



PREPARED BY THE DEPARTMENT OF FINANCIAL AND MANAGEMENT SERVICES  
JAMES CITY COUNTY, VIRGINIA  
[jamescitycountyva.gov/jcsa](http://jamescitycountyva.gov/jcsa)



**THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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

Comprehensive Annual Financial Report

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

## **INTRODUCTORY SECTION**

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

**Table of Contents**

|  | <b>Page(s)</b> |
|--|----------------|
| <b>Introductory Section:</b>   |                |
| Table of Contents  | i-ii           |
| Authority Officials  | iii            |
| Organizational Chart   | iv             |
| Letter of Transmittal  | v-viii         |
| Certificate of Achievement   | ix             |
| <b>Financial Section:</b>  |                |
| Independent Auditors' Report   | 1-2            |
| Management's Discussion and Analysis (MD&A)                                  | 3-8            |
| Basic Financial Statements:  |                |
| Statements of Net Position   | 10             |
| Statements of Revenues, Expenses, and Changes in Net Position                | 11             |
| Statements of Cash Flows   | 12             |
| Notes to Basic Financial Statements  | 13-43          |
| Required Supplementary Information Other Than MD&A (Unaudited)               |                |
| Schedule of Changes in the Net Pension Liability and Related Ratios          | 45             |
| Schedule of Employer Contributions   | 46             |
| Notes to Required Supplementary Information                                  | 47             |
| Supplementary Information:   |                |
| Schedule of Net Position – by Activity                                       | 49             |
| Schedule of Revenues, Expenses, and Changes in Net Position – by Activity    | 50             |
| Schedule of Operating Revenues and Expenses – Budget to Actual – by Activity | 51             |
| <b>Statistical Section:</b>  |                |
| Statistical Section Overview   | 53             |
| Financial Trends:  |                |
| Net Position   | 54             |
| Changes in Revenues, Expenses and Net Position                               | 55             |
| Revenue Capacity:  |                |
| Water and Sewer Rates  | 56             |
| Listing of Largest Utility Customers   | 57             |
| Debt Capacity:   |                |
| Ratio of Outstanding Debt  | 58             |
| Revenue Bond Coverage  | 59             |
| Outstanding Debt for James City County                                       | 60             |
| Demographic and Economic Information:  |                |
| County Demographic and Economic Statistics                                   | 61             |
| Principal Employers in James City County                                     | 62             |
| Operating Information:   |                |
| Schedule of Insurance in Force   | 63             |
| Full-Time Employees by Function  | 64             |
| Operating Indicators by Function   | 65             |
| Capital Asset Statistics by Function   | 66             |
| Summary of Historical Flows (MGD)  | 67             |

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

**Table of Contents**

|  | <b>Page(s)</b> |
|--|----------------|
| Miscellaneous Statistics   | 68-69          |
| Rates and Fees   | 70-79          |
| Compliance Section:  |                |
| Independent Auditors' Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with Government Auditing Standards | 81-82          |

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

**Authority Officials**

**Board of Directors**

James G. Kennedy  
Kevin D. Onizuk  
Michael J. Hipple, Sr  
Mary K. Jones  
John J. McGlennon

Chair  
Vice-Chair

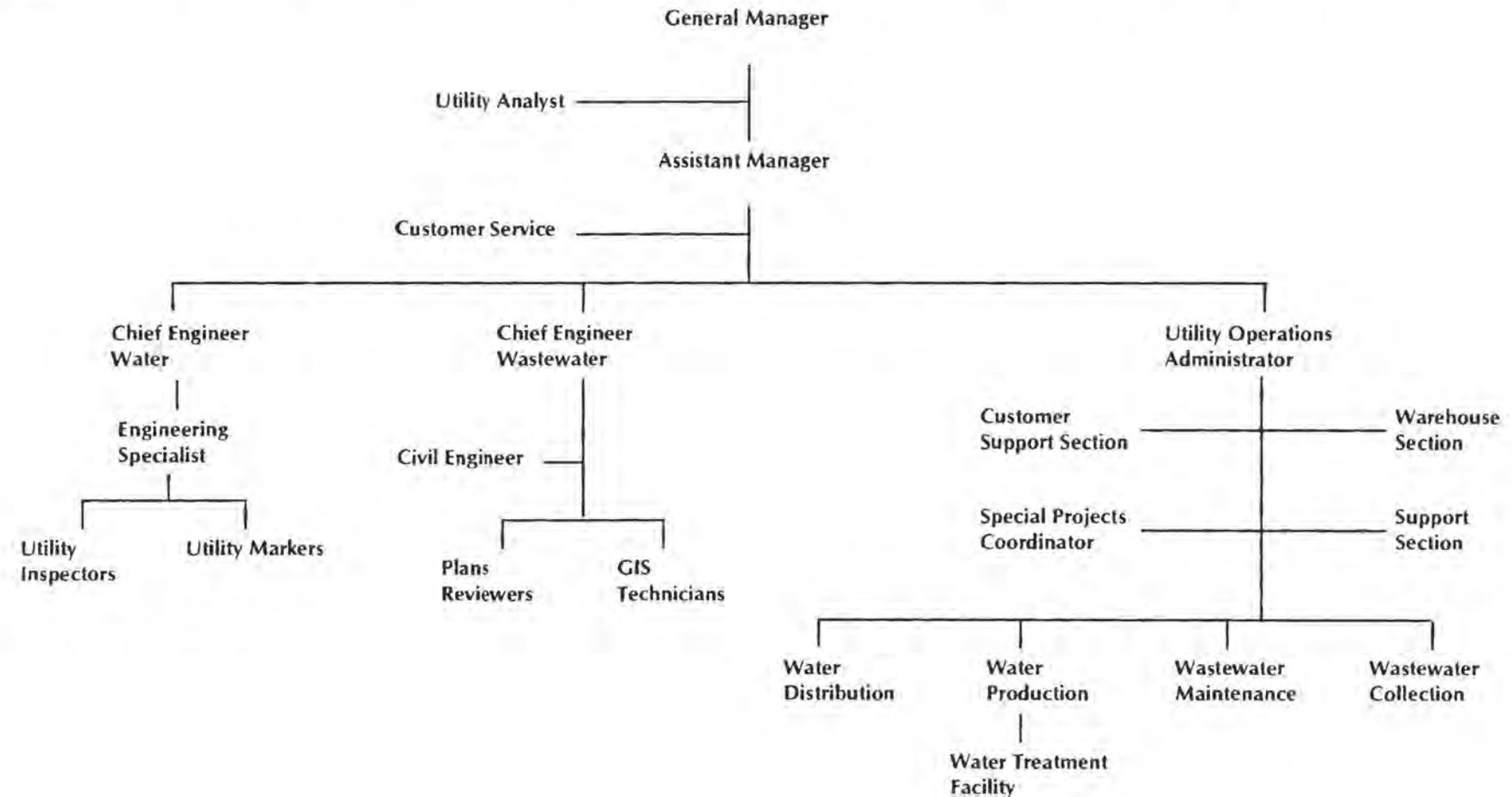
**Officials**

M. Douglas Powell  
Stephanie A. Luton

General Manager  
Assistant Manager/Treasurer

# James City Service Authority Organization Chart

Effective 1/9/13





**Operations Center**  
119 Tewning Road  
Williamsburg, VA 23188-2639  
P: 757-229-7421  
F: 757-229-2463  
[jcsa@jamescitycountyva.gov](mailto:jcsa@jamescitycountyva.gov)

November 23, 2015

To the Citizens of James City County:

The Comprehensive Annual Financial Report of the James City Service Authority, a component unit of the County of James City, Virginia, for the fiscal years ending June 30, 2015 and 2014, is hereby submitted. This report presents the financial position of all fund types of the James City Service Authority (JCSA) and the results of operations for the years then ended.

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

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. JCSA's MD&A can be found on pages 3-8, immediately following the independent auditors' report.

### **The Reporting Entity and Its Service**

The James City Service Authority is a public body politic and corporate of the Commonwealth of Virginia. The JCSA was created in 1969 by the James City County Board of Supervisors pursuant to the Virginia Water and Sewer Authorities Act (Code of Virginia, 1950, as amended). The JCSA was created to acquire, construct, operate and maintain, to the extent determined by the JCSA to be financially feasible, an integrated water system and an integrated sewer collection system in James City County (County). The Board of Directors is appointed by the Board of Supervisors. 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 Facility with 10 water production facilities, and 7 independent water production facilities that are located outside the PSA. There are approximately 402 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 4.7 million gallons of water per day to 21,246 water customers.

The JCSA's sewer system includes 76 pump stations with approximately 435 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.1 million gallons of sewage per day for 22,955 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, 2015, the JCSA had 89 full-time and 2 part-time employees with the responsibility to operate and maintain its utility facilities and lines. The JCSA's operating fiords are self-supporting and the JCSA receives no share of any local or property tax levies. The Board of Directors has the sole power to set water and sewer utility rates and related fees. The Board of Directors adopted an inverted-block or inclining rate structure in 1996 to be effective for fiscal year 1997 for residential customers which incorporates a unit charge that increases with increasing consumption. The primary objective of establishing the inverted-block rate structure was to promote water conservation, particularly from large-volume residential customers. On July 1, 2008, the residential water consumption service charge was set at the first block of \$2.80 per 1,000 gallons for less than 15,000 gallons consumed per quarter, the second block was set at \$3.45 per 1,000 gallons for more than 15,000 gallons but less than 30,000 gallons consumed per quarter, and a third block was set at \$9.80 per 1,000 gallons for more than 30,000 gallons consumed per quarter. Commercial and industrial customers were set at a flat or uniform rate structure of \$3.45 per 1,000 gallons. On July 1, 2012, the sewer service charge for all categories of customers was set to \$3.22 per 1,000 gallons.

### **Economic Condition and Outlook**

James City County is located near the cities of Hampton, Newport News and Williamsburg and the County of York. Major employers within commuting distance include Busch Gardens, Anheuser-Busch, Newport News Shipbuilding, Langley Air Force Base, Fort Eustis, Fort Monroe, Colonial Williamsburg Foundation, and the National Aeronautics and Space Administration. The County's population grew 39 percent from 2000 to 2010, while the state population increased only 13 percent during the past decade. James City County had modest growth over the past several years as the economic climate gradually improved. A historically fast-growing population and expanding commercial base enhances the long term economic outlook for the JCSA.

## **Major Initiatives**

JCSA conducted a comprehensive water and sewer rate study in fiscal year 2015 and the Board of Directors adopted a new rate structure in April, 2015 to be effective July 1, 2015. The new rate structure includes a fixed charge for water and sewer service. The rationale behind the fixed charge is that JCSA incurs significant costs to maintain infrastructure regardless of usage and JCSA should not be completely reliant on variable revenue to cover these fixed costs. The new rate structure also includes changes to the water and sewer service rates to offset some of the additional customer cost from the fixed charge and provide for near term water supply enhancement projects and operating and maintenance costs.

During fiscal year 2015, a major waterline replacement was completed in Williamsburg Landing, rehabilitation work was completed on the sewer interceptor improvement project in the Lift Station 1-5 basin (upper reaches of Powhatan Creek) along Chisel Run to Olde Towne Road near Route 60 and a sewer line reconstruction project was completed in a portion of the Tarleton Bivouac neighborhood. Work continued on the multi-year water meter replacement project to increase accuracy and efficiency in meter reading and leak repair using radio read meters.

In 2007, the Board of Directors authorized the JCSA to enter into a Consent Agreement with the Virginia Department of Environmental Quality (DEQ) to address sewer system overflows. Thirteen other Hampton Roads localities entered into similar agreements during the same timeframe. In February 2014, HRSD and fourteen Hampton Roads localities, including the JCSA, entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements to reduce sewer overflows.

Under this Plan, scheduled for completion in the fall of 2016, 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. Projects will be designed on a regional basis. Work will be performed where it is most needed rather than in each individual sewer basin within a locality that did not meet Consent Agreement standards. This regional approach to capital construction is estimated to save approximately \$1 billion regionally compared to the cost of each locality individually fulfilling its Consent Agreement responsibilities. HRSD will fund the work through a regional HRSD rate. In addition, HRSD will also assume liability for wet weather sewer overflows due to inadequate capacity.

JCSA keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects on an ongoing basis ("find and fix").

## **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, 2014. This was the thirtieth year that the JCSA has received this prestigious award.

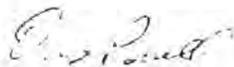
In order to be awarded a Certificate of Achievement, the JCSA must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America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

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

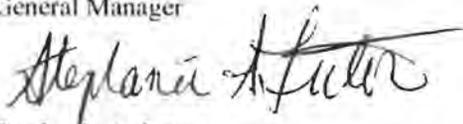
### **Acknowledgments**

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. Also, 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.

Sincerely,



M. Douglas Powell  
General Manager



Stephanie A. Luton  
Assistant Manager/Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**James City Service Authority  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**This page intentionally left blank**

## **FINANCIAL SECTION**

## Independent Auditors' Report

Board of Directors  
James City Service Authority

We have audited the accompanying financial statements of the business-type activities of the **James City Service Authority (the "Authority")**, a component unit of the County of James City, Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **James City Service Authority's** management.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **James City Service Authority** as of June 30, 2015 and 2014, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As discussed in Notes 1(m) and 13 to the financial statements, the financial statements as of the year ended June 30, 2014 were *restated* due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB 68, in 2015. Our opinion is not modified with respect to these changes.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of changes in net pension liability and related ratios and schedule of employer contributions and related notes on pages 3-8 and 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

*Other Information*

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

The statements of net position – by activity, schedule of revenues, expenses, and changes in net position – by activity, and schedule of operating revenues and expenses – budget and actual – by activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of net position – by activity, schedule of revenues, expenses, and changes in net position – by activity, and schedule of operating revenues and expenses – budget and actual – by activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the **James City Service Authority's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **James City Service Authority's** internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 23, 2015

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

Management's Discussion and Analysis

June 30, 2015 and 2014

This section of the James City Service Authority's (the Authority or JCSA) comprehensive annual financial report presents management's discussion and analysis of the Authority's financial performance during fiscal years ended June 30, 2015 and 2014. The information presented in this section should be read in conjunction with the letter of transmittal on pages v-viii at the front of this report and the Authority's basic financial statements, which begin on page 10.

**Financial Highlights for Fiscal Years 2015 and 2014**

- The Authority's total net position was \$172,792,859 and \$169,683,234 at June 30, 2015 and 2014, respectively.
- The Authority's total operating expenses before depreciation and amortization decreased by 10.1% in 2015 from 2014. This was primarily due to the absence of emergency repairs in 2015. In 2014, there were one-time emergency infrastructure and equipment repairs and replacements that were classified as maintenance and funded through the Authority's Capital Improvement Program budget and uncommitted reserves. Total operating expenses before depreciation and amortization increased by 1% in 2014 from 2013.
- The Authority's total operating revenues increased by 10.1% in 2015 from 2014. This was primarily due to increased water demand due to irrigation, an increase in proffer collections, and new office lease rental income. Total operating revenues in 2014 remained relatively flat and decreased by 0.7% from 2013.
- Capital assets decreased by 0.8% in 2015 from 2014. This was primarily due to depreciation expense during the current year. For fiscal year 2015, there was formal acceptance of 8 new water system dedications and 10 new sewer system dedications. Capital assets decreased by 1.6% in 2014 from 2013. For fiscal year 2014, there was formal acceptance of 8 new water system dedications and 8 new sewer system dedications.

**Overview of the Financial Statements**

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

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

The *statements of net position* present information on the Authority's assets and liabilities as of June 30, 2015 and 2014, with the difference between the two reported as net position.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed in fiscal year 2015 and 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

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

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

Management's Discussion and Analysis

June 30, 2015 and 2014

*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 can be found on pages 13 through 43.

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 benefits to its employees. The required supplementary information can be found on pages 45-47.

**Financial Analysis**

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. The Authority's net position increased by \$3,109,625 in 2015 from 2014. This was a result of increased water demand primarily attributable to irrigation, an increase in the number and value of water and sewer system dedications, an increase in proffer collections, and the absence of one-time emergency infrastructure and equipment repairs. The Authority's net position decreased by \$2,602,850 in 2014 from 2013, which was primarily due to the restatement of the Authority's beginning net position in 2014, as a result of the implementation of GASB 68 and 71. This was a result of a decline in water demand, a major waterline repair funded from reserves as authorized by the Board of Directors, and a decrease in the number and value of water and sewer system dedications.

