

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)
FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

Members

Michael W. Ferguson, Chairman

Dr. Margaret T. Lee, Vice-Chairman

James C. Vaughan

Peggy R. Wiley

K. David Whittington, Director

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
 <u>Financial Statements</u>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-23
 <u>Required Supplementary Information</u>	
Schedule of Funding Progress for the Virginia Retirement System	24
Schedule of Funding Progress for Other Postemployment Benefits	25
 <u>Compliance</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 <i>Government Auditing Standards</i>	26-27

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors
Greensville County Water and Sewer Authority
Emporia, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greensville County Water and Sewer Authority as of and for the year ended September 30, 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 Greensville County Water and Sewer Authority, as of September 30, 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the Greenville County Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Greenville County Water and Sewer Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
January 27, 2014

- Financial Statements -

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A component unit of the County of Greenville, Virginia)

Statement of Net Position
At September 30, 2013

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 550,063
Cash in hands of trustee	130,063
Cash with fiscal agent	371,691
Accounts receivable	519,301
Bonds receivable	138,566
Loans receivable, current portion	<u>41,362</u>
Total current assets	<u>\$ 1,751,046</u>
Noncurrent assets:	
Capital assets:	
Land and land rights	\$ 415,207
Buildings, plant and equipment, net of accumulated depreciation	27,860,041
Construction in progress	<u>1,104,876</u>
Total capital assets	\$ 29,380,124
Loans receivable, long-term portion	<u>850,956</u>
Total noncurrent assets	<u>\$ 30,231,080</u>
Total assets	<u>\$ 31,982,126</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	<u>\$ 92,564</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 338,244
Accrued interest payable	56,691
Current portion of long-term obligations	<u>611,075</u>
Total current liabilities	<u>\$ 1,006,010</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>\$ 8,735,686</u>
Total liabilities	<u>\$ 9,741,696</u>
NET POSITION	
Net investment in capital assets	\$ 20,301,011
Unrestricted net position	<u>2,031,983</u>
Total net position	<u>\$ 22,332,994</u>
Total liabilities and net position	<u><u>\$ 32,074,690</u></u>

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

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A component unit of the County of Greenville, Virginia)

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2013

Operating revenues:	
Metered sales--water	\$ 1,649,794
User fees--sewer	1,978,137
Penalties	41,244
Other operating revenues	<u>42,594</u>
Total operating revenues	<u>\$ 3,711,769</u>
Operating expenses:	
Administration	\$ 371,977
Authority Board	28,738
Water distribution-maintenance	701,188
Water treatment-Northampton	7,251
Water treatment-Jarratt	574,611
Econo lodge well system	8,896
Jackson Field water system	2,926
Falling run sewage treatment plant	52,644
Three creek sewage treatment plant	622,921
Sewage treatment -Emporia/Northampton	12,282
Sewage treatment-Jarratt	38,114
Skippers sewage treatment plant	22,134
Inspections	103,080
Depreciation	881,981
Amortization	<u>13,223</u>
Total operating expenses	<u>\$ 3,441,966</u>
Operating income	<u>\$ 269,803</u>
Nonoperating revenues (expenses):	
Interest income	\$ 35,452
Other nonoperating revenues	28,915
Contribution to Greenville County	(45,000)
Interest expense	<u>(456,991)</u>
Total nonoperating revenues (expenses)	<u>\$ (437,624)</u>
Income (loss) before grants and capital contributions	<u>\$ (167,821)</u>
Capital grants	\$ 105,318
Capital contributions and connection charges	<u>10,080</u>
Total grants and capital contributions	<u>\$ 115,398</u>
Change in net position	\$ (52,423)
Net position - beginning of year, as restated	<u>22,385,417</u>
Net position - end of year	<u><u>\$ 22,332,994</u></u>

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

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A component unit of the County of Greenville, Virginia)

