	5,014,192	1,451,493	699,379	2,863,320
Water distribution	1,762,020	-	49,042	1,712,978
Water transmission	926,914	-	1,836	925,078
Water storage	1,709,032	79,620	1,377,845	251,567
Other	8,322,313	428,568	296,065	7,597,680
Total	<u>\$ 26,407,779</u>	<u>\$ 3,716,050</u>	<u>\$ 2,982,043</u>	<u>\$ 19,709,686</u>

Project Development Agreement - Long Term Water Supply

The Authority entered into a project development agreement with the City of Newport News on March 25, 2008 for long-term water supply. Under the agreement, JCSA has the right to a minimum of 4 million gallons of potable water capacity per day per calendar year for future water demands. The initial term of this agreement ends on January 1, 2050, at which time this agreement shall be automatically renewed for additional terms of 25 years. The Authority paid the City of Newport News \$25 million on December 31, 2008. The optional second 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 year ended June 30, 2025. Therefore, the Authority did not make a payment to the City of Newport News for the year ended June 30, 2025 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 \$1.48 per 1,000 gallons for fiscal year ended June 30, 2025. For the year ended June 30, 2025, 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.

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 July 15, 2024 for the period July 1, 2024 through June 30, 2025. The contract allows for an increase based on the Consumer Price Index. For the year ended June 30, 2025, the Authority paid \$123,355 for grinder pump maintenance.

Water Storage Tank Maintenance

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. The contract was renewed July 19, 2024 for the period July 1, 2024 through June 30, 2025. For the year ended June 30, 2025, the Authority paid \$686,652 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.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

10) Commitments and Contingencies, Continued

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

During fiscal year 2023, the Authority and the County entered into a lease agreement whereby the County leases 107 Tewning Road from the Authority, and the Authority leases 109 Tewning Road from the County. For the lease of 107 Tewning Road, the term of this lease goes through February 2028 with the Authority receiving monthly payments of \$3,904 from the County. The discount rate for this lease is the incremental borrowing rate of 2.23% annually. As of June 30, 2025, the Authority has a lease receivable for payments totaling \$121,185, and a lease interest receivable of \$225. 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 \$118,338 as of June 30, 2025. For fiscal year 2025, the Authority recognized \$44,377 in lease revenues for the property.

The future payments on this lease as of June 30, 2025, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 44,603	\$ 2,248	\$ 46,851
2027	45,607	1,244	46,851
2028	30,975	260	31,235
Total	<u>\$ 121,185</u>	<u>\$ 3,752</u>	<u>\$ 124,937</u>

In fiscal year 2025, 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. This lease replaced the Authority's arrangement with the lessee's predecessor company, Triton PCS Property Company LLC. During fiscal year 2025, the prior lease's remaining lease receivable of \$37,907, lease interest receivable of \$95, and deferred inflow of resources of \$35,823 were written off.

The new lease commenced 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. As of June 30, 2025, the Authority has a lease receivable for payments totaling \$813,690, and a lease interest receivable of \$2,301. 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 \$868,836, as of June 30, 2025. For fiscal year 2025, the Authority recognized \$4,854 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, 2025

11) Leases, Continued

The future payments on this lease as of June 30, 2025, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 33,809	\$ 27,991	\$ 61,800
2027	36,826	26,828	63,654
2028	40,003	25,561	65,564
2029	43,346	24,185	67,531
2030	46,863	22,694	69,557
2031-2035	293,719	86,644	380,363
2036-2039	319,124	28,342	347,466
Total	<u>\$ 813,690</u>	<u>\$ 242,245</u>	<u>\$ 1,055,935</u>

Lease Payable

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, 2025, the Authority has a lease liability for this office space of \$33,790. 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, 2025, is \$61,868, and this right-to-use asset had accumulated amortization of \$28,872.

The present value of future payments on this lease as of June 30, 2025, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 12,437	\$ 627	\$ 13,064
2027	12,717	347	13,064
2028	8,636	73	8,709
Total	<u>\$ 33,790</u>	<u>\$ 1,047</u>	<u>\$ 34,837</u>

12) Subscription-Based Information Technology Arrangements (SBITAs)

In fiscal year 2025, the Authority updated its capitalization policy for right-to-use subscription assets to \$50,000. Based on the policy revision, the Authority wrote-off subscription liabilities and the related right-to-use subscription assets with initial values below the new threshold.