**Condensed Statements of Net Position Information at June 30**

|   | 2015                  | 2014<br>(as restated) | 2013               |
|---|-----------------------|-----------------------|--------------------|
| Current and other assets  | \$ 40,111,499         | 35,614,226            | 35,484,446         |
| Capital assets  | 161,288,064           | 162,582,955           | 165,151,206        |
| Total assets  | <u>201,399,563</u>    | <u>198,197,181</u>    | <u>200,635,652</u> |
| Deferred pension contributions  | 330,920               | 308,820               | -                  |
| Total assets and deferred<br>outflow of resources                       | <u>\$ 201,730,483</u> | <u>198,506,001</u>    | <u>200,635,652</u> |
| Current liabilities   | \$ 3,278,575          | 2,466,259             | 3,383,213          |
| Noncurrent liabilities  | 24,855,247            | 26,356,508            | 24,966,355         |
| Total liabilities   | <u>28,133,822</u>     | <u>28,822,767</u>     | <u>28,349,568</u>  |
| Deferred pension investment<br>experience                               | <u>803,802</u>        | -                     | -                  |
| Net position:   |                       |                       |                    |
| Net investment in capital assets  | 137,173,064           | 137,922,955           | 139,966,206        |
| Restricted for capital projects   | 2,716,277             | 2,601,160             | 2,620,384          |
| Unrestricted  | <u>32,903,518</u>     | <u>29,159,119</u>     | <u>29,699,494</u>  |
| Total net position  | <u>172,792,859</u>    | <u>169,683,234</u>    | <u>172,286,084</u> |
| Total liabilities, deferred<br>inflow of resources, and net<br>position | <u>\$ 201,730,483</u> | <u>198,506,001</u>    | <u>200,635,652</u> |

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

Management's Discussion and Analysis

June 30, 2015 and 2014

The largest portion of the Authority's net position at June 30, 2015 (79.4%), reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. 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 since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted portion of net position at June 30, 2015 (19.0%) 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 Information**  
**Years ended June 30**

|   | 2015                  | 2014<br>(as restated) | 2013               |
|---|-----------------------|-----------------------|--------------------|
| Water and sewer services                  | \$ 12,588,470         | 11,825,702            | 12,002,533         |
| Reimbursement for storm costs             | -                     | 900                   | -                  |
| Other                                     | 990,357               | 504,252               | 420,265            |
| Total operating revenues                  | <u>13,578,827</u>     | <u>12,330,854</u>     | <u>12,422,798</u>  |
| Salaries                                  | 4,257,924             | 4,288,721             | 4,306,155          |
| Fringe benefits                           | 1,546,525             | 1,337,328             | 1,636,038          |
| Operating supplies                        | 836,288               | 882,253               | 822,882            |
| Maintenance of buildings and equipment    | 2,067,464             | 3,501,598             | 3,364,910          |
| Utilities                                 | 861,074               | 875,020               | 862,665            |
| Contractual fees                          | 915,365               | 836,634               | 910,491            |
| Other                                     | 497,803               | 496,851               | 504,573            |
| Depreciation and amortization             | 7,810,808             | 7,670,391             | 7,619,431          |
| Total expenses                            | <u>18,793,521</u>     | <u>19,888,796</u>     | <u>20,027,145</u>  |
| Facility charges                          | 3,863,650             | 4,305,728             | 3,868,654          |
| Investment income (loss)                  | 248,207               | 267,061               | (1,249,111)        |
| Gain (loss) on disposal of capital assets | 23,497                | 15,352                | (44,507)           |
| Interest, net                             | (1,095,684)           | (1,114,130)           | (1,141,052)        |
| Total nonoperating revenues               | <u>3,039,670</u>      | <u>3,474,011</u>      | <u>1,433,984</u>   |
| Loss before capital contributions         | <u>(2,174,754)</u>    | <u>(4,083,931)</u>    | <u>(6,170,363)</u> |
| Capital contributions                     | 5,284,379             | 3,388,700             | 4,600,645          |
| Change in net position                    | <u>3,109,625</u>      | <u>(695,231)</u>      | <u>(1,569,718)</u> |
| Net position, beginning of year           | 169,683,234           | 170,378,465           | 173,855,802        |
| Net position, end of year                 | <u>\$ 172,792,859</u> | <u>169,683,234</u>    | <u>172,286,084</u> |

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

Management's Discussion and Analysis

June 30, 2015 and 2014

The Authority's beginning net position for 2014 was restated due to the implementation of GASB 68 and 71. There was not enough information available to restate 2013; therefore, there is a difference from the 2013 ending net position and 2014 beginning net position.

In fiscal year 2015, water and sewer service revenue increased by 6.5% over 2014. This was primarily a result of increased water demand primarily attributable to irrigation. The Authority received \$450,262 in proffers from developers to fund capital improvements, which was \$392,816 more than what was received during 2014. There was a decrease in the facility charges collected during 2015. The 2014 facility charges included one large master metered apartment complex that accounted for approximately 25% of the total collected. New water connections increased to 388 in 2015 from 359 in 2014, and new sewer connections increased to 380 in 2015 from 261 in 2014. The large master metered apartment complex represents one connection in 2014.

In fiscal year 2014, water and sewer service revenue decreased by 1.5% over 2013. This was primarily a result of a decline in water demand. The Authority received \$57,446 in proffers from developers to fund capital improvements, which was \$44,084 more than what was received during 2013. There was an increase in the facility charges collected during 2014. New water connections decreased to 359 in 2014 from 448 in 2013 and new sewer connections decreased to 261 in 2014 from 347 in 2013.

**Capital Assets**

At the end of fiscal year 2015, the Authority had invested \$161,288,064 (net of accumulated depreciation) in a broad range of capital assets, including land and land improvements, water and sewer systems, office fixtures and equipment, and automotive equipment. This amount represents a 0.8% net decrease from last year, which was primarily the result of depreciation expense during fiscal year 2015. During the current fiscal year, construction in progress decreased by 59.6%. This was primarily due to the capitalization of a substantial rehab project at Lift Station 1-5.

At the end of fiscal year 2014, the Authority had invested \$162,582,955 (net of accumulated depreciation) in a broad range of capital assets, including land and land improvements, water and sewer systems, office fixtures and equipment, and automotive equipment. This was a 1.6% decrease from 2013, which was primarily the result of depreciation expense during fiscal year 2014. Construction in progress increased by 242% in 2014 from 2013. This increase was primarily a result of a substantial rehab project at Lift Station 1-5, which was expected to be completed in August 2014.

Further information related to the Authority's capital assets can be found in Note 3 on pages 22-23. The table on the following page summarizes the Authority's assets at June 30, 2015, 2014, and 2013:

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

Management's Discussion and Analysis

June 30, 2015 and 2014

|  | <u>2015</u>           | <u>2014</u>        | <u>2013</u>        |
|--|-----------------------|--------------------|--------------------|
| Utility plant:                                 |                       |                    |                    |
| Land   | \$ 962,995            | 962,995            | 962,695            |
| Water and sewer systems                        | 244,019,716           | 237,026,604        | 233,407,744        |
| Total utility plant                            | <u>244,982,711</u>    | <u>237,989,599</u> | <u>234,370,439</u> |
| Nonutility plant:                              |                       |                    |                    |
| Land   | 1,739,491             | 1,750,391          | 1,750,391          |
| Central shop                                   | 4,892,209             | 4,884,119          | 4,860,309          |
| Office fixtures and equipment                  | 1,809,839             | 1,696,932          | 1,669,073          |
| Land improvements                              | 13,183                | 13,183             | 13,183             |
| Automotive equipment                           | 2,482,789             | 2,349,927          | 2,411,512          |
| Total nonutility plant                         | <u>10,937,511</u>     | <u>10,694,552</u>  | <u>10,704,468</u>  |
| Intangible assets:                             |                       |                    |                    |
| Easements                                      | 4,570                 | 4,570              | 4,570              |
| Water rights                                   | 25,000,000            | 25,000,000         | 25,000,000         |
| Total intangible assets                        | <u>25,004,570</u>     | <u>25,004,570</u>  | <u>25,004,570</u>  |
| Construction in progress                       | 705,860               | 1,748,620          | 510,598            |
| Less accumulated depreciation and amortization | 120,342,588           | 112,854,386        | 105,438,869        |
| Net capital assets                             | <u>\$ 161,288,064</u> | <u>162,582,955</u> | <u>165,151,206</u> |

**Debt Administration**

At the close of the current fiscal year, the Authority's total outstanding bonded debt was \$24,115,000 (before premiums). At the close of the fiscal year 2014, the Authority's total outstanding debt was \$24,660,000 (before premiums). In 2015 Standard & Poor's affirmed its rating of AA+ for the Authority's outstanding bonded debt. Moody's Investors Service affirmed its rating of Aa2 for the Authority's outstanding bonded debt in fiscal year 2012.

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. The Authority also experienced an upgrade to their bond rating to AA+ by Standard & Poor's and Aa3 by Moody's Investors Service. Standard & Poor's issues ratings ranging from AAA to D to designate the relative investment qualities of bonds. Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds.

In January 2013, the Authority paid off revenue bonds that were issued in 2003 in the amount of \$14,650,000 and had an outstanding balance of \$7,005,000. The bonds were issued to finance a groundwater treatment facility, wells, and water transmission lines and to provide for the costs of issuing the bonds and funding any necessary reserves. The revenue bonds had been rated Aaa from Moody's and AAA from Standard & Poor's rating services, based on the municipal bond insurance policy by the Insurer. For further information on the Authority's outstanding debt, see Note 5 on pages 24-25.

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

Management's Discussion and Analysis

June 30, 2015 and 2014

**Economic Factors and Next Year Budgets and Rates**

During the current fiscal year, the unrestricted net position increased by \$3,744,399 to approximately \$32.9 million from 2014. The Authority did not appropriate any of this for spending as part of the fiscal year 2016 budget.

The JCSA's budget consists of five separate funds: Administration, Water, Sewer, Capital Improvements Program and Debt Service. The fiscal year 2016 budget reflects service rates and charges recommended by the comprehensive water and sewer rate study conducted in fiscal year 2015.

The study concluded the Water Fund needs additional revenue for near term water supply enhancement projects and operating and maintenance costs. The Sewer Fund will require additional revenue beginning in fiscal year 2017 to continue meeting annual operating costs and ongoing Virginia Department of Environmental Quality (DEQ) Consent Order sewer rehabilitation and maintenance responsibilities. Based on these findings, the fiscal year 2016 budget contains the initiation of a fixed charge for both water and sewer service and a water rate increase for fiscal year 2016 as part of a multi-year plan to ensure the long term financial stability of the Authority.

The philosophy of the fixed charge is the Authority incurs significant costs to maintain infrastructure regardless of usage and the Authority should not be completely reliant on variable revenue to cover these fixed costs. The water and sewer fixed charges are based on meter size. For a typical residential customer, the quarterly water fixed charge is \$7.22 and the quarterly sewer fixed charge is \$5.66.

The fiscal year 2016 budget contains new water and sewer service rates. In the Water Fund, the first tier (0-15,000 gallons per quarter) service rate for a typical single family residential customer decreases from \$2.85 per 1,000 gallons to \$2.47 to offset some of the additional customer cost from the fixed charge. The second tier (15,001-30,000 gallons per quarter) rate increases from \$3.45 per 1,000 gallons to \$4.93, and the third tier rate (30,000+ gallons per quarter) increases from \$9.80 to \$11.59. The water service rate for non-residential and multi-family residential customers increases from \$3.45 per 1,000 gallons to \$3.65. The decrease in the sewer service rate from \$3.22 to \$2.93 offsets some of the additional customer cost from the fixed charge.

The rate changes will increase a typical 5,000 gallons per month residential customer's bill by \$0.95 per month from \$30.35 to \$31.30.

The Administration Fund budget decreases by 0.5% in fiscal year 2016 from the 2015 budget. In the Water Fund, service revenue is projected to increase by 2.8% in fiscal year 2016 from the 2015 budget as a result of the rate changes. Direct expenses are budgeted to increase by 4.4%, primarily due to meter replacement. In the Sewer Fund, service revenue is projected to decrease by 5.6% in fiscal year 2016 from the 2015 budget due to updated customer demand and growth forecasts from the rate study analysis. Direct expenses are budgeted to increase by 9.6%, primarily due to sewer Consent Order maintenance activities. The Capital Improvements Program budget decreases by 11.1% in fiscal year 2016 from the 2015 budget.

**Contacting the Authority's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

**JAMES CITY SERVICE AUTHORITY**  
(A Component Unit of the County of James City, Virginia)  
**Statements of Net Position**  
June 30, 2015 and 2014

| Assets  | 2015                  | 2014<br>(as restated) |
|---|-----------------------|-----------------------|
| <b>Current assets:</b>  |                       |                       |
| Cash and cash equivalents (note 2)  | \$ 837,750            | 586,970               |
| Investments (note 2)  | 33,007,483            | 28,955,675            |
| Accounts receivable, customers  | 2,574,394             | 2,421,307             |
| Accounts receivable, other  | 38,520                | 86,623                |
| Note receivable (note 12)   | 31,531                | 60,994                |
| Interest receivable   | 88,112                | 81,297                |
| Inventories   | 817,432               | 820,200               |
| Total current assets  | <u>37,395,222</u>     | <u>33,013,066</u>     |
| <b>Noncurrent assets:</b>   |                       |                       |
| Capital assets (note 3):  |                       |                       |
| Utility plant:  |                       |                       |
| Land  | 962,995               | 962,995               |
| Water and sewer systems   | 244,019,716           | 237,026,604           |
| Total utility plant   | <u>244,982,711</u>    | <u>237,989,599</u>    |
| Nonutility property:  |                       |                       |
| Land  | 1,739,491             | 1,750,391             |
| Central shop  | 4,892,209             | 4,884,119             |
| Office fixtures and equipment   | 1,809,839             | 1,696,932             |
| Land improvements   | 13,183                | 13,183                |
| Automotive equipment  | 2,482,789             | 2,349,927             |
| Total nonutility property   | <u>10,937,511</u>     | <u>10,694,552</u>     |
| Intangible assets:  |                       |                       |
| Easements   | 4,570                 | 4,570                 |
| Water rights  | 25,000,000            | 25,000,000            |
| Total intangible assets   | <u>25,004,570</u>     | <u>25,004,570</u>     |
| Construction in progress (note 11)  | 705,860               | 1,748,620             |
| Less accumulated depreciation and amortization                                | <u>120,342,588</u>    | <u>112,854,386</u>    |
| Net capital assets  | <u>161,288,064</u>    | <u>162,582,955</u>    |
| Investments restricted for future use (note 2)                                | 2,716,277             | 2,601,160             |
| Total noncurrent assets   | <u>164,004,341</u>    | <u>165,184,115</u>    |
| Total assets  | <u>201,399,563</u>    | <u>198,197,181</u>    |
| <b>Deferred Outflow of Resources</b>  |                       |                       |
| Deferred pension contributions  | 330,920               | 308,820               |
| Total assets and deferred outflow of resources                                | <u>\$ 201,730,483</u> | <u>198,506,001</u>    |
| <b>Liabilities</b>  |                       |                       |
| <b>Current liabilities:</b>   |                       |                       |
| Accounts payable, trade   | \$ 385,052            | 468,429               |
| Accrued salaries  | 21,605                | 27,647                |
| Compensated absences, current portion (notes 5 and 6)                         | 268,010               | 280,435               |
| Due to James City County (note 10)  | 1,346,004             | 455,495               |
| Deposits  | 196,804               | 184,406               |
| Interest payable  | 496,100               | 504,847               |
| Current portion of bonds payable, including unamortized premium (note 5)      | 565,000               | 545,000               |
| Total current liabilities   | <u>3,278,575</u>      | <u>2,466,259</u>      |
| <b>Noncurrent liabilities:</b>  |                       |                       |
| Advances for construction (note 4)  | 32,902                | 32,902                |
| OPEB liability (note 8)   | 243,509               | 207,509               |
| Compensated absences, net of current portion (notes 5 and 6)                  | 89,343                | 93,478                |
| Bonds payable, including unamortized premium, net of current portion (note 5) | 23,550,000            | 24,115,000            |
| Net pension liability   | 939,493               | 1,907,619             |
| Total noncurrent liabilities  | <u>24,855,247</u>     | <u>26,356,508</u>     |
| Total liabilities   | <u>28,133,822</u>     | <u>28,822,767</u>     |
| <b>Deferred Inflow of Resources</b>   |                       |                       |
| Deferred pension investment experience  | 803,802               | —                     |
| <b>Net position</b>   |                       |                       |
| Net position:   |                       |                       |
| Net investment in capital assets  | 137,173,064           | 137,922,955           |
| Restricted for capital projects   | 2,716,277             | 2,601,160             |
| Unrestricted  | 32,903,518            | 29,159,119            |
| Total net position  | <u>172,792,859</u>    | <u>169,683,234</u>    |
| Total liabilities, deferred inflow of resources, and net position             | <u>\$ 201,730,483</u> | <u>198,506,001</u>    |

See accompanying notes to basic financial statements.

