

**JAMES RIVER WATER AUTHORITY**  
**Request for Interim Financing**

**JAMES RIVER  
WATER  
AUTHORITY**

- I. **DATE:** April 4, 2024
- II. **INTRODUCTION:** In our capacity as Financial Advisor to the James River Water Authority (“JRWA” or “the Authority”), Raymond James & Associates, Inc. (“Raymond James”) is distributing this Request for Interim Financing on behalf of JRWA to solicit proposals to provide Interim Financing in the form a direct bank loan evidenced by JRWA’s 2024 Bond Anticipation Note (“the Interim Financing”).

JRWA is an instrumentality formed by the Counties of Louisa and Fluvanna (“the Counties”) under the Virginia Water and Waste Authorities Act to develop a system for the supply of raw water to the Counties in order to reduce the reliance on groundwater in the provisioning of safe, reliable drinking water to the citizens of both Counties. The Authority has obtained a permit from the Virginia Department of Environmental Quality to withdraw water from the James River at an average daily rate of 4.12 million gallons per day (mgd) from a point west of the former boundary of the Town of Columbia in Fluvanna County, and intends to construct the necessary facilities to deliver raw water for treatment by the Counties.

The Authority intends to obtain long-term permanent financing for the facilities through the Virginia Pooled Financing Program (“VPFP”) operated by the Virginia Resources Authority (“VRA”). VRA’s credit committee has authorized the Authority’s participation in the VPFP, subject to JRWA’s satisfaction of certain conditions prior to the sale of VPFP Bonds, as more fully described below and in the attached VPFP Terms and Conditions (Exhibit A). JRWA expects to satisfy all of VRA’s conditions, but may be unable to do so prior to the deadline for participation in the VPFP Spring 2024 Bonds. Therefore, JRWA is soliciting proposals to provide Interim Financing for the Project (defined below), to allow project development and construction to continue without interruption. The Authority expects to repay the Interim Financing in full with a portion of the proceeds of VRA VPFP Bonds once JRWA has satisfied all conditions for participation in a VPFP bond sale, or from other sources of permanent financing that may be obtained by JRWA or the Counties. The Interim Financing will be secured by a pledge of the Authority’s revenues, as well as the Moral Obligation of the Counties pursuant to support agreements to be executed in advance of the closing on the Interim Financing.

- III. **OVERVIEW OF ORGANIZATION:** JRWA is governed by a six-member Board of Directors, consisting of the County Administrator and two citizen representatives from each of the Counties. JRWA and the Counties entered into a Service Agreement (attached as Exhibit B) on April 1, 2015 to provide for, among other things, the development of a System for the supply of raw water by the Authority to the Counties, the sale of raw water by the Authority to the Counties, and the allocation of the Authority’s capacity to the Counties, and the method for fixing and collecting rates and charges for the use of the System by the Counties.

**System Revenues** – Pursuant to Article IV of the Service Agreement (Exhibit B), Variable Operating and Maintenance Costs which can be attributed to water flows shall be split proportionately between the Counties based on actual water flow, and Fixed Operating and Maintenance Costs and Debt Service shall be divided evenly between the Counties.

JRWA previously obtained a permit from DEQ in November 2015 to withdraw water at a location upstream of the confluence of the James and Rivanna Rivers at Bremono Bluff, and issued \$7,695,000 of Revenue Bonds in 2016 through the VRA VPFP (“the Series 2016 Bonds”) to finance the design and construction of a raw water intake, a pump station and a raw water pipeline, as well as the acquisition of land and the rights-of-way necessary therefor (collectively, the “Original Project”). However, After consideration of historical concerns raised regarding the initial withdrawal site, the intake and pump station were moved to the current location.

**IV. THE PROJECT:** The Authority has obtained a new permit from the Virginia Department of Environmental Quality to withdraw water from the James River at an average daily rate of 4.12 million gallons per day (mgd) from a new intake location, at a point west of former boundary of the Town of Columbia in Fluvanna County. Pursuant to the Amended and Restated Comprehensive Agreement between JRWA and Faulconer Construction entered into on September 13, 2023, (“the Faulconer Agreement”) Faulconer shall design and build the James River Raw Water Project (“the Project”), a comprehensive turn-key raw water utility infrastructure system that will provide: 1) a raw water intake capable of receiving at least 12.0 MGD located in the James River, in accordance with the approved DEQ withdraw permit; 2) a raw water pump station with two pumps, each capable of delivering approximately 4.0 MGD, with structure sized to accommodate future expansion; 3) a raw water distribution system transporting to the existing 24" Raw Water Main located adjacent to and running parallel with the Colonial Gas Pipelines in Fluvanna County, Virginia with the capacity to transport at least 12.0 MGD.

Additional Project components not included in the Faulconer Comprehensive Agreement include:

- Archaeological data recovery (Phase III) studies, including research, fieldwork, analyses, and report production necessary to comply with Section 106 of the National Historic Preservation Act (NHPA) and guidelines of the Virginia Department of Historic Resources (DHR);
- Acquisition of necessary properties and easements;
- The purchase of wetland mitigation credits as required by the DEQ permit;
- Construction Inspection and Project Management; and
- Such other activities as may be required to complete the Project.

The total project budget is \$45,610,650, as detailed in Exhibit C. The Authority has spent or will spend the remaining proceeds of the Series 2016 Bonds on project costs, and expects to ultimately finance the remaining project costs as well as interest during construction, reserves, and costs of issuance through the VFPF program, once all of the Terms and Conditions for such financing have been satisfied.

#### **Permit Status**

Permits from local, state and federal agencies are required before construction can begin on various phases of the project. As of the date of this Request, the status of key permits is described below:

- Virginia Department of Health (“VDH”), Approval of Preliminary Engineering Report – Approved 11/15/2023
- Virginia Department of Environmental Quality (“DEQ”), Surface Water Withdrawal Permit – Permit issued 10/20/2023
- Fluvanna County Special Use Permit – Permit issued 12/20/2023
- VDH Waterworks Construction Permits (Intake and Pump Station) – Permits issued on 3/21/2024
- VDH Waterworks Construction Permit (Raw Water Main) – Permit issued on 3/8/2024
- U.S. Army Corps of Engineers, Clean Water Act Section 404 Permit, Nationwide Permit – The Authority anticipates that this permit will be issued on or shortly after 4/15/2024. The last remaining step in the permitting process is to finalize an agreement to mitigate historic resources impacts. The draft agreement was revised to address all comments from interested parties and circulated for a final 15-day review on 3/20/2024.
- DEQ Construction General Permits – Updated applications submitted on 3/14/24 (site plan) and 3/21/24 (raw water main). JRWA anticipates that permits will be issued in May 2024.

V. **INTERIM FINANCING – DESIRED STRUCTURE AND TERMS:** JRWA is seeking proposals to provide interim financing to fund (a) Project Costs incurred pursuant to the Faulconer Agreement, (b) other Project Costs including archaeological studies, property and easement acquisition, acquisition of wetland mitigation credits, construction inspection and project managements, and other requirements, (c) interest on the Interim Financing, (d) costs of issuing the Interim Financing. JRWA may consider alternatives to the terms described below, if such alternative terms are determined to be either (1) more favorable to JRWA, or (2) necessary in order to obtain a financing proposal. All terms are subject to further discussion/negotiation.

- Issuer: James River Water Authority
- Structure: Option #1: Drawdown Bond; Option #2: Fully Drawn at Closing
- Tax Treatment: Tax-Exempt, Non-Bank Qualified
- Amount: Up to \$30,000,000
- Credit Ratings: JRWA will not apply for ratings for the Interim Financing, and has never applied for a credit rating from any credit rating agency. Louisa County is not currently rated by any rating agency. Fluvanna County currently has an issuer rating of Aa2 from Moody’s Ratings.
- Advances: Drawn as needed by the Authority, subject to a reasonable limitation on the number of permitted draws per month;
- Expected Advances: An estimated draw schedule is included as Exhibit D.
- Interest Rate: Please provide both a **Floating Rate**, based upon a specified market index that is readily available to the public, and a **Fixed Rate**. For floating rate alternatives, please specify the frequency of rate resets. For fixed rate alternatives, the Authority requests that interest rate quotes be held firm through May 31, 2024. If fixed rates cannot be held firm through this date, please specify the rate formula, timing and steps required for a rate lock.

	Drawdown Loan
<b>Floating Rate</b>	___% of [1M Term SOFR] + ____%
<b>Fixed Rate</b>	____%
<b>Unused Fee</b>	____%

- Daycount Basis: Please specify whether interest will be calculated on a 30/360, Actual/Actual, or other daycount basis.
- Yield Maintenance: Any other terms and conditions that would affect the cost of the financing to the JRWA must be specified, including any “yield maintenance provisions” for any events outside of the Authority’s control, such as changes in corporate tax rates, banking laws and regulations, capital requirements, etc. To the extent that you wish to include such terms in the financing documents, they must be specifically disclosed in your proposal. JRWA shall assume that “typical terms and conditions” do not include such yield maintenance provisions.
- Interest Payments: The Authority seeks to capitalize interest, by making interest payment via draws on the Interim Financing. Please specify the frequency that interest payments

- will be due, and confirm that draws on the Interim Financing may be used to satisfy interest due prior to repayment of the Interim Financing.
- Amortization: None (full amount outstanding to be due at maturity)
- Maturity: June 30, 2025
- Prepayment: Prepayable at any time (in whole or in part) without penalty is preferred. If a prepayment premium shall apply, please specify details necessary to calculate the prepayment premium.
- Term Out Option: In the unlikely event that the Authority is unable to obtain long-term financing to repay the Interim Financing on or before maturity, the Authority may wish to consider a term out provision that converts the Interim Financing to a five-year amortizing term loan. Please provide pricing for such a term out option if available.
- Security:
- A. The Authority intends for the 2024 BAN to be on parity with the existing Series 2016 Bonds, and issued with the consent of VRA.
  - B. The Interim Financing will be secured by a pledge of the Authority's revenues, net of operating and maintenance expenses, including (i) all rates, fees, rentals, charges and other income properly allocable to the System under generally accepted accounting principles or resulting from the Authority's ownership or operation of the System (including amounts appropriated for and paid to JRWA by the Counties under the Support Agreements), exclusive of user and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest on any money or securities related to the System, and (iv) any other income from other sources now or hereafter pledged or specifically made available by or on behalf of JRWA to or for the payment of Operation and Maintenance Expenses or debt service.
  - C. Each of the Counties shall adopt a Support Agreement that creates a non-binding obligation of such County to make a supplemental appropriation to JRWA in the event that the revenues available to JRWA are insufficient to pay debt service in a timely fashion.
  - D. No additional debt shall be incurred without the consent of the Lender.
  - E. There shall be no mortgage on any real estate holdings of JRWA or the Counties.
  - F. The Authority intends to repay the Interim Financing with the a portion of the proceeds of (i) long-term financing to be issued via the VFPF, which the Authority expects to occur upon the earliest sale of VFPF Bonds by VRA following the satisfaction of the VRA Terms and Conditions contained in Exhibit A, (ii) other long-term financing issued by the Authority or other funds made available to the Authority for such purpose.
- Fees: All upfront and ongoing fees and expenses (including counsel fees, wire fees, unused fees, etc.) that shall be the obligation of JRWA shall be specified and quantified in the term sheet.
- Bank Counsel: Please specify the firm and primary contact for Bank Counsel (if any), and provide a not-to-exceed estimate of any Bank Counsel fees to be charged to JRWA.

Banking Relationship: JRWA and the Counties do not intend to move any banking relationships or treasury services in connection with this financing, other than establishing accounts that are directly related to the drawdown of proceeds or the payment of debt service.

#### VI. Financing Schedule:

DATE	ACTIVITY
4/4/2024	Request for Interim Financing Distributed
4/16/2024	Questions due to Raymond James
4/19/2024	Responses to questions issued
4/26/2024	Response to Request for Financing Due by 12:00pm (EDT)
4/26/2024 - 5/1/2024	Evaluation of Proposals and Negotiation with Lenders
5/8/2024	JRWA Board considers approval of Lender and financing documents
5/15/2024 & 5/20/2024	County Boards approve Support Agreements
5/23/2024	Closing

#### VII. CONTACTS:

Sean E. Ekiert, CFA  
Managing Director  
Raymond James & Associates, Inc.  
(804) 225-1197  
sean.ekiert@raymondjames.com

Rachel Adams  
Associate  
Raymond James & Associates, Inc.  
(804) 225-1130  
Rachel.adams@raymondjames.com

**All questions should be directed to the contacts above. Raymond James and JRWA intend to respond to all questions and requests for additional information received prior to April 16<sup>th</sup>, 2024. Responses to questions will be circulated to all potential lenders.**

#### VIII. AWARD CRITERIA:

The Authority is seeking the lowest-cost financing, with a straightforward closing process and ease of use. Additional discussions may be held with those firms selected by the Authority as offering the most attractive proposals. After negotiations have been conducted with each offeror so selected, the Authority, with the assistance of its Financial Advisor, shall select the firm which has, in its opinion, made the best overall proposal and is deemed to be best suited among those submitting proposals.