In August 2023, the Authority entered a 72-month subscription for the use of Microsoft Office 365 with an initial subscription liability of \$225,670. As of June 30, 2025, the subscription liability \$150,362. The Authority is required to make annual 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, 2025 was \$225,670 and accumulated amortization was \$72,089.

The Authority entered a 120-month subscription for the use of meter-reading software in January 2024. An initial subscription liability was recorded of \$203,556. As of June 30, 2025, the subscription liability was \$180,591. The Authority 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, 2025 was \$203,556 and accumulated amortization was \$30,534.

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 of \$2,540,042, which was adjusted to \$2,522,337 as of July 1, 2024. As of June 30, 2025, the subscription liability was \$2,361,418. 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 2.70% annually.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2025

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

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 value of the right-to-use subscription asset was \$3,415,107 and accumulated amortization was \$320,430 as of June 30, 2025.

In June 2024, the Authority entered a 72-month subscription for firewall software. An initial subscription liability was recorded of \$169,600. As of June 30, 2025, the subscription liability was \$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, 2025 was \$169,600 and accumulated amortization was \$30,623.

The future payments on these subscriptions as of June 30, 2025 were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 186,512	\$ 72,392	\$ 258,904
2027	279,662	74,611	354,273
2028	210,971	62,089	273,060
2029	224,048	56,441	280,489
2030	197,637	50,443	248,080
2031-2035	1,153,495	165,508	1,319,003
2036-2037	521,241	21,311	542,552
Total	<u>\$ 2,773,566</u>	<u>\$ 502,795</u>	<u>\$ 3,276,361</u>

13) Restatement

The net position as of the beginning of fiscal year 2025 was restated to reflect an adjustment related to the Authority's implementation of GASB Statement No. 101, *Compensated Absences*. More information regarding the adjustment can be found in Note 1 and the related balances have been adjusted as follows:

	Previously Reported 6/30/2024	Restatement	As Restated 6/30/2024
Long-term liabilities:			
Compensated absences	\$ (582,737)	\$ (687,938)	\$ (1,270,675)
Net position:			
Unrestricted	\$ (58,541,493)	\$ 687,938	\$ (57,853,555)
Total net position	\$ (196,380,464)	\$ 687,938	\$ (195,692,526)

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

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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 *

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability										
Service cost	\$ 430,269	\$ 404,294	\$ 411,137	\$ 379,364	\$ 378,585	\$ 400,579	\$ 393,653	\$ 387,269	\$ 440,954	\$ 499,243
Interest	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	1,659,124
Differences between expected and actual experience	(146,331)	128,139	(213,521)	62,537	182,506	(172,618)	(27,793)	817,428	383,483	768,989
Changes in benefit terms	-	-	-	-	-	26,989	-	-	-	-
Changes in assumptions	-	-	(335,427)	-	546,875	-	557,493	-	-	-
Benefit payments, including refunds of employee contributions	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)	(729,183)	(859,354)	(968,152)	(1,039,080)
Net change in total pension liability	829,439	1,001,653	471,659	937,065	1,682,754	763,608	1,511,691	1,786,651	1,418,143	1,888,276
Total pension liability, beginning	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	24,599,906
Total pension liability, ending	\$ 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	\$ 26,488,182
Plan fiduciary net position										
Contributions - employer	\$ 329,381	\$ 336,720	\$ 288,588	\$ 297,525	\$ 235,463	\$ 243,251	\$ 271,540	\$ 295,888	\$ 340,978	\$ 368,602
Contributions - employee	193,349	197,261	210,624	204,311	212,351	220,872	219,619	241,614	269,746	293,636
Net investment income	612,704	245,617	1,734,000	1,174,317	1,128,516	340,716	4,896,608	(23,391)	1,427,563	2,246,210
Benefit payments, including refunds of employee contributions	(433,146)	(562,945)	(495,181)	(637,522)	(623,967)	(756,401)	(729,183)	(859,354)	(968,152)	(1,039,080)
Administrative expense	(8,173)	(8,604)	(9,804)	(10,045)	(11,054)	(11,611)	(12,088)	(14,003)	(14,191)	(14,651)
Other	(130)	(104)	(1,553)	(1,050)	(713)	(403)	463	521	575	475
Net change in plan fiduciary net position	693,985	207,945	1,726,674	1,027,536	940,596	36,424	4,646,959	(358,725)	1,056,519	1,855,192
Plan fiduciary net position, beginning	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
Plan fiduciary net position, ending	\$ 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	\$ 25,090,854
Net pension liability (asset)	\$ 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	\$ 1,397,328
Plan fiduciary net position as a percentage of the total pension liability	92.85%	88.34%	96.28%	97.00%	93.38%	89.98%	105.34%	95.67%	94.45%	94.72%
Covered payroll	\$ 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	\$ 6,420,348
Net pension liability (asset) as a percentage of the total covered payroll	27.58%	46.41%	15.03%	12.37%	28.46%	42.63%	-24.44%	19.29%	23.19%	21.76%