**Exhibit 2**

**JAMES CITY SERVICE AUTHORITY**  
(A Component Unit of the County of James City, Virginia)  
**Statements of Revenues, Expenses, and Changes in Net Position**  
Years ended June 30, 2015 and 2014

|  | <u>2015</u>                  | <u>2014</u><br><u>(as restated)</u> |
|--|------------------------------|-------------------------------------|
| Operating revenues:                                      |                              |                                     |
| Water and sewer services                                 | \$ 12,588,470                | 11,825,702                          |
| Water supply proffers                                    | 450,262                      | 57,446                              |
| Rental income (note 10)                                  | 325,991                      | 160,914                             |
| Reimbursement for storm costs                            | —                            | 900                                 |
| Other  | 214,104                      | 285,892                             |
| Total operating revenues                                 | <u>13,578,827</u>            | <u>12,330,854</u>                   |
| Operating expenses:                                      |                              |                                     |
| Salaries (note 6)  | 4,257,924                    | 4,288,721                           |
| Fringe benefits (note 6)                                 | 1,546,525                    | 1,337,328                           |
| Operating supplies                                       | 836,288                      | 882,253                             |
| Maintenance of buildings and equipment                   | 2,067,464                    | 3,501,598                           |
| Utilities  | 861,074                      | 875,020                             |
| Contractual fees (note 10)                               | 915,365                      | 836,634                             |
| Other  | 497,803                      | 496,851                             |
| Total operating expenses                                 | <u>10,982,443</u>            | <u>12,218,405</u>                   |
| Operating income before depreciation<br>and amortization | 2,596,384                    | 112,449                             |
| Depreciation and amortization                            | <u>7,810,808</u>             | <u>7,670,391</u>                    |
| Operating loss   | <u>(5,214,424)</u>           | <u>(7,557,942)</u>                  |
| Nonoperating revenues (expenses):                        |                              |                                     |
| Facility charges   | 3,863,650                    | 4,305,728                           |
| Investment income  | 248,207                      | 267,061                             |
| Gain on disposal of capital assets                       | 23,497                       | 15,352                              |
| Interest, net  | <u>(1,095,684)</u>           | <u>(1,114,130)</u>                  |
| Net nonoperating revenues                                | <u>3,039,670</u>             | <u>3,474,011</u>                    |
| Loss before capital contributions                        | <u>(2,174,754)</u>           | <u>(4,083,931)</u>                  |
| Capital asset contributions                              | <u>5,284,379</u>             | <u>3,388,700</u>                    |
| Changes in net position                                  | 3,109,625                    | (695,231)                           |
| Net position at beginning of year                        | <u>169,683,234</u>           | <u>170,378,465</u>                  |
| Net position at end of year                              | \$ <u><u>172,792,859</u></u> | \$ <u><u>169,683,234</u></u>        |

See accompanying notes to basic financial statements.

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

Statements of Cash Flows  
Years ended June 30, 2015 and 2014

|  | 2015           | 2014<br>(as restated) |
|--|----------------|-----------------------|
| Cash flows from operating activities:  |                |                       |
| Cash received from customers   | \$ 12,447,781  | 11,958,854            |
| Other cash receipts  | 1,067,923      | 533,060               |
| Cash payments to suppliers for goods and services                                  | (4,368,094)    | (7,549,761)           |
| Cash payments for personnel services   | (5,977,476)    | (5,918,344)           |
| Facility charges   | 3,863,650      | 4,305,728             |
| Net cash provided by operating activities  | 7,033,784      | 3,329,537             |
| Cash flows from capital and related financing activities:                          |                |                       |
| Payments of debt   | (545,000)      | (525,000)             |
| Interest paid  | (1,104,431)    | (1,122,556)           |
| Acquisition and construction of capital assets                                     | (1,241,159)    | (1,724,640)           |
| Proceeds from sale of capital assets   | 33,118         | 26,552                |
| Net cash used in capital and related financing activities                          | (2,857,472)    | (3,345,644)           |
| Cash flows from investing activities:  |                |                       |
| Purchases of investments   | (28,269,994)   | (28,479,458)          |
| Proceeds from sale of investments  | 24,103,069     | 28,139,431            |
| Interest received  | 241,393        | 276,981               |
| Net cash used by investing activities  | (3,925,532)    | (63,046)              |
| Increase (decrease) in cash and cash equivalents                                   | 250,780        | (79,153)              |
| Cash and cash equivalents at beginning of year                                     | 586,970        | 666,123               |
| Cash and cash equivalents at end of year   | \$ 837,750     | 586,970               |
| Reconciliation of operating loss to net cash provided by operating activities:     |                |                       |
| Operating loss   | \$ (5,214,424) | (7,557,942)           |
| Adjustments to reconcile operating loss to cash provided by operating activities:  |                |                       |
| Depreciation and amortization  | 7,810,808      | 7,670,391             |
| Facility charges   | 3,863,650      | 4,305,728             |
| Change in operating assets and liabilities:  |                |                       |
| Accounts receivable, customers   | (153,087)      | 109,510               |
| Accounts receivable, other   | 48,103         | 2,317                 |
| Notes receivable   | 29,463         | 25,591                |
| Inventories  | 2,768          | (16,244)              |
| Accounts payable, trade  | (83,377)       | (318,048)             |
| Accrued salaries   | 21,605         | 27,647                |
| Change in compensated absences   | (44,208)       | (47,122)              |
| Due to James City County   | 890,509        | (623,113)             |
| Deposits   | 12,398         | 23,642                |
| OPEB liability   | 36,000         | 36,000                |
| Decrease in net pension liability and related deferred inflow/outflow of resources | (186,424)      | (308,820)             |
| Total adjustments  | 12,248,208     | 10,887,479            |
| Net cash provided by operating activities  | \$ 7,033,784   | 3,329,537             |
| Supplemental schedules:  |                |                       |
| Noncash capital activities:  |                |                       |
| Capital asset contributions  | \$ 5,284,379   | 3,388,700             |
| Noncash investing activity:  |                |                       |
| Unrealized loss from change in fair value of investments                           | \$ (166,009)   | (169,609)             |

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, 2015 and 2014

**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 can impose its will over the Authority, significantly influencing the programs, projects, activities, or levels of service. Although a financial benefit or burden relationship may not exist, the County is financially accountable. The Authority is accounted for as a proprietary fund and its financial statements have been blended with the County's financial statements for reporting purposes.

**(a) Basis of Accounting and Presentation**

The Authority prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority, which reports its financial statements similar to an enterprise fund, has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. 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.

The Authority's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Since the Authority is only engaged in business-type

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

Notes to Financial Statements

June 30, 2015 and 2014

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

**(b) 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.

**(c) Investments**

All investments of the Authority are stated at fair value as of June 30, 2015 and 2014, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

**(d) Inventories**

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

**(e) Capital Assets**

All direct costs of water and sewer transmission facilities constructed are capitalized. In addition, interest and amortization of bond and trustee expense, where applicable, are capitalized during the period of construction. Interest expense is reduced to the extent of any interest income earned on investment of bond proceeds. Nonutility property is capitalized at cost.

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

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

The Authority has easements and water rights that are considered intangible assets. The water rights are related to an agreement the Authority has with the City of Newport News to purchase and treat water to meet long-term water supply needs. These water rights are amortized using the straight-line depreciation method over the life of the agreement. More information on this agreement can be found in note 11.

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

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

Notes to Financial Statements

June 30, 2015 and 2014

**(f) *Unbilled Revenue***

The Authority records the amount of accrued but unbilled revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately \$1,196,000 and \$1,072,000 at June 30, 2015 and 2014, respectively.

**(g) *Allowance for Uncollectible Accounts***

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

**(h) *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, 2015, there were \$26,200 in supplemental appropriations for various grants. At June 30, 2014, there were \$534,033 in supplemental appropriations for and capital projects, including an emergent waterline replacement, and various grants.

**(i) *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, 2015 are on the following page:

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

Notes to Financial Statements

June 30, 2015 and 2014

|   |    | <u>Deductibles</u>               |
|---|----|----------------------------------|
| Property  | \$ | 10,000                           |
| Inland marine                                       |    | 1,000                            |
| Flood   |    | 25,000                           |
| Earthquake  |    | 25,000                           |
| General liability and law enforcement               |    | 100,000                          |
| Automobile:   |    |                                  |
| Liability   |    | 100,000                          |
| Comprehensive                                       |    | 1,000                            |
| Collision   |    | 1,000                            |
| Crime   |    | 250                              |
| Worker's compensation                               |    | None                             |
|   |    |                                  |
|   |    | <u>Liability coverage limits</u> |
| Property insurance:                                 |    |                                  |
| Valuation at functional replacement                 | \$ | 56,698,184                       |
| Flood (outside 100 year flood plain)                |    | 56,698,184                       |
| Business interruption/extra expense                 |    | 3,000,000                        |
| Property in transit                                 |    | 5,000,000                        |
| Increased cost of construction/ordinance demolition |    | 20,000,000                       |
| Back-up of sewers and drains                        |    | 1,000,000                        |
| Debris removal                                      |    | 20,000,000                       |
| Pollutant clean-up and removal                      |    | 500,000                          |
| Off premises power failure                          |    | 2,000,000                        |
| Media reproduction                                  |    | 100,000                          |
| Newly acquired locations for up to 120 days         |    | 20,000,000                       |
| General liability and law enforcement               |    | 9,000,000                        |
| Automobile liability                                |    | 9,000,000                        |
| Public officials                                    |    | 9,000,000                        |
| Crime   |    | 500,000                          |
| Worker's compensation                               |    | Statutory limits                 |

There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**(j) 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.

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

Notes to Financial Statements

June 30, 2015 and 2014

**(k) *Operating and Nonoperating Revenue and Expenses Recognition***

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

**(l) *Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

**(m) *New Accounting Principles***

The Authority has adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27 (GASB 68)* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment to GASB 68 (GASB 71)*. GASB 68 replaces the requirements of Statement 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB 68 provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. GASB 71 provides accounting and financial reporting guidance for contributions, if any, made by the employer to a defined benefit pension plan after the measurement date of the government's beginning net position. The accounting changes required by GASB 68 and 71 are applied retroactively by reclassifying the statement of net position, and results of operations.

**(n) *Subsequent Events***

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 23, 2015, the date the financial statements were available to be issued.

**2) *Cash and Cash Equivalents and Investments***

**(a) *Deposits***

At June 30, 2015 and 2014, the carrying values of the Authority's deposits with banks and savings institutions were \$837,750 and \$586,970, respectively, and the bank balances were \$887,204 and \$1,027,721, respectively. The differences between the carrying values of bank deposits and the bank balances are primarily due to outstanding checks and deposits in transit. The bank balances are fully covered by the Federal Depository Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), which is considered to be insured. Under the Act,

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

Notes to Financial Statements

June 30, 2015 and 2014

banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits.

If any member financial institution fails, the entire collateral pool becomes available to satisfy claims of the Authority. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and as a result, are considered insured.

The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

**(b) Investments**

|                            | Fair<br>value | Investment maturity (in years) |           |            |
|----------------------------|---------------|--------------------------------|-----------|------------|
|                            |               | Less than 1                    | 1-2       | 2-7        |
| <b>2015:</b>               |               |                                |           |            |
| Money market funds         | \$ 2,593,852  | 2,593,852                      | -         | -          |
| Certificate of deposit     | 2,572,914     | -                              | -         | 2,572,914  |
| Corporate notes            | 5,965,056     | -                              | -         | 5,965,056  |
| Federal agency bonds/notes | 5,149,629     | -                              | 684,789   | 4,464,840  |
| Municipal bonds            | 906,302       | -                              | -         | 906,302    |
| U.S. Treasury notes        | 18,536,007    | -                              | 1,050,737 | 17,485,270 |
| Total                      | \$ 35,723,760 | 2,593,852                      | 1,735,526 | 31,394,382 |

|                            | Fair<br>value | Investment maturity (in years) |           |            |
|----------------------------|---------------|--------------------------------|-----------|------------|
|                            |               | Less than 1                    | 1-2       | 2-7        |
| <b>2014:</b>               |               |                                |           |            |
| Money market funds         | \$ 2,481,272  | 2,481,272                      | -         | -          |
| Certificate of deposit     | 3,944,641     | 1,276,657                      | 1,973,323 | 694,661    |
| Corporate notes            | 4,292,472     | -                              | -         | 4,292,472  |
| Federal agency bonds/notes | 2,901,557     | -                              | -         | 2,901,557  |
| Municipal bonds            | 300,048       | -                              | -         | 300,048    |
| U.S. Treasury notes        | 17,636,845    | -                              | 4,547,150 | 13,089,695 |
| Total                      | \$ 31,556,835 | 3,757,929                      | 6,520,473 | 21,278,433 |

**(c) Investment Policy**

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, municipal obligations, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest

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

Notes to Financial Statements

June 30, 2015 and 2014

exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). The fair value of the Authority's position in the LGIP is the same as the value of the pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP. The JCSA Board of Directors adopted an updated Investment Policy on March 26, 2013.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is presented on the following page.

|   |             |
|---|-------------|
| Registered money market mutual funds          | 50% maximum |
| Commonwealth of Virginia LGIP                 | 50% maximum |
| Repurchase agreements                         | 50% maximum |
| Bankers' acceptances                          | 35% maximum |
| Commercial paper                              | 35% maximum |
| Negotiable certificates of deposit/bank notes | 20% maximum |
| Municipal obligations                         | 20% maximum |
| Corporate notes                               | 20% maximum |
| Bank deposits                                 | 35% maximum |

The combined amount of bankers' acceptances, commercial paper, and corporate notes shall not exceed fifty percent (50%) of the total book value of the portfolio at the date of acquisition.

**(d) 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 following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of Aa long-term debt rating by Moody's Investors Service and a minimum of AA long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service. Notes having a maturity of greater than one year must be rated AA by Standard & Poor's and Aa by Moody's Investors Service.

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, 2015 and 2014, the Authority's investments were rated by Standard & Poor's and the ratings are listed on the following page using the Standard & Poor's rating scale:

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

Notes to Financial Statements

June 30, 2015 and 2014

|                            | Investment ratings |                   |                  |                  |                |          |
|----------------------------|--------------------|-------------------|------------------|------------------|----------------|----------|
|                            | AAA                | AA+               | AA               | AA-              | A-1+           | A-1      |
| <b>2015:</b>               |                    |                   |                  |                  |                |          |
| Certificate of deposit     | \$ -               | -                 | -                | 1,750,062        | 700,428        | -        |
| Corporate notes            | 939,514            | 1,396,960         | 1,889,104        | 1,739,476        | -              | -        |
| Federal agency bonds/notes | -                  | 5,149,629         | -                | -                | -              | -        |
| Municipal bonds            | -                  | 906,302           | -                | -                | -              | -        |
| U.S. Treasury notes        | -                  | 18,536,008        | -                | -                | -              | -        |
| Total                      | <u>\$ 939,514</u>  | <u>25,988,899</u> | <u>1,889,104</u> | <u>3,489,538</u> | <u>700,428</u> | <u>-</u> |

|                            | Investment ratings |                   |                  |                  |                  |                  |
|----------------------------|--------------------|-------------------|------------------|------------------|------------------|------------------|
|                            | AAA                | AA+               | AA               | AA-              | A-1+             | A-1              |
| <b>2014:</b>               |                    |                   |                  |                  |                  |                  |
| Certificate of deposit     | \$ -               | -                 | -                | 574,773          | 1,973,323        | 1,276,657        |
| Corporate notes            | 735,770            | 851,689           | 1,390,229        | 1,314,784        | -                | -                |
| Federal agency bonds/notes | -                  | 2,901,557         | -                | -                | -                | -                |
| Municipal bonds            | -                  | 300,048           | -                | -                | -                | -                |
| U.S. Treasury notes        | -                  | 17,636,845        | -                | -                | -                | -                |
| Total                      | <u>\$ 735,770</u>  | <u>21,690,139</u> | <u>1,390,229</u> | <u>1,889,557</u> | <u>1,973,323</u> | <u>1,276,657</u> |

Money market funds of \$2,593,852 and \$2,481,272, respectively, for 2015 and 2014, and a portion of certificate of deposit totaling \$122,425 and \$119,888 for 2015 and 2014, respectively, are unrated; therefore, they are not included in the information presented above.

**(e) Concentration of Credit Risk**

The Policy establishes guidelines on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

|  |              |
|--|--------------|
| U.S. Treasury                                | 100% maximum |
| Each money market mutual fund                | 50% maximum  |
| Each federal agency                          | 35% maximum  |
| Each federal agency mortgage-backed security | 10% maximum  |
| Each repurchase agreement counterparty       | 25% maximum  |
| Commonwealth of Virginia LGIP                | 50% maximum  |
| Bank deposits                                | 35% maximum  |

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

Notes to Financial Statements

June 30, 2015 and 2014

At June 30, 2015 and 2014, the portions of the Authority's portfolio that exceeded 5% of the total portfolio are presented below:

| <b>Issuer</b>                          | <b>% of portfolio</b> |
|--|-----------------------|
| <b>2015:</b>                           |                       |
| U.S. Treasury                          | 56.0%                 |
| Federal Home Loan Mortgage Corporation | 10.0                  |
| Federal Home Loan Banks                | 5.6                   |
| <br>                                   |                       |
| <b>Issuer</b>                          | <b>% of portfolio</b> |
| <b>2014:</b>                           |                       |
| U.S. Treasury                          | 60.8%                 |

**(f) 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 the date of purchase. 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 must 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.

**(g) Custodial Credit Risk**

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, 2015 and 2014, all of the Authority's investments were held in a bank's trust department in the name of James City Service Authority.