The Authority may cancel this Request for Financing or reject proposals at any time and is not required to furnish a statement explaining why a particular proposal was rejected or not deemed to be the most advantageous.

**IX. Information Regarding JRWA and the Counties:** To assist with the analysis of JRWA, the following documents are attached:

<b>Document</b>	<b>Location</b>
VRA Virginia Pooled Financing Program Term Sheet	Exhibit A (Attachment)
Service Agreement	Exhibit B (Attachment)
Project Budget	Exhibit C
Preliminary Draw Schedule	Exhibit D
James River Water Authority Annual Financing Statements	Exhibits E through I (FY2018 through FY2022) (Attachments)
Fluvanna County Financial Statements	<a href="https://www.fluvannacounty.org/finance/page/financial-reports">https://www.fluvannacounty.org/finance/page/financial-reports</a>
Louisa County Financial Statements	<a href="https://www.louisacounty.gov/Archive.aspx?AMID=41">https://www.louisacounty.gov/Archive.aspx?AMID=41</a>
James River Water Authority FY2024 Annual Budget	Exhibit J (Attachment)
James River Water Authority FY2025 Annual Budget	Exhibit K (Attachment)
Fluvanna County FY2024 Annual Budget	<a href="https://www.fluvannacounty.org/finance/page/budgetcip">https://www.fluvannacounty.org/finance/page/budgetcip</a>
Louisa County FY2024 Annual Budget	<a href="https://www.louisacounty.gov/1457/Budget-Information">https://www.louisacounty.gov/1457/Budget-Information</a>

## EXHIBIT C – PROJECT BUDGET

ITEM	DESCRIPTION	COSTS
1	Mobilization	\$575,000
2	General Conditions	\$1,480,000
3	Design & Construction Engineering Services	\$3,850,000
4	Surveying	\$110,000
5	Railroad Insurance/Flagging & Improvements	\$350,000
6	Material Storage & Handling	\$700,000
7	Pump Station Laydown	\$35,000
8	Clearing for UG Electric Across Brema Road	\$7,000
9	Existing Utility Protection & Potholing	\$75,000
10	Erosion Controls	\$475,000
11	Wetland and Sensitive Area Restoration	\$85,000
12	Temporary Construction Roads & Clearing	\$150,000
13	Pump Station Site Access Road	\$1,110,000
14	Site Access Road Storm Improvements	\$220,000
15	Pump Station Site Work	\$2,035,000
16	<b>Pump Station Work</b>	
16a	General Conditions	\$700,000
16b	Concrete + Structural	\$2,900,000
16c	Metals	\$880,000
16d	Equipment	\$1,500,000
16e	Mechanical	\$1,060,000
16f	Electrical	\$3,600,000
16g	Controls	\$410,000
17	Furnish & Install Porta Dam	\$715,000
18	Intake Pipe Work	\$585,000
19	Intake Structure	\$850,000
20	Build Access Road Down Ramp Into River	\$30,000
21	Restore Bank of James River with Class 2 Rip Rap	\$175,000
22	Dewater Swale Between Pump Station & Swale	\$30,000
23	24" Raw Water Line	\$9,800,000
24	Water Line Appurtenances	\$2,080,000
25	Water Line Testing	\$200,000
26	Rail Road & Electrical Jack & Bore	\$500,000
27	Jack & Bore Electrical Under Brema Road (Now Open Cut)	\$55,000
28	Route 6 Jack & Bore	\$170,000
29	Jack and Bore at 127+00 Brema Road (Now Open Cut)	\$70,000
30	Jack and Bore at 133+00 Gale Hill Road (Now Open Cut)	\$110,000
31	Rivanna Crossing- Open Cut	\$960,000
32	Rock Blasting & Removal	\$370,000
33	Site & Easement Restoration	\$460,000
34	QC testing	\$185,000
35	SWPP Development & Inspections	\$35,850
<b>TOTAL CONTRACT CONSTRUCTION COSTS</b>		<b>\$39,687,850.00</b>

Cultural Resource Consultants - (Through Mar. 2024)	\$50,000
CR Fieldwork & Study- PH III	\$3,000,000
MOA Costs - (Through Dec. 2023)	\$27,500
Construction Insp./Project Mgmt. Consultant (30 months)	\$700,000
Dominion Energy Electric Construction	\$1,000,000
Wetland Mitigation Credits	\$5,000
CSX Encroachment Agreement	\$7,500
USACE Permit	\$100
Nutrient Credits	\$100,000
Property Acquisition/Easements	\$1,000,000
Survey and Environmental Support - (Through Dec. 2023)	\$32,700
<b>TOTAL PERMITTING, PROPERTY ACQ. AND CONST. SUPPORT COSTS</b>	<b>\$5,922,800.00</b>
<b>TOTAL JRWA PROJECT COSTS</b>	
	<b>\$45,610,650.00</b>



**EXHIBIT D – PRELIMINARY DRAW SCHEDULE**

The draft draw schedule below is preliminary and subject to change. Project costs will be funded from remaining Series 2016 Bond proceeds until such proceeds are fully expended, which is expected to occur in May 2024. Once permanent financing for the project is issues, the Interim Financing will be repaid in full and no further draws will occur.

	<b>Construction</b>	<b>Other Costs</b>	<b>Total Budget</b>
<b>Total</b>	<b>\$ 39,687,850</b>	<b>\$ 5,922,800</b>	<b>\$ 45,610,650</b>
Prior			
Expenditures	\$ 1,695,000	\$ 1,495,371	\$ 3,190,371
Apr-24	695,000	30,643	725,643
May-24	1,232,000	30,643	1,262,643
Jun-24	491,200	30,643	521,843
Jul-24	3,391,200	1,023,500	4,414,700
Aug-24	3,458,700	1,023,500	4,482,200
Sep-24	3,818,700	1,023,500	4,842,200
Oct-24	1,850,700	23,500	1,874,200
Nov-24	2,036,700	123,500	2,160,200
Dec-24	1,796,700	173,500	1,970,200
Jan-25	1,856,700	-	1,856,700
Feb-25	2,436,700	-	2,436,700
Mar-25	866,700	-	866,700
April 2025			
- April 2027	14,061,850	944,500	15,006,350

## **James River Water Authority**

### **Virginia Pooled Financing Program – Revenue Pledge – Terms and Conditions**

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*Below is an outline of the proposed principal terms and conditions for the type of financing requested in the James River Water Authority application for funding from the Spring Series 2024A Virginia Pooled Financing Program (“VPFP”), which has been authorized by the Credit Committee of Virginia Resources Authority (“VRA”). The final terms and conditions will be set forth in the Local Bond Sale and Financing Agreement between VRA and the James River Water Authority, which will be executed in advance of the VPFP Spring Series 2024A bond issue pricing in May 2024. The following proposed terms are valid through December 31, 2024.*

<b>Borrower:</b>	James River Water Authority (the “Borrower”)
<b>Amount:</b>	Requested proceeds of up to \$42,510,650 plus costs of issuance, capitalized interest through April 1, 2025, and funds necessary to provide for the debt service reserve fund referenced below
<b>Purpose:</b>	To finance the construction of a water intake facility, a pump station, and a raw water pipeline, together with related expenses (the “Project”)
<b>Security:</b>	Water service and capacity revenue pledge, debt service reserve fund equal to maximum annual debt service (to be debt or equity funded at loan closing)
<b>Rate Covenant:</b>	Net revenues available for debt service shall be 100% of Borrower’s annual debt service payable from water revenues, including transfers from the Counties of Fluvanna and Louisa, Virginia
<b>Qualified Independent Consultant Report:</b>	If as of the end of any fiscal year, the Borrower is not in compliance with the revenue covenant, the Borrower will within 30 days of receipt of the annual audited financial statements request a consultant report with recommendations to bring the Borrower into compliance with the rate covenant
<b>Moral Obligation:</b>	Moral obligation pledges of the Counties of Fluvanna and Louisa, Virginia (collectively, the “Member Jurisdictions”) as acknowledged in support agreements of the governing body of each locality and acknowledgement and consent by resolution to the issuance of the proposed debt

## **James River Water Authority**

### **Virginia Pooled Financing Program – Revenue Pledge – Terms and Conditions**

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**Other Conditions:**

Prior to pricing of the VPPF bonds to fund the proposed loan, the Borrower will provide evidence satisfactory to VRA of all required permits related to the Project, including but not limited to permits required from the U.S. Army Corps of Engineers (“USACE”) and all permits, with the exception of construction general permits, required from the Virginia Department of Environmental Quality (“DEQ”), including Virginia Water Protection Permit(s) and Section 401 Clean Water Act certifications; construction general permits required by DEQ may be obtained after the pricing and closing of the VPPF bonds that will fund the proposed loan and the Borrower will certify to VRA that the Borrower has obtained such permits;

Prior to pricing of the VPPF bonds to fund the proposed loan, the Borrower will provide evidence satisfactory to VRA that all of the necessary easements needed for the Project have been obtained and Borrower will certify to VRA that the Borrower has obtained such easements, *or* provide an opinion of counsel that the Borrower can obtain all of the necessary easements through quick-take condemnation / eminent domain with no material adverse impact to the construction schedule for the Project;

Prior to pricing of the VPPF bonds to fund the proposed loan, the Borrower must provide evidence satisfactory to VRA of acquisition of a fee simple interest in the necessary land parcel(s) needed for the pump station and electrical station components of the Project and in such other land parcels necessary for the Project; such evidence may be in the form of a signed purchase agreement with specific performance as a requirement; the Borrower will certify to VRA that the Borrower has acquired such fee simple interest in such land parcels;

Prior to pricing of the VPPF bonds to fund the proposed loan, the Borrower must provide evidence of the purchase of any and all wetland mitigation credits, stream mitigation credits, nutrient mitigation credits, and any other required environmental mitigation credits necessary for the Project along with a certification by the Professional Engineer of Record of the types and

**James River Water Authority**  
**Virginia Pooled Financing Program – Revenue Pledge – Terms and Conditions**

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amounts of said credits as required and that the actual amount acquired meet or exceed these requirements;

During the life of the proposed loan, the Borrower and the Member Jurisdictions agree not to amend the service agreements, support agreements, or interjurisdictional agreement associated with the Project without the consent of VRA;

The Borrower must maintain an unrestricted cash balance in its enterprise fund of no less than 60 days of budgeted operating expenses to be tested annually based on audited financial statements *or* the Borrower will provide evidence of inclusion of annual operating expenses in the annual budgets of the Member Jurisdictions;

The Borrower will not issue subsequent debt without the consent of VRA;

VRA reserves the right to be reimbursed for any legal expenses incurred in the event that VRA has to defend a lawsuit challenging the proposed project or the issuance of the local bond or the related VRA bonds;

Prior to pricing of the VPF bonds to fund the proposed loan, the Chair of the Borrower's Board of Directors will provide a letter outlining a plan to ensure that the Borrower's audits are provided to VRA within 180 days of the fiscal year end during the life of the proposed loan;

Notice to VRA prior to the pricing of the VPF Spring Series 2024A bond issue if the Borrower becomes aware of any threatened or filed litigation with respect to the Project<sup>1</sup>;

Notice to VRA of intent to participate in the VPF Spring Series 2024A bond issue no later than March 22, 2024<sup>2</sup>

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<sup>1</sup> *In the event of threatened or filed litigation with respect to the Borrower or the Project, VRA reserves the right to withdraw or alter the terms of this commitment in its sole discretion.*

<sup>2</sup> *If a material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, application and other information furnished to VRA between the date of the Borrower's loan application to the VPF and the VPF bond pricing, VRA reserves the right to withdraw or alter the terms of this commitment in its sole discretion.*

## James River Water Authority

### Virginia Pooled Financing Program – Revenue Pledge – Terms and Conditions

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through the execution of the Borrower's Local Bond Sale and Financing Agreement related to the proposed loan; it is understood that the Borrower must also fulfill the conditions set out in this term sheet for the proposed loan in order to participate in a VPPF transaction.