* 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

Pension - Primary Contribution					
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
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%
2025	447,479	447,479	-	6,959,035	6.43%

Pension - Hybrid Plan Defined Contribution Component (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
2025	\$ 79,436	\$ 79,436	\$ -	\$ 3,457,960	2.30%

(1) This schedule is intended to present 10 years of information. Starting in 2025, James City Service Authority provided contributions related to the defined contribution component of the VRS Hybrid Plan for participating employees. Additional years will be presented as the information becomes available.

See accompanying notes and independent auditor's report.

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

Fiscal year ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the County's Retiree Healthcare OPEB liability	7.29%	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	\$ 267,960	\$ 250,687	\$ 258,038	\$ 284,440	\$ 432,846	\$ 381,436	\$ 432,969	\$ 406,742
Employer's covered payroll	\$ 6,420,348	\$ 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	4.17%	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%	0.00%
Expected average remaining service years of all participants	6	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
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	2025
Total OPEB - HIC liability								
Service cost	\$ 3,682	\$ 3,588	\$ 3,579	\$ 3,812	\$ 3,338	\$ 2,822	\$ 1,875	\$ 2,000
Interest cost	10,769	11,121	11,031	11,040	11,465	11,172	11,721	11,819
Differences between expected and actual experience	-	(7,706)	(3,892)	(113)	(13,932)	1,335	(2,333)	(5,064)
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)	(10,468)
Net change in total OPEB - HIC liability	6,990	(437)	5,682	6,185	(6,567)	9,023	1,858	(1,713)
Total OPEB - HIC liability, beginning	155,602	162,592	162,155	167,837	174,022	167,455	176,478	178,336
Total OPEB - HIC liability, ending (a)	\$ 162,592	\$ 162,155	\$ 167,837	\$ 174,022	\$ 167,455	\$ 176,478	\$ 178,336	\$ 176,623
Plan fiduciary net position - HIC								
Contributions - employer	8,166	8,467	8,002	8,413	8,417	9,357	5,883	6,421
Net investment income	10,122	7,150	6,922	2,272	30,356	172	8,761	14,155
Benefit payments, including refunds of employee contributions	(3,508)	(7,440)	(9,131)	(8,554)	(8,357)	(9,518)	(9,405)	(10,468)
Administrative expense	(170)	(170)	(151)	(219)	(362)	(256)	(210)	(194)
Other	494	(494)	(8)	(1)	-	2,815	152	1
Net change in plan fiduciary net position - HIC	15,104	7,513	5,634	1,911	30,054	2,570	5,181	9,915
Plan fiduciary net position - HIC, beginning	85,165	100,269	107,782	113,416	115,327	145,381	147,951	153,132
Plan fiduciary net position - HIC, ending (b)	100,269	107,782	113,416	115,327	145,381	147,951	153,132	163,047
Net OPEB - HIC liability (a) - (b)	\$ 62,323	\$ 54,373	\$ 54,421	\$ 58,695	\$ 22,074	\$ 28,527	\$ 25,204	\$ 13,576
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%	92.31%
Covered payroll	\$ 4,083,082	\$ 4,230,543	\$ 4,445,820	\$ 4,673,979	\$ 4,675,862	\$ 5,198,520	\$ 5,881,716	\$ 6,420,348
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%	0.21%

(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's Share of Net Group Life Insurance (GLI) OPEB Liability (1)
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Employer's proportion of the net GLI OPEB liability	0.02217%	0.02234%	0.02269%	0.02274%	0.02265%	0.02390%	0.02506%	0.02500%
Employer's proportionate share of the net GLI OPEB liability	\$ 333,000	\$ 340,000	\$ 369,227	\$ 379,494	\$ 263,708	\$ 287,779	\$ 300,548	\$ 278,981
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	\$ 6,420,348
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%	4.35%
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%	73.41%

(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 Contributions
Required Supplementary Information (Unaudited)
Last Ten Fiscal Years (1)

