

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY
(A Component Unit of the County of Greenville, Virginia)
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	6-31
 <u>Required Supplementary Information</u>	
Schedule of Pension Funding Progress for the Virginia Retirement System	32
Schedule of Funding OPEB Progress for Other Postemployment Benefits	33
 <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>	34-35

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2014, 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.

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 on pages 32-33 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 29, 2015, 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 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 Greensville County Water and Sewer Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Co. Associates

Charlottesville, Virginia
January 29, 2015

- Financial Statements -

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

Statement of Net Position
At September 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	738,144
Cash in hands of trustee		130,063
Accounts receivable		551,007
Loans receivable, current portion		14,239
Total current assets	\$	<u>1,433,453</u>

Noncurrent assets:

Capital assets:

Land and land rights	\$	415,207
Buildings, plant and equipment, net of accumulated depreciation		27,963,345
Construction in progress		666,119
Total capital assets	\$	29,044,671
Loans receivable, long-term portion		645,273
Total noncurrent assets	\$	<u>29,689,944</u>

Total assets	\$	<u>31,123,397</u>
--------------	----	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	\$	<u>79,340</u>
------------------------------	----	---------------

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	289,893
Current portion of long-term obligations		655,379
Total current liabilities	\$	<u>945,272</u>

Noncurrent liabilities:

Noncurrent portion of long-term obligations	\$	<u>7,778,958</u>
---	----	------------------

Total liabilities	\$	<u>8,724,230</u>
-------------------	----	------------------

NET POSITION

Net investment in capital assets	\$	20,864,758
Unrestricted net position		1,613,749
Total net position	\$	<u>22,478,507</u>
Total liabilities and net position	\$	<u><u>31,202,737</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, 2014

<hr/>	
Operating revenues:	
Metered sales--water	\$ 1,781,165
User fees--sewer	2,170,960
Penalties	43,403
Other operating revenues	54,833
	<hr/>
Total operating revenues	\$ 4,050,361
Operating expenses:	
Administration	\$ 436,258
Authority Board	25,602
Water distribution-maintenance	721,577
Water treatment-Northampton	12,981
Water treatment-Jarratt	798,773
Econo lodge well system	7,178
Jackson Field water system	2,601
Falling run sewage treatment plant	46,874
Three creek sewage treatment plant	650,099
Sewage treatment -Emporia/Northampton	19,899
Sewage treatment-Jarratt	42,938
Skippers sewage treatment plant	28,246
Depreciation	905,251
Amortization	13,223
	<hr/>
Total operating expenses	\$ 3,711,500
Operating income	\$ 338,861
Nonoperating revenues (expenses):	
Interest income	\$ 27,087
Other nonoperating revenues	55,370
Interest expense	(308,526)
Other nonoperating expenses	(108,908)
	<hr/>
Total nonoperating revenues (expenses)	\$ (334,977)
Income (loss) before grants and capital contributions	\$ 3,884
Capital grants	\$ 113,019
Capital contributions and connection charges	28,610
	<hr/>
Total grants and capital contributions	\$ 141,629
Change in net position	\$ 145,513
Net position - beginning of year	22,332,994
	<hr/>
Net position - end of year	\$ 22,478,507
	<hr/> <hr/>

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, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,018,655
Payments to suppliers of goods and services	(1,739,149)
Payments to employees	<u>(1,101,480)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,178,026</u>
Cash flows from capital and related financing activities:	
Interest paid on debt	\$ (365,217)
Capital contributions and connection charges	28,610
Capital grants received	113,019
Other nonoperating revenues	55,370
Additions to capital assets and construction in progress	(569,798)
Proceeds from bonds receivable	138,566
Principal payments received on loans receivable	232,808
Bond premium received	132,945
Proceeds from bonds payable	2,105,000
Other nonoperating expenses	(108,908)
Retirement of indebtedness	<u>(3,151,118)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,388,723)</u>
Cash flows from investing activities:	
Interest earned	<u>\$ 27,087</u>
Increase (decrease) in cash and cash equivalents for the year	\$ (183,610)
Cash and cash equivalents at beginning of year	<u>1,051,817</u>
Cash and cash equivalents at end of year	<u><u>\$ 868,207</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income	\$ 338,861
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	918,474
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(31,706)
(Decrease) in accounts payable and other accrued liabilities	(48,351)
(Decrease) in compensated absences	(1,052)
Increase in net OPEB obligation	<u>1,800</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,178,026</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, 2014

NOTE 1 - SUMMARY OF 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. Financial 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, 2014.

