GREENSVILLE COUNTY WATER AND SEWER AUTHORITY

(A Component Unit of the County of Greensville, Virginia)

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2011

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YEAR ENDED SEPTEMBER 30, 2011

Members

Michael W. Ferguson, Chairman

James C. Vaughan, Vice—Chairman

Dr. Margaret T. Lee

Peggy R. Wiley

K. David Whittington, Director

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS
GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
EMPORIA, VIRGINIA

We have audited the statement of net assets of the Greensville County Water and Sewer Authority (a component unit of the County of Greensville, Virginia), as of September 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greensville County Water and Sewer Authority, as of September 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the Greensville 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the schedules of pension and OPEB funding 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 schedule of funding progress 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 schedules of funding progress 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.

Robinson, Farmer Cox Associates
Charlottesville, Virginia
December 20, 2011

Financial Statements

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

Statement of Net Assets
At September 30, 2011

ASSETS		
Current assets:		
Cash and cash equivalents	$	1,267,252
Cash with fiscal agent		355,129
Accounts receivable		473,304
Loans receivable, current portion		56,349
Total current assets	$	2,152,034
Noncurrent assets:		
Capital assets:		
Land and land rights	$	441,589
Buildings and equipment, net of accumulated depreciation		27,218,506
Construction in progress		470,280
Total capital assets	$	28,130,375
Loans receivable, long-term portion	$	1,030,196
Other assets	$	158,761
Total noncurrent assets	$	29,319,332
Total assets	$	31,471,366
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$	479,909
Accrued interest payable		70,129
Current portion of long-term obligations		581,817
Total current liabilities	$	1,131,855
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	$	7,797,519
Total liabilities	$	8,929,374
NET ASSETS		
Invested in capital assets, net of related debt	$	19,960,635
Unrestricted net assets		2,581,357
Total net assets	$	22,541,992
Total liabilities and net assets	$	31,471,366

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 Greensville, Virginia)

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2011

Operating revenues:		
Metered sales--water	$	1,543,822
User fees--sewer		1,791,721
Penalties		38,071
Other operating revenues		54,779
Total operating revenues	$	3,428,393
Operating expenses:		
Administration	$	423,151
Authority Board		23,907
Water distribution-maintenance		640,929
Water treatment-Northampton		26,882
Water treatment-Jarratt		496,641
Econo lodge well system		5,819
Jackson Field water system		1,752
Falling run sewage treatment plant		45,595
Three creek sewage treatment plant		548,411
Sewage treatment -Emporia/Northampton		16,335
Sewage treatment-Jarratt		49,765
Skippers sewage treatment plant		13,671
Inspections		102,622
Depreciation		832,910
Amortization		21,523
Total operating expenses	$	3,249,913
Operating income	$	178,480
Nonoperating revenues (expenses):		
Interest income	$	43,173
Settlement income		25,381
Other non-operating revenues		24,771
Interest expense		(364,673)
Other nonoperating expenses		(58,183)
Total nonoperating revenues (expenses)	$	(329,531)
Income (loss) before grants and capital contributions	$	(151,051)
Capital contributions and connection charges	$	31,302
Change in net assets	$	(119,749)
Net assets - beginning of year		22,661,741
Net assets - end of year	$	22,541,992

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 Greensville, Virginia)

Statement of Cash Flows
For the Year Ended September 30, 2011

Cash flows from operating activities:		
Receipts from customers and users	$	3,438,074
Payments to suppliers of goods and services		(1,122,193)
Payments to employees		(970,392)
Net cash provided by (used in) operating activities	$	1,345,489
Cash flows from capital and related financing activities:		
Interest paid on debt	$	(374,038)
Proceeds from settlement of lawsuit		111,966
Capital contributions and connection charges		31,302
Other nonoperating income		24,771
Miscellaneous nonoperating expenses		(58,183)
Additions to capital assets and construction in progress		(523,507)
Loan to IDA		(314,000)
Principal payments received on loans receivable		47,847
Retirement of indebtedness		(546,368)
Net cash provided by (used in) capital and related financing activities	$	(1,600,209)
Cash flows from investing activities:		
Interest earned	$	43,173
Increase (decrease) in cash and cash equivalents for the year	$	(211,547)
Cash and cash equivalents at beginning of year		1,833,928
Cash and cash equivalents at end of year	$	1,622,381
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income	$	178,480
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation and amortization		854,433
Changes in operating assets and liabilities:		
Decrease in accounts receivable		6,129
(Decrease) in accounts payable and other accrued liabilities		306,447
Net cash provided by (used in) operating activities	$	1,345,489