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

Notes to Financial Statements

June 30, 2015 and 2014

**3) Capital Assets**

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2015 and 2014:

|   | <u>Balance<br/>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance<br/>June 30, 2015</u> |
|---|---------------------------------|------------------|------------------|----------------------------------|
| Capital assets not being depreciated:               |                                 |                  |                  |                                  |
| Utility plant:                                      |                                 |                  |                  |                                  |
| Land  | \$ 962,995                      | -                | -                | 962,995                          |
| Nonutility plant:                                   |                                 |                  |                  |                                  |
| Land  | 1,750,391                       | 1,600            | 12,500           | 1,739,491                        |
| Land improvements                                   | 13,183                          | -                | -                | 13,183                           |
| Construction in progress                            | 1,748,620                       | 1,773,110        | 2,815,870        | 705,860                          |
| Intangible assets-easements                         | 4,570                           | -                | -                | 4,570                            |
| Total capital assets not being depreciated          | <u>4,479,759</u>                | <u>1,774,710</u> | <u>2,828,370</u> | <u>3,426,099</u>                 |
| Other capital assets:                               |                                 |                  |                  |                                  |
| Utility plant:                                      |                                 |                  |                  |                                  |
| Water and sewer systems                             | 237,026,604                     | 7,070,270        | 77,158           | 244,019,716                      |
| Nonutility plant:                                   |                                 |                  |                  |                                  |
| Central shop  | 4,884,119                       | 40,860           | 32,770           | 4,892,209                        |
| Office fixtures and equipment                       | 1,696,932                       | 129,734          | 16,827           | 1,809,839                        |
| Automotive equipment                                | 2,349,927                       | 338,334          | 205,472          | 2,482,789                        |
| Intangible assets – water rights                    | 25,000,000                      | -                | -                | 25,000,000                       |
| Total other capital assets                          | <u>270,957,582</u>              | <u>7,579,198</u> | <u>332,227</u>   | <u>278,204,553</u>               |
| Less accumulated depreciation and amortization for: |                                 |                  |                  |                                  |
| Water and sewer systems                             | 105,395,191                     | 6,680,140        | 67,537           | 112,007,794                      |
| Central shop  | 1,377,610                       | 143,225          | 32,770           | 1,488,065                        |
| Office fixtures and equipment                       | 1,000,336                       | 125,585          | 16,826           | 1,109,095                        |
| Automotive equipment                                | 1,860,390                       | 248,360          | 205,473          | 1,903,277                        |
| Intangible assets – water rights                    | 3,220,859                       | 613,497          | -                | 3,834,356                        |
| Total accumulated depreciation and amortization     | <u>112,854,386</u>              | <u>7,810,808</u> | <u>322,606</u>   | <u>120,342,588</u>               |
| Other capital assets, net                           | <u>158,103,196</u>              | <u>(231,609)</u> | <u>9,620</u>     | <u>157,861,967</u>               |
|   | <u>\$ 162,582,955</u>           | <u>1,543,102</u> | <u>2,837,993</u> | <u>161,288,064</u>               |

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

Notes to Financial Statements

June 30, 2015 and 2014

|   | <u>Balance<br/>July 1, 2013</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Balance<br/>June 30, 2014</u> |
|---|---------------------------------|--------------------|------------------|----------------------------------|
| Capital assets not being depreciated:               |                                 |                    |                  |                                  |
| Utility plant:                                      |                                 |                    |                  |                                  |
| Land  | \$ 962,695                      | 300                | -                | 962,995                          |
| Nonutility plant:                                   |                                 |                    |                  |                                  |
| Land  | 1,750,391                       | -                  | -                | 1,750,391                        |
| Land improvements                                   | 13,183                          | -                  | -                | 13,183                           |
| Construction in progress                            | 510,598                         | 3,769,171          | 2,531,149        | 1,748,620                        |
| Intangible assets-casements                         | 4,570                           | -                  | -                | 4,570                            |
| Total capital assets not being depreciated          | <u>3,241,437</u>                | <u>3,769,471</u>   | <u>2,531,149</u> | <u>4,479,759</u>                 |
| Other capital assets:                               |                                 |                    |                  |                                  |
| Utility plant:                                      |                                 |                    |                  |                                  |
| Water and sewer systems                             | 233,407,744                     | 3,618,860          | -                | 237,026,604                      |
| Nonutility plant:                                   |                                 |                    |                  |                                  |
| Central shop  | 4,860,309                       | 23,810             | -                | 4,884,119                        |
| Office fixtures and equipment                       | 1,669,073                       | 84,562             | 56,703           | 1,696,932                        |
| Automotive equipment                                | 2,411,512                       | 147,787            | 209,372          | 2,349,927                        |
| Intangible assets – water rights                    | 25,000,000                      | -                  | -                | 25,000,000                       |
| Total other capital assets                          | <u>267,348,638</u>              | <u>3,875,019</u>   | <u>266,705</u>   | <u>270,957,582</u>               |
| Less accumulated depreciation and amortization for: |                                 |                    |                  |                                  |
| Water and sewer systems                             | 98,790,781                      | 6,604,410          | -                | 105,395,191                      |
| Central shop  | 1,235,028                       | 142,582            | -                | 1,377,610                        |
| Office fixtures and equipment                       | 944,232                         | 112,475            | 56,371           | 1,000,336                        |
| Automotive equipment                                | 1,861,466                       | 197,427            | 198,503          | 1,860,390                        |
| Intangible assets – water rights                    | 2,607,362                       | 613,497            | -                | 3,220,859                        |
| Total accumulated depreciation and amortization     | <u>105,438,869</u>              | <u>7,670,391</u>   | <u>254,874</u>   | <u>112,854,386</u>               |
| Other capital assets, net                           | <u>161,909,769</u>              | <u>(3,795,372)</u> | <u>11,201</u>    | <u>158,103,196</u>               |
|   | <u>\$ 165,151,206</u>           | <u>(25,901)</u>    | <u>2,542,350</u> | <u>162,582,955</u>               |

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

Notes to Financial Statements

June 30, 2015 and 2014

**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, 2015 and 2014, advances for construction consisted of:

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

**5) Long-Term Debt**

A summary of the Authority's long-term debt activity for the fiscal years ended June 30, 2015 and 2014 is presented as follows:

|                      |    | <u>Amounts payable at July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Amounts payable at June 30, 2015</u> | <u>Amounts due within one year</u> |
|----------------------|----|--|------------------|------------------|---|------------------------------------|
| Revenue bonds        | \$ | 24,660,000                             | -                | 545,000          | 24,115,000                              | 565,000                            |
| Compensated absences |    | <u>373,913</u>                         | <u>445,120</u>   | <u>461,680</u>   | <u>357,353</u>                          | <u>268,010</u>                     |
| Total                | \$ | <u>25,033,913</u>                      | <u>445,120</u>   | <u>1,006,680</u> | <u>24,472,353</u>                       | <u>833,010</u>                     |

|                      |    | <u>Amounts payable at July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Amounts payable at June 30, 2014</u> | <u>Amounts due within one year</u> |
|----------------------|----|--|------------------|------------------|---|------------------------------------|
| Revenue bonds        | \$ | 25,185,000                             | -                | 525,000          | 24,660,000                              | 545,000                            |
| Compensated absences |    | <u>407,777</u>                         | <u>450,179</u>   | <u>484,043</u>   | <u>373,913</u>                          | <u>280,435</u>                     |
| Total                | \$ | <u>25,592,777</u>                      | <u>450,179</u>   | <u>1,009,043</u> | <u>25,033,913</u>                       | <u>825,435</u>                     |

General long-term obligations at June 30, 2015 are comprised of the following

|  |                      |
|--|----------------------|
| \$27,120,000 Revenue Bonds, Series 2008, issued August 2008, maturing in various annual installments through 2040, with interest payable semiannually at 3.50% | \$ <u>24,115,000</u> |
|--|----------------------|

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

Notes to Financial Statements

June 30, 2015 and 2014

Future maturities of the Authority's debt obligation with scheduled interest payments are as follows:

| Fiscal year ending June 30: | <u>Principal</u>     | <u>Interest</u>   |
|-----------------------------|----------------------|-------------------|
| 2016                        | \$ 565,000           | 1,081,856         |
| 2017                        | 585,000              | 1,062,081         |
| 2018                        | 605,000              | 1,041,606         |
| 2019                        | 630,000              | 1,017,406         |
| 2020                        | 655,000              | 992,206           |
| 2021-2025                   | 3,690,000            | 4,536,144         |
| 2026-2030                   | 3,565,000            | 3,669,444         |
| 2031-2035                   | 3,110,000            | 2,843,088         |
| 2036-2040                   | 10,710,000           | 2,128,800         |
|                             | <u>\$ 24,115,000</u> | <u>18,372,631</u> |

**6) Salaries and Fringe Benefits**

Salaries and fringe benefits, such as vacation, sick leave, paid time off, hospitalization insurance, and pension plan costs are paid by the County. The costs attributable to Authority personnel are reimbursed to the County by the Authority. Any costs associated with earned but unused vacation and sick leave are reported in the financial statements.

At June 30, 2015 and 2014, employees' earned but unused vacation was \$273,563 and \$293,654, respectively, unused sick leave was \$77,827 and \$79,943, respectively, unused paid time off was \$5,963 and \$316, respectively, and are included in compensated absences in the accompanying balance sheets. Upon termination, employees are entitled to receive cash payments for sick leave at 25% of accumulated values up to a maximum of \$5,000. Employees are entitled to sick leave reimbursement only after having been employed by the Authority for a minimum of two years.

**7) Pension Plan**

*(a) Pensions*

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 Virginia Retirement System (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.

*(b) Plan Description*

All full-time, salaried regular employees of the Authority are automatically covered by Virginia Retirement System (VRS) upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

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

Notes to Financial Statements

June 30, 2015 and 2014

Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, active military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers three different benefit plans for local government 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 set out below.

**VRS PLAN 1:**

***About VRS Plan 1***

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

***Eligible Members***

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

***Hybrid Opt-In Election***

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

***Retirement Contributions***

Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

***Creditable Service***

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

Notes to Financial Statements

June 30, 2015 and 2014

***Vesting***

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

***Calculating the Benefit***

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

***Average Final Compensation***

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

***Normal Retirement Age***

Age 65.

***Earliest Unreduced Retirement Eligibility***

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 55 with at least 30 years of creditable service.

***Earliest Reduced Retirement Eligibility***

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

***Cost-of-Living Adjustment (COLA) in Retirement***

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**Eligibility:**

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

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

Notes to Financial Statements

June 30, 2015 and 2014

**Exceptions to COLA Effective Dates:**

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

***Purchase of Prior Service***

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS PLAN 2:**

***About VRS Plan 2***

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010 and before January 1, 2014, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

***Eligible Members***

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

***Hybrid Opt-In Election***

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid

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

Notes to Financial Statements

June 30, 2015 and 2014

Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

***Retirement Contributions***

Same as VRS Plan 1.

***Creditable Service***

Same as VRS Plan 1.

***Vesting***

Same as VRS Plan 1.

***Calculating the Benefit***

See definition under VRS Plan 1.

***Average Final Compensation***

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

***Service Retirement Multiplier***

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

***Normal Retirement Age***

Normal Social Security retirement age.

***Earliest Unreduced Retirement Eligibility***

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

***Earliest Reduced Retirement Eligibility***

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

***Cost-of-Living Adjustment (COLA) in Retirement***

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Eligibility:**

Same as VRS Plan 1.

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1.

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

Notes to Financial Statements

June 30, 2015 and 2014

***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

***Purchase of Prior Service***

Same as VRS Plan 1.

**HYBRID RETIREMENT PLAN**

***About the Hybrid Retirement Plan***

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

***Eligible Members***

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include members of the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), or political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

***Retirement Contributions***

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

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

Notes to Financial Statements

June 30, 2015 and 2014

***Creditable Service***

**Defined Benefit Component:**

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

**Defined Contributions Component:**

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

***Vesting***

**Defined Benefit Component:**

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contributions Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

***Calculating the Benefit***

**Defined Benefit Component:**

See definition under VRS Plan.

**Defined Contribution Component:**

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

***Average Final Compensation***

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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

Notes to Financial Statements

June 30, 2015 and 2014

***Service Retirement Multiplier***

The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

***Normal Retirement Age***

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Reduced Retirement Eligibility***

**Defined Benefit Component:**

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Cost-of-Living Adjustment (COLA) in Retirement***

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

Not applicable.

**Eligibility:**

Same as VRS Plan 1 and VRS Plan 2.

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1 and VRS Plan 2.

***Disability Coverage***

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides

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

Notes to Financial Statements

June 30, 2015 and 2014

an employer-paid comparable program for its members. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

***Purchase of Prior Service***

**Defined Benefit Component:**

Same as VRS Plan 1.

**Defined Contribution Component:**

Not applicable.

**(c) *Employees Covered by Benefit Terms***

As of the June 30, 2013, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 34            |
| Inactive members:  |               |
| Vested   | 11            |
| Non-vested   | 15            |
| Active elsewhere in VRS  | 31            |
| Total inactive members   | 57            |
| Active members   | 83            |
| Total  | 174           |

**(d) *Contributions***

The contributions 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% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 8.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to

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

Notes to Financial Statements

June 30, 2015 and 2014

finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Authority were \$525,809 and \$506,097 for the years ended June 30, 2015 and June 30, 2014, respectively.

**(e) Net Pension Liability**

The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**(f) 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, 2013, 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, 2014.

|                                       |   |
|---------------------------------------|---|
| Inflation                             | 2.5%  |
| Salary increases, including inflation | 3.5% - 5.35%  |
| Investment rate of return             | 7.0%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10:

Pre-Retirement:

RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 disability life mortality table projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Notes to Financial Statements

June 30, 2015 and 2014

All Others:

Pre-Retirement:

RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 disability life mortality table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**(g) Long-Term Expected Rate of Return**

The long-term expected rate of return on pension 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 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 table on the following page:

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

Notes to Financial Statements

June 30, 2015 and 2014

| <u>Asset Class (Strategy)</u> | <u>Target<br/>Allocation</u>           | <u>Arithmetic<br/>Long-Term<br/>Expected<br/>Rate of<br/>Return</u> | <u>Weighted<br/>Average<br/>Long-Term<br/>Expected Rate<br/>of Return</u> |
|-------------------------------|--|---|---|
| U.S. equity                   | 19.50%                                 | 6.46%   | 1.26%   |
| Developed non U.S.<br>equity  | 16.50%                                 | 6.28%   | 1.04%   |
| Emerging market equity        | 6.00%                                  | 10.00%  | 0.60%   |
| Fixed income                  | 15.00%                                 | 0.09%   | 0.01%   |
| Emerging debt                 | 3.00%                                  | 3.51%   | 0.11%   |
| Rate sensitive credit         | 4.50%                                  | 3.51%   | 0.16%   |
| Non rate sensitive credit     | 4.50%                                  | 5.00%   | 0.23%   |
| Convertibles                  | 3.00%                                  | 4.81%   | 0.14%   |
| Public real estate            | 2.25%                                  | 6.12%   | 0.14%   |
| Private real estate           | 12.75%                                 | 7.10%   | 0.91%   |
| Private equity                | 12.00%                                 | 10.41%  | 1.25%   |
| Cash                          | 1.00%                                  | -1.50%  | -0.02%  |
| Total                         | <u>100.00%</u>                         |   | <u>5.83%</u>  |
|                               | Inflation                              |   | <u>2.50%</u>  |
|                               | *Expected arithmetic nominal<br>return |   | <u>8.33%</u>  |

\*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**(h) Discount Rate**

The discount rate used to measure the total pension liability was 7%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

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

Notes to Financial Statements

June 30, 2015 and 2014

**(i) Changes in Net Pension Liability**

|   | <b>Total<br/>pension<br/>liability</b> | <b>Plan<br/>fiduciary<br/>net position</b> | <b>Net pension<br/>liability</b> |
|---|--|--|----------------------------------|
| Balances at June 30, 2013   | \$ 13,242,723                          | 11,335,104                                 | 1,907,619                        |
| Changes for the year:   |  |  |                                  |
| Service cost  | 417,066                                | -  | 417,066                          |
| Interest  | 913,818                                | -  | 913,818                          |
| Contributions – employer  | -                                      | 308,820                                    | (308,820)                        |
| Contributions – employee  | -                                      | 197,188                                    | (197,188)                        |
| Net investment income   |  | 1,802,418                                  | (1,802,418)                      |
| Benefit payments, including<br>refunds of employee<br>contributions | (376,365)                              | (376,365)                                  | -                                |
| Administrative expense  | -                                      | (9,511)                                    | 9,511                            |
| Other changes   | -                                      | 95   | (95)                             |
| Net changes   | 954,519                                | 1,922,645                                  | (968,126)                        |
| Balances at June 30, 2014   | \$ 14,197,242                          | 13,257,749                                 | 939,493                          |

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

The following represents the net pension liability calculated using the stated discount rate, as well as what the net position liability would be if it were calculated using a stated discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

|                              | <b>1%<br/>Decrease<br/>6%</b> | <b>Current<br/>Discount<br/>Rate<br/>7%</b> | <b>1%<br/>Increase<br/>8%</b> |
|------------------------------|-------------------------------|---|-------------------------------|
| Plan's net pension liability | \$2,967,853                   | \$939,493                                   | \$(740,025)                   |

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

For the year ending June 30, 2015, the Authority recognized pension expense of \$144,496. At June 30, 2015 and 2014, the Authority reported deferred outflow of resources and deferred inflow of resources related to pensions from the sources on the following page:

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

Notes to Financial Statements

June 30, 2015 and 2014

|  | <b>Deferred<br/>Outflow of<br/>Resources</b> | <b>Deferred<br/>Inflow of<br/>Resources</b> |
|--|--|---|
| <b>2015</b>  |  |   |
| Employer contributions made subsequent to measurement date               | \$ 330,920                                   | \$ -  |
| Net difference between projected and actual earnings on plan investments | -  | 803,802                                     |
|  | \$ 330,920                                   | \$ 803,802                                  |
| <b>2014</b>  |  |   |
| Employer contributions made subsequent to measurement date               | \$ 308,820                                   | \$ -  |

Amounts reported as deferred inflow of resources related to pensions as of June 30, 2015, will be recognized in pension expense as follows:

| Year ended June 30: |              |
|---------------------|--------------|
| 2016                | \$ (200,951) |
| 2017                | (200,951)    |
| 2018                | (200,951)    |
| 2019                | (200,949)    |
| Total               | \$ (803,802) |

**8) Post-Employment Benefits Other Than Pensions (OPEB)**

The Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for the Authority's nonpension postemployment benefit, the health care plan for retirees. The Authority's OPEB plan is a single-employer defined benefit plan and is administered by the County. The current year Annual Required Contribution was \$47,000. No separate actuarial information is available with regard to the Authority's participation. Detailed disclosures regarding the County's participation and related actuarial information can be found in the County's annual financial statements.