**Other Highlighted Documentation:**

- Certified copies of the Borrower and Member Jurisdiction local resolutions authorizing the proposed financing
- Certified copies of Member Jurisdiction resolutions and support agreements

**Legal Opinions:**

Customary opinions as to authorization, validity, no litigation, and no private activity and other matters requested by VRA

**General Covenants:**

To include those customary for these types of transactions, including events of taxability and others that are appropriate in the context of the financing

**Payment Dates:**

April 1 - Interest  
October 1 – Principal and interest

**Final Local Bond Maturity:**

No later than October 1, 2054

**VRA Loan Origination Fee:**

12.5 basis points of par amount and added to costs of issuance

**Annual Administrative Fee:**

12.5 basis points of outstanding principal and payable semi-annually

**Annual Pass-through fees:**

Annual trustee fees; allocable costs associated with arbitrage rebate calculations



**James River Water Authority**  
**Virginia Pooled Financing Program – Revenue Pledge – Terms and Conditions**

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**Acknowledgement:**

The foregoing terms and conditions are hereby acknowledged the \_\_\_\_\_ day of \_\_\_\_\_, 2024.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**VRA Contact:**

Peter D'Alema  
Director of Program Management  
Virginia Resources Authority  
1111 East Main Street  
Suite 1920  
Richmond, VA 23219  
804-616-3446  
[pdalema@virginiaresources.org](mailto:pdalema@virginiaresources.org)

March 15, 2024

# SERVICE AGREEMENT

**THIS SERVICE AGREEMENT** (this “Agreement”), made and entered into as of April 1<sup>st</sup>, 2015, by and among the **JAMES RIVER WATER AUTHORITY** (the “Authority”), and the **COUNTY OF FLUVANNA, VIRGINIA**, and the **COUNTY OF LOUISA, VIRGINIA** (the “Counties” or individually the “County”).

## RECITALS:

**WHEREAS**, the Authority is a public body politic and corporate created in 2009 upon agreement of the governing bodies of the Counties, and in accordance with the Virginia Water and Waste Authorities Act, Virginia Code § 15.2-5100, et seq. (the “Act”), for the purpose of servicing the water needs of the Counties; and

**WHEREAS**, the County of Fluvanna, Virginia and the County of Louisa, Virginia are counties and political subdivisions of the Commonwealth of Virginia (the “Commonwealth”);

**WHEREAS**, the Counties entered into a Memorandum of Understanding executed on March 30, 2004 stating their mutual intention to enter into a formal contract for the development of a joint water supply and service utilizing the James River (the “MOU”); and

**WHEREAS**, the Authority, the Counties and the Louisa County Water Authority (“LCWA”) entered into an agreement (the “2013 Interjurisdictional Agreement”) dated October 1, 2013 to reflect the desire to move the James River intake from Bremo Bluff to Columbia, Virginia and to set forth the parties’ respective rights and duties with respect to a James River Pipeline Project; and

**WHEREAS**, the Authority and the Counties desire to enter into this Agreement to provide for, among other things, the development of a System for the supply of raw water by the Authority to the Counties, the sale of raw water by the Authority to the Counties, the allocation of the Authority’s capacity to the Counties and the method for fixing and collecting rates and charges for the use by the Counties of the Authority’s water system.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

## ARTICLE I DEFINITIONS

“**Bond Fund**” shall mean the Bond Fund established in the Trust Agreement.

“**Bonds**” shall mean, collectively, any series of bonds, notes, debt, capital leases or other obligations issued by the Authority.

“**Capital Costs**” shall mean the debt service payments required to pay any Bonds issued by the Authority and other capital improvement costs, including required payments to the

Operating Fund, required payments to the Debt Service Reserve Fund, and required payments to any Bond Fund.

**“Consulting Engineer”** shall mean the Consulting Engineer retained by the Authority s referenced in the Trust Agreement.

**“Debt Service Reserve Fund”** shall mean the Debt Service Reserve Fund established in the Trust Agreement.

**“Fiscal Year”** shall mean in respect to the Authority the twelve months beginning on July 1 and ending on June 30, or such other twelve month period as may be determined by the Authority.

**“Fixed Operating and Maintenance Costs”** shall mean any Operating and Maintenance Costs that are incurred by the Authority in the absence of or regardless of the amount of System water flow to the Counties.

**“Gross Revenues”** shall mean all moneys received by the Authority in connection with or as a result of its ownership or operation of the System.

**“MGD”** shall mean million gallons per 24 hour day.

**“Month” or “Monthly”** shall mean calendar month, unless this Agreement specifies otherwise.

**“Operating and Maintenance Costs”** shall mean all current expenses directly or indirectly attributable to the ownership or operation of the System, including, without intending to limit or restrict any proper definition of such expenses under any applicable laws or generally accepted accounting principles, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and charges for the use of or the services furnished by the System, insurance and surety bond premiums and other charges and fees necessary for the maintenance of adequate insurance coverage for the Authority and the System, legal, engineering and auditing expense, expenses and compensation of the Trustee, and other current expenses of the Authority required to be paid by law or under the Trust Agreement, but shall not include Capital Costs.

**“Operating Fund”** shall mean the Operating Fund established in the Trust Agreement.

**“Replacement Fund”** shall mean the Replacement Fund established in the Trust Agreement.

**“System”** shall mean the raw water intake, raw water pump station, booster pump stations, raw water storage facilities, raw water pipelines and all associated appurtenances necessary for a complete and functional installation, all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority and used in connection with the supply, storage or distribution of raw water, including, without limitation, dams, water supply systems,



water distribution systems, reservoirs, wells, intakes, mains, laterals, pumping stations, standpipes, filtration plants, purification plants, hydrants, meters, valves and equipment and apparatus, all properties, rights, easements and franchises relating thereto. The raw water intake and raw water pump station shall be constructed along the James River in the vicinity of the Town of Columbia in the County of Fluvanna. The raw water pipeline shall proceed northward from the intake facility to a point near Route 6 and the Columbia Community Planning Area (“CPA”), as the CPA is shown on the Fluvanna County Comprehensive Plan as of the date of the execution of this Agreement, and shall include “T” connections and valves to allow the Counties to connect to the System. Booster pump stations, raw water storage facilities and associated appurtenances shall be constructed as required along the pipeline route on Authority owned and/or leased property.

“**Trust Agreement**” shall mean the Agreement of Trust, or any similar agreement, if any, between the Authority and the Trustee designated therein, entered into for the purpose of allowing the Authority to issue Bonds, as supplemented and amended from time to time.

“**Trustee**” shall mean the Trustee or its successor serving as such under the Trust Agreement.

“**Variable Operating and Maintenance Costs**” shall mean any Operating and Maintenance Costs that are incurred by the Authority attributable to the amount of water flowing from the System to each County.

## **ARTICLE II CONSTRUCTION, OPERATION AND FINANCING OF RAW WATER INTAKE SYSTEM**

**Section 2.1** **Agreement to Construct.** The Authority, subject to obtaining financing therefor, agrees to construct and operate the System.

**Section 2.2** **Agreement to Finance.** The Authority anticipates financing the costs of designing, constructing, and equipping the System, including expenses associated with the financing, as well as the acquisition of property, through the issuance of Bonds. Any issuance of Bonds by the Authority shall require the approval of the governing bodies of each County.

## **ARTICLE III PROVISION OF SERVICES**

### **Section 3.1** **Supply of Raw Water**

(a) The Counties, subject to subsection (c), shall each have an allocation of 50% of the raw water provided by the System.

(b) The Authority shall use its best efforts to remain in a position to furnish raw water as herein provided to the Counties, but its obligation shall be limited to the amount of raw water available.

(c) A County may temporarily or permanently reallocate any portion of its allocated capacity to the other County on such terms as may be mutually agreeable. The County shall give the Authority written notice of any such transfer and the Authority shall change the capacity allocations on its books and records. However, these reallocations shall not alter the obligations of each County unless agreed to by the parties.

(d) The Authority will not sell raw water to any governmental entity, person, firm, or corporation that is not a party to this Agreement without the prior approval of the Counties.

(e) Notwithstanding any other provisions of this Agreement, a County may assign its capacity allocation to anyone without consent of the other County or the Authority.

(f) The raw water allocation above shall supersede the provisions of the 2013 Interjurisdictional Agreement contained in Paragraph 1.3(a) therein.

**Section 3.2 Purchase of Raw Water.**

(a) Each County shall have the right to purchase from the Authority raw water for use and/or for resale up to their respective allocation.

(b) In the event the Authority is unable to furnish all of the raw water required under this Agreement, each County shall have the right to construct, acquire, utilize, purchase, procure or take water from any facilities other than the System constructed by the Authority.

**Section 3.3 Expansion of System.**

(a) Either County may request an expansion of the capacity of the System and issue bonds to finance the cost of such expansion. The County requesting such an expansion shall be solely responsible for all capital costs of the expansion, and shall promptly reimburse the Authority for any additional costs incurred by the Authority occasioned by the construction necessary for such an expansion as such costs are incurred. The County requesting such an expansion shall be allocated the entire additional capacity created through the expansion.

(b) If both of the Counties simultaneously request an expansion of the capacity of the System, the provision of this subsection shall apply to each in proportion to the capacities each has requested. Following completion of an expansion, any resulting increases in routine Operating Expenses shall be paid for by the Counties according to their proportional interest in the System as provided for in Article IV.

(c) The Authority must approve any such expansion.

## **ARTICLE IV PAYMENTS**

### **Section 4.1 Payments for Variable Operating and Maintenance Costs**

The Variable Operating and Maintenance Costs which can be attributed to water flows shall be proportionally split between the Counties based on actual water flow to each Party. The Authority will invoice each County on the tenth day of each month for its proportionate share of the Variable Operating and Maintenance Costs based on actual usage during the previous month. Within 90 days after the end of each Fiscal Year, the payments from each County for Variable Operating and Maintenance Costs shall be adjusted to account for any excess or deficit in the amount of Variable Operating and Maintenance Costs actually paid by the County during such Fiscal Year. Each County that has paid Variable Operating and Maintenance Costs to the Authority in an amount less than its share of total Variable Operating and Maintenance Costs shall promptly pay to the Authority for deposit directly into the Operating Fund from any funds legally available to it on a subject to appropriation basis the amount of such deficit. If a County has paid Variable Operating and Maintenance Costs in excess of its share of total Variable Operating and Maintenance Costs for the Fiscal Year, then the Authority shall credit such County with the amount of the excess against future Variable Operating and Maintenance Costs becoming due under Section 4.1 of this Agreement.

### **Section 4.2 Payments for Fixed Operating and Maintenance Costs and Bonds**

(a) The Fixed Operating and Maintenance Costs incurred in the absence or regardless of flow, and the monthly debt service charges for Bonds issued by the Authority for purposes of constructing the Authority's System, improving or repairing the System or refunding any outstanding series of Bonds issued for such purpose, shall be divided evenly between Counties.

(b) The Authority will invoice each County on the tenth day of each month for its half of the Fixed Operating and Maintenance Costs for the previous month. The Counties each shall pay, on a subject to appropriation basis, to the Authority, at least ten (10) days in advance of each payment date on any series of Bonds, their half of the monthly debt service charges sufficient to pay when due the principal of, premium, if any, and interest on the Bonds and provision for any reserves therefor. All such monthly debt service charges shall be calculated based on the period of the debt service payment by the Authority. For example, if the Authority is obligated to make semiannual payments on a debt, the corresponding advance Monthly debt service charges payable by each County concerning that debt shall be one-sixth of each County's share of the semiannual payment.

### **Section 4.3 Annual Reserve Payments**

On the first day of each Fiscal Year, the Authority shall bill to each County, and each County agrees to pay to the Authority, its proportionate share (as determined pursuant to Section 6.4) of an Operating and Maintenance reserve payment equal to sixty (60) days of its projected Annual Budget less Capital Costs and the funds on hand in the operating fund.

**Section 4.4 Invoices**

Except as otherwise provided in this Agreement, on the tenth day of each Month, the Authority shall prepare and submit invoices to the Counties for payment of all charges and surcharges payable to the Authority by the Counties hereunder. The Counties shall pay the amount invoiced within 30 days after receipt of such invoice. Failure to pay in full any uncontested amounts within 30 days of the date of receipt shall cause the County to be liable for interest on the unpaid amount at a rate of one (1) point above the prime interest rate announced from time to time by the bank with which the Authority maintains its primary banking relationship.

**Section 4.5 Payment Disputes**

If any County disputes any portion of the charges billed to it by the Authority, it shall so notify the Authority within 10 days of receipt of the invoice. If the payment dispute is unresolved within 30 days of the date of the County's receipt of the invoice, the County shall be liable for interest on the unpaid amount at a rate of one (1) point above the prime interest rate announced from time to time by the bank with which the Authority maintains its primary banking relationship if the amount in question is determined to have been appropriately billed to the County. The Authority may make such other rules as it deems appropriate for resolution of payment disputes.