OPEB - Health Insurance Credit						
Fiscal Year	Contributions in relation to			Employer's covered payroll	Contributions as a % of covered payroll	
	Contractually required contribution	contractually required contribution	Contribution deficiency (excess)			
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%	
2025	3,482	3,482	-	6,959,035	0.05%	

OPEB - Group Life Insurance						
Fiscal Year	Contributions in relation to			Employer's covered payroll	Contributions as a % of covered payroll	
	Contractually required contribution	contractually required contribution	Contribution deficiency (excess)			
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%	
2025	34,670	32,846	1,824	6,959,035	0.47%	

(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, 2025

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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%
June 30, 2024	3.97%

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Net Position – by Activity
June 30, 2025

Assets	Water operations	Sewer operations	Total
Current assets:			
Cash and cash equivalents (Note 2)	\$ 19,777,645	\$ 19,776,845	\$ 39,554,490
Investments (Note 2)	12,599,430	9,077,109	21,676,539
Restricted cash and cash equivalents (Note 2)	887,357	-	887,357
Accounts receivable, customers, net of allowance	2,258,783	1,021,882	3,280,665
Lease receivable, current portion (Note 11)	33,809	44,603	78,412
Accounts receivable, other	17,773	-	17,773
Interest receivable	26,409	26,409	52,818
Lease interest receivable (Note 11)	2,301	225	2,526
Inventories	2,124,476	-	2,124,476
Total current assets	<u>37,727,983</u>	<u>29,947,073</u>	<u>67,675,056</u>
Noncurrent assets:			
Lease receivable, net of current portion (Note 11)	779,881	76,582	856,463
Capital assets (Note 3):			
Non-depreciable	3,454,188	2,953,361	6,407,549
Depreciable	91,534,555	66,763,872	158,298,427
Net capital assets	<u>94,988,743</u>	<u>69,717,233</u>	<u>164,705,976</u>
Total assets	<u>133,496,607</u>	<u>99,740,888</u>	<u>233,237,495</u>
Deferred Outflows of Resources			
Deferred charge on refunding, net (Note 5)	1,129,878	-	1,129,878
Deferred pension (Note 6)	492,028	492,029	984,057
Deferred OPEB (Note 7)	73,984	73,985	147,969
Total deferred outflows of resources	<u>1,695,890</u>	<u>566,014</u>	<u>2,261,904</u>
Total assets and deferred outflows of resources	<u>\$ 135,192,497</u>	<u>\$ 100,306,902</u>	<u>\$ 235,499,399</u>
Liabilities			
Liabilities			
Accounts payable, trade	\$ 524,886	\$ 762,612	\$ 1,287,498
Retainage payable	231,406	33,499	264,905
Accrued salaries	13,244	11,365	24,609
Due to James City County	964,662	500,702	1,465,364
Deposits	696,804	-	696,804
Interest payable	296,189	-	296,189
Lease and subscription interest payable (Notes 11 and 12)	30,211	31,419	61,630
Long-term liabilities (Note 5)			
Due within one year	1,985,895	454,086	2,439,981
Due in more than one year	24,615,999	2,658,904	27,274,903
Total liabilities	<u>29,359,296</u>	<u>4,452,587</u>	<u>33,811,883</u>
Deferred Inflows of Resources			
Deferred pension (Note 6)	322,362	322,361	644,723
Deferred lease (Note 11)	868,836	118,338	987,174
Deferred OPEB (Note 7)	82,793	82,793	165,586
Total deferred inflows of resources	<u>1,273,991</u>	<u>523,492</u>	<u>1,797,483</u>
Net Position			
Net position:			
Net investment in capital assets	71,035,346	68,245,298	139,280,644
Restricted for debt service	887,357	-	887,357
Unrestricted	32,636,507	27,085,525	59,722,032
Total net position	<u>104,559,210</u>	<u>95,330,823</u>	<u>199,890,033</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 135,192,497</u>	<u>\$ 100,306,902</u>	<u>\$ 235,499,399</u>