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

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Greensville County Water and Sewer Authority was created by the Greensville 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 Greensville, Virginia serves as the fiscal agent for the Authority.

The bylaws and rules for the business transactions of the Greensville 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 Greensville County Water and Sewer Authority is reported as a blended component unit of the County of Greensville, Virginia. The Authority is governed by a Board comprised of the government'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, 2011.

Enterprise Fund Financial Statements

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the Authority. Governments will report all capital assets in the government—wide Statement of Net Assets and will report depreciation expense—the cost of "using up" capital assets—in the Statement of Activities. The net assets of a government will be broken down into three categories—1) invested in capital assets, net of related debt; 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 Authority follows all applicable GASB and FASB pronouncements issued before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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 a 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:

Items	Years
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, 2011 totaled $832,910.

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Bond Issuance Costs and Deferred Amount on Refunding:

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds—outstanding method, which approximates the effective interest method. (Costs relative to each bond issue are amortized over the life of the bonds.) Amortization expense related to bond issuance costs for the year totaled $8,299. 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 $13,224. Total amortization expense for the year was $21,523.

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 Assets:

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

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.

NOTE 2 — DEPOSITS AND INVESTMENTS: (CONTINUED)

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
	AAA
Local Government Investment Pool	$ 903,508
Total	$ 903,508

The Authority has not adopted a formal investment policy as of September 30, 2011.

NOTE 3 — CAPITAL ASSETS:

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

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Capital assets not being depreciated:				
Land and land rights	$ 441,589	$ -	$ -	$ 441,589
Construction in progress	79,812	390,468	-	470,280
Total capital assets not being depreciated, net	$ 521,401	$ 390,468	$ -	$ 911,869
Capital assets being depreciated:				
Buildings and plant	$ 39,108,476	$ 101,465	$ -	$ 39,209,941
Equipment	863,195	31,573	-	894,768
Total capital assets being depreciated, net	$ 39,971,671	$ 133,038	$ -	$ 40,104,709
Less accumulated depreciation for:				
Buildings, plant, and equipment	$ (12,053,293)	$ (832,910)	$ -	$ (12,886,203)
Total capital assets being depreciated, net	27,918,378	(699,872)	-	27,218,506
Business-type activities capital assets, net	$ 28,439,779	$ (309,404)	$ -	$ 28,130,375

Depreciation expense for the year totaled $797,113.

NOTE 4 — CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2011 are as follows:

Project	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Wood Fuel	$ 14,300	$ 5,000	$ -	$ 19,300
Jarratt WWTP Engineering	-	369,009		369,009
Skippers Well	65,512	16,459	-	81,971
Total	$ 79,812	$ 390,468	$ -	$ 470,280

NOTE 5 — OTHER ASSETS:

The Authority's bond issuance costs for bonds issued below are as follows:

	Bond Issue Cost	Amortization Period Years	Amortization Expense	Accumulated Amortization	Net Book Value
Issuance costs:					
Series 2001	$ 108,664	30	$ 3,622	$ 36,221	$ 72,443
Series 2004	12,780	30	426	2,981	9,799
Series 2010	85,021	20	4,251	8,502	76,519
Total	$ 206,465		$ 8,299	$ 47,704	$ 158,761

NOTE 6 — CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding claims and judgments and 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 $200,997.