**Section 4.6 Payment from Participating Jurisdictions**

Each County agrees to promptly pay from any funds legally available to it on a subject to appropriation basis, all amounts required by this Agreement. Each County hereby directs its County Administrator to include in each annual budget submitted to the governing body of his or her County or in an amendment thereto, sufficient funds to cover the County's payment obligations required by this Agreement. If at any time the revenues available to the Authority shall be insufficient to pay in a timely fashion any of the Fixed Operating and Maintenance Costs, Variable Operating and Maintenance Costs, or Capital Costs, the Authority shall notify each County of the amount of such insufficiency and the County Administrator of the County shall request a supplemental appropriation from the governing body of the County for its share of the amount necessary to make such payment. Nothing in this Agreement shall be deemed to constitute a pledge of the faith and credit or the taxing power of either County. The obligations herein of each County are independent and no County shall have any obligation to pay any amounts owed to the Authority by any other County.

**ARTICLE V  
METERS**

**Section 5.1 Installation of Meters**

In order to permit the delivery to the Participating Jurisdictions of raw water sold to each County, the Authority shall permit the Counties or an authority created under the Act by the County to connect its system with the raw water supply mains maintained by the Authority, the

specific location of such connection to be designated by the Authority in a location or locations not inconsistent with the 2013 Interjurisdictional Agreement and reasonably acceptable to the Counties. The volume of raw water delivered to such County shall be determined by a meter or meters installed by the Authority.

**Section 5.2 Failure of Meters to Register**

In the event the meter or meters so installed shall fail to register correctly the flow of raw water for any period of time, the amount of raw water supplied by the Authority shall be determined by the average daily consumption of raw water over a period of 30 days preceding the date when such meter or meters failed to register the correct flow.

**ARTICLE VI  
ANNUAL BUDGET**

**Section 6.1 Budget Request and Adoption of Annual Budget**

By February 1st each year, the Authority shall submit its budget request to the Counties for the operation of the System for the ensuing Fiscal Year, which shall be called the Annual Budget. The Annual Budget shall be adopted by June 30 of each year.

**Section 6.2 Report of Consulting Engineer and Estimate of Water Usage**

Prior to making its budget request and preparing the Annual Budget, the Authority shall obtain a report from an engineer giving advice and making recommendations as to the proper maintenance, repair and operation of the Authority's System, including any capital expenditures, during the ensuing Fiscal Year and estimating the amount necessary for such purposes. In addition each County shall give the Authority an estimate of total water usage during the ensuing Fiscal Year.

**Section 6.3 Details of Annual Budget**

The budget request and Annual Budget shall be prepared in such manner as to show in reasonable detail all rates, fees and other charges to be derived by the Authority to pay, in the ensuing Fiscal Year (i) all Operating Expenses expected to be incurred in connection with the ownership or operation of the Authority's System, (ii) any amount required to be paid, if any, into the Replacement Fund, (iii) the amount of principal of a premium, if any, and interest on the Bonds, that shall become due, including any amount necessary to be paid into the Debt Service Reserve Fund to restore the balance therein to the amount of the Debt Service Reserve, and (iv) any other lawful costs and expenses the Authority deems necessary or desirable.

**Section 6.4 Amendments to Annual Budget**

The Authority may amend the Annual Budget at any time during the Fiscal Year.

**Section 6.5 Delay in Adoption of Annual Budget**

**Section 6.5 Delay in Adoption of Annual Budget**

If for any reason an Annual Budget has not been adopted within the time required by Section 6.1 of this Article VI, the last previously adopted Annual Budget will be deemed to provide for and regulate and control expenditures during such Fiscal Year until an Annual Budget for such Fiscal Year has been adopted.

**ARTICLE VII  
MISCELLANEOUS**

**Section 7.1 Sale or Transfer of System**

Each County agrees not to sell, transfer or dispose of its water system unless:

(a) The transferee agrees to comply with the terms of this Agreement to the extent applicable to raw water delivered by the Authority;

(b) The transferee agrees to fix and collect rates and charges sufficient to satisfy the obligation of the transferring County under Article IV above, to the extent such County does not fix and collect such rate and charges; and

(c) The transferee agrees to make payments to the Authority required to be made by the transferring County to the extent such payments are not made by the County.

(d) In addition, each County agrees not to sell, transfer or dispose of more than five percent (5%) of the book value of its water system in any one year (excluding obsolete, unnecessary or unused parts of its water system unless:

(i) such transfer is to another governmental unit within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended; and

(ii) the sale, transfer or other disposal is approved by the Authority.

(e) Notwithstanding the foregoing, no such sale, transfer or disposition shall release the transferring County from any obligation or liability under this Agreement or affect any County agreement or understanding between the County and the transferee.

**Section 7.2 Amendments**

This Agreement may be changed or modified only with the consent of the Authority and each of the Counties. Such modification may be requested by any party, in which event a joint meeting of such governing bodies shall be held not less than 90 days after giving such notice, at which joint meeting the requested changes or modifications shall be considered and discussed. No such change or modification may be made which will affect adversely the prompt payment when due of all moneys required to be paid, by each of the Counties under the terms of this

Agreement and no such change shall be effective that would cause a violation of any provision of the resolution authorizing or the indenture securing the bonds.

**Section 7.3 Compliance with Laws**

This Agreement shall be subject to all valid rules, regulations and laws applicable hereto passed or promulgated by the United States of America, the Commonwealth, or any governmental body or agency having lawful jurisdiction or any authorized representative or agency of any of them.

**Section 7.4 Distribution Upon Dissolution**

At such time as it shall become necessary to determine the respective interests of the Counties in the assets of the Authority for the purpose of distributing or otherwise disposing of the same, unless otherwise required under Section 15.2-5109 of the Act, the interest of each County shall be in the ratio that the capacity of the System allocated to such County at such time bears to the entire capacity of the System.

**Section 7.5 Rates Charged by Participating Jurisdictions**

Nothing in this Agreement shall in any way affect the rights and obligations of the Counties to charge such rates as it may determine for the use of water and other facilities and services supplied by its System, as now existing or hereafter extended and enlarged.

**Section 7.6 Audit of Authority Books and Records**


The Authority agrees to have made an annual audit of the books and records of the Authority and to deliver to each of the Counties a copy of the annual audit within 10 days after receiving the annual audit.

**Section 7.7 Term of Agreement**

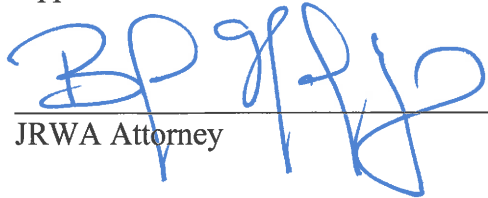
This Agreement shall continue in force and effect for a period from the date hereof and for so long as the Authority shall remain in existence.

IN WITNESS WHEREOF, the parties caused this Service Agreement to be signed by their respective officers thereunto duly authorized, and this Agreement to be dated as of the date and year first above written.

**JAMES RIVER WATER AUTHORITY**

By:   
Chairman

Approved as to Form

  
JRWA Attorney


**COUNTY OF FLUVANNA, VIRGINIA**

By:   
Chair, Board of Supervisors

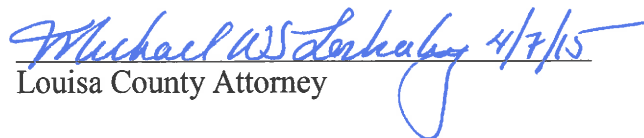
Approved as to Form

  
Fluvanna County Attorney

**COUNTY OF LOUISA, VIRGINIA**

By:   
Chair, Board of Supervisors

Approved as to Form

 4/7/15  
Louisa County Attorney



JAMES RIVER WATER AUTHORITY  
FINANCIAL STATEMENTS  
JUNE 30, 2018

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JAMES RIVER WATER AUTHORITY

Financial Statements  
June 30, 2018

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12
<b>Compliance</b>	
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 <i>Government Auditing Standards</i>	13-14

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 9 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 8 to the financial statements, in 2018, the Authority restated beginning balances for accrued interest payable and capitalized interest. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2019, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
January 31, 2019

## Financial Statements

**JAMES RIVER WATER AUTHORITY**

Statement of Net Position  
June 30, 2018

	<b>2018</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 548,870
Accounts receivable	3,241
Due from other governments	35,411
Restricted Assets:	
Cash and cash equivalents	7,313,257
<b>Total Current Assets</b>	<b>\$ 7,900,779</b>
<b>Noncurrent Assets</b>	
Capital Assets:	
Construction in progress	\$ 2,378,710
<b>Total Assets</b>	<b>\$ 10,279,489</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 1,558
Retainage payable	25,174
Accrued interest payable	81,562
Bond payable, current portion	135,000
Bond premium, current portion	58,604
<b>Total Current Liabilities</b>	<b>\$ 301,898</b>
<b>Noncurrent Liabilities</b>	
Bond payable, noncurrent portion	\$ 7,700,000
Bond premium, noncurrent portion	946,321
<b>Total Noncurrent Liabilities</b>	<b>\$ 8,646,321</b>
<b>Total Liabilities</b>	<b>\$ 8,948,219</b>
<b>Net Position</b>	
Net investment in capital assets	\$ 353,506
Restricted for debt service	473,362
Unrestricted	504,402
<b>Total Net Position</b>	<b>\$ 1,331,270</b>

The accompanying notes to financial statements are an integral part of this statement.

JAMES RIVER WATER AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2018

	<u>2018</u>
<b>Operating Expenses</b>	
Professional fees	\$ 33,500
Bank fees	157
Insurance	1,636
Other charges	<u>225</u>
Total Operating Expenses	<u>\$ 35,518</u>
Net Operating Income (Loss)	<u>\$ (35,518)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 116,833
Interest expense	<u>(277,226)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (160,393)</u>
Income (loss) before capital contributions	<u>\$ (195,911)</u>
Capital contributions	<u>\$ 560,138</u>
Change in net position	\$ 364,227
Net position, beginning of year, as restated	<u>967,043</u>
Net position, end of year	<u><u>\$ 1,331,270</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**JAMES RIVER WATER AUTHORITY**

Statement of Cash Flows  
Year Ended June 30, 2018

	<b>2018</b>
<b>Cash flows from operating activities:</b>	
Payments to suppliers and vendors	\$ <u>(35,681)</u>
Net cash provided by (used for) operating activities	\$ <u>(35,681)</u>
<b>Cash flows from capital and related financing activities:</b>	
Draws on restricted cash	\$ 984,558
Acquisition of plant and equipment	(584,378)
Capital contributions	524,727
Principal paid on bonds	(130,000)
Interest paid on bonds	<u>(339,323)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>455,584</u>
Net increase (decrease) in cash and cash equivalents	\$ <u>419,903</u>
Cash and cash equivalents at beginning of year	\$ <u>128,967</u>
Cash and cash equivalents at end of year	\$ <u><u>548,870</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (35,518)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(1,721)
Increase (decrease) in accounts payable	<u>1,558</u>
Net cash provided by (used for) operating activities	\$ <u><u>(35,681)</u></u>

The accompanying notes to financial statements are an integral part of this statement.



JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2018

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Organization and Purpose**

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

**B. Basic Financial Statements**

Management's Discussion and Analysis: Government Accounting Standards Board Statement No. 34 requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the management's discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of "expensing" capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position:

This statement is designed to report the results of operations during the fiscal year.

**C. Basis of Accounting**

James River Water Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

**D. Cash Equivalents**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Capital Assets and Depreciation**

Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to amortize the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those amounts.

**G. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**H. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g.) restricted bond or grant proceeds and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financials statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority does not have a policy related to credit risk of debt securities.

The Authority's rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAf
Money Market Funds (SNAP)	\$ 7,313,257	\$ -
Total	<u>\$ 7,313,257</u>	<u>\$ -</u>
<b>Investment maturities in years:</b>		
Investment Type	Fair Value	Less Than 1 Year
Money Market Funds (SNAP)	\$ 7,313,257	\$ 7,313,257
Total	<u>\$ 7,313,257</u>	<u>\$ 7,313,257</u>

**External Investment Pool:**

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 3—RELATED PARTY TRANSACTIONS:**

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	250,414
Capital contribution from Louisa		<u>309,724</u>
Total	\$	<u><u>560,138</u></u>

**NOTE 4—CONTINGENCIES:**

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2018.

**NOTE 5—CONTRACTS AND COMMITMENTS:**

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouer Construction Company Inc. in the amount of \$7,938,731 for design and construction of raw water intake and pump station and raw water pipeline.