**(a) Plan Provisions**

In addition to providing the pension benefits described in note 7, the Authority provides postemployment health care (OPEB) for qualifying retired employees who are not yet eligible for Medicare through a single-employer defined benefit plan. 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.

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

Notes to Financial Statements

June 30, 2015 and 2014

**(b) Funding Policy**

The Authority does not intend to establish a trust to prefund this liability. The anticipated growth in the net OPEB obligation 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 the current active population remains constant. Also, the estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

**(c) Plan Description**

Currently, covered full-time active employees who retire directly from the Authority and are at least 50 years of age with 15 years of service are eligible to receive postretirement health care benefits. 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. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost, and therefore, have no GASB 45 liability. There is no coverage for post-Medicare retirees. There were 76 active employee participants at the time of the actuarial study. Since the retirees contribute towards their health insurance premiums based on a blended rate, the Authority has an implicit liability.

**(d) Annual OPEB Cost and Net OPEB Obligation**

The net OPEB obligation as of June 30, 2015 was calculated as follows:

|  |  |    |          |
|--|--|----|----------|
| Annual required contribution           |  | \$ | 47,000   |
| Interest on net OPEB obligation        |  |    | 8,000    |
| Actuarial adjustments                  |  |    | (10,000) |
| Annual OPEB cost                       |  |    | 45,000   |
| Contributions made                     |  |    | (9,000)  |
| Increase in net OPEB obligation        |  |    | 36,000   |
| Net OPEB obligation, beginning of year |  |    | 207,509  |
| Net OPEB obligation, end of year       |  | \$ | 243,509  |

| Year<br>Ended<br>June 30, | Annual<br>OPEB<br>cost | Actual<br>Contribution | Percentage<br>of annual<br>OPEB cost<br>contributed | Net OPEB<br>obligation |
|---------------------------|------------------------|------------------------|---|------------------------|
| 2015                      | \$ 45,000              | 9,000                  | 20.0%   | \$ 243,509             |
| 2014                      | 43,000                 | 7,000                  | 16.3  | 207,509                |
| 2013                      | 34,000                 | 13,000                 | 38.2  | 171,509                |

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

Notes to Financial Statements

June 30, 2015 and 2014

**(e) Actuarial Methods and Assumptions**

**Valuation Methods**

The projected unit credit method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodologies set forth in GASB Statement No. 45. Under these methods, benefits provided by the substantive plan (the plan as understood by the Authority and the plan members) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

**Employees Included in the Calculations**

All active employees who are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

**Actuarial Assumptions**

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.5%, payroll growth of 3%. The amortization period of the legacy unfunded begins at 30 years on June 30, 2013 and will decrease by one in each subsequent valuation until reaching 0 years. Each subsequent year a new base will be added to the unfunded accrued liability and will be amortized over a closed 24 year period. The actuarial accrued liability was \$423,000. Future increases for medical benefits are assumed to range from an initial rate of 7.50% and gradually decrease to 5.04% thereafter. It should be noted that actuarial valuations for the OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, actuarial calculations reflect a long-term perspective and, therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

**(f) Schedule of Funding Progress**

| Actuarial<br>valuation<br>date | Actuarial<br>value of<br>assets | Actuarial<br>accrued<br>liability<br>(AAL)<br>project<br>unit<br>credit | Unfunded<br>actuarial<br>accrued<br>liability<br>(UAAL) | Funded<br>ratio | Covered<br>payroll | UAAL<br>as a<br>percentage<br>of covered<br>payroll |
|--------------------------------|---------------------------------|---|---|-----------------|--------------------|---|
| July 1,<br>2015                | \$ -                            | 423,000   | 423,000   | -               | 3,897,762          | 10.9%   |
| 2014                           | -                               | 389,000   | 389,000   | -               | 3,943,666          | 9.9   |
| 2013                           | -                               | 343,000   | 343,000   | -               | 3,779,338          | 9.1   |

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

Notes to Financial Statements

June 30, 2015 and 2014

**9) Deferred Compensation Plan**

The Authority offers its employees a deferred-compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to regular part-time and full-time Authority employees, permits them to defer 25% of their gross income up to a maximum of \$18,000 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

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

**10) Transactions with Related Parties**

Certain financial management, accounting, and other services are provided to the Authority by the County. The charges for these services amounted to \$807,844 and \$857,564 for the years ended June 30, 2015 and 2014, respectively, and are included in the expenses under contractual fees. The Authority also owed the County \$1,346,004 and \$455,495 at June 30, 2015 and 2014, respectively, which primarily represents payroll expenses incurred by the Authority.

In addition, the County leases space in Authority buildings under ten year leases. Rent revenue was \$260,928 and \$105,195 for years ended June 30, 2015 and 2014, respectively. The County leased two buildings in 2015 and one in 2014. Rent revenue included the County's share of utilities, insurance, maintenance, housekeeping supplies, and custodial services, all of which is included in rental income in the accompanying statements of revenues, expenses, and changes in net position.

**11) Commitments and Contingencies**

**(a) Construction in Progress**

At June 30, 2015, the Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Presented on the following page is a list of these projects, by budget, expenditures to date, balance of contract, and budget balance.

| Project            | Budget               | Expenditures<br>to date | Balance of<br>contract | Budget<br>balance |
|--------------------|----------------------|-------------------------|------------------------|-------------------|
| Sewer improvements | \$ 4,038,585         | 45,100                  | 267,488                | 3,725,997         |
| Water supply       | 12,875,778           | 609,032                 | 140,096                | 12,126,650        |
| Water distribution | 333,090              | -                       | -                      | 333,090           |
| Water transmission | 500,000              | -                       | 45,075                 | 454,925           |
| Water storage      | 185,620              | -                       | -                      | 185,620           |
| Other              | 995,580              | 51,728                  | 62,887                 | 880,965           |
|                    | <u>\$ 18,928,653</u> | <u>705,860</u>          | <u>515,546</u>         | <u>17,707,247</u> |

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

Notes to Financial Statements

June 30, 2015 and 2014

**(b) 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. 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, which was the first installment of this agreement. The second payment of \$25 million is due by June 30, 2019. Both installment payments are considered to be for the purchase of an intangible asset (rights to water supply) and, as such, these costs will be capitalized and 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%. For the year ended on June 30, 2015 the Authority did not make a payment to the City of Newport News for these costs. For the year ended on June 30, 2014, the Authority paid \$1,032, to the City of Newport News for these costs. Further, the Authority also 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 \$1.22 per 1,000 gallons. For the years ended June 30, 2015 and 2014, 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 these fiscal years.

**(c) Grinder Pump Maintenance**

The Authority entered into a contract with Final Phase Installations, Inc. where they will provide grinder pump maintenance. The initial term of the contract was November 1, 2011 through October 31, 2012, with the option to renew for up to 4 additional years. The contract allows for an increase based on the Consumer Price Index. For the years ended June 30, 2015, and 2014, the Authority paid \$228,308 and \$221,909, respectively, towards this contract.

**(d) Water Storage Tank Maintenance**

The Authority entered into a contract with Superior Industrial Maintenance Company where they will provide water storage tank maintenance. The initial term of the contract was July 1, 2012 through June 30, 2013, with the option to renew for up to 4 additional years. For the years ended June 30, 2015 and 2014, the Authority paid \$218,940 and \$216,066, respectively, towards this contract.

**(e) Regional Hybrid Consolidation Plan**

In February 2014, the Authority, HRSD and fourteen Hampton Roads localities entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements to reduce sewer overflows. Under this plan, HRSD is responsible for major rehabilitation projects to repair deteriorated infrastructure and projects to increase the capacity of HRSD and locality pump stations and pipelines. HRSD will fund the work through a regional HRSD rate. The Authority keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects on an ongoing basis.

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

Notes to Financial Statements

June 30, 2015 and 2014

(f) *Other*

The Authority is not currently involved in any litigation which management feels could have a significant impact on the Authority's financial condition.

**12) Note Receivable**

In September 2009, the Authority executed a promissory note with Anderson-Hughes, LLC pursuant to the Sewer Modification Contract dated September 20, 2007 for the installation of grinder pumps. The promissory note was issued for \$170,000 at 6% interest. Anderson-Hughes, LLC is required to pay \$2,508 per month until August 2016. At June 30, 2015 and 2014, the note receivable balance was \$31,531 and \$60,994, respectively.

**13) Restatement**

The Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, in the current year. As a result, the effect on fiscal year 2014 is as follows:

|                                | <b>2014</b>       |                    | <b>2014</b>     |
|--------------------------------|-------------------|--------------------|-----------------|
|                                | <b>Previously</b> | <b>Restatement</b> | <b>Restated</b> |
|                                | <b>Presented</b>  |                    |                 |
| Deferred pension contributions | \$ -              | 308,820            | 308,820         |
| Net pension liability          | -                 | 1,907,619          | 1,907,619       |
| Unrestricted net position      | 30,757,918        | (1,598,799)        | 29,159,199      |
| Net position                   | 171,282,033       | (1,598,799)        | 169,683,234     |

**This page intentionally left blank**

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

**Exhibit 4**

**JAMES CITY SERVICE AUTHORITY**  
 (A Component Unit of the County of James City, Virginia)  
 Schedule of Changes in the Net Pension Liability and Related Ratios  
 Required Supplementary Information (Unaudited)  
 Year Ended June 30, 2015

|  | <b>2014</b>  |
|--|--------------|
| <b>Total pension liability</b>   |              |
| Service cost   | \$ 417,066   |
| Interest   | 913,818      |
| Changes of benefit terms   | -            |
| Differences between expected and actual experience                                     | -            |
| Changes in assumptions   | -            |
| Benefit payments, including refunds of employee contributions                          | (376,365)    |
| <b>Net change in total pension liability</b>   | 954,519      |
| <b>Total pension liability - beginning</b>   | 13,242,723   |
| <b>Total pension liability - ending</b>  | 14,197,242   |
| <br><b>Plan fiduciary net position</b>   |              |
| Contributions - employer   | 308,820      |
| Contributions - employee   | 197,188      |
| Net investment income  | 1,802,418    |
| Benefit payments, including refunds of employee contributions                          | (376,365)    |
| Administrative expense   | (9,511)      |
| Other  | 95           |
| <b>Net change in plan fiduciary net position</b>                                       | 1,922,645    |
| <b>Plan fiduciary net position - beginning</b>   | 11,335,104   |
| <b>Plan fiduciary net position - ending</b>  | 13,257,749   |
| <br><b>Net pension liability</b>   | \$ 939,493   |
| <br><b>Plan fiduciary net position as a percentage of the total pension liability</b>  | 93.38%       |
| <br><b>Covered-employee payroll</b>  | \$ 3,943,666 |
| <br><b>Net pension liability as a percentage of the total covered-employee payroll</b> | 23.82%       |

See accompanying notes and independent auditors' report.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

**JAMES CITY SERVICE AUTHORITY**  
 (A Component Unit of the County of James City, Virginia)  
 Schedule of Employer Contributions  
 Required Supplementary Information (Unaudited)  
 Year Ended June 30, 2015

| <u>Fiscal year</u> | <u>Contractually required contribution</u> | <u>Contributions in relation to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Employer's covered employee payroll</u> | <u>Contributions as a % of covered employee payroll</u> |
|--------------------|--|---|---|--|---|
| 2015               | \$ 330,920                                 | 330,920   | —                                       | 3,897,762                                  | 8.49%   |

See accompanying notes and independent auditors' report.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

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

Notes to Required Supplementary Information

June 30, 2015 and 2014

**1) Changes of benefit terms**

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**2) Changes of assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (non 10 largest):

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**This page intentionally left blank**

**SUPPLEMENTARY INFORMATION**

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

## Schedules of Net Position - by Activity

June 30, 2015  
(with comparative totals for 2014)

| Assets   | Water<br>operations   | Sewer<br>operations | Totals             |                       |
|--|-----------------------|---------------------|--------------------|-----------------------|
|  |                       |                     | 2015               | 2014<br>(as restated) |
| <b>Current assets:</b>   |                       |                     |                    |                       |
| Cash and cash equivalents  | \$ 385,365            | 452,385             | 837,750            | 586,970               |
| Investments  | 13,073,298            | 19,934,185          | 33,007,483         | 28,955,675            |
| Accounts receivable, customers   | 1,258,086             | 1,316,308           | 2,574,394          | 2,421,307             |
| Accounts receivable, other   | 38,520                | —                   | 38,520             | 86,623                |
| Noie receivable  | 31,531                | —                   | 31,531             | 60,994                |
| Interest receivable  | 46,699                | 41,413              | 88,112             | 81,297                |
| Inventories  | 765,272               | 52,160              | 817,432            | 820,200               |
| <b>Total current assets</b>  | <b>15,598,771</b>     | <b>21,796,451</b>   | <b>37,395,222</b>  | <b>33,013,066</b>     |
| <b>Noncurrent assets:</b>  |                       |                     |                    |                       |
| <b>Capital assets:</b>   |                       |                     |                    |                       |
| Utility plant:   |                       |                     |                    |                       |
| Land   | —                     | 962,995             | 962,995            | 962,995               |
| Water and sewer systems  | 122,618,660           | 121,401,056         | 244,019,716        | 237,026,604           |
| <b>Total utility plant</b>   | <b>122,618,660</b>    | <b>122,364,051</b>  | <b>244,982,711</b> | <b>237,989,599</b>    |
| Nonutility property:   |                       |                     |                    |                       |
| Land   | 1,739,491             | —                   | 1,739,491          | 1,750,391             |
| Central shop   | 4,857,636             | 34,573              | 4,892,209          | 4,884,119             |
| Office fixtures and equipment  | 1,318,396             | 491,443             | 1,809,839          | 1,696,932             |
| Land improvements  | 13,183                | —                   | 13,183             | 13,183                |
| Automotive equipment   | 1,971,943             | 510,846             | 2,482,789          | 2,349,927             |
| <b>Total nonutility property</b>   | <b>9,900,649</b>      | <b>1,036,862</b>    | <b>10,937,511</b>  | <b>10,694,552</b>     |
| <b>Intangible assets:</b>  |                       |                     |                    |                       |
| Easements  | 4,570                 | —                   | 4,570              | 4,570                 |
| Water rights   | 25,000,000            | —                   | 25,000,000         | 25,000,000            |
| <b>Total intangible assets</b>   | <b>25,004,570</b>     | <b>—</b>            | <b>25,004,570</b>  | <b>25,004,570</b>     |
| Construction in progress   | 660,760               | 45,100              | 705,860            | 1,748,620             |
| Less accumulated depreciation and amortization                           | 63,503,713            | 56,838,875          | 120,342,588        | 112,854,386           |
| <b>Net capital assets</b>  | <b>94,680,926</b>     | <b>66,607,138</b>   | <b>161,288,064</b> | <b>162,582,955</b>    |
| Investments restricted for future use                                    | 2,716,277             | —                   | 2,716,277          | 2,601,160             |
| <b>Total noncurrent assets</b>   | <b>97,397,203</b>     | <b>66,607,138</b>   | <b>164,004,341</b> | <b>165,184,115</b>    |
| <b>Total assets</b>  | <b>112,995,974</b>    | <b>88,403,589</b>   | <b>201,399,563</b> | <b>198,197,181</b>    |
| <b>Deferred Outflow of Resources</b>                                     |                       |                     |                    |                       |
| Deferred pension contributions   | 138,986               | 191,934             | 330,920            | 308,820               |
| <b>Total assets and deferred outflow</b>                                 | <b>\$ 113,134,960</b> | <b>88,595,523</b>   | <b>201,730,483</b> | <b>198,506,001</b>    |
| <b>Liabilities</b>   |                       |                     |                    |                       |
| <b>Current liabilities:</b>  |                       |                     |                    |                       |
| Accounts payable, trade  | \$ 347,331            | 37,721              | 385,052            | 468,429               |
| Accrued salaries   | 19,366                | 2,239               | 21,605             | 27,647                |
| Compensated absences, current portion                                    | 268,010               | —                   | 268,010            | 280,435               |
| Due to James City County   | 1,217,294             | 128,710             | 1,346,004          | 455,495               |
| Deposits   | 196,804               | —                   | 196,804            | 184,406               |
| Interest payable   | 496,100               | —                   | 496,100            | 504,847               |
| premium, current portion   | 565,000               | —                   | 565,000            | 545,000               |
| <b>Total current liabilities</b>   | <b>3,109,905</b>      | <b>168,670</b>      | <b>3,278,575</b>   | <b>2,466,259</b>      |
| <b>Noncurrent liabilities:</b>   |                       |                     |                    |                       |
| Advances for construction  | 5,882                 | 27,020              | 32,902             | 32,902                |
| OPEB liability   | 131,495               | 112,014             | 243,509            | 207,509               |
| Compensated absences, net of current portion                             | 89,343                | —                   | 89,343             | 93,478                |
| Bonds payable, including unamortized premium, net of current portion     | 23,550,000            | —                   | 23,550,000         | 24,115,000            |
| Net pension liability  | 394,587               | 544,906             | 939,493            | 1,907,619             |
| <b>Total noncurrent liabilities</b>                                      | <b>24,171,307</b>     | <b>683,940</b>      | <b>24,855,247</b>  | <b>24,448,889</b>     |
| <b>Total liabilities</b>   | <b>27,281,212</b>     | <b>852,610</b>      | <b>28,133,822</b>  | <b>26,915,148</b>     |
| <b>Deferred Inflow of Resources</b>                                      |                       |                     |                    |                       |
| Deferred pension investment experience                                   | 337,597               | 466,205             | 803,802            | —                     |
| <b>Net Position</b>  |                       |                     |                    |                       |
| <b>Net position:</b>   |                       |                     |                    |                       |
| Net investment in capital assets   | 70,565,926            | 66,607,138          | 137,173,064        | 137,922,955           |
| Restricted for capital projects  | 2,716,277             | —                   | 2,716,277          | 2,601,160             |
| Unrestricted   | 12,233,948            | 20,669,570          | 32,903,518         | 29,159,119            |
| <b>Total net position</b>  | <b>85,516,151</b>     | <b>87,276,708</b>   | <b>172,792,859</b> | <b>169,683,234</b>    |
| <b>Total liabilities, deferred inflow of resources, and net position</b> | <b>\$ 113,134,960</b> | <b>88,595,523</b>   | <b>201,730,483</b> | <b>198,506,001</b>    |