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, 2025

	<u>Water operations</u>	<u>Sewer operations</u>	<u>Total</u>
Operating revenues:			
Water and sewer services	\$ 14,609,306	\$ 7,128,654	\$ 21,737,960
Facility charges	1,290,840	923,050	2,213,890
Other	490,770	120,926	611,696
Total operating revenues	<u>16,390,916</u>	<u>8,172,630</u>	<u>24,563,546</u>
Operating expenses:			
Personnel services	5,292,597	5,049,745	10,342,342
Operating supplies	1,375,588	714,158	2,089,746
Maintenance	1,680,303	1,541,082	3,221,385
Utilities	946,941	342,340	1,289,281
Contractual fees	806,152	635,857	1,442,009
Bad debt expense	50,286	43,586	93,872
Other	149,230	117,350	266,580
Total operating expenses	<u>10,301,097</u>	<u>8,444,118</u>	<u>18,745,215</u>
Operating income before depreciation and amortization	6,089,819	(271,488)	5,818,331
Depreciation and amortization (Note 3)	<u>5,696,964</u>	<u>3,392,453</u>	<u>9,089,417</u>
Operating gain (loss)	<u>392,855</u>	<u>(3,663,941)</u>	<u>(3,271,086)</u>
Nonoperating revenues (expenses):			
Investment income	1,545,357	1,506,725	3,052,082
Gain/(loss) on disposal of capital assets (Note 3)	(562,392)	109	(562,283)
Interest expense	(692,531)	-	(692,531)
Net nonoperating revenues	<u>290,434</u>	<u>1,506,834</u>	<u>1,797,268</u>
Gain/(loss) before capital contributions	683,289	(2,157,107)	(1,473,818)
Capital asset contributions	<u>2,361,870</u>	<u>3,309,455</u>	<u>5,671,325</u>
Changes in net position	<u>3,045,159</u>	<u>1,152,348</u>	<u>4,197,507</u>
Net position, beginning of year, as previously presented	101,617,955	94,762,509	196,380,464
Restatement - change in accounting principle	<u>(103,904)</u>	<u>(584,034)</u>	<u>(687,938)</u>
Net position, beginning of year, as restated	<u>101,514,051</u>	<u>94,178,475</u>	<u>195,692,526</u>
Net position, end of year	<u>\$ 104,559,210</u>	<u>\$ 95,330,823</u>	<u>\$ 199,890,033</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, 2025

	Water operations			Sewer operations		
	Actual	Budget	Variance favorable (unfavorable)	Actual	Budget	Variance favorable (unfavorable)
Operating budgeted revenues:						
Water and sewer services	\$ 14,609,306	\$ 13,881,500	\$ 727,806	\$ 7,128,654	\$ 7,084,500	\$ 44,154
Facility charges	1,290,840	925,000	365,840	923,050	800,000	123,050
Other	490,770	946,975	(456,205)	120,926	51,283	69,643
Total operating budgeted revenues	<u>\$ 16,390,916</u>	<u>\$ 15,753,475</u>	<u>\$ 637,441</u>	<u>\$ 8,172,630</u>	<u>\$ 7,935,783</u>	<u>\$ 236,847</u>
Operating budgeted expenditures:						
Personnel services	\$ 5,175,866	\$ 5,783,710	\$ 607,844	\$ 4,927,033	\$ 5,365,085	\$ 438,052
Operating supplies	1,375,588	2,020,671	645,083	714,158	1,082,830	368,672
Maintenance*	1,731,913	2,190,508	458,595	1,541,082	1,969,939	428,857
Utilities	946,941	1,111,344	164,403	342,340	399,600	57,260
Contractual fees	806,152	970,570	164,418	635,857	786,186	150,329
Other	149,230	300,333	151,103	117,350	216,833	99,483
Total operating budgeted expenditures**	<u>\$ 10,185,690</u>	<u>\$ 12,377,136</u>	<u>\$ 2,191,446</u>	<u>\$ 8,277,820</u>	<u>\$ 9,820,473</u>	<u>\$ 1,542,653</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)	\$ 10,185,690	\$ 8,277,820
Pension expense (recovery)	68,615	68,615
OPEB expense (recovery)	(30,472)	(30,473)
Compensated absences	78,588	84,570
Bad debt expense	50,286	43,586
Inventory issuances (disposals)	(51,610)	-
Total operating expenses in Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 10,301,097</u>	<u>\$ 8,444,118</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.

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STATISTICAL SECTION

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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 5-6**

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 **Table 7**

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 8-13**

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.