**NOTE 6—CAPITAL ASSETS:**

Capital Asset Activity for the year was as follows:

	<u>Balance July 1, 2017 as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,899,862	\$ 478,848	\$ -	\$ 2,378,710
Total capital assets not being depreciated	\$ 1,899,862	\$ 478,848	\$ -	\$ 2,378,710
Net capital assets	\$ 1,899,862	\$ 478,848	\$ -	\$ 2,378,710

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 7—LONG-TERM LIABILITIES:**

The change in long-term liabilities during the year is as follows.

	Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
VRA Revenue Bond	\$ 7,965,000	\$ -	\$ 130,000	\$ 7,835,000	\$ 135,000
Premium on bonds	1,064,582	-	59,657	1,004,925	58,604
Total	<u>\$ 9,029,582</u>	<u>\$ -</u>	<u>\$ 189,657</u>	<u>\$ 8,839,925</u>	<u>\$ 193,604</u>

Debt service requirements are as follows:

Year Ending June 30,	<u>VRA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 135,000	\$ 333,334
2020	140,000	326,912
2021	150,000	319,706
2022	155,000	311,891
2023	165,000	303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	460,000	10,288
Total	<u>\$ 7,835,000</u>	<u>\$ 5,726,221</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2018 (Continued)

**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,835,000	\$ 135,000
Premium on bonds	<u>1,004,925</u>	<u>58,604</u>
Total	<u>\$ 8,839,925</u>	<u>\$ 193,604</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$473,362.

**NOTE 8—RESTATEMENT OF NET POSITION:**

Net Position as of June 30, 2017 was restated as follows:

	<u>Amount</u>
Net Postion, beginning of year, as previously reported	\$ 1,251,095
Accrued Interest Payable	(84,002)
To correct capitalized interest	<u>(200,050)</u>
Net Postion, beginning of year, as restated	<u>\$ 967,043</u>

**NOTE 9—ADOPTION OF ACCOUNTING PRINCIPLES:**

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the year ended June 30, 2018. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of this Statement did not result in a restatement of net position.

## Compliance



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated January 31, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered James River Water 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of James River Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of James River Water Authority's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether James River Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
January 31, 2019

**JAMES RIVER WATER AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**JAMES RIVER WATER AUTHORITY**

**Financial Statements  
June 30, 2019**

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**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
<b>Compliance</b>	
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 <i>Government Auditing Standards</i>	12-13



**Independent Auditors' Report**

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2019, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 9 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

*Robinson, Farned, Cox Associates*

Charlottesville, Virginia  
March 25, 2020

## Financial Statements

**JAMES RIVER WATER AUTHORITY**

Statement of Net Position  
June 30, 2019

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 588,105
Accounts receivable	6,844
Due from other governments	34,715
Restricted Assets:	
Cash and cash equivalents	<u>7,190,088</u>
Total Current Assets	<u>\$ 7,819,752</u>

**Noncurrent Assets**

Capital Assets:	
Construction in progress	<u>\$ 2,634,613</u>
Total Assets	<u>\$ 10,454,365</u>

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 5,328
Retainage payable	25,174
Accrued interest payable	81,651
Bond payable, net of bond premium, current portion	<u>197,475</u>
Total Current Liabilities	<u>\$ 309,628</u>

**Noncurrent Liabilities**

Bond payable, net of bond premium, noncurrent portion	<u>\$ 8,448,846</u>
Total Noncurrent Liabilities	<u>\$ 8,448,846</u>
Total Liabilities	<u>\$ 8,758,474</u>

**Net Position**

Net investment in capital assets	\$ 679,916
Restricted for debt service	473,290
Unrestricted	<u>542,685</u>
Total Net Position	<u><u>\$ 1,695,891</u></u>

The accompanying notes to financial statements are an integral part of this statement.



## JAMES RIVER WATER AUTHORITY

### Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2019

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<b>Operating Expenses</b>	
Professional fees	\$ 33,000
Bank fees	73
Insurance	<u>1,643</u>
Total Operating Expenses	\$ <u>34,716</u>
Net Operating Income (Loss)	\$ <u>(34,716)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 179,187
Interest expense	<u>(274,820)</u>
Total Nonoperating Revenues (Expenses)	\$ <u>(95,633)</u>
Income (loss) before capital contributions	\$ <u>(130,349)</u>
Capital contributions	\$ <u>494,970</u>
Change in net position	\$ 364,621
Net position, beginning of year	<u>1,331,270</u>
Net position, end of year	\$ <u><u>1,695,891</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**JAMES RIVER WATER AUTHORITY**

Statement of Cash Flows  
Year Ended June 30, 2019

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**Cash flows from operating activities:**

Payments to suppliers and vendors	\$ <u>(34,549)</u>
Net cash provided by (used for) operating activities	\$ <u>(34,549)</u>

**Cash flows from capital and related financing activities:**

Draws on restricted cash	\$ 302,356
Acquisition of plant and equipment	(255,903)
Capital contributions	495,666
Principal paid on bonds	(135,000)
Interest paid on bonds	<u>(333,335)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>73,784</u>

Net increase (decrease) in cash and cash equivalents \$ 39,235

Cash and cash equivalents at beginning of year \$ 548,870

Cash and cash equivalents at end of year \$ 588,105

**Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:**

Operating income (loss)	\$ (34,716)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(3,603)
Increase (decrease) in accounts payable	<u>3,770</u>

Net cash provided by (used for) operating activities \$ (34,549)

The accompanying notes to financial statements are an integral part of this statement.

# JAMES RIVER WATER AUTHORITY

## Notes to Financial Statements June 30, 2019

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **A. Organization and Purpose**

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

#### **B. Basic Financial Statements**

Management's Discussion and Analysis: Government Accounting Standards Board requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the management's discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of "expensing" capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position:

This statement is designed to report the results of operations during the fiscal year.

#### **C. Basis of Accounting**

James River Water Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority's financial statements conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

#### **D. Cash Equivalents**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Capital Assets and Depreciation**

Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to depreciate the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those amounts.

**G. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**H. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financials statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2019 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority does not have a policy related to credit risk of debt securities.

The Authority’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Rated Debt Investments' Values</b>		
	<b>Fair Quality Ratings</b>	
<b>Rated Debt Investments</b>	<b>AAAm</b>	
SNAP	\$	7,190,088
Total	\$	7,190,088
<b>Investment maturities in years:</b>		
Investment Type	Fair Value	Less Than 1 Year
SNAP	\$	\$
	7,190,088	7,190,088
Total	\$	\$
	7,190,088	7,190,088

**External Investment Pool:**

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**JAMES RIVER WATER AUTHORITY**

**Notes to Financial Statements  
June 30, 2019 (Continued)**

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**NOTE 3—RELATED PARTY TRANSACTIONS:**

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	247,485
Capital contribution from Louisa		<u>247,485</u>
Total	\$	<u><u>494,970</u></u>

**NOTE 4—CONTINGENCIES:**

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2019.

**NOTE 5—CONTRACTS AND COMMITMENTS:**

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouer Construction Company Inc. in the amount of \$7,938,731 for design and construction of raw water intake and pump station and raw water pipeline.

**NOTE 6—CAPITAL ASSETS:**

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ <u>2,378,710</u>	\$ <u>255,903</u>	\$ <u>-</u>	\$ <u>2,634,613</u>
Total capital assets not being depreciated	\$ <u><u>2,378,710</u></u>	\$ <u><u>255,903</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,634,613</u></u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2019 (Continued)

**NOTE 7—LONG-TERM LIABILITIES:**

The change in long-term liabilities during the year is as follows.

	<u>Balance July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Direct Borrowings and Direct Placements:					
VRA Revenue Bond	\$ 7,835,000	\$ -	\$ 135,000	\$ 7,700,000	\$ 140,000
Premium on bonds	<u>1,004,925</u>	<u>-</u>	<u>58,604</u>	<u>946,321</u>	<u>57,475</u>
Total	<u>\$ 8,839,925</u>	<u>\$ -</u>	<u>\$ 193,604</u>	<u>\$ 8,646,321</u>	<u>\$ 197,475</u>

Debt service requirements are as follows:

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>	
	<u>VRA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 140,000	\$ 326,912
2021	150,000	319,706
2022	155,000	311,891
2023	165,000	303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	460,000	10,288
Total	<u>\$ 7,700,000</u>	<u>\$ 5,392,887</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2019 (Continued)

**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,700,000	\$ 140,000
Premium on bonds	946,321	57,475
Total	<u>\$ 8,646,321</u>	<u>\$ 197,475</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$473,290.

**NOTE 8—DUE FROM OTHER GOVERNMENTS:**

The due from other governments receivable at June 30, 2019 is summarized below:

Fluvanna County	\$ 17,357
Louisa County	<u>17,358</u>
Total	<u>\$ 34,715</u>

**NOTE 9—ADOPTION OF ACCOUNTING PRINCIPLES:**

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.





**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***

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated March 25, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered James River Water 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of James River Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of James River Water Authority's internal control.

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

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

## Compliance and Other Matters

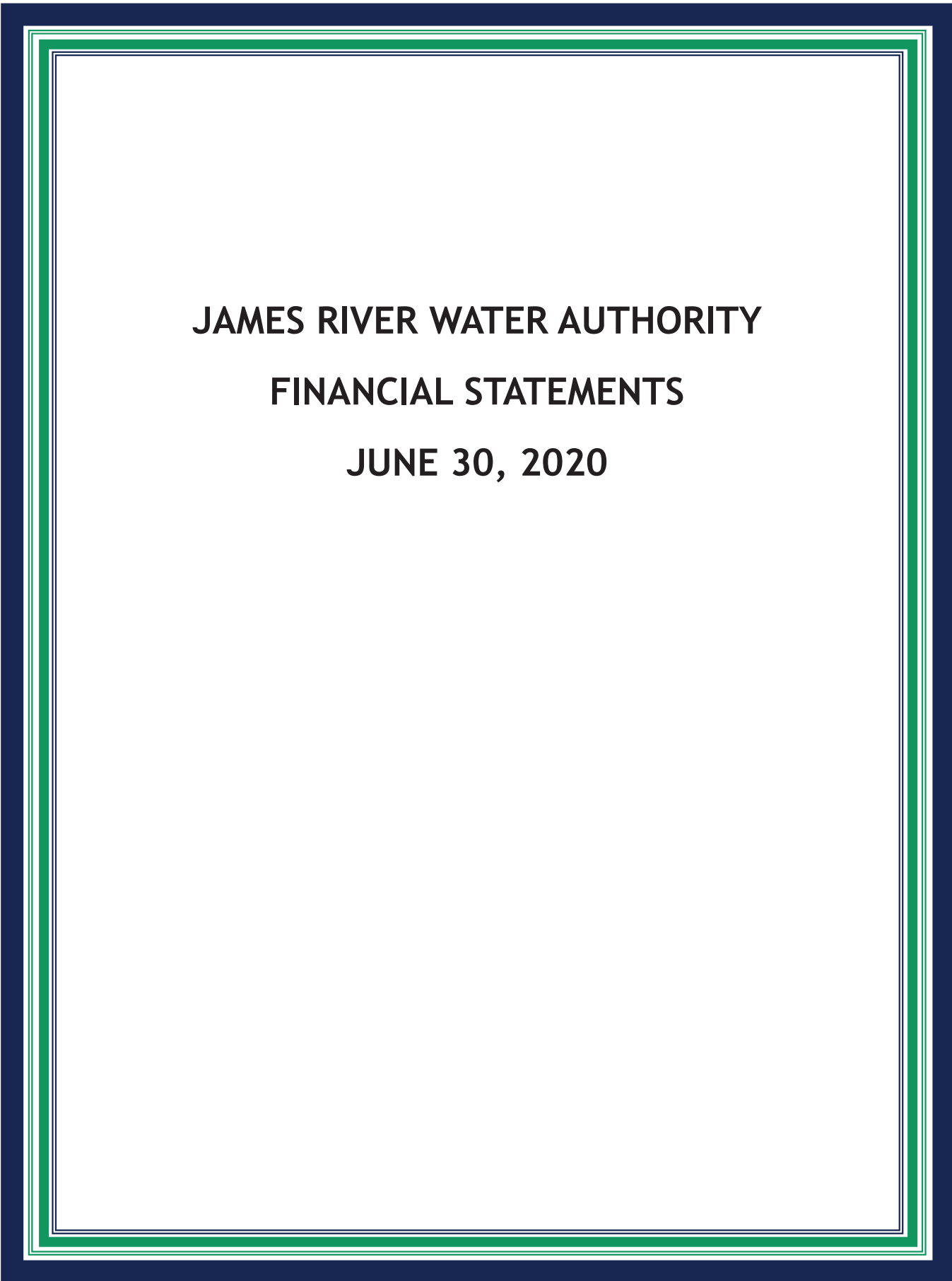
As part of obtaining reasonable assurance about whether James River Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
March 25, 2020



**JAMES RIVER WATER AUTHORITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**JAMES RIVER WATER AUTHORITY**

**Financial Statements  
June 30, 2020**

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**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
<b>Compliance</b>	
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 <i>Government Auditing Standards</i>	12-13



**Independent Auditors' Report**

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
January 29, 2021

## Financial Statements

**JAMES RIVER WATER AUTHORITY**

Statement of Net Position  
June 30, 2020

---

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 608,679
Accounts receivable	4,308
Due from other governments	36,564
Restricted Assets:	
Cash and cash equivalents	<u>7,024,114</u>
Total Current Assets	<u>\$ 7,673,665</u>

**Noncurrent Assets**

Capital Assets:

Construction in progress	<u>\$ 3,239,821</u>
Total Assets	<u>\$ 10,913,486</u>

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 355,467
Retainage payable	25,174
Accrued interest payable	79,989
Bond payable, net of bond premium, current portion	<u>206,208</u>
Total Current Liabilities	<u>\$ 666,838</u>

**Noncurrent Liabilities**

Bond payable, net of bond premium, noncurrent portion	<u>\$ 8,242,638</u>
Total Noncurrent Liabilities	<u>\$ 8,242,638</u>
Total Liabilities	<u>\$ 8,909,476</u>

**Net Position**

Net investment in capital assets	\$ 972,728
Restricted for debt service	471,152
Unrestricted	<u>560,130</u>
Total Net Position	<u>\$ 2,004,010</u>

The accompanying notes to financial statements are an integral part of this statement.