See accompanying independent auditors' report.

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

Schedules of Revenues, Expenses, and Changes in Net Position – by Activity

Year ended June 30, 2015  
(with comparative totals for year ended June 30, 2014)

|  | Water<br>operations  | Sewer<br>operations | Totals             |                       |
|--|----------------------|---------------------|--------------------|-----------------------|
|  |                      |                     | 2015               | 2014<br>(as restated) |
| Operating revenues:                                      |                      |                     |                    |                       |
| Water and sewer services                                 | \$ 6,622,338         | 5,966,132           | 12,588,470         | 11,825,702            |
| Reimbursement for storm costs                            | —                    | —                   | —                  | 900                   |
| Other  | 929,933              | 60,424              | 990,357            | 504,252               |
| Total operating revenues                                 | <u>7,552,271</u>     | <u>6,026,556</u>    | <u>13,578,827</u>  | <u>12,330,854</u>     |
| Operating expenses:                                      |                      |                     |                    |                       |
| Salaries   | 2,001,786            | 2,256,138           | 4,257,924          | 4,288,721             |
| Fringe benefits  | 745,151              | 801,374             | 1,546,525          | 1,337,328             |
| Operating supplies                                       | 584,490              | 251,798             | 836,288            | 882,253               |
| Maintenance of buildings and equipment                   | 681,951              | 1,385,513           | 2,067,464          | 3,501,598             |
| Utilities  | 625,249              | 235,825             | 861,074            | 875,020               |
| Contractual fees   | 453,203              | 462,162             | 915,365            | 836,634               |
| Other  | 236,414              | 261,389             | 497,803            | 496,851               |
| Total operating expenses                                 | <u>5,328,244</u>     | <u>5,654,199</u>    | <u>10,982,443</u>  | <u>12,218,405</u>     |
| Operating income before<br>depreciation and amortization | 2,224,027            | 372,357             | 2,596,384          | 112,449               |
| Depreciation and amortization                            | 4,899,603            | 2,911,205           | 7,810,808          | 7,670,391             |
| Operating loss   | <u>(2,675,576)</u>   | <u>(2,538,848)</u>  | <u>(5,214,424)</u> | <u>(7,557,942)</u>    |
| Nonoperating revenues (expenses):                        |                      |                     |                    |                       |
| Facility charges   | 2,340,950            | 1,522,700           | 3,863,650          | 4,305,728             |
| Investment income  | 146,269              | 101,938             | 248,207            | 267,061               |
| Gain on disposal of capital assets                       | 15,099               | 8,398               | 23,497             | 15,352                |
| Interest, net  | (1,095,684)          | —                   | (1,095,684)        | (1,114,130)           |
| Net nonoperating revenues                                | <u>1,406,634</u>     | <u>1,633,036</u>    | <u>3,039,670</u>   | <u>3,474,011</u>      |
| Loss before<br>capital contributions                     | (1,268,943)          | (905,812)           | (2,174,755)        | (4,083,931)           |
| Capital asset contributions                              | 1,740,214            | 3,544,165           | 5,284,379          | 3,388,700             |
| Changes in net position                                  | 471,272              | 2,638,353           | 3,109,625          | (695,231)             |
| Net position at beginning of year                        | 85,044,879           | 84,638,355          | 169,683,234        | 170,378,465           |
| Net position at end of year                              | <u>\$ 85,516,151</u> | <u>87,276,708</u>   | <u>172,792,859</u> | <u>169,683,234</u>    |

See accompanying independent auditors' 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, 2015

|  | <u>Water operations</u> |                  | <u>Variance<br/>favorable<br/>(unfavorable)</u> | <u>Sewer operations</u> |                  | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|-------------------------|------------------|---|-------------------------|------------------|---|
|  | <u>Actual</u>           | <u>Budget</u>    |   | <u>Actual</u>           | <u>Budget</u>    |   |
| Operating revenues:                      |                         |                  |   |                         |                  |   |
| Water and sewer services                 | \$ 6,622,338            | 6,264,910        | 357,428   | 5,966,132               | 5,979,197        | (13,065)  |
| Other                                    | 929,933                 | 252,621          | 677,312   | 60,424                  | 20,000           | 40,424  |
| Total operating revenues                 | <u>\$ 7,552,271</u>     | <u>6,517,531</u> | <u>1,034,740</u>                                | <u>6,026,556</u>        | <u>5,999,197</u> | <u>27,359</u>                                   |
| Operating expenses:                      |                         |                  |   |                         |                  |   |
| Salaries                                 | \$ 2,001,786            | 2,082,891        | 81,105  | 2,256,138               | 2,424,144        | 168,006   |
| Fringe benefits                          | 745,151                 | 887,442          | 142,291   | 801,374                 | 998,093          | 196,719   |
| Operating supplies                       | 584,490                 | 693,724          | 109,234   | 251,798                 | 252,328          | 530   |
| Maintenance of buildings and equipment * | 681,951                 | 1,094,992        | 413,041   | 1,385,513               | 1,647,934        | 262,421   |
| Utilities                                | 625,249                 | 666,179          | 40,930  | 235,825                 | 288,836          | 53,011  |
| Contractual fees                         | 453,203                 | 571,204          | 118,001   | 462,162                 | 554,846          | 92,684  |
| Other                                    | 236,414                 | 500,731          | 264,317   | 261,389                 | 539,057          | 277,668   |
| Total operating expenses                 | <u>\$ 5,328,244</u>     | <u>6,497,163</u> | <u>1,168,919</u>                                | <u>5,654,199</u>        | <u>6,705,238</u> | <u>1,051,039</u>                                |

See accompanying independent auditors' report.

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

**This page intentionally left blank**

## **STATISTICAL SECTION**

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

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

**Contents**

**Financial Trends** **Tables 1-2**

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

**Revenue Capacity** **Tables 3-4**

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

**Debt Capacity** **Tables 5-7**

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

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

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

**Operation Information** **Tables 10-16**

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

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

Table 1

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

Net Position  
Last Ten Fiscal Years

|                                  | <u>2006</u>           | <u>2007</u>        | <u>2008</u>        | <u>2009</u>        | <u>2010</u>        | <u>2011</u>        | <u>2012</u>        | <u>2013</u>        | <u>2014</u><br>(as restated) | <u>2015</u>        |
|----------------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|--------------------|
| <b>Net Position</b>              |                       |                    |                    |                    |                    |                    |                    |                    |                              |                    |
| Net investment in capital assets | \$ 124,654,601        | 132,145,149        | 134,316,001        | 134,314,330        | 135,071,435        | 135,641,623        | 134,872,139        | 139,966,206        | 137,922,955                  | 137,173,064        |
| Restricted for capital projects  | 703,494               | 709,584            | 705,775            | 4,674,837          | 4,610,218          | 4,740,769          | 4,876,760          | 2,620,384          | 2,601,160                    | 2,716,277          |
| Unrestricted                     | 29,627,748            | 33,151,555         | 35,703,438         | 36,591,088         | 36,430,621         | 34,057,874         | 34,106,903         | 29,699,494         | 29,159,119                   | 32,903,518         |
| Total net position               | <u>\$ 154,985,843</u> | <u>166,006,288</u> | <u>170,725,214</u> | <u>175,580,255</u> | <u>176,112,274</u> | <u>174,440,266</u> | <u>173,855,802</u> | <u>172,286,084</u> | <u>169,683,234</u>           | <u>172,792,859</u> |

Note: 2013 information is restated in the Management's Discussion and Analysis (MD&A, pages 3-8) only. For the basic financial statements, 2014 is restated.

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

|  | 2006          | 2007        | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        | 2014<br>(as restated) | 2015        |
|--|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|-------------|
| Operating revenues:                                      |               |             |             |             |             |             |             |             |                       |             |
| Water and sewer services                                 | \$ 10,269,798 | 11,464,460  | 11,211,578  | 12,279,796  | 12,314,268  | 12,603,818  | 11,718,297  | 12,002,533  | 11,825,702            | 12,588,470  |
| Rental income  | 217,172       | 187,753     | 181,256     | 135,234     | 144,441     | 171,401     | 144,381     | 164,875     | 160,914               | 325,991     |
| Water supply proffers                                    | 403,459       | 530,518     | 502,217     | 138,170     | 52,908      | 125,192     | 26,967      | 13,362      | 57,446                | 450,262     |
| Reimbursements for storm costs                           | —             | 161,573     | —           | —           | —           | —           | 349,541     | —           | 900                   | —           |
| Other  | 309,429       | 1,029,399   | 615,883     | 241,569     | 450,027     | 190,467     | 198,025     | 242,028     | 285,892               | 214,104     |
| Total operating revenues                                 | 11,199,858    | 13,373,703  | 12,510,934  | 12,794,769  | 12,961,644  | 13,090,878  | 12,437,211  | 12,422,798  | 12,330,854            | 13,578,827  |
| Operating expenses:                                      |               |             |             |             |             |             |             |             |                       |             |
| Salaries   | 3,468,415     | 3,798,002   | 4,066,458   | 4,360,920   | 4,133,261   | 4,040,543   | 4,144,696   | 4,306,155   | 4,288,721             | 4,257,924   |
| Fringe benefits  | 1,157,005     | 1,496,723   | 1,529,173   | 1,612,176   | 1,570,514   | 1,585,037   | 1,584,707   | 1,636,038   | 1,337,328             | 1,546,525   |
| Operating supplies                                       | 625,773       | 789,553     | 775,892     | 1,014,351   | 866,624     | 888,559     | 899,095     | 822,882     | 882,253               | 836,288     |
| Maintenance of buildings<br>and equipment                | 982,237       | 1,148,217   | 1,715,131   | 1,687,340   | 1,969,116   | 3,193,116   | 3,065,512   | 3,364,910   | 3,501,598             | 2,067,464   |
| Utilities  | 692,084       | 739,235     | 893,503     | 1,008,602   | 771,544     | 813,478     | 917,498     | 862,665     | 875,020               | 861,074     |
| Contractual fees   | 543,365       | 626,437     | 640,618     | 735,132     | 889,869     | 873,110     | 882,505     | 910,491     | 836,634               | 915,365     |
| Storm costs  | —             | 161,349     | —           | —           | —           | —           | 359,921     | —           | —                     | —           |
| Other  | 814,832       | 660,802     | 584,824     | 535,001     | 784,305     | 697,629     | 560,671     | 504,573     | 496,851               | 497,803     |
| Total operating expenses                                 | 8,283,711     | 9,420,318   | 10,205,599  | 10,953,522  | 10,985,233  | 12,091,472  | 12,414,605  | 12,407,714  | 12,218,405            | 10,982,443  |
| Operating income before depreciation<br>and amortization | 2,916,147     | 3,953,385   | 2,305,335   | 1,841,247   | 1,976,411   | 999,406     | 22,606      | 15,084      | 112,449               | 2,596,384   |
| Depreciation and amortization                            | 5,330,865     | 5,594,153   | 5,864,920   | 6,410,118   | 7,087,224   | 7,273,473   | 7,469,016   | 7,619,431   | 7,670,391             | 7,810,808   |
| Operating loss   | (2,414,718)   | (1,640,768) | (3,559,585) | (4,568,871) | (5,110,813) | (6,274,067) | (7,446,410) | (7,604,347) | (7,557,942)           | (5,214,424) |
| Nonoperating revenues (expenses):                        |               |             |             |             |             |             |             |             |                       |             |
| Facility charges   | 6,132,383     | 5,904,875   | 3,428,121   | 2,507,300   | 3,260,875   | 3,839,702   | 3,165,330   | 3,868,654   | 4,305,728             | 3,863,650   |
| Investment income (loss)                                 | 935,971       | 1,503,939   | 1,995,201   | 3,658,420   | 956,056     | 509,675     | 351,929     | (1,249,111) | 267,061               | 248,207     |
| Gain (loss) on disposal of<br>capital assets             | (39,930)      | (2,198,500) | 181,615     | 74,226      | (251,710)   | 34,324      | 21,285      | (44,507)    | 15,352                | 23,497      |
| Interest expense, net                                    | (494,712)     | (475,557)   | (480,584)   | (1,379,059) | (1,749,899) | (1,531,715) | (1,478,060) | (1,141,052) | (1,114,130)           | (1,095,684) |
| Net nonoperating revenues                                | 6,533,712     | 4,734,757   | 5,124,353   | 4,860,887   | 2,215,322   | 2,851,986   | 2,060,484   | 1,433,984   | 3,474,011             | 3,039,670   |
| Income before contributions                              | 4,118,994     | 3,093,989   | 1,564,768   | 292,016     | (2,895,491) | (3,422,081) | (5,385,926) | (6,170,363) | (4,083,931)           | (2,174,754) |
| Capital asset contributions                              | 10,077,376    | 7,926,456   | 3,154,158   | 4,563,025   | 3,427,510   | 1,750,073   | 5,395,362   | 4,600,645   | 3,388,700             | 5,284,379   |
| Changes in net position                                  | \$ 14,196,370 | 11,020,445  | 4,718,926   | 4,855,041   | 532,019     | (1,672,008) | 9,436       | (1,569,718) | (695,231)             | 3,109,625   |

**Table 3**

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

**Historical Summary of Quarterly Continuing Service Charges for Residential Water Service**

| <u>Fiscal Year</u> | <u>Basic Charge</u> | <u>Rate per 1,000 gallons (1)</u> | <u>Quarterly Total (2)</u> | <u>Percentage Change</u> |
|--------------------|---------------------|-----------------------------------|----------------------------|--------------------------|
| 2006               | None                | \$ 2.30 - 2.71 - 7.60             | 50.76                      | 1.3                      |
| 2007               | None                | 2.50 - 3.00 - 8.50                | 55.50                      | 9.3                      |
| 2008               | None                | 2.50 - 3.00 - 8.50                | 55.50                      | —                        |
| 2009               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | 14.3                     |
| 2010               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |
| 2011               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |
| 2012               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |
| 2013               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |
| 2014               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |
| 2015               | None                | 2.85 - 3.45 - 9.80                | 63.45                      | —                        |

**Historical Summary of Quarterly Continuing Service Charges for Residential Sewer Service (1)**

| <u>Fiscal Year</u> | <u>Basic Charge</u> | <u>Rate per 1,000 gallons</u> | <u>Quarterly Total (2)</u> | <u>Percentage Change</u> |
|--------------------|---------------------|-------------------------------|----------------------------|--------------------------|
| 2006               | None                | \$ 2.70                       | 56.70                      | —                        |
| 2007               | None                | 2.80                          | 58.80                      | 3.7                      |
| 2008               | None                | 2.80                          | 58.80                      | —                        |
| 2009               | None                | 2.80                          | 58.80                      | —                        |
| 2010               | None                | 2.80                          | 58.80                      | —                        |
| 2011               | None                | 2.80                          | 58.80                      | —                        |
| 2012               | None                | 2.80                          | 58.80                      | —                        |
| 2013               | None                | 3.22                          | 67.62                      | 15.0                     |
| 2014               | None                | 3.22                          | 67.62                      | —                        |
| 2015               | None                | 3.22                          | 67.62                      | —                        |

Source: James City Service Authority Schedule of Rates and Fees

- (1) Inverted Block Rate Structure:
  - 1st Block based on 0 to 15,000 gallons used per quarter.
  - 2nd Block based on 15,000 to 25,000 gallons used per quarter, which changed to 15,000 to 30,000 gallons used per quarter.
  - 3rd Block based on over 25,000 gallons used per quarter, which changed to 30,000 gallons used per quarter.
- (2) Assumes 21,000 gallons average quarterly use.