Statement of Cash Flows
For the Year Ended September 30, 2013

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,700,263
Payments to suppliers of goods and services	(1,611,604)
Payments to employees	<u>(1,150,147)</u>
Net cash provided by (used for) operating activities	<u>\$ 938,512</u>
Cash flows from capital and related financing activities:	
Interest paid on debt	\$ (464,551)
Capital contributions and connection charges	10,080
Capital grants received	105,318
Other nonoperating income	38,662
Additions to capital assets and construction in progress	(1,656,787)
Proceeds from bonds payable	1,162,684
Principal payments received on loans receivable	39,871
Retirement of indebtedness	<u>(579,670)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,344,393)</u>
Cash flows from investing activities:	
Interest earned	<u>\$ 35,452</u>
Increase (decrease) in cash and cash equivalents for the year	\$ (370,429)
Cash and cash equivalents at beginning of year	<u>1,422,246</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,051,817</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income	\$ 269,803
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation and amortization	895,204
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(11,506)
(Decrease) in accounts payable and other accrued liabilities	(149,710)
(Decrease) in compensated absences	(68,379)
Increase in OPEB obligation	<u>3,100</u>
Net cash provided by (used for) operating activities	<u><u>\$ 938,512</u></u>

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

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Greenville County Water and Sewer Authority was created by the Greenville County Board of Supervisors on February 21, 1978, pursuant to the provisions of the Virginia Water and Sewer Authorities Act, Section 15.2-5100 through Section 15.2-5158 of the Code of Virginia, 1950, as amended. The County of Greenville, Virginia serves as the fiscal agent for the Authority.

The bylaws and rules for the business transactions of the Greenville County Water and Sewer Authority are made pursuant to the authority vested in this Authority by Section 15.2-5114(b), Code of Virginia, 1950, as amended and in accordance with the general provisions of the Virginia Water and Sewer Authorities Act.

B. Reporting Entity:

The Greenville County Water and Sewer Authority is reported as a blended component unit of the County of Greenville, Virginia. The Authority is governed by a Board comprised of the County's elected supervisors.

The financial statements of the Authority are prepared as an "enterprise" commercial unit to conform to financial reporting practices as recommended in *Water Utility Accounting* published jointly by the Governmental Finance Officers Association and The American Water Works Association.

C. Basic Financial Statements:

Management's Discussion and Analysis - GASB 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 this discussion and analysis for the fiscal year ending September 30, 2013.

Enterprise Fund Financial Statements

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Authority. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense—the cost of "using up" capital assets—in the Statement of Activities. The net position of a government will be broken down into three categories—1) net investment in capital assets; 2) restricted; and 3) unrestricted.

D. Basis of Accounting:

The accounts of the Authority are accounted for using the flow of economic resources measurement focus and utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Basis of Accounting: (Continued)

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. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of purchase to be cash equivalents.

F. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Accordingly, no allowance for uncollectible accounts has been established.

G. Capital Assets and Depreciation:

The Authority's capital assets consist of office and computer equipment, transportation equipment and utility plant in service. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. All additions to utility lines are capitalized. Depreciation expense is computed by the straight-line method using the following estimated useful lives as a basis:

<u>Items</u>	<u>Years</u>
Source of supply structures	50
Water pumping equipment	20
Transmission mains and accessories	50 to 66-2/3
Meters	66-2/3
Hydrant and accessories	5
Other general equipment	3
Motor vehicles	5

No depreciation is taken on assets until the first year following the date placed in service. Depreciation for the year ended September 30, 2013 totaled \$881,981.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Capital Assets and Depreciation: (Continued)

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 constructed. Interest attributable to capitalized assets as of September 30, 2013 was immaterial.

H. Deferred Charge on Refunding:

In fiscal year 2003, the Authority recognized \$224,798 of deferred refunding on revenue bonds. This refunding is amortized over the life of the new refunding bonds. Amortization expense related to the deferred amount on refunding for the year totaled \$13,223. The deferred charge on refunding remaining at September 30, 2013 is \$92,564.

I. 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 results could differ from those estimates.

J. Compensated Absences:

The Authority has a policy which allows for the accumulation and vesting of limited amounts of vacation leave until termination or retirement.

K. Net Position:

Net Position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

L. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position when applicable will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position when applicable will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of September 30, 2013.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: (Continued)

M. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, 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.

N. Reclassification:

Certain amounts in previously issued financial statements have been restated to conform to the current year’s classification. See Note 13 for a more detailed analysis of this restatement.

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).