**JAMES RIVER WATER AUTHORITY**

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

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**Operating Expenses**

Professional fees	\$ 34,800
Bank fees	117
Insurance	<u>1,647</u>
Total Operating Expenses	<u>\$ 36,564</u>

Net Operating Income (Loss) \$ (36,564)

**Nonoperating Revenues (Expenses)**

Interest income	\$ 121,626
Interest expense	<u>(267,775)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (146,149)</u>

Income (loss) before capital contributions \$ (182,713)

Capital contributions \$ 490,832

Change in net position \$ 308,119

Net position, beginning of year 1,695,891

Net position, end of year \$ 2,004,010

The accompanying notes to financial statements are an integral part of this statement.

**JAMES RIVER WATER AUTHORITY**

Statement of Cash Flows  
Year Ended June 30, 2020

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**Cash flows from operating activities:**

Payments to suppliers and vendors	\$ <u>(29,924)</u>
Net cash provided by (used for) operating activities	\$ <u>(29,924)</u>

**Cash flows from capital and related financing activities:**

Draws on restricted cash	\$ 287,600
Acquisition of plant and equipment	(259,173)
Capital contributions	488,983
Principal paid on bonds	(140,000)
Interest paid on bonds	<u>(326,912)</u>

Net cash provided by (used for) capital and related financing activities	\$ <u>50,498</u>
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Net increase (decrease) in cash and cash equivalents	\$ <u>20,574</u>
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Cash and cash equivalents at beginning of year	\$ <u>588,105</u>
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Cash and cash equivalents at end of year	\$ <u><u>608,679</u></u>
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Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ (36,564)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	2,536
Increase (decrease) in accounts payable	<u>4,104</u>

Net cash provided by (used for) operating activities	\$ <u><u>(29,924)</u></u>
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**Schedule of non-cash activities:**

Capital asset additions financed by accounts payable	\$ <u><u>346,035</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

# JAMES RIVER WATER AUTHORITY

## Notes to Financial Statements June 30, 2020

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Organization and Purpose

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

#### B. Basic Financial Statements

Management's Discussion and Analysis: Government Accounting Standards Board requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the management's discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of "expensing" capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position: This statement is designed to report the results of operations during the fiscal year.

#### C. Basis of Accounting

James River Water Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority's financial statements conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

#### D. Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Capital Assets and Depreciation**

Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to depreciate the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those amounts.

**G. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**H. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financials statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2020 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority does not have a policy related to credit risk of debt securities.

The Authority’s rated debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Rated Debt Investments' Values</b>		
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>	
	<b>AAAm</b>	
SNAP	\$ <u>7,024,114</u>	
Total	\$ <u><u>7,024,114</u></u>	
<b>Investment maturities in years:</b>		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>
SNAP	\$ <u>7,024,114</u>	\$ <u>7,024,114</u>
Total	\$ <u><u>7,024,114</u></u>	\$ <u><u>7,024,114</u></u>

**External Investment Pool:**

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2020 (Continued)

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**NOTE 3—RELATED PARTY TRANSACTIONS:**

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	245,416
Capital contribution from Louisa		<u>245,416</u>
Total	\$	<u><u>490,832</u></u>

**NOTE 4—CONTINGENCIES:**

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2020.

**NOTE 5—CONTRACTS AND COMMITMENTS:**

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouer Construction Company Inc. in the amount of \$7,965,491 for design and construction of raw water intake and pump station and raw water pipeline. The amount remaining on the contract is \$7,487,181 at June 30, 2020.

**NOTE 6—CAPITAL ASSETS:**

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ <u>2,634,613</u>	\$ <u>605,208</u>	\$ <u>-</u>	\$ <u>3,239,821</u>
Total capital assets not being depreciated	\$ <u><u>2,634,613</u></u>	\$ <u><u>605,208</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,239,821</u></u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2020 (Continued)

**NOTE 7—LONG-TERM LIABILITIES:**

The change in long-term liabilities during the year is as follows.

	<u>Balance July 1, 2019</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Direct Borrowings and Direct Placements:					
VRA Revenue Bond	\$ 7,700,000	\$ -	\$ 140,000	\$ 7,560,000	\$ 150,000
Premium on bonds	946,321	-	57,475	888,846	56,208
Total	<u>\$ 8,646,321</u>	<u>\$ -</u>	<u>\$ 197,475</u>	<u>\$ 8,448,846</u>	<u>\$ 206,208</u>

Debt service requirements are as follows:

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>	
	<u>VRA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 150,000	\$ 319,706
2022	155,000	311,891
2023	165,000	303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	460,000	10,288
Total	<u>\$ 7,560,000</u>	<u>\$ 5,065,975</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2020 (Continued)

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**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,560,000	\$ 150,000
Premium on bonds	<u>888,846</u>	<u>56,208</u>
Total	<u>\$ 8,448,846</u>	<u>\$ 206,208</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$471,152.

**NOTE 8—DUE FROM OTHER GOVERNMENTS:**

The due from other governments receivable at June 30, 2020 is summarized below:

Fluvanna County	\$ 18,282
Louisa County	<u>18,282</u>
Total	<u>\$ 36,564</u>





**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***

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated January 29, 2021.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

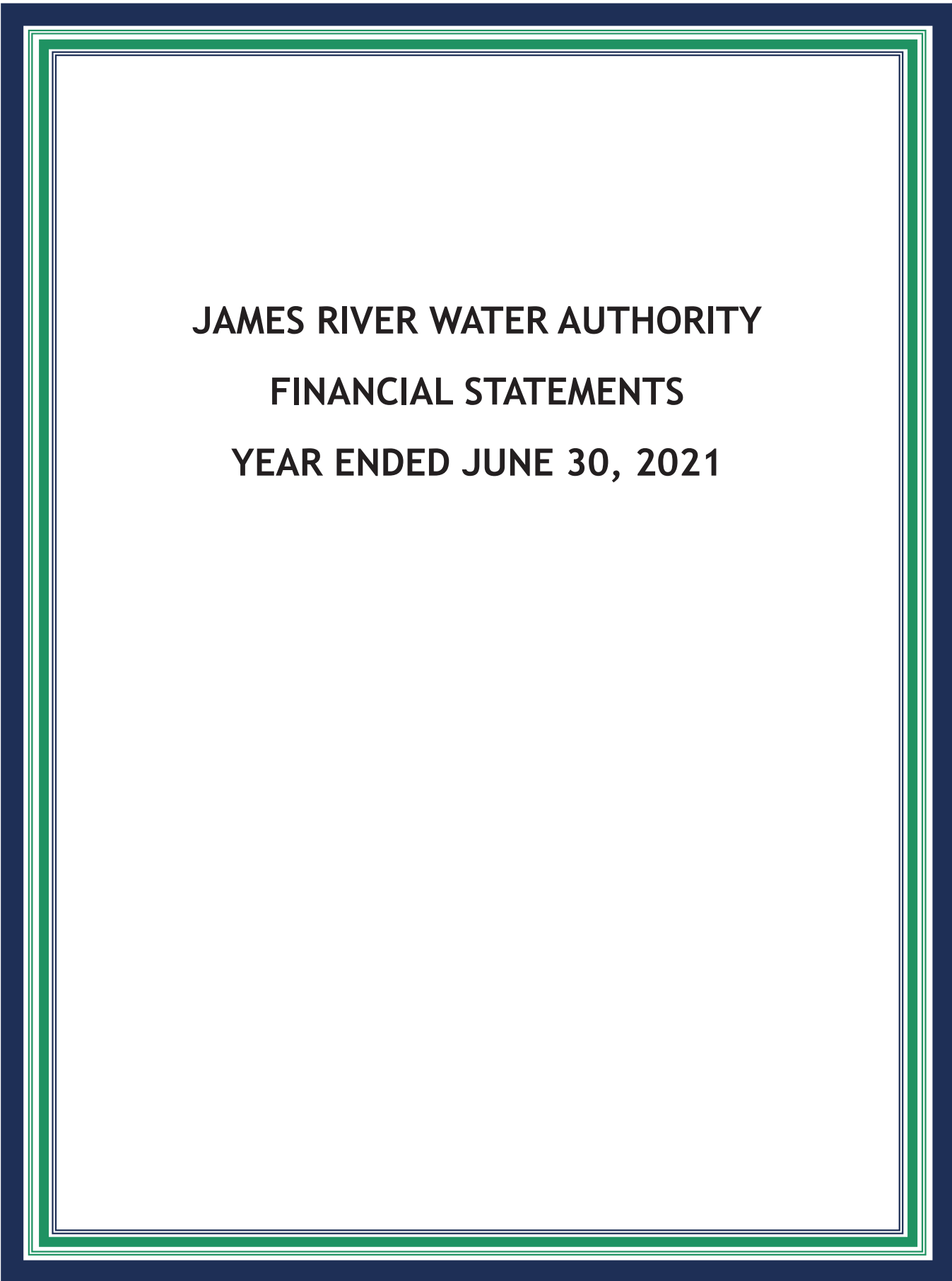
As part of obtaining reasonable assurance about whether James River Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

## Purpose of this Report

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
January 29, 2021



**JAMES RIVER WATER AUTHORITY  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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**JAMES RIVER WATER AUTHORITY**

**Financial Statements  
Year Ended June 30, 2021**

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**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
<b>Compliance</b>	
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 <i>Government Auditing Standards</i>	12-13



**Independent Auditors' Report**

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2021, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2022, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

July 8, 2022

## Financial Statements

**JAMES RIVER WATER AUTHORITY**

Statement of Net Position  
June 30, 2021

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**Assets**

**Current Assets**

Cash and cash equivalents	\$ 545,922
Accounts receivable	433
Due from other governments	34,804
Restricted Assets:	
Investments	<u>6,537,897</u>
Total Current Assets	<u>\$ 7,119,056</u>

**Noncurrent Assets**

Capital Assets:

Construction in progress	<u>\$ 3,483,735</u>
Total Assets	<u>\$ 10,602,791</u>

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 37,760
Retainage payable	25,174
Accrued interest payable	78,088
Bond payable, net of bond premium, current portion	<u>209,834</u>
Total Current Liabilities	<u>\$ 350,856</u>

**Noncurrent Liabilities**

Bond payable, net of bond premium, noncurrent portion	<u>\$ 8,032,804</u>
Total Noncurrent Liabilities	<u>\$ 8,032,804</u>
Total Liabilities	<u>\$ 8,383,660</u>

**Net Position**

Net investment in capital assets	\$ 1,247,835
Restricted for debt service	470,450
Unrestricted	<u>500,846</u>
Total Net Position	<u>\$ 2,219,131</u>

The accompanying notes to financial statements are an integral part of this statement.