NOTE 7 — LONG-TERM INDEBTEDNESS:

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

	Water and Sewer Revenue Bonds					
Year Ended	2004		2002 Refunding		1992	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 15,000	$ 19,708	$ 285,000	$ 134,380	$ 100,000	$ 8,273
2013	15,000	19,168	295,000	120,942	100,000	3,629
2014	15,000	18,628	315,000	105,310	-	-
2015	15,000	18,086	325,000	90,536	-	-
2016	15,000	17,422	340,000	76,481	-	-
2017	15,000	16,808	355,000	61,273	-	-
2018	15,000	16,192	370,000	45,093	-	-
2019	15,000	15,578	390,000	27,751	-	-
2020	15,000	14,962	405,000	9,366	-	-
2021	15,000	14,346	-	-	-	-
2022	15,000	13,714	-	-	-	-
2023	20,000	13,080	-	-	-	-
2024	20,000	12,210	-	-	-	-
2025	20,000	11,314	-	-	-	-
2026	20,000	10,294	-	-	-	-
2027	20,000	9,276	-	-	-	-
2028	20,000	8,330	-	-	-	-
2029	20,000	7,384	-	-	-	-
2030	25,000	6,440	-	-	-	-
2031	25,000	5,290	-	-	-	-
2032	30,000	4,140	-	-	-	-
2033	30,000	2,760	-	-	-	-
2034	30,000	1,385	-	-	-	-
Total	$ 445,000	$ 276,515	$ 3,080,000	$ 671,132	$ 200,000	$ 11,902
Less unamortized discount on bond issuance					93,131	
Total					$ 106,869	

NOTE 7 — LONG-TERM INDEBTEDNESS: (CONTINUED)

Year Ended	2010 Refunding		Loan Payable	
September 30,	Principal	Interest	Principal	Interest
2012	$ 150,000	$ 184,819	$ 11,154	$ 5,613
2013	150,000	181,519	11,547	5,220
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	-	-	-	-
Total	$ 4,125,000	$ 2,240,475	$ 163,152	$ 37,996

NOTE 7 — LONG-TERM INDEBTEDNESS: (CONTINUED)

Changes in Long-term Debt:

The following is a summary of long-term obligation transactions of the Authority for the fiscal year ended September 30, 2011:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Current Portion
Loan payable	$ 173,925	$ -	$ 10,773	$ 163,152	$ 11,154
Capital leases	18,287	-	18,287	-	-
1992 Revenue Bonds	194,177	-	87,308	106,869	91,728
2002 Revenue Refunding Bonds	3,350,000	-	270,000	3,080,000	285,000
2010 Revenue Refunding Bonds	4,270,000	-	145,000	4,125,000	150,000
2004 Revenue Bonds	460,000	-	15,000	445,000	15,000
Premiums on bonds payable	390,787	-	22,059	368,728	22,059
Deferred amount on refunding	(132,234)	13,224	-	(119,010)	(13,224)
Other Post-Employment Benefits	9,989	311	1,700	8,600	-
Compensated absences	192,884	8,113	-	200,997	20,100
Total	$ 8,927,815	$ 21,648	$ 570,127	$ 8,379,336	$ 581,817

Details of Long-term Indebtedness:

Accrued leave	$ 200,997
Other post-employment benefits	$ 8,600
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%.	$ 163,152

NOTE 7 — LONG-TERM INDEBTEDNESS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

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.	$ 3,080,000
$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%.	445,000
Premium on bonds payable	368,728
Deferred amount on refunding	(119,010)
$2,000,000 Water & Sewer Revenue Bonds series 1992 issued June 26, 1992, due in semi-annual payments of $50,000 through 2013 (less unamortized discount based on interest imputed at 5%).	106,869
$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.	4,125,000
Total revenue bonds outstanding	$ 8,006,587
Total long-term obligations	$ 8,379,336
Less current portion	581,817
Total long-term	$ 7,797,519

NOTE 8 — 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 (professional) employees of public school divisions and 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 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 have service credits before July 1, 2010 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 early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 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.

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

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. 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.

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 report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or 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 5.00% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund 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 non-professional employee contribution rate for the fiscal year ended 2011 was 5.48% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the Authority's annual pension cost of $51,060 was equal to the County's required and actual contributions.