Authority's Rated Debt Investment Value	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 118,274
Total	\$ 118,274

The Authority has not adopted a formal investment policy as of September 30, 2013.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 3 - CAPITAL ASSETS:

A summary of changes in capital assets for the year is presented as follows:

	<u>Balance</u> <u>September 30,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2013</u>
Capital assets not being depreciated:				
Land and land rights	\$ 460,207	\$ -	\$ 45,000	\$ 415,207
Construction in progress	<u>1,791,960</u>	<u>1,640,607</u>	<u>2,327,691</u>	<u>1,104,876</u>
Total capital assets not being depreciated	<u>\$ 2,252,167</u>	<u>\$ 1,640,607</u>	<u>\$ 2,372,691</u>	<u>\$ 1,520,083</u>
Capital assets being depreciated:				
Buildings and plant	\$ 39,209,941	\$ 2,327,691	\$ -	\$ 41,537,632
Equipment	<u>924,250</u>	<u>16,180</u>	<u>16,243</u>	<u>924,187</u>
Total capital assets being depreciated	<u>\$ 40,134,191</u>	<u>\$ 2,343,871</u>	<u>\$ 16,243</u>	<u>\$ 42,461,819</u>
Less accumulated depreciation for:				
Buildings, plant, and equipment	\$ (13,726,293)	\$ (881,981)	\$ (6,496)	\$ (14,601,778)
Total capital assets being depreciated, net	<u>26,407,898</u>	<u>1,461,890</u>	<u>9,747</u>	<u>27,860,041</u>
Capital assets, net	<u>\$ 28,660,065</u>	<u>\$ 3,102,497</u>	<u>\$ 2,382,438</u>	<u>\$ 29,380,124</u>

Depreciation expense for the year totaled \$881,981.

NOTE 4 - CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2013 are as follows:

<u>Project</u>	<u>Balance</u> <u>September 30,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2013</u>
Wood Fuel	\$ 20,062	\$ -	\$ -	\$ 20,062
Jarratt WWTP	890,414	1,768	892,182	-
Blanks Lane Waterline	9,333	107,368	-	116,701
Megasite	315,163	224,509	-	539,672
Jarratt WWTP Generator	82,351	134,235	216,586	-
Three Creek Jarratt Centrifuge	340,566	878,357	1,218,923	-
Skippers Well	134,071	125,076	-	259,147
Nottoway Reservoir	-	169,294	-	169,294
Total	<u>\$ 1,791,960</u>	<u>\$ 1,640,607</u>	<u>\$ 2,327,691</u>	<u>\$ 1,104,876</u>

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 5 - COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding compensated absences. Authority employees earn vacation and sick leave at the rate of one day for each per month. All accumulated vacation is paid upon termination. 25% of sick leave up to \$5,000 is paid upon termination if employed by the Authority for at least five years. The Authority has outstanding accrued vacation and sick pay totaling \$161,384.

NOTE 6 - LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the fiscal year ended September 30, 2013:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End of</u> <u>Year</u>	<u>Current</u> <u>Portion</u>
Loan payable	\$ 151,998	\$ -	\$ 11,547	\$ 140,451	\$ 11,955
1992 Revenue Bonds	15,141	-	15,141	-	-
2002 Revenue Refunding Bonds	2,795,000	-	295,000	2,500,000	315,000
2010 Revenue Refunding Bonds	3,975,000	-	150,000	3,825,000	160,000
2004 Revenue Bonds	430,000	-	15,000	415,000	15,000
2011 Revenue Bonds	1,590,000	-	55,000	1,535,000	55,000
2012 Revenue Bonds	240,000	-	5,000	235,000	5,000
Premiums on bonds payable	554,208	-	32,982	521,226	32,982
Other Post-Employment Benefits	10,600	4,400	1,300	13,700	-
Compensated absences	229,763	-	68,379	161,384	16,138
Total	\$ 9,991,710	\$ 4,400	\$ 649,349	\$ 9,346,761	\$ 611,075