## JAMES RIVER WATER AUTHORITY

### Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2021

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<b>Operating Expenses</b>	
Professional fees	\$ 33,100
Bank fees	57
Insurance	<u>1,647</u>
Total Operating Expenses	\$ <u>34,804</u>
Net Operating Income (Loss)	\$ <u>(34,804)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 12,461
Interest expense	<u>(261,598)</u>
Total Nonoperating Revenues (Expenses)	\$ <u>(249,137)</u>
Income (loss) before capital contributions	\$ <u>(283,941)</u>
Capital contributions	\$ <u>499,062</u>
Change in net position	\$ 215,121
Net position, beginning of year	<u>2,004,010</u>
Net position, end of year	\$ <u><u>2,219,131</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**JAMES RIVER WATER AUTHORITY**

Statement of Cash Flows  
Year Ended June 30, 2021

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**Cash flows from operating activities:**

Payments to suppliers and vendors	\$ (384,171)
Net cash provided by (used for) operating activities	\$ (384,171)

**Cash flows from capital and related financing activities:**

Draws on restricted cash	\$ 498,678
Acquisition of plant and equipment	(208,379)
Capital contributions	500,822
Principal paid on bonds	(150,000)
Interest paid on bonds	(319,707)
Net cash provided by (used for) capital and related financing activities	\$ 321,414

Net increase (decrease) in cash and cash equivalents	\$ (62,757)
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Cash and cash equivalents at beginning of year	\$ 608,679
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Cash and cash equivalents at end of year	\$ 545,922
--	------------

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ (34,804)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	3,875
Increase (decrease) in accounts payable	(353,242)

Net cash provided by (used for) operating activities	\$ (384,171)
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**Schedule of non-cash activities:**

Capital asset additions financed by accounts payable	\$ 35,535
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The accompanying notes to financial statements are an integral part of this statement.

# JAMES RIVER WATER AUTHORITY

## Notes to Financial Statements June 30, 2021

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### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Organization and Purpose**

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

#### **B. Basic Financial Statements**

Management’s Discussion and Analysis: Government Accounting Standards Board requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). Management has elected to omit the management’s discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of “expensing” capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position: This statement is designed to report the results of operations during the fiscal year.

#### **C. Basis of Accounting**

James River Water Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority’s financial statements conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations.

#### **D. Cash Equivalents**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Capital Assets and Depreciation**

Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to depreciate the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those amounts.

**G. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**H. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financials statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 2—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority does not have a policy related to credit risk of debt securities.

The Authority’s rated debt investments as of June 30, 2021 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<u>Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
SNAP	\$ 6,537,897
Total	\$ 6,537,897

**Interest Rate Risk**

The Authority does not have a policy related to interest rate risk.

**Investment maturities in years:**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
SNAP	\$ 6,537,897	\$ 6,537,897
Total	\$ 6,537,897	\$ 6,537,897

**External Investment Pool**

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 3—RELATED PARTY TRANSACTIONS:**

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	249,531
Capital contribution from Louisa		<u>249,531</u>
Total	\$	<u><u>499,062</u></u>

**NOTE 4—CONTINGENCIES:**

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2021.

**NOTE 5—CONTRACTS AND COMMITMENTS:**

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouner Construction Company Inc. in the amount of \$7,965,491 for design and construction of raw water intake and pump station and raw water pipeline. The amount remaining on the contract is \$7,487,181 at June 30, 2021.

**NOTE 6—CAPITAL ASSETS:**

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ <u>3,239,821</u>	\$ <u>243,914</u>	\$ <u>-</u>	\$ <u>3,483,735</u>
Total capital assets not being depreciated	\$ <u><u>3,239,821</u></u>	\$ <u><u>243,914</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,483,735</u></u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM LIABILITIES:**

The change in long-term liabilities during the year is as follows:

	<u>Balance</u> <u>July 1,</u> <u>2020</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2021</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Direct Borrowings and Direct Placements:					
VRA Revenue Bond	\$ 7,560,000	\$ -	\$ 150,000	\$ 7,410,000	\$ 155,000
Premium on bonds	888,846	-	56,208	832,638	54,834
Total	<u>\$ 8,448,846</u>	<u>\$ -</u>	<u>\$ 206,208</u>	<u>\$ 8,242,638</u>	<u>\$ 209,834</u>

Debt service requirements are as follows:

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>	
	<u>VRA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 155,000	\$ 311,891
2023	165,000	303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	460,000	10,288
Total	<u>\$ 7,410,000</u>	<u>\$ 4,746,269</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,410,000	\$ 155,000
Premium on bonds	<u>832,638</u>	<u>54,834</u>
Total	<u>\$ 8,242,638</u>	<u>\$ 209,834</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$470,450.

**NOTE 8—DUE FROM OTHER GOVERNMENTS:**

The due from other governments receivable at June 30, 2021 is summarized below:

Fluvanna County	\$ 17,402
Louisa County	<u>17,402</u>
Total	<u>\$ 34,804</u>



## **Compliance**



**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***

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To the Honorable Members of  
James River Water Authority  
Louisa, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated July 8, 2022.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farned, Cox Associates*

Charlottesville, Virginia  
July 8, 2022

**JAMES RIVER WATER AUTHORITY**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

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**JAMES RIVER WATER AUTHORITY**

**Financial Statements  
Year Ended June 30, 2022**

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**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
<b>Compliance</b>	
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 <i>Government Auditing Standards</i>	12-13



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**Independent Auditors' Report**

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**To the Honorable Members of  
James River Water Authority  
Louisa, Virginia**

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities of James River Water Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the James River Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of James River Water Authority, as of June 30, 2022, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

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

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

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023, on our consideration of James River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Water Authority's internal control over financial reporting and compliance.

Charlottesville, Virginia  
August 4, 2023



## Financial Statements

**JAMES RIVER WATER AUTHORITY**

Statement of Net Position  
June 30, 2022

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 522,287
Accounts receivable	143
Due from other governments	36,426
Restricted Assets:	
Investments	<u>6,041,574</u>
Total Current Assets	<u>\$ 6,600,430</u>

**Noncurrent Assets**

Capital Assets:

Construction in progress	<u>\$ 3,987,331</u>
Total Assets	<u>\$ 10,587,761</u>

**Liabilities**

**Current Liabilities**

Retainage payable	\$ 25,174
Accrued interest payable	76,053
Bond payable, net of bond premium, current portion	<u>218,392</u>
Total Current Liabilities	<u>\$ 319,619</u>

**Noncurrent Liabilities**

Bond payable, net of bond premium, noncurrent portion	<u>\$ 7,814,412</u>
Total Noncurrent Liabilities	<u>\$ 7,814,412</u>
Total Liabilities	<u>\$ 8,134,031</u>

**Net Position**

Net investment in capital assets	\$ 1,499,484
Restricted for debt service	471,443
Unrestricted	<u>482,803</u>
Total Net Position	<u>\$ 2,453,730</u>

The accompanying notes to financial statements are an integral part of this statement.

## JAMES RIVER WATER AUTHORITY

### Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2022

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#### Operating Expenses

Professional fees	\$	30,000
Bank fees		119
Insurance		<u>1,808</u>
Total Operating Expenses	\$	<u>31,927</u>

Net Operating Income (Loss) \$ (31,927)

#### Nonoperating Revenues (Expenses)

Interest income	\$	18,904
Interest expense		<u>(255,022)</u>

Total Nonoperating Revenues (Expenses) \$ (236,118)

Income (loss) before capital contributions \$ (268,045)

Capital contributions \$ 502,644

Change in net position \$ 234,599

Net position, beginning of year 2,219,131

Net position, end of year \$ 2,453,730

The accompanying notes to financial statements are an integral part of this statement.

**JAMES RIVER WATER AUTHORITY**

Statement of Cash Flows  
Year Ended June 30, 2022

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**Cash flows from operating activities:**

Payments to suppliers and vendors	\$ <u>(69,397)</u>
Net cash provided by (used for) operating activities	\$ <u>(69,397)</u>

**Cash flows from capital and related financing activities:**

Draws on restricted cash	\$ 515,227
Acquisition of plant and equipment	(503,596)
Capital contributions	501,022
Principal paid on bonds	(155,000)
Interest paid on bonds	<u>(311,891)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>45,762</u>

Net increase (decrease) in cash and cash equivalents	\$ <u>(23,635)</u>
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Cash and cash equivalents at beginning of year	\$ <u>545,922</u>
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Cash and cash equivalents at end of year	\$ <u><u>522,287</u></u>
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**Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:**

Operating income (loss)	\$ (31,927)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	290
Increase (decrease) in accounts payable	<u>(37,760)</u>

Net cash provided by (used for) operating activities	\$ <u><u>(69,397)</u></u>
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**Schedule of non-cash activities:**

Capital asset additions financed by accounts payable	\$ <u><u>-</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

# JAMES RIVER WATER AUTHORITY

## Notes to Financial Statements June 30, 2022

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **A. Organization and Purpose**

The James River Water Authority (The Authority) was created by Louisa County, Virginia and Fluvanna County, Virginia on April 20, 2009 in order to cooperatively provide a reliable public water supply to county citizens. The counties wanted to delineate their respective rights and duties regarding a water pipeline and associated structures to be planned, designed, constructed and financed.

The Authority may fund a portion of the cost of these activities by issuing bonds, through direct contributions and from the counties, or charging connection fees or charges to the counties.

#### **B. Basic Financial Statements**

Management’s Discussion and Analysis: Government Accounting Standards Board requires the Financial Statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). Management has elected to omit the management’s discussion and analysis in these financial statements.

Statement of Net Position: The Statement of Net Position is designed to report to the financial position of the Authority. Governments report all capital assets in the Statement of Net Position and report depreciation expense the cost of “expensing” capital assets in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the government will be broken down into three categories: 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses and Changes in Net Position: This statement is designed to report the results of operations during the fiscal year.

#### **C. Basis of Accounting**

James River Water Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority’s financial statements conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations.

#### **D. Cash Equivalents**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposit and money market funds.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Capital Assets and Depreciation**

Purchased and constructed capital assets in service are recorded at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at acquisition value on the date accepted. The Authority provides for depreciation of capital assets in service on the straight-line method at amounts estimated to depreciate the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	20 to 50 years
Equipment	5 to 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those amounts.

**G. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investments in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**H. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financials statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2022 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority does not have a policy related to credit risk of debt securities.

The Authority’s rated debt investments as of June 30, 2022 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Rated Debt Investments' Values</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
SNAP	\$ 6,041,574
Total	\$ 6,041,574

**Interest Rate Risk**

The Authority does not have a policy related to interest rate risk.

**Investment maturities in years:**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>
SNAP	\$ 6,041,574	\$ 6,041,574
Total	\$ 6,041,574	\$ 6,041,574

**External Investment Pool**

The value of the positions in the external investment pool (State Non-arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2022 (Continued)

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**NOTE 3—RELATED PARTY TRANSACTIONS:**

Significant transactions between the James River Water Authority and the Counties of Louisa and Fluvanna are summarized below:

Capital contribution from Fluvanna	\$	251,322
Capital contribution from Louisa		<u>251,322</u>
Total	\$	<u><u>502,644</u></u>

**NOTE 4—CONTINGENCIES:**

The Authority knew of no potential or actual material claims for damages by any party against the Authority as of June 30, 2022.

**NOTE 5—CONTRACTS AND COMMITMENTS:**

On December 23, 2013, the Authority entered into a legal agreement with Hefty & Wiley, PC to provide General Counsel Legal Services for a fee of \$2,500 per month.

On July 1, 2014, the Authority entered into an agreement with Raymond James & Associates, Inc. to provide Financial Advisory Services regarding construction proposals, financial terms and long-term financial projections. Fees are to be paid based on hourly rates.

On July 17, 2014, the Authority entered in an engineering consulting contract with McDonough Bolyard Peck, Inc. (MBP), to provide consulting services regarding the pipeline project.

On January 3, 2017, the Authority contracted with Falcouner Construction Company Inc. in the amount of \$7,965,491 for design and construction of raw water intake and pump station and raw water pipeline. The amount remaining on the contract is \$7,487,181 at June 30, 2022.