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

Net Position	2016	2017	2018	2019	2020	2021	2022 (as restated)	2023	2024	2025
Net investment in capital assets	\$ 139,312,785	\$ 135,887,432	\$ 131,175,547	\$ 134,359,937	\$ 132,512,264	\$ 134,621,895	\$ 133,822,621	\$ 132,964,313	\$ 136,949,396	\$ 139,280,644
Restricted for debt service	729,605	677,614	567,011	569,708	660,282	863,542	865,171	882,704	889,575	887,357
Restricted for pensions	-	-	-	-	-	-	1,142,756	-	-	-
Restricted for capital projects	-	-	-	-	8,741,597	8,515,781	-	-	-	-
Unrestricted	37,014,202	40,532,314	46,257,823	49,733,750	43,850,568	46,624,071	54,681,324	58,008,245	58,541,493	59,722,032
Total net position	\$ 177,056,592	\$ 177,097,360	\$ 178,000,381	\$ 184,663,395	\$ 185,764,711	\$ 190,625,289	\$ 190,511,872	\$ 191,855,262	\$ 196,380,464	\$ 199,890,033

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

	2016	2017	2018	2019 (as restated)	2020	2021	2022 (as restated)	2023	2024	2025
Operating revenues:										
Water and sewer services	\$ 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	\$ 21,737,960
Facility charges	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	2,213,890
Water supply proffers	218,987	298,054	293,900	213,825	220,804	136,572	153,347	114,806	151,771	286,476
Rental income	326,377	377,880	354,987	124,964	127,656	121,493	121,493	108,813	83,458	49,231
Other	272,599	158,917	44,045	141,896	136,437	192,998	222,978	319,122	273,058	275,989
Storm/COVID-19 cost reimbursement	-	-	-	-	-	436,711	240,808	-	-	-
Total operating revenues	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	24,563,546
Operating expenses:										
Personnel services	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	10,342,342
Operating supplies	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	2,089,746
Maintenance	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	3,221,385
Utilities	870,220	899,294	913,104	974,168	919,745	963,287	961,832	1,167,262	1,265,362	1,289,281
Contractual fees	903,463	920,714	877,652	872,374	991,478	1,027,910	958,226	1,070,849	1,141,135	1,442,009
Bad debt expense	-	-	-	-	-	-	-	-	-	93,872
Other	233,233	215,633	222,249	270,685	319,050	195,077	197,787	235,810	325,001	266,580
Storm/COVID-19 costs	-	-	-	-	-	322,994	240,808	-	-	-
Total operating expenses	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	18,745,215
Operating income before depreciation and amortization	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	5,818,331
Depreciation and amortization	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	9,089,417
Operating income (loss)	(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)	(3,271,086)
Nonoperating revenues (expenses):										
Investment income (loss)	519,767	90,148	43,940	1,904,327	2,033,417	128,840	(2,194,170)	689,902	2,825,956	3,052,082
Gain (loss) on disposal of capital assets	(193,113)	49,018	(165,655)	14,522	17,813	43,687	17,200	19,680	(1,795,213)	(562,283)
Insurance recovery	14,219	1,000	-	-	-	-	-	-	-	-
Bond issuance costs	(402,364)	-	-	-	-	-	-	-	-	-
Interest expense	(744,124)	(778,073)	(754,226)	(727,965)	(854,412)	(864,355)	(823,302)	(782,495)	(732,183)	(692,531)
Net nonoperating expenses	(805,615)	(637,907)	(875,941)	1,190,884	1,196,818	(691,828)	(3,000,272)	(72,913)	298,560	1,797,268
Income (loss) before contributions	(2,601,613)	(110,800)	106,786	1,328,003	1,281,177	(389,040)	(2,239,509)	(2,724,620)	(1,994,858)	(1,473,818)
Capital asset contributions	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	5,671,325
Changes in net position	\$ 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	\$ 4,197,507

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
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%
2025	22.56	4.20-7.62-15.24-23.62	141.54	8.8%

Quarterly Continuing Service Charges for Residential Sewer Service				
Fiscal Year	Basic Charge	Rate per 1,000 gallons	Quarterly Total (2)	% Change
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%
2025	9.03	3.14	74.97	5.1%

- (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.
- (1) 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

	2025			2016		
	Gallons Billed	Service Charges	Rank	Gallons Billed	Service Charges	Rank
Owens-Illinois*	30,715,336	\$ 202,645	1	23,592,214	\$ 123,658	1
Escalante (Sewer only)	29,184,645	91,585	2			
Historic Powhatan Resort	26,403,141	185,268	3			
Newport News Waterworks	20,152,930	133,613	4			
Vacation Village	15,705,773	103,643	5			
Williamsburg Landing	14,688,508	96,886	6			
Patriots Colony	14,450,080	95,344	7	14,398,341	94,999	4
Windy Hill Trailer (Sewer only)	12,963,857	40,689	8	9,687,348	28,575	9
Eastern State Hospital*	12,855,845	84,816	9	15,807,284	100,971	3
Country Village Mobile Home Park (Sewer only)	13,111,542	41,151	10	15,994,484	47,139	2
Platinum Management				13,684,829	90,930	5
Williamsburg-James City County Schools*				13,153,674	86,884	6
Double Tree by Hilton (sewer only)				12,067,484	35,477	7
Greystone*				12,023,000	74,782	8
Rolling Meadows				8,686,485	57,475	10
Total	190,231,657	\$ 1,075,641		139,095,143	\$ 740,889	