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended September 30,	Water and Sewer Revenue Bonds							
	2004		2002 Refunding		2012B		2011B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 15,000	\$ 18,628	\$ 315,000	\$ 105,310	\$ 5,000	\$ 9,531	\$ 55,000	\$ 73,469
2015	15,000	18,086	325,000	90,536	5,000	9,375	60,000	71,500
2016	15,000	17,422	340,000	76,481	5,000	9,169	60,000	68,625
2017	15,000	16,808	355,000	61,273	5,000	8,963	65,000	66,150
2018	15,000	16,192	370,000	45,093	5,000	8,706	65,000	63,019
2019	15,000	15,578	390,000	27,751	5,000	8,450	70,000	60,588
2020	15,000	14,962	405,000	9,366	5,000	8,194	70,000	57,450
2021	15,000	14,346	-	-	10,000	7,938	75,000	54,363
2022	15,000	13,714	-	-	10,000	7,425	80,000	50,519
2023	20,000	13,080	-	-	10,000	6,913	85,000	46,419
2024	20,000	12,210	-	-	10,000	6,400	90,000	42,063
2025	20,000	11,314	-	-	10,000	5,938	95,000	37,450
2026	20,000	10,294	-	-	10,000	5,475	95,000	32,581
2027	20,000	9,276	-	-	10,000	5,038	100,000	27,713
2028	20,000	8,330	-	-	10,000	4,650	110,000	22,588
2029	20,000	7,384	-	-	10,000	4,263	115,000	17,300
2030	25,000	6,440	-	-	10,000	3,875	120,000	11,756
2031	25,000	5,290	-	-	10,000	3,550	125,000	6,006
2032	30,000	4,140	-	-	15,000	3,225	-	-
2033	30,000	2,760	-	-	15,000	2,719	-	-
2034	30,000	1,385	-	-	15,000	2,175	-	-
2035	-	-	-	-	15,000	1,631	-	-
2036	-	-	-	-	15,000	1,088	-	-
2037	-	-	-	-	15,000	544	-	-
Total	\$ 415,000	\$ 237,639	\$ 2,500,000	\$ 415,810	\$ 235,000	\$ 135,235	\$ 1,535,000	\$ 809,559

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

Year Ended September 30,	2010 Refunding		Loan Payable	
	Principal	Interest	Principal	Interest
2014	\$ 160,000	\$ 178,219	\$ 11,955	\$ 4,812
2015	160,000	174,249	12,377	4,390
2016	170,000	167,029	12,815	3,952
2017	180,000	160,776	13,267	3,501
2018	180,000	151,416	13,735	3,032
2019	190,000	143,056	14,220	2,547
2020	200,000	133,726	14,722	2,045
2021	205,000	126,226	15,242	1,525
2022	220,000	117,854	15,780	987
2023	230,000	107,633	16,338	372
2024	235,000	96,898	-	-
2025	250,000	85,815	-	-
2026	265,000	73,940	-	-
2027	275,000	61,360	-	-
2028	285,000	47,060	-	-
2029	300,000	32,240	-	-
2030	320,000	16,640	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
Total	\$ 3,825,000	\$ 1,874,137	\$ 140,451	\$ 27,163

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Details of Long-term Obligations:

Compensated absences	\$ 161,384
Other post-employment benefits	\$ 13,700
Loan Payable:	
\$235,629 Water & Sewer loan payable issued May 30, 2003, due in semi-annual payments of principal and interest of \$8,387, through September 1, 2023, interest at 3.50%.	\$ 140,451
Revenue Bonds Payable:	
\$4,935,000 Water & Sewer Refunding Revenue Bonds series 2002B issued November 5, 2002, due in various semi-annual payments of principal and interest through October 1, 2019, interest payable semi-annually.	\$ 2,500,000
\$515,000 Water & Sewer Revenue Bonds series 2004B issued October 27, 2004, due in various semi-annual payments of principal and interest through October 1, 2034, interest at 4.65%.	415,000
Premium on bonds payable	521,226
\$240,000 Water & Sewer Refunding Revenue Bonds series 2012B issued July 12, 2012, due in various semi-annual payments of principal and interest through October 1, 2037, interest payable semi-annually.	235,000
\$1,640,000 Water & Sewer Refunding Revenue Bonds series 2011B issued October 15, 2011, due in various semi-annual payments of principal and interest through October 1, 2031, interest payable semi-annually at 5.5%.	1,535,000
\$4,435,000 Water & Sewer Refunding Revenue Bonds series 2010 issued June 16, 2010, due in various semi-annual payments of principal and interest through October 1, 2030, interest payable semi-annually.	3,825,000
Total revenue bonds outstanding	\$ 9,031,226
Total long-term obligations	\$ 9,346,761
Less current portion	611,075
Total noncurrent obligations	\$ 8,735,686

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description: (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended September 30, 2013 was 7.78% of the annual covered payroll.