Table 4

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

Listing of Largest Utility Customers  
Current Year and Nine Years Ago

|  | 2015               |                   |      | 2006           |                 |      |
|--|--------------------|-------------------|------|----------------|-----------------|------|
|  | Gallons Billed     | Service Charges   | Rank | Gallons Billed | Service Charges | Rank |
| Owens-Brockway *                                   | 25,044,250         | \$ 139,016        | 1    | **             | **              |      |
| Country Village (sewer only)                       | 19,787,592         | 63,716            | 2    | **             | **              |      |
| Eastern State Hospital *                           | 16,277,500         | 101,005           | 3    | **             | **              |      |
| Patriots Colony                                    | 14,310,316         | 95,450            | 4    | **             | **              |      |
| Williamsburg-James City County<br>Public Schools * | 13,857,620         | 85,075            | 5    | **             | **              |      |
| Greystone  | 12,804,000         | 80,918            | 6    | **             | **              |      |
| Windy Hill Trailer (sewer only)                    | 12,257,476         | 39,469            | 7    | **             | **              |      |
| Platinum Management                                | 12,085,000         | 80,606            | 8    | **             | **              |      |
| Rolling Meadows                                    | 8,953,950          | 59,723            | 9    | **             | **              |      |
| Steeplechase                                       | 8,221,250          | 54,836            | 10   | **             | **              |      |
| Total  | <u>143,598,954</u> | <u>\$ 799,814</u> |      | <u>**</u>      | <u>**</u>       |      |

\* Subject to wastewater sub-meter adjustments.

\*\* Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was adopted by the Authority as of July 1, 2005. The information for fiscal year 2006 is not available.

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

| <b>Fiscal year</b> |    | <b>Revenue bonds</b> | <b>Number of connections</b> | <b>Debt per connection</b> |
|--------------------|----|----------------------|------------------------------|----------------------------|
| 2006               | \$ | 13,034,918           | 17,552                       | 742.6                      |
| 2007               |    | 12,133,794           | 18,283                       | 663.7                      |
| 2008               |    | 11,212,670           | 18,770                       | 597.4                      |
| 2009               |    | 37,386,546           | 19,085                       | 1,958.9                    |
| 2010               |    | 35,950,422           | 19,368                       | 1,856.2                    |
| 2011               |    | 34,469,299           | 19,719                       | 1,748.0                    |
| 2012               |    | 32,938,175           | 20,070                       | 1,641.2                    |
| 2013               |    | 25,185,000           | 20,549                       | 1,225.6                    |
| 2014               |    | 24,660,000           | 20,858                       | 1,182.3                    |
| 2015               |    | 24,115,000           | 21,246                       | 1,135.0                    |

Legal Debt Margin: 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

| <u>Fiscal year</u> | <u>Gross revenue</u> | <u>Direct operating expenses</u> | <u>Net revenue available for debt service</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Coverage</u> |
|--------------------|----------------------|----------------------------------|---|------------------|-----------------|--------------|-----------------|
| 2006               | \$ 18,268,212        | 8,283,711                        | 9,984,501                                     | 860,000          | 522,981         | 1,382,981    | 7.22            |
| 2007               | 20,782,517           | 9,420,318                        | 11,362,199                                    | 880,000          | 503,631         | 1,383,631    | 8.21            |
| 2008               | 18,115,871           | 10,205,599                       | 7,910,272                                     | 905,000          | 479,431         | 1,384,431    | 5.71            |
| 2009               | 19,034,715           | 10,953,522                       | 8,081,193                                     | 1,395,000        | 1,637,050       | 3,032,050    | 2.67            |
| 2010               | 17,178,575           | 10,985,233                       | 6,193,342                                     | 1,440,000        | 1,590,562       | 3,030,562    | 2.04            |
| 2011               | 17,474,579           | 12,091,472                       | 5,383,107                                     | 1,490,000        | 1,537,750       | 3,027,750    | 1.78            |
| 2012               | 15,975,755           | 12,414,605                       | 3,561,150                                     | 1,545,000        | 1,483,100       | 3,028,100    | 1.18            |
| 2013               | 14,997,834           | 12,407,714                       | 2,590,120                                     | 525,000          | 1,119,306       | 1,644,306    | 1.57            |
| 2014               | 16,918,995           | 12,218,405                       | 4,700,590                                     | 545,000          | 1,100,931       | 1,645,931    | 2.86            |
| 2015               | 17,714,181           | 10,982,443                       | 6,731,738                                     | 565,000          | 1,081,856       | 1,646,856    | 4.09            |

Legal Debt Margin: The James City Service Authority has no legal debt margin nor overlapping debt.

Table 7

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

Outstanding Debt for James City County

Last Ten Fiscal Years

| <u>Fiscal year</u> | <u>General obligation bonds</u> | <u>Capital leases</u> | <u>Lease revenue bonds</u> | <u>Other debt</u> | <u>Total</u> |
|--------------------|---------------------------------|-----------------------|----------------------------|-------------------|--------------|
| 2006               | \$ 106,062,319                  | 13,908,307            | 22,570,000                 | 278,950           | 142,819,576  |
| 2007               | 126,590,560                     | 13,038,190            | 112,780,000                | 125,000           | 252,533,750  |
| 2008               | 118,369,735                     | 12,126,298            | 107,200,000                | —                 | 237,696,033  |
| 2009               | 109,974,105                     | 11,170,533            | 101,595,000                | —                 | 222,739,638  |
| 2010               | 101,414,765                     | 10,169,895            | 110,275,000                | —                 | 221,859,660  |
| 2011               | 93,283,624                      | 10,285,522            | 104,055,000                | —                 | 207,624,146  |
| 2012               | 86,134,103                      | 9,235,074             | 104,472,000                | —                 | 199,841,177  |
| 2013               | 80,004,294                      | 1,098,854             | 123,034,000                | —                 | 204,137,148  |
| 2014               | 72,164,244                      | 984,528               | 114,416,000                | —                 | 187,564,772  |
| 2015               | 65,458,589                      | 858,833               | 103,604,000                | —                 | 169,921,422  |

Table 8

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

| Calendar year | Population (1) | Personal<br>income (2) | Per capita<br>personal<br>income (2) | Unemployment<br>percentage (1) |
|---------------|----------------|------------------------|--------------------------------------|--------------------------------|
| 2006          | 58,893         | \$ 3,289,020,000       | 44,480                               | 2.6%                           |
| 2007          | 60,867         | 3,641,841,000          | 47,825                               | 2.5                            |
| 2008          | 61,195         | 3,985,612,000          | 51,274                               | 3.2                            |
| 2009          | 63,135         | 3,840,912,000          | 48,129                               | 5.5                            |
| 2010          | 67,745         | 4,037,513,000          | 49,563                               | 5.5                            |
| 2011          | 68,500         | 4,408,223,000          | 53,364                               | 5.3                            |
| 2012          | 69,451         | 4,610,247,000          | 54,796                               | 5.1                            |
| 2013          | 70,376         | 4,592,180,000          | 53,571                               | 4.6                            |
| 2014          | 70,711         | **                     | **                                   | 5.0                            |
| 2015          | 72,187         | **                     | **                                   | 4.8*                           |

(1) Planning Division, supplemented by data from Virginia Employment Commission  
 (<http://www.vec.virginia.gov/>)

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

\* Statistics as of May 2015

\*\* Statistics not yet available

Table 9

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

Principal Employers in James City County  
Current Year and Nine Years Ago

|                                     | 2015             |             |  | 2006             |             |  |
|-------------------------------------|------------------|-------------|--|------------------|-------------|--|
|                                     | <u>Employees</u> | <u>Rank</u> | <u>Percentage of total County employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of total County employment</u> |
| Employment:                         |                  |             |  |                  |             |  |
| Principal Public/Private Employers: |                  |             |  |                  |             |  |
| Busch Gardens (1)                   | **               | 1           | **   | 1000+            | 1           | 25.64%                                       |
| Williamsburg-James City County      |                  |             |  |                  |             |  |
| Public Schools                      | 1000+            | 2           | 4.95%  | 1000+            | 2           | 6.23   |
| Eastern State Hospital              | 500-999          | 3           | 2.79   | 1000+            | 3           | 4.46   |
| James City County                   | 500-999          | 4           | 2.32   | 500-999          | 5           | 3.71   |
| Wal-Mart Distribution Center        | 500-999          | 5           | 0.19   | 500-999          | 6           | 3.39   |
| Kingsmill Resort                    | 500-999          | 6           | 1.55   | 500-999          | 4           | 3.75   |
| Anheuser-Busch, Inc.                | 500-999          | 7           | 1.55   | —                | —           | —  |
| Owens and Minor                     | 250-499          | 8           | 1.55   | 250-499          | 9           | 1.6  |
| Busch Properties, Inc.              | —                | —           | —  | 500-999          | 7           | 3.25   |
| Jamestown-Yorktown Foundation       | 250-499          | 9           | 0.93   | 250-499          | 8           | 2.14   |
| Williamsburg Landing                | 250-499          | 10          | 0.93   | 250-499          | 10          | 1.19   |
| Total                               | —                |             | 16.76%                                       | —                |             | 55.36%                                       |

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

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

**Table 10**

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

Schedule of Insurance in Force

June 30, 2015

| <u>Insurer</u>  | <u>Type of coverage</u>   | <u>Policy number</u> | <u>Policy period</u> |           | <u>Annual Premium</u> |
|---|---|----------------------|----------------------|-----------|-----------------------|
|   |   |                      | <u>from</u>          | <u>to</u> |                       |
| Virginia Association of Counties<br>Group Self-Insurance Risk Pool (VACoRP)     | General liability<br>Property<br>Automobile<br>Crime<br>Public officials' liability | VA-JA-131-10         | 07/01/14             | 07/01/15  | \$ 134,781            |
| Virginia Association of Counties<br>Group Self-Insurance Association (VACoGSIA) | Workers' compensation   | VA-JA-131D-10        | 07/01/14             | 07/01/15  | 66,853                |

**Table 11**

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

Full-time Employees by Function  
Last Ten Fiscal Years

| <u>Function</u> | <u>2006</u>      | <u>2007</u>      | <u>2008</u>      | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      |
|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Administration  | 61               | 62               | 63               | 65               | 65               | 60               | 63               | 63               | 63               | 63               |
| Water           | 13               | 14               | 14               | 15               | 15               | 15               | 15               | 15               | 15               | 15               |
| Sewer           | 11               | 11               | 11               | 11               | 11               | 11               | 11               | 11               | 11               | 11               |
| <b>Total</b>    | <u><u>85</u></u> | <u><u>87</u></u> | <u><u>88</u></u> | <u><u>91</u></u> | <u><u>91</u></u> | <u><u>86</u></u> | <u><u>89</u></u> | <u><u>89</u></u> | <u><u>89</u></u> | <u><u>89</u></u> |

Source: James City County, Fiscal Year Adopted Budgets

**Table 12**

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

Operating Indicators by Function

Last Ten Fiscal Years

| <b>Function</b>   | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water:            |             |             |             |             |             |             |             |             |             |             |
| New connections   | 880         | 694         | 351         | 263         | 385         | 388         | 351         | 448         | 359         | 388         |
| Water main breaks | 51          | 42          | 57          | 37          | 40          | 44          | 31          | 25          | 21          | 26          |
| Sewer:            |             |             |             |             |             |             |             |             |             |             |
| New connections   | 884         | 693         | 389         | 269         | 380         | 375         | 296         | 347         | 261         | 380         |

Source: James City Service Authority, Administration Department

**Table 13**

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

| <b>Function</b>                              | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water:                                       |             |             |             |             |             |             |             |             |             |             |
| Water lines (miles)                          | 319         | 329         | 332         | 339         | 344         | 393         | 390         | 393         | 400         | 402         |
| Water customers                              | 17,552      | 18,283      | 18,770      | 19,085      | 19,368      | 19,719      | 20,070      | 20,549      | 20,858      | 21,246      |
| Storage tanks (greater than 250,000 gallons) | 6           | 6           | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 7           |
| Average ERCs (1)                             | 19,200      | 19,600      | 20,400      | 25,753      | 20,200      | 20,866      | 19,200      | 18,597      | 18,937      | 19,415      |
| Sewer:                                       |             |             |             |             |             |             |             |             |             |             |
| Sewer lines (miles)                          | 360         | 370         | 375         | 379         | 382         | 419         | 423         | 425         | 430         | 435         |
| Gallons collected (millions)                 | 1,606       | 1,680       | 1,727       | 1,765       | 1,833       | 1,598       | 1,771       | 1,739       | 1,862       | 1,897       |
| Sewer customers                              | 17,982      | 18,426      | 18,590      | 18,702      | 18,860      | 21,127      | 21,488      | 21,962      | 22,575      | 22,955      |

Source: James City Service Authority, Administration Department

(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.

Table 14

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

Summary of Historical Flows (MGD)

Last Ten Fiscal Years

| <b>Function</b>                         | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water:                                  |             |             |             |             |             |             |             |             |             |             |
| Average Day                             | 4.8         | 4.9         | 4.9         | 4.8         | 5.0         | 5.1         | 4.8         | 4.7         | 4.7         | 4.7         |
| Average Day in Month<br>of Maximum Flow | 6.4         | 6.5         | 6.3         | 7.1         | 6.8         | 7.4         | 6.4         | 6.1         | 5.9         | 6.1         |
| Month of Maximum Flow                   | August      | June        | July        | August      | June        | July        | July        | July        | June        | July        |
| Sewer:                                  |             |             |             |             |             |             |             |             |             |             |
| Average Day                             | 4.4         | 4.6         | 4.7         | 5.4         | 4.5         | 4.4         | 5.0         | 5.0         | 5.1         | 5.1         |

Source: James City Service Authority, Administration Department

**Table 15**

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

**Comparison of Area Water Bills**  
**Annual Consumption 60,000 Gallons as of June 2015**  
 (Source: James City Service Authority)

| <u>Virginia<br/>Jurisdiction</u> | <u>Water<br/>Service</u> |
|----------------------------------|--------------------------|
| City of Williamsburg             | \$ 297.00                |
| City of Norfolk                  | 436.44                   |
| City of Newport News             | 433.68                   |
| City of Virginia Beach           | 353.52                   |
| James City Service Authority     | 171.00                   |

**Comparison of Area Sewer Bills**  
**Annual Consumption 60,000 Gallons as of June 2015**  
 (Source: James City Service Authority)

| <u>Virginia<br/>Jurisdiction</u> | <u>Sewer<br/>Service *</u> |
|----------------------------------|----------------------------|
| City of Hampton                  | \$ 171.60                  |
| City of Newport News             | 305.52                     |
| City of Virginia Beach           | 369.72                     |
| City of Norfolk                  | 294.60                     |
| York County                      | 288.00                     |
| James City Service Authority     | 193.20                     |

\* Rates charged by the municipality. Residents of these municipalities pay a separate wastewater treatment fee to Hampton Roads Sanitation District of \$5.12 per 1,000 gallons.

Table 15

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

**Historical Summary of Availability Charges  
 for a Typical Residential Connection (1)**

Last Ten Fiscal Years

(Source: James City Service Authority)

| Fiscal<br>Year |    | Water | Sewer | Total |
|----------------|----|-------|-------|-------|
| 2006           | \$ | 2,400 | 2,400 | 4,800 |
| 2007           |    | 2,400 | 2,400 | 4,800 |
| 2008           |    | 4,200 | 2,520 | 6,720 |
| 2009           |    | 4,200 | 3,360 | 7,560 |
| 2010           |    | 4,200 | 3,360 | 7,560 |
| 2011           |    | 4,200 | 3,360 | 7,560 |
| 2012           |    | 4,200 | 3,360 | 7,560 |
| 2013           |    | 4,200 | 3,360 | 7,560 |
| 2014           |    | 4,200 | 3,360 | 7,560 |
| 2015           |    | 4,200 | 3,360 | 7,560 |

(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. The current charge for a residential 5/8 inch meter is \$500 per bathroom fixture and has been in effect since 2008. The sewer service connection is also based on the size of the water meter and is \$400 per bathroom fixture and has been in effect since 2009.