* 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
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
2025	23,482,949	33,790	2,773,566	26,290,305	24,606	954.4

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 (1)
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	20,260,844	11,241,739	9,019,105	630,000	725,250	1,355,250	6.65
2019	21,647,670	11,669,089	9,978,581	655,000	700,050	1,355,050	7.36
2020	22,615,631	12,364,418	10,251,213	1,274,000	802,305	2,076,305	4.94
2021	24,730,046	13,407,680	11,322,366	1,246,000	826,394	2,072,394	5.46
2022	22,599,100	13,143,835	9,455,265	1,283,000	792,886	2,075,886	4.55
2023	21,892,094	15,594,561	6,297,533	1,335,000	743,456	2,078,456	3.03
2024	26,444,282	17,276,177	9,168,105	1,382,000	691,754	2,073,754	4.42
2025	26,508,683	18,745,215	7,763,468	1,430,000	646,230	2,076,230	3.74

(1) The Authority's policy is to maintain debt service coverage of at least 1.5 while working toward reducing reliance on facility charge revenue. As a result, the percentage of facility charge revenue included in gross revenue in the table above will gradually be decreased until 2030 when this revenue type will be fully excluded from the calculation.

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)
 County Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
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	7,332,189,000	75,459	2.8%
2023	79,488	8,053,579,000	81,761	2.8%
2024	80,678	**	**	2.4%
2025	81,826	**	**	**

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 8

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	63	63	63	68	68	67	69	72	73	74
Water	15	15	17	17	17	17	19	19	19	19
Sewer	11	11	11	11	11	11	11	12	14	14
Total	89	89	91	96	96	95	99	103	106	107

Source: James City Service Authority Adopted Budgets.

Table 9

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water:										
New connections	423	464	407	292	284	310	365	256	270	289
Water main breaks	21	34	25	30	28	27	19	28	27	14
Sewer:										
New connections	447	470	414	287	290	313	358	244	265	251

Source: James City Service Authority, Administration Department

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water:										
Water lines (miles)	407	409	410	414	414	418	418	421	423	428
Water customers	21,669	22,133	22,540	22,832	23,116	23,426	23,791	24,047	24,317	24,606
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	18,921	20,025	20,220	19,247	18,977	19,142	18,933	19,417	20,193	20,772
Sewer:										
Sewer lines (miles)	439	440	440	446	446	449	451	454	458	463
Gallons collected (millions)	1,863	1,971	1,987	1,898	1,879	1,901	1,882	1,923	1,978	2,086
Sewer customers	23,402	23,872	24,286	24,573	24,863	25,176	25,534	25,778	26,043	26,294

(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

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water:										
Average Day	4.7	5.0	5.1	4.8	4.7	4.8	4.7	4.9	5.0	5.4
Average Day in Month of Maximum Flow	5.9	6.4	7.2	6.3	6.0	6.3	5.8	6.0	6.8	6.1
Month of Maximum Flow	August	August	July	July	September	July	June	September	June	July
Sewer:										
Average Day	5.1	5.4	5.4	5.2	5.1	5.2	5.2	5.3	5.4	5.7

Source: James City Service Authority, Administration Department

Table 12

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 2025

Virginia Jurisdiction	Water Service
City of Williamsburg	\$ 381.60
City of Norfolk	571.92
City of Newport News	456.60
City of Virginia Beach	492.96
James City Service Authority	383.28

Source: James City Service Authority

Comparison of Area Sewer Bills Annual Consumption 60,000 Gallons as of June 2025

Virginia Jurisdiction	Sewer Service*
City of Hampton	\$ 360.96
City of Newport News	330.36
City of Virginia Beach	388.44
City of Norfolk	436.32
York County	324.00
James City Service Authority	224.52

*Rates charged by the municipality. Residents of these municipalities pay a separate wastewater treatment fee to Hampton Roads Sanitation District of \$11.07 per 1,000 gallons.