C. Annual Pension Cost:

For the fiscal year ended September 30, 2013, the Authority's annual pension cost of \$81,294 was equal to the required and actual contributions.

Three-Year Trend Information for the Authority

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC) (1)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
September 30, 2011	\$ 51,060	100%	\$ -
September 30, 2012	59,304	100%	-
September 30, 2013	81,294	100%	-

(1) Employer portion only

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost: (Continued)

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.6% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 81.25% funded. The actuarial accrued liability for benefits was \$3,001,847, and the actuarial value of assets was \$2,438,899, resulting in an unfunded actuarial accrued liability (UAAL) of \$562,948. The covered payroll (annual payroll of active employees covered by the plan) was \$941,822 and the ratio of the UAAL to the covered payroll was 59.77%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers' compensation coverage. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums.

The Authority continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)**

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 9 - ECONOMIC DEPENDENCY:

For the fiscal year ended September 30, 2013, the Commonwealth of Virginia-Department of Corrections was billed \$1,480,703 for services, which constitutes approximately 40% of total operating revenues.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM:

Plan Description:

Greensville County Water and Sewer Authority offers eligible retirees post-retirement medical coverage if they retire directly from the Authority with at least thirty years of continuous Authority service and are eligible to receive an early or regular retirement benefit from the Virginia Retirement System (VRS). The retirees' dependents can receive benefits under the plan with the premium to be paid by the retiree. Health benefits include medical and dental coverage. The Authority retirees are responsible for 100% of the premium that is paid directly to the subscriber. Benefits end at the age of 65 or when retirees become eligible for Medicare.

Funding Policy:

Individuals retiring from the Authority have the ability to remain on the Authority's insurance plan. The Authority does not offer a subsidy towards the retiree or the spouse's premiums.

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution on the employer (ARC)*. The Authority has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (Continued)

Annual OPEB Cost and Net OPEB Obligation: (Continued)

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the Authority. The following table shows the components of the Authority’s annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the Authority’s net OPEB obligation to the Retiree Health Plan:

	Primary Government
Annual required contribution	\$ 4,400
Interest on OPEB obligation	400
Adjustment to annual required contribution	(400)
Annual OPEB cost (expense)	<u>\$ 4,400</u>
Estimated contribution made during FY 2013	<u>(1,300)</u>
Increase in net OPEB obligation	\$ 3,100
Net OPEB obligation - beginning of year	10,600
Net OPEB obligation - end of year	<u><u>\$ 13,700</u></u>

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2011	\$ 311	546.62%	\$ 8,600
September 30, 2012	5,500	63.64%	10,600
September 30, 2013	4,400	63.64%	13,700

Funded Status and Funding Progress:

As of July 1, 2012, the Authority’s actuarial accrued liability for benefits was \$47,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$941,822, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.08%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (Continued)

Funded Status and Funding Progress: (Continued)

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Retirement age was estimated based on tables used for the VRS State Employees valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality - Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.

Coverage elections - The actuarial assumed that 20% of current actives of the Greenville County Water and Sewer Authority will elect medical coverage when they retire and that 5% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was thirty years.

NOTE 11 - LOANS TO IDA AND COUNTY OF GREENSVILLE, VIRGINIA:

The Authority has made the following loans to the Greenville County Industrial Development Authority:

On July 19, 2010, the Authority entered into a note receivable agreement in the amount of \$825,000 with the Greenville County IDA. The proceeds were used to refinance the note payable agreement dated February 11, 2005 with an outstanding balance of \$820,594. Payments are due monthly in the amount of \$4,913 through July 15, 2030, interest at 3.80%. The outstanding balance of this note at September 30, 2013 was \$732,267.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 11 - LOANS TO IDA AND COUNTY OF GREENSVILLE, VIRGINIA: (Continued)

The Authority has made the following loan to the County of Greenville, Virginia:

On June 30, 2011, the Authority issued a loan to the County of Greenville, Virginia in the amount of \$178,500. The proceeds are financing portions of the Mega-Site. Payments of \$15,000 are due annually on June 30 through 2027, with interest at 3.32%. The outstanding balance of this loan at September 30, 2013 is \$160,051.