**NOTE 6—CAPITAL ASSETS:**

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ <u>3,483,735</u>	\$ <u>503,596</u>	\$ <u>-</u>	\$ <u>3,987,331</u>
Total capital assets not being depreciated	\$ <u><u>3,483,735</u></u>	\$ <u><u>503,596</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,987,331</u></u>



JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2022 (Continued)

**NOTE 7—LONG-TERM LIABILITIES:**

The change in long-term liabilities during the year is as follows:

	<u>Balance July 1, 2021</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Direct Borrowings and Direct Placements:					
VRA Revenue Bond	\$ 7,410,000	\$ -	\$ 155,000	\$ 7,255,000	\$ 165,000
Premium on bonds	<u>832,638</u>	<u>-</u>	<u>54,834</u>	<u>777,804</u>	<u>53,392</u>
Total	<u>\$ 8,242,638</u>	<u>\$ -</u>	<u>\$ 209,834</u>	<u>\$ 8,032,804</u>	<u>\$ 218,392</u>

Debt service requirements are as follows:

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>	
	<u>VRA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 165,000	\$ 303,691
2024	170,000	295,106
2025	180,000	286,137
2026	190,000	276,956
2027	200,000	267,563
2028	210,000	258,006
2029	220,000	248,688
2030	230,000	239,256
2031	240,000	229,012
2032	250,000	217,956
2033	260,000	207,338
2034	270,000	197,231
2035	280,000	186,738
2036	290,000	175,856
2037	305,000	164,534
2038	315,000	152,747
2039	325,000	140,547
2040	340,000	127,856
2041	355,000	114,622
2042	365,000	100,922
2043	380,000	85,431
2044	400,000	67,944
2045	420,000	49,581
2046	435,000	30,372
2047	<u>460,000</u>	<u>10,288</u>
Total	<u>\$ 7,255,000</u>	<u>\$ 4,434,378</u>

JAMES RIVER WATER AUTHORITY

Notes to Financial Statements  
June 30, 2022 (Continued)

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**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

Details of long-term liabilities are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>VRA Revenue Bonds:</u>		
<u>Direct Borrowings and Direct Placements:</u>		
\$7,695,000 VRA Revenue Bonds Series 2016 issued May 25, 2016 payable in various semi-annual payments through October 1, 2046, interest payable semi-annually at rates from 3.797% to 5.325%	\$ 7,255,000	\$ 165,000
Premium on bonds	<u>777,804</u>	<u>53,392</u>
Total	<u>\$ 8,032,804</u>	<u>\$ 218,392</u>

The Authority is required to separately maintain a reserve to cure any deficiencies in payment by the Authority. The current reserve is \$471,443.

**NOTE 8—DUE FROM OTHER GOVERNMENTS:**

The due from other governments receivable at June 30, 2022 is summarized below:

Fluvanna County	\$ 18,213
Louisa County	<u>18,213</u>
Total	<u>\$ 36,426</u>



**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***

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**To the Honorable Members of  
James River Water Authority  
Louisa, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of James River Water Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise James River Water Authority's basic financial statements and have issued our report thereon dated August 4, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

Charlottesville, Virginia  
August 4, 2023

	A	B	C	D	E	F	H	I	J	K	L
1	<b>James River Water Authority - FUND 850</b>										
2	<b>FY24 BUDGET - ADOPTED</b>							<b>Projected Budgets</b>			
3	<b>ORG CODE</b>	<b>OBJ CODE</b>	<b>ACCOUNT DESCRIPTION</b>	<b>FY23 ADOPTED</b>	<b>FY24 ADOPTED</b>	<b>ACCOUNT DETAILS</b>	<b>FY25 BUDGET</b>	<b>FY26 BUDGET</b>	<b>FY27 BUDGET</b>	<b>FY28 BUDGET</b>	
4	<b>REVENUES</b>										
5	85000018	319990	SERVICE AGREEMENT - FLUVANNA COUNTY	\$ 252,858.00	\$ 251,066.00		\$ 251,581.50	\$ 251,991.00	\$ 252,294.00	\$ 252,516.00	
6	85000018	319991	SERVICE AGREEMENT - LOUISA COUNTY	\$ 252,858.00	\$ 251,066.00		\$ 251,581.50	\$ 251,991.00	\$ 252,294.00	\$ 252,516.00	
7	85000015	319501	INTEREST ON CUSTODY ACCOUNT	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
8	85000018	319831	EXPENDITURE REFUNDS	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
9	85000018	319911	OTHER	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
10	85000018	340000	INSURANCE RECOVERY	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
11	85000019	343100	USE OF FUND BALANCE	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
12			<b>INCOME TOTAL</b>	<b>\$ 505,716.00</b>	<b>\$ 502,132.00</b>		<b>\$ 503,163.00</b>	<b>\$ 503,982.00</b>	<b>\$ 504,588.00</b>	<b>\$ 505,032.00</b>	
13											
14	<b>OPERATING EXPENSES</b>										
15	85000000	401100	FULL-TIME SALARIES & WAGES	\$ -	\$ -	Staffing required? (Fluvanna/Louisa)	\$ -	\$ -	\$ -	\$ -	
16	85000000	401114	BOARD COMPENSATION	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
17	85000000	401300	PART-TIME SALARIES & WAGES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
22	85000000	403100	PROFESSIONAL SERVICES	\$ 33,500.00	\$ 33,500.00	Audit (\$3,500) & Legal (\$30K)	\$ 33,500.00	\$ 33,500.00	\$ 33,500.00	\$ 33,500.00	
23	85000000	403170	PERMITS AND FEES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
24	85000000	403191	CONSULTING SERVICES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
25	85000000	403192	OUTSIDE ANALYTICAL SERVICES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
26	85000000	403300	CONTRACT SERVICES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
27	85000000	403310	BLDGS EQUIP REP & MAINT	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
28	85000000	403320	MAINTENANCE CONTRACTS	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
29	85000000	403600	ADVERTISING	\$ 250.00	\$ 250.00		\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	
30	85000000	403700	LAUNDRY AND DRY CLEANING	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
31	85000000	405110	ELECTRICAL SERVICES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
32	85000000	405210	POSTAL SERVICES	\$ 250.00	\$ 250.00		\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	
33	85000000	405230	TELECOMMUNICATIONS	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
34	85000000	405304	PROPERTY INSURANCE	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
35	85000000	405305	VEHICLE INSURANCE	\$ 200.00	\$ 200.00	VaCorp Ins	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	
36	85000000	405307	PUBLIC OFFICIALS LIABILITY	\$ 750.00	\$ 750.00	VaCorp Ins	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00	
37	85000000	405308	GENERAL LIABILITY	\$ 1,200.00	\$ 1,200.00	VaCorp Ins	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	
38	85000000	405410	LEASE/RENT	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
39	85000000	405510	MILEAGE ALLOWANCES	\$ 200.00	\$ 200.00		\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	
40	85000000	405540	CONVENTION & EDUCATION	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
41	85000000	405810	DUES OR ASSOCIATION MEMBERSHIP	\$ 175.00	\$ 175.00		\$ 175.00	\$ 175.00	\$ 175.00	\$ 175.00	
42	85000000	406001	OFFICE SUPPLIES	\$ 250.00	\$ 250.00		\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	
43	85000000	406004	GENERAL MATERIALS AND SUPPLIES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
44	85000000	406006	CHEMICAL SUPPLIES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
45	85000000	406009	VEHICLE/POWER EQUIP SUPPLIES	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
46	85000000	406011	UNIFORM/WEARING APPAREL	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
47	85000000	406016	FUEL	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
48	85000000	403650	BANK FEES AND CHARGES	\$ 250.00	\$ 250.00		\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	
49	85000000	409111	DEBT SERVICE - REDEMPTION OF PRINCIPAL	\$ 165,000.00	\$ 170,000.00		\$ 180,000.00	\$ 190,000.00	\$ 200,000.00	\$ 210,000.00	
50	85000000	409115	DEBT SERVICE - REDEMPTION OF INTEREST	\$ 303,691.00	\$ 295,107.00		\$ 286,138.00	\$ 276,957.00	\$ 267,563.00	\$ 258,007.00	
51			<b>OPERATING EXPENSE TOTAL</b>	<b>\$ 505,716.00</b>	<b>\$ 502,132.00</b>		<b>\$ 503,163.00</b>	<b>\$ 503,982.00</b>	<b>\$ 504,588.00</b>	<b>\$ 505,032.00</b>	

	A	B	C	D	E	F	H	I	J	K	L
1	<b>James River Water Authority - FUND 850</b>										
2	<b>FY25 BUDGET - Adopted</b>							<b>Projected Budgets</b>			
3	ORG CODE	OBJ CODE	ACCOUNT DESCRIPTION	FY24 ADOPTED	FY25 BUDGET	ACCOUNT DETAILS		FY26 BUDGET	FY27 BUDGET	FY28 BUDGET	FY29 BUDGET
4	<b>REVENUES</b>										
5	85000018	319990	SERVICE AGREEMENT - FLUVANNA COUNTY	\$ 251,066.00	\$ 254,581.50			\$ 1,480,880.50	\$ 1,481,183.50	\$ 1,481,405.50	\$ 1,481,746.00
6	85000018	319991	SERVICE AGREEMENT - LOUISA COUNTY	\$ 251,066.00	\$ 254,581.50			\$ 1,480,880.50	\$ 1,481,183.50	\$ 1,481,405.50	\$ 1,481,746.00
7	85000015	319501	INTEREST ON CUSTODY ACCOUNT	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
8	85000018	319831	EXPENDITURE REFUNDS	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
9	85000018	319911	OTHER	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
10	85000018	340000	INSURANCE RECOVERY	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
11	85000019	343100	USE OF FUND BALANCE	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
12			<b>INCOME TOTAL</b>	<b>\$ 502,132.00</b>	<b>\$ 509,163.00</b>			<b>\$ 2,961,761.00</b>	<b>\$ 2,962,367.00</b>	<b>\$ 2,962,811.00</b>	<b>\$ 2,963,492.00</b>
13											
14	<b>OPERATING EXPENSES</b>										
15	85000000	401100	FULL-TIME SALARIES & WAGES	\$ -	\$ -	Staffing required? (Fluvanna/Louisa)		\$ -	\$ -	\$ -	\$ -
16	85000000	401114	BOARD COMPENSATION	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
17	85000000	401300	PART-TIME SALARIES & WAGES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
22	85000000	403100	PROFESSIONAL SERVICES	\$ 33,500.00	\$ 39,500.00	Audit (\$3,500) & Legal (\$36K)		\$ 33,500.00	\$ 33,500.00	\$ 33,500.00	\$ 33,500.00
23	85000000	403170	PERMITS AND FEES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
24	85000000	403191	CONSULTING SERVICES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
25	85000000	403192	OUTSIDE ANALYTICAL SERVICES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
26	85000000	403300	CONTRACT SERVICES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
27	85000000	403310	BLDGS EQUIP REP & MAINT	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
28	85000000	403320	MAINTENANCE CONTRACTS	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
29	85000000	403600	ADVERTISING	\$ 250.00	\$ 250.00			\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00
30	85000000	403700	LAUNDRY AND DRY CLEANING	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
31	85000000	405110	ELECTRICAL SERVICES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
32	85000000	405210	POSTAL SERVICES	\$ 250.00	\$ 250.00			\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00
33	85000000	405230	TELECOMMUNICATIONS	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
34	85000000	405304	PROPERTY INSURANCE	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
35	85000000	405305	VEHICLE INSURANCE	\$ 200.00	\$ 200.00	VaCorp Ins		\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
36	85000000	405307	PUBLIC OFFICIALS LIABILITY	\$ 750.00	\$ 750.00	VaCorp Ins		\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00
37	85000000	405308	GENERAL LIABILITY	\$ 1,200.00	\$ 1,200.00	VaCorp Ins		\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
38	85000000	405410	LEASE/RENT	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
39	85000000	405510	MILEAGE ALLOWANCES	\$ 200.00	\$ 200.00			\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
40	85000000	405540	CONVENTION & EDUCATION	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
41	85000000	405810	DUES OR ASSOCIATION MEMBERSHIP	\$ 175.00	\$ 175.00			\$ 175.00	\$ 175.00	\$ 175.00	\$ 175.00
42	85000000	406001	OFFICE SUPPLIES	\$ 250.00	\$ 250.00			\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00
43	85000000	406004	GENERAL MATERIALS AND SUPPLIES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
44	85000000	406006	CHEMICAL SUPPLIES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
45	85000000	406009	VEHICLE/POWER EQUIP SUPPLIES	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
46	85000000	406011	UNIFORM/WEARING APPAREL	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
47	85000000	406016	FUEL	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -
48	85000000	403650	BANK FEES AND CHARGES	\$ 250.00	\$ 250.00			\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00
49	85000000	409111	DEBT SERVICE - REDEMPTION OF PRINCIPAL	\$ 170,000.00	\$ 180,000.00			\$ 880,000.00	\$ 885,000.00	\$ 890,000.00	\$ 895,000.00
50	85000000	409115	DEBT SERVICE - REDEMPTION OF INTEREST	\$ 295,107.00	\$ 286,138.00			\$ 2,044,736.00	\$ 2,040,342.00	\$ 2,035,786.00	\$ 2,031,467.00
51			<b>OPERATING EXPENSE TOTAL</b>	<b>\$ 502,132.00</b>	<b>\$ 509,163.00</b>			<b>\$ 2,961,761.00</b>	<b>\$ 2,962,367.00</b>	<b>\$ 2,962,811.00</b>	<b>\$ 2,963,492.00</b>