Source: James City Service Authority

Availability Charges for a Typical Residential Connection (1) Last Ten Fiscal Years
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Fiscal Year	Water	Sewer	Total
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
2025	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 fiscal year 2020, 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 fiscal year 2020, 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 fiscal year 2021 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 \$450.00 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

Wastewater Charges

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"	\$ 3.01
3/4"	4.51
1"	7.51
1 1/2"	15.01
2"	24.02
3"	48.03
4"	75.05
6"	150.09
8"	240.15
10"	345.22

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	\$ 3.14
Per 100 cubic feet of water consumed	2.35

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.

All single-family residential wastewater collection bills dated February 1, 2024, and later shall be capped at a maximum consumption of 8,000 gallons per monthly billing period and shall not be subject to reduction by a sub-metered reading.

(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	Designated Fire Protection	
		Connection Size	Designated Fire Protection Connection Fee
5/8"	\$ 3,219	5/8"	\$ 837
3/4"	4,829	3/4"	1,256
1"	8,048	1"	2,092
1 1/2"	16,095	1 1/2"	4,185
2"	25,752	2"	6,696
3"	56,333	3"	14,647
4"	96,570	4"	25,108
6"	217,283	6"	56,494
8"	257,520	8"	66,955
10"	370,185	10"	96,248

- (a) The system facilities charge for compound meters shall be based on the largest meter size.
 - (b) The system facilities charge for a designated fire protection connection shall be based on the connection size rather than the meter size.
 - (c) A meter installation charge of \$50, plus the meter cost if the meter is provided by the Authority, shall be paid by each applicant for each new service connection and meter installation prior to the connection being made.
 - (d) Additional system facility charges shall apply for additions to existing structures requiring an increase in meter size. The additional charge shall consist of the incremental increase from the original meter size to the new meter size. No credit shall be granted for a decrease in meter size.
 - (e) System Facilities Charge Exemption. Any lots created after August 10, 2004, which are to be served by an Independent Water System, shall be exempt from the Water System Facilities Charge.
- The purpose of the system facilities charge is to defray in part the cost of providing major supply, transmission main, booster pumping, distribution storage tanks, and distribution system. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

2. Water Service Connection Fee

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

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

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

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

3. Retail Service Charge

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

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

Meter Size	Monthly Fixed Charge
5/8"	\$ 7.52
3/4"	11.28
1"	18.78
1 1/2"	37.59
2"	60.15
3"	131.58
4"	225.56
6"	507.53
8"	601.53
10"	864.68

(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 \$	4.20 \$	7.62 \$	15.24 \$	23.62
Multi-Family Residential and Non-Residential	All Use			
All Meter Sizes	All Use			
Rate per 1,000 Gallons \$	6.63			

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
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D. Independent Water Systems Connection Fee

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

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

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

E. Billing and Account Charges

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

1. Account Charge

An account charge of \$20.00 shall be paid by each applicant for a new water service only account or new sewer service only account or for transfer of such an account. An account charge of \$40.00 shall be paid by each applicant for a new water service and sewer service account or for transfer of such an account.

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 shall increase 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:

<u>Meter Size</u>	<u>Meter Test Fee</u>
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.

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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
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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. The water service deposit is \$100. The sewer service deposit is \$75.

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.

JAMES CITY SERVICE AUTHORITY
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P. Disconnection & Delinquency Notification Fees

Effective February 1, 2024, the following fees shall apply. The February 1, 2024 effective date may be extended at the General Manager's discretion.

1. A \$15 fee shall be billed when the Authority provides onsite notification of impending disconnection or disconnects the customer's meter due to delinquent charges.
2. Meter locking or meter removal required to enforce disconnection shall incur a \$50 fee. Deliberately blocking access to the meter shall incur a \$50 fee.
3. Removal of or damage to the meter lock placed for disconnection shall incur a \$100 fee. Damage to the meter or antenna shall incur a \$250 fee plus the cost of the replacement parts.

Q. Certification of Annual Testing of Backflow Preventers Fee

A \$15 fee shall be charged for the annual certification of the testing and inspection of each backflow prevention device as required by the Cross Connection and Backflow Prevention Program, Section 6 - testing of Backflow Preventers, incorporated by reference in Section 16 of these Regulations. The fee shall be paid upon submission of the Backflow Test Form.

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COMPLIANCE SECTION

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**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, 2025, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 28, 2025.

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
October 28, 2025