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2009	$ 52,910	100%	$ -
September 30, 2010	52,777	100%	-
September 30, 2011	51,060	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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. 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 liabilities are being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the Authority's plan was 80.48% funded. The actuarial accrued liability for benefits was $2,752,662, and the actuarial value of assets was $2,215,347, resulting in an unfunded actuarial accrued liability (UAAL) of $537,315. The covered payroll (annual payroll of active employees covered by the plan) was $913,896, and ratio of the UAAL to the covered payroll was 58.79%.

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.

NOTE 9 — 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.

NOTE 10 — ECONOMIC DEPENDENCY:

For the fiscal year ending September 30, 2011, the Commonwealth of Virginia-Department of Corrections was billed $1,314,162 for services, which constitutes approximately 38% of total operating revenues.

NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

Background

Beginning in fiscal year 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the Authority's retiree health benefit subsidy. Historically, the Authority's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits.

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.

NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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.

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	$	5,300
Interest on OPEB obligation		200
Adjustment to annual required contribution		(5,189)
Annual OPEB cost (expense)	$	311
Estimated contribution made during FY 2011		(1,700)
Increase in net OPEB obligation	$	(1,389)
Net OPEB obligation - beginning of year		9,989
Net OPEB obligation - end of year	$	8,600

NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011 through 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 6,800	26.47%	$ 5,000
June 30, 2010	6,789	26.51%	9,989
June 30, 2011	311	546.62%	8,600

Funded Status and Funding Progress

As of July 1, 2010, the Authority's actuarial accrued liability for benefits was $60,400, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $931,756, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.48%.

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. 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.

NOTE 11 — OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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 Greensville 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 12 — LOANS TO IDA OF GREENSVILLE COUNTY, VIRGINIA

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

On July 19, 2010, the Authority entered into a note receivable agreement in the amount of $825,000 with the Greensville 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, 2011 is $792,124.

On December 20, 2010, the Authority entered into a note receivable agreement in the amount of $314,000 with the Greensville County IDA. The proceeds were used to finance the purchase of the Phoenix Building on behalf of the County of Greensville as short-term financing. The County will issue bonds to repay the Authority and finance other improvements to the property. Payments are due monthly in the amount of $3,161 through December 15, 2020, interest at 3.88%. The outstanding balance of this note at September 30, 2011 is $294,420.

NOTE 12 — LOANS TO IDA OF GREENSVILLE COUNTY, VIRGINIA (CONTINUED)

Annual repayments of principal and related interest are as follows:

	IDA Refi		IDA Phoenix Building	
	Principal	Interest	Principal	Interest
2012	$ 29,361	$ 29,593	$ 26,988	$ 10,947
2013	30,496	28,457	28,054	9,881
2014	31,676	27,278	29,162	8,773
2015	32,901	26,053	30,314	7,621
2016	34,173	24,781	31,511	6,424
2017	35,494	23,460	32,755	5,179
2018	36,867	22,087	34,049	3,885
2019	38,292	20,661	35,394	2,541
2020	39,773	19,181	36,792	1,143
2021	41,311	17,643	9,402	61
2022	42,908	16,045	-	-
2023	44,568	14,386	-	-
2024	46,291	12,663	-	-
2025	48,081	10,873	-	-
2026	49,940	9,013	-	-
2027	51,871	7,082	-	-
2028	53,877	5,077	-	-
2029	55,961	2,993	-	-
2030	48,283	845	-	-
Total	792,124	318,171	294,420	56,455

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 Greensville, 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)
6/30/2008	$ 1,922,644	2,076,742	$ 154,098	92.58%	$ 907,559	16.98%
6/30/2009	2,094,334	2,354,852	260,518	88.94%	933,586	27.91%
6/30/2010	2,215,347	2,752,662	537,315	80.48%	913,896	58.79%

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

Required Supplementary Information
Schedule of Funding Progress for Other Post-Employment 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%

Compliance

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 the financial statements of the Greensville County Water and Sewer Authority as of and for the year ended September 30, 2011, which collectively comprise the Greensville County Water and Sewer Authority's basic financial statements and have issued our report thereon dated December 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greensville County Water and Sewer Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greensville County Water and Sewer Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Greensville County Water and Sewer Authority's internal control over financial reporting.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 20, 2011