Table 16

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

Rates and Fees

June 30, 2015

The following are the rates and fees of James City Service Authority:

**1) Wastewater Charges**

*(a) System Facilities Charge*

A system facilities charge for wastewater collection service to be furnished through each new separate service connection which is to be made to a public sewer, regardless of who may have paid for the installation of the public sewer to which the connection is to be made, shall be paid by each applicant for service prior to the installation of service, as follows:

*Metered Water Service*

Commercial, industrial, institutional, multi-family residential, and single-family residential:

| <u>Meter size (inches)</u> | <u>Charge</u>               |
|----------------------------|-----------------------------|
| 5/8 Residential            | \$ 400 per bathroom fixture |
| 5/8 Nonresidential         | 2,500                       |
| 3/4                        | 3,500                       |
| 1                          | 4,000                       |
| 1 1/2                      | 7,500                       |
| 2                          | 12,000                      |
| 3                          | 24,000                      |
| 4                          | 37,500                      |
| 5                          | 75,000                      |

*Nonmetered Water Service*

Where water is provided by an unmetered source, the following estimated charges shall be assessed:

| <u>Activity, use</u>                  | <u>Unit</u> | <u>Charge</u>               |
|---------------------------------------|-------------|-----------------------------|
| Single-family residences              | Each        | \$ 300 per bathroom fixture |
| Single-family mobile homes            | Each        | 1,000                       |
| Mobile homes in parks                 | Each lot    | 1,000                       |
| Two family, apartments and townhouses | Each        | 300 per bathroom fixture    |
| Schools (with showers)                | Student     | 80                          |
| Schools (without showers)             | Student     | 50                          |
| Motels and hotels                     | Room        | 650 or minimum 2,500        |
| Manufacturing                         | Msf         | 300 or minimum 1,200        |
| Warehouses                            | Msf         | 100 or minimum 1,200        |
| Service stations                      | Each        | 1,200                       |
| Camping facilities                    | Each space  | 500 or minimum 1,200        |
| Restaurants                           | Seat        | 20 or minimum 1,200         |
| Commercial                            | Msf         | minimum 1,500               |

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

## Rates and Fees

June 30, 2015

| Activity, use | Unit           | Charge |
|---------------|----------------|--------|
| First         | 30,000 sq. ft. | \$ 500 |
| Next          | 10,000 sq. ft. | 450    |
| Next          | 10,000 sq. ft. | 400    |
| Over          | 50,000 sq. ft. | 350    |

The purpose of this charge is to defray, in part, the cost of providing force mains, pump stations, transmission mains, booster pumps, and other system facilities.

**(b) Local Facilities Charge**

A local facilities charge of \$1,050 for each separate connection to public sewer shall be paid by each applicant who desires to secure wastewater service therefrom, which charge shall be paid prior to the approval of the application for service; provided, however, in any instance where satisfactory evidence shows that an applicant has paid the cost of installation of the local facility to which the connection is to be made, either by installing the local facility at his expense and then conveying the same to the Authority (or its predecessors) or by reimbursing the Authority (or its predecessors) for the cost of such local facilities, the local facilities charge shall be waived. Additionally, when the Authority does not install or have a rebate agreement, the local facilities charge shall also be waived. In situations where a new wastewater system has been installed by the Authority and whereas any applicant adjacent to this new system that has an existing septic system desires to receive wastewater service therefrom, the local facilities charge shall be waived for a period of 12 months from the completion date of the new wastewater system installation.

The purpose of this charge is to defray in part the cost of installing collection mains which are necessary to provide wastewater collection service to abutting properties and which have been provided at the expense of the Authority or persons, firms, or corporations other than the applicant. The charge shall be paid prior to issuance of a plumbing permit from Building Safety and Permits.

**(c) Grinder Pump Installation and Maintenance Charge**

Any applicant for a sewer connection requiring a residential grinder pump may purchase the grinder pump (that meets Authority standards and specifications) plus ancillary parts from the Authority at cost if the grinder pump is necessary to replace an existing septic system. In addition, if the connection to the public sewer system is replacing a septic system, the applicant is eligible for the deferred-payment plan discussed in Paragraph G, Section 2 of the *James City Service Authority Regulations Governing Utility Service*.

An annual grinder pump maintenance charge of \$260 shall be paid for each separate connection to a grinder pump when the operation and maintenance of said residential grinder pump is the responsibility of the Authority. The payment for this charge will be prorated in equal amounts in the customers' utility service charge billing. The Authority shall not maintain nonresidential grinder pumps or other commercial pump stations unless such utility maintenance is deemed by the Authority to be in the interest of the public health or is necessary to protect the integrity of the system, or such facility is located within a designated Reservoir Protection Zone.

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

Rates and Fees

June 30, 2015

**(d) Service Connection Charge**

A service connection charge shall be paid by each applicant for each new service connection prior to the approval of the application as follows:

| <u>Service installed by</u> | <u>Charge</u>                              |
|-----------------------------|--|
| Developer, applicant        | \$10 per connection inspection fee         |
| Utility                     | Actual cost times 1.25, including overhead |

The purpose of this charge is to defray the cost of installation or inspection of a service connection from the public sewer main in the street to the curb or property line.

The service connection charge shall be waived provided the applicant has paid a local facilities charge and the sewer service line is not greater than six inches in diameter for a gravity main or two inches in diameter for a force main. In the event that the service connection charge is not waived, the local facilities charge will be applied against the service connection charge.

**(e) Retail Service Rates**

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 sized equivalent shall be used, based upon an estimated charge.

*Metered Water Source*

Metered water usage shall be reduced by a metered reading from a landscaping meter or similar device if the landscaping meter or device is approved and utilized under operating regulations adopted by Hampton Roads Sanitation District (HRSD).

A copy of the deduction meter reading provided to HRSD must be received by the Authority within 20 days prior to the end of each billing period. In the event a meter reading is not received within this time, the Authority shall bill based on total water consumption and no refund or billing adjustment shall be made.

Charge for all collection and treatment of wastewater:

| <u>Volume</u>                        | <u>Collection</u> |
|--------------------------------------|-------------------|
| Per 1,000 gallons of water consumed  | \$ 3.22           |
| Per 100 cubic feet of water consumed | 2.41              |

**Table 16**

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

Rates and Fees

June 30, 2015

*Nonmetered Water Source*

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

| <u>Activity, use</u>                 | <u>Unit</u> | <u>Charge</u>           |
|--------------------------------------|-------------|-------------------------|
| Single-family residences             | Each        | \$ 42.00                |
| Single-family mobile homes           | Each        | 42.00                   |
| Mobile homes in parks                | Each lot    | 37.25                   |
| Duplex, apartments and townhouses    | Each        | 37.25                   |
| Schools (with showers)               | Student     | 4.25                    |
| Schools (without showers)            | Student     | 2.65                    |
| Motels and hotels                    | Room        | 18.55 or minimum 186.70 |
| Manufacturing                        | Msf         | 11.00 or minimum 35.85  |
| Warehouses                           | Msf         | 7.45 or minimum 46.50   |
| Service stations                     | Each        | 49.95                   |
| Camping facilities                   | Each space  | 16.22 or minimum 64.25  |
| Restaurants                          | Seat        | 4.95 or minimum 55.85   |
| Commercial                           | Msf         | 18.55 or minimum 55.85  |
| Churches                             | Each        | 40.65                   |
| Swimming pools                       | Sfe         | 40.65                   |
| Laundromats                          | Sfe         | 40.65                   |
| Others to be established when needed |             |                         |

The purpose of the retail service charge is to defray all other costs of providing wastewater collection, and in certain cases, treatment for domestic, commercial, and industrial uses including replacement, renewals, extensions, and repayment of moneys borrowed to acquire or construct the wastewater collection transmission system.

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

Rates and Fees

June 30, 2015

**2) Water Charges**

*(a) 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 a public water main, regardless of who may have paid for the installation of the public water main to which the connection is to be made, shall be paid by each applicant for service prior to the installation of the water service connection, listed on the following page:

Commercial, industrial, institutional, multifamily, and single-family residential:

| <u>Meter size (inches)</u> | <u>Charge</u>               |
|----------------------------|-----------------------------|
| 5/8 Residential            | \$ 500 per bathroom fixture |
| 5/8 Nonresidential         | 2,500                       |
| 3/4                        | 3,500                       |
| 1                          | 4,000                       |
| 1 1/2                      | 7,500                       |
| 2                          | 12,000                      |
| 3                          | 24,000                      |
| 4                          | 37,500                      |
| 6                          | 75,000                      |

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

*(b) Local Facilities Charge*

A local facilities charge of \$1,300 for each separate connection to an existing water main shall be paid by each applicant who desires to secure water service therefrom, which charge shall be paid prior to the approval of the application for service; provided, however, in any instance where satisfactory evidence shows that an applicant for a connection has paid the cost of installation of the local facility to which the connection is to be made, whether by installing the local facility at his expense and then conveying the same to the Authority (or its predecessors) or by reimbursing the Authority (or its predecessors) for the cost of such local facility, the local facilities charge shall be waived.

The purpose of this charge is to defray, in part, the cost of installing mains, valves, and fire hydrants which are necessary to provide water service to abutting properties and which have been provided at the expense of the Authority or persons, firms, or corporations other than the applicant. 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

June 30, 2015

**(c) Service Connection Charge**

A service connection charge shall be paid by each applicant for each new service connection and meter installation prior to the approval of the application, as follows:

| <u>Installation of connection by</u> | <u>Charge</u>                              |
|--------------------------------------|--|
| Developer                            | \$10 per meter inspection fee              |
| Utility                              | Actual cost times 1.25, including overhead |

The purpose of this charge is to defray the cost of installation or inspection of a service connection from the water main in the street to the curb or property line and the installation of a meter either at the curb or property line or within the premise.

**(d) Retail Service Charge**

Water service shall be based upon a commodity charge for all consumption, as follows:

**Residential**

|              | <u>Volume</u>   | <u>Charge</u>   |
|--------------|---|---|
| First Block  | Less than 15,000 gallons per quarter                              | \$2.85 per 1,000 gallons<br>(\$2.13 per 100 cubic feet) |
| Second Block | More than 15,000 gallons but less than 30,000 gallons per quarter | \$3.45 per 1,000 gallons<br>(\$2.58 per 100 cubic feet) |
| Third Block  | More than 30,000 gallons per quarter                              | \$9.80 per 1,000 gallons<br>(\$7.33 per 100 cubic feet) |

**Nonresidential**

|  | <u>Volume</u>      | <u>Charge</u> |
|--|--------------------|---------------|
|  | Per 1,000 gallons  | \$3.45        |
|  | Per 100 cubic feet | \$2.58        |

The purpose of the retail service charge is to defray all costs of providing water service for domestic, commercial, and industrial uses and for firefighting purposes, including repayment of moneys borrowed to acquire or construct the water system; operation and maintenance; and renewals, replacements and extensions.

**3) Exceptions to Local System Facilities Charges**

The provisions of Regulations Governing Utility Service, Section 29 above, shall be observed when there is a conflict between Section 29 and the provisions of Sections 32(b) and 32(c) above.

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

Rates and Fees

June 30, 2015

**4) Billing and Account Charges**

The charges on the following pages shall be assessed for any customer billed by the Authority.

**(a) Account Charges**

An account charge of \$10 (\$20 if the meter is read) shall be paid for each applicant for continuing service, whether for a new account or for a transfer of account, for water and/or wastewater service. The purpose of this charge is to defray the cost incurred in clerical and bookkeeping activities, the turning on of services, and/or meter reading required for each new account or transfer of account.

**(b) 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 30 days following the date thereof.

**(c) Interest Charge for Late Payments with a Lien**

An interest charge for late payment of 8% 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.

**(d) Restoration of Service Charge**

Where service has been terminated on account of the nonpayment of any bill, a restoration of service charge of \$30 (\$100 for a single service wastewater customer not on metered water service) shall be paid before service is restored, except as defined in Section 17(A)(2).

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

**(e) Meter Test Deposit**

A test of a water meter shall be done at the request of a water customer upon payment of a meter test deposit as defined in Regulations Governing Utility Service Section I (1). If the meter is found to be 3% or more fast, then the deposit shall be refunded. If inoperable or 25% or more slow, the deposit shall be credited against a revised billing. The deposit shall be determined by meter size, as set out in the following:

| <u>Meter size</u> | <u>Deposit</u> |
|-------------------|----------------|
| 5/8" to 2"        | \$ 30          |
| 3" and over       | 80             |

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

Rates and Fees

June 30, 2015

**(f) Fire Hydrant Charge**

For customer-requested hydrants installed under the provisions of Regulations Governing Utility Service Section 21, there shall be an installation cost of actual cost plus an allowance of 25% for overhead. The applicant shall deposit with the Authority an estimated fee prepared by the Authority, subsequently adjusted at the completion of the installation with costs exceeding the estimate billed or, in case the estimate exceeds the cost, refunded to the applicant.

The purpose of this charge is to assess to the user the cost of installing fire hydrants for the benefit of the applicant.

**(g) Temporary Water Service Charge**

Under the provisions of Section 22, an applicant for temporary service shall pay, upon application, for the estimated costs of installing, replacing, and removing the facilities which are required to furnish such services plus an allowance of 25% for overhead. The applicant shall receive a refund if the estimate exceeds the actual. The applicant shall also pay service charges and all charges caused by a late payment or nonpayment. The applicant may also be required to post a deposit as described in Regulations Governing Utility Service Section 6.

**(h) 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 nonfire flow usage from a fire connection and there should be little or no water activity.

**5) Multiple Charges Bills**

All charges and fees above are in addition to charges and fees assessed and owed to Newport News Waterworks, HRSD, or any other private or municipal utility.

**6) No Free Service**

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

**7) Plan Review Fee**

The following page indicates 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.

Table 16

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

Rates and Fees

June 30, 2015

| Document   | Collection                        |
|--|-----------------------------------|
| Rezoning:  |                                   |
| 5 acres or less                                  | \$ 100                            |
| Greater than 5, but less than 10 acres           | 150                               |
| Greater than 10 acres                            | 200                               |
| Special use permits:                             |                                   |
| General  | 200                               |
| Family subdivision                               | 50                                |
| Wireless communication facilities                | 50                                |
| Other  | 50                                |
| Site plans:                                      |                                   |
| Administrative review:                           |                                   |
| Residential structure (multi-family)             | 300 plus \$5 per unit             |
| Nonresidential structure                         | 300                               |
| Mixed use structure                              | 200 plus \$5 per residential unit |
| Utility easement plat service                    | 300                               |
| Planning commission review:                      |                                   |
| Residential structure (multi-family)             | 300 plus \$5 per unit             |
| Nonresidential structure                         | 300                               |
| Mixed use structure                              | 300 plus \$5 per residential unit |
| Utility easement plat service                    | 300                               |
| Amendment to an approved plan:                   |                                   |
| Residential structure (multi-family)             | 150 plus \$2 per unit             |
| Nonresidential structure                         | 150                               |
| Mixed use structure                              | 150 plus \$2 per residential unit |
| Utility easement plat service                    | 150                               |
| Each additional review after second resubmission | 150                               |
| Master plan review:                              |                                   |
| Initial review                                   | 600                               |
| Revision of plan                                 | 600                               |
| Conceptual plan for water and sewer:             |                                   |
| General  | 100                               |
| Master utility plans and modeling                | 300                               |
| Each additional review after second resubmission | 150                               |
| Subdivision plan review:                         |                                   |
| No public improvements required                  | 75                                |
| Public improvements required                     | 300 per plan plus \$5 per lot     |
| Wastewater pumping station                       | 2,000                             |
| Well facility                                    | 3,000                             |
| Each additional review after second resubmission | 150                               |

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

Rates and Fees

June 30, 2015

**8) Inspection**

There shall be an inspection fee of \$25 for the third and subsequent inspections for water and sewer service connections. These will include, but are not limited to, water meter box installations, water and sewer service line connections, and grinder pump installations. This charge will be paid prior to the third/or subsequent inspections. The purpose of this fee is to defray the expense of making multiple on-site inspections to correct previously identified deficiencies.

**9) Inspection Fee for Water and Sewer Lines**

There shall be a fee for the inspection of public water and sewer installations. Such fee shall be \$2.87 per foot for every foot of water main and sewer main constructed and shall be submitted at the time of filing an application for a land disturbance permit.

**10) Sub-Meter Account Charge**

An account charge of \$18 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.

**This page intentionally left blank**

## **COMPLIANCE SECTION**

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

Board of Directors  
James City Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **James City Service Authority** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise **James City Service Authority's** basic financial statements, and have issued our report thereon dated November 23, 2015.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **James City Service Authority's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **James City Service Authority's** internal control. Accordingly, we do not express an opinion on the effectiveness of **James City Service Authority's** internal control.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
November 23, 2015