Annual repayments of principal and related interest are as follows:

	IDA Refi		County Mega-Site	
	Principal	Interest	Principal	Interest
2014	\$ 31,676	\$ 27,278	\$ 9,686	\$ 5,314
2015	32,901	26,053	10,008	4,992
2016	34,173	24,781	10,340	4,660
2017	35,494	23,460	10,683	4,317
2018	36,867	22,087	11,038	3,962
2019	38,292	20,661	11,405	3,595
2020	39,773	19,181	11,783	3,217
2021	41,311	17,643	12,174	2,826
2022	42,908	16,045	12,579	2,421
2023	44,568	14,386	12,996	2,004
2024	46,291	12,663	13,428	1,572
2025	48,081	10,873	13,874	1,126
2026	49,940	9,013	14,334	666
2027	51,871	7,082	5,723	-
2028	53,877	5,077	-	-
2029	55,961	2,993	-	-
2030	48,283	845	-	-
Total	\$ <u>732,267</u>	\$ <u>260,121</u>	\$ <u>160,051</u>	\$ <u>40,672</u>

NOTE 12 - VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS:

A. Plan Description:

The Authority participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 12 - VRS HEALTH INSURANCE CREDIT - OTHER POSTEMPLOYMENT BENEFITS: (Continued)

A. Plan Description: (Continued)

An employee, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

B. Funding Policy:

The Authority is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .32% of annual covered payroll. The Authority's contributions to VRS for the years ended September 2013, 2012, and 2011 were \$3,344, \$3,053, and \$2,888, respectively and equaled the required contributions for each year.

NOTE 13 - ADOPTION OF ACCOUNTING PRINCIPLES / RESTATEMENT OF NET POSITION:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended September 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
As of September 30, 2013 (Continued)

NOTE 13 - ADOPTION OF ACCOUNTING PRINCIPLES / RESTATEMENT OF NET POSITION: (Continued)

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended September 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the following restatement of net position:

Net Position, October 1, 2012, as previously reported	\$ 22,535,879
Adjustment to write off outstanding bond issue costs	<u>(150,462)</u>
Net Position, October 1, 2012, as restated	<u>\$ 22,385,417</u>

NOTE 14 - PENDING GASB STATEMENTS:

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and to better report pension expense and pension liabilities. This statement is effective for periods beginning after June 15, 2014.

The Authority has not yet determined the effect this GASB Statement will have on its financial statements.

- Required Supplementary Information -

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A component unit of the County of Greenville, Virginia)

Required Supplementary Information
Schedule of Funding Progress for the Virginia Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 2,215,347	\$ 2,752,662	\$ 537,315	80.48%	\$ 913,896	58.79%
6/30/2011	2,324,404	2,826,647	502,243	82.23%	914,654	54.91%
6/30/2012	2,438,899	3,001,847	562,948	81.25%	941,822	59.77%

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A component unit of the County of Greenville, Virginia)

Required Supplementary Information
Schedule of Funding Progress for Other Postemployment Benefits

Other Postemployment Benefits:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	\$ -	\$ 56,800	\$ 56,800	0.00%	\$ 907,559	6.26%
7/1/2010	-	60,400	60,400	0.00%	931,756	6.48%
7/1/2012	-	47,800	47,800	0.00%	941,822	5.08%

Virginia Retirement System Health Insurance Credit:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 11,768	\$ 50,041	\$ 38,273	23.52%	\$ 913,896	4.19%
6/30/2011	16,387	47,389	31,002	34.58%	914,654	3.39%
6/30/2012	18,827	48,833	30,006	38.55%	941,822	3.19%

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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*

To the Board of Directors
Greensville County Water and Sewer Authority
Emporia, 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 Greensville County Water and Sewer Authority as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Greensville County Water and Sewer Authority's basic financial statements and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greensville County Water and Sewer Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greensville County Water and Sewer Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Greensville County Water and Sewer 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 Greenville County Water and Sewer 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, Farmer, Co. Associates
Charlottesville, Virginia
January 27, 2014