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, 2014 (Continued)

NOTE 1 - SUMMARY OF 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, 2014 totaled \$905,251.

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, 2014 was immaterial.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. 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.

I. Compensated Absences:

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

J. 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.

K. 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, 2014.

L. 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, 2014 is \$79,340.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 1 - SUMMARY OF 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.

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	\$ 118,393
Total	\$ 118,393

The Authority has not adopted a formal investment policy as of September 30, 2014.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 3 - CAPITAL ASSETS:

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

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Capital assets not being depreciated:				
Land and land rights	\$ 415,207	\$ -	\$ -	\$ 415,207
Construction in progress	1,104,876	502,807	941,564	666,119
Total capital assets not being depreciated	<u>\$ 1,520,083</u>	<u>\$ 502,807</u>	<u>\$ 941,564</u>	<u>\$ 1,081,326</u>
Capital assets being depreciated:				
Buildings and plant	\$ 41,537,632	\$ 991,339	\$ -	\$ 42,528,971
Equipment	924,187	17,216	-	941,403
Total capital assets being depreciated	<u>\$ 42,461,819</u>	<u>\$ 1,008,555</u>	<u>\$ -</u>	<u>\$ 43,470,374</u>
Less accumulated depreciation for:				
Buildings, plant, and equipment	\$ (14,601,778)	\$ (905,251)	\$ -	\$ (15,507,029)
Total capital assets being depreciated, net	<u>27,860,041</u>	<u>103,304</u>	<u>-</u>	<u>27,963,345</u>
Capital assets, net	<u>\$ 29,380,124</u>	<u>\$ 606,111</u>	<u>\$ 941,564</u>	<u>\$ 29,044,671</u>

Depreciation expense for the year totaled \$905,251.

NOTE 4 - CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2014 are as follows:

Project	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Wood Fuel Potable Well	\$ 20,062	\$ 468	\$ -	\$ 20,530
Jarratt WTP Intake	-	24,519	-	24,519
Blanks Lane Waterline	116,701	20,321	137,022	-
Megasite	539,672	264,870	804,542	-
Jarratt WTP Sludge Handling	-	15,584	-	15,584
Rt 301 N Manhole Project	-	465	-	465
Skippers Well	259,147	33,165	-	292,312
Nottoway Reservoir	169,294	143,415	-	312,709
Total	<u>\$ 1,104,876</u>	<u>\$ 502,807</u>	<u>\$ 941,564</u>	<u>\$ 666,119</u>

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

Notes to Financial Statements
As of September 30, 2014 (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 \$160,333.

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, 2014:

	<u>Balance Beginning of Year</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
Loan payable	\$ 140,451	\$ -	\$ 11,955	\$ 128,496	\$ 12,377
2002 Revenue Refunding Bonds	2,500,000	-	2,500,000	-	-
2013 Revenue Refunding Bonds	-	2,105,000	330,000	1,775,000	335,000
2010 Revenue Refunding Bonds	3,825,000	-	160,000	3,665,000	160,000
2004 Revenue Bonds	415,000	-	15,000	400,000	15,000
2011 Revenue Bonds	1,535,000	-	55,000	1,480,000	60,000
2012 Revenue Bonds	235,000	-	5,000	230,000	5,000
Premiums on bonds payable	521,226	132,945	74,163	580,008	51,969
Net OPEB obligation	13,700	4,600	2,800	15,500	-
Compensated absences	161,384	-	1,051	160,333	16,033
Total	<u><u>\$ 9,346,761</u></u>	<u><u>\$ 2,242,545</u></u>	<u><u>\$ 3,154,969</u></u>	<u><u>\$ 8,434,337</u></u>	<u><u>\$ 655,379</u></u>

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

Notes to Financial Statements
As of September 30, 2014 (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		2013 Refunding		2012B		2011B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 15,000	\$ 18,086	\$ 335,000	\$ 51,744	\$ 5,000	\$ 9,375	\$ 60,000	\$ 71,500
2016	15,000	17,422	345,000	43,625	5,000	9,169	60,000	68,625
2017	15,000	16,808	355,000	36,519	5,000	8,963	65,000	66,150
2018	15,000	16,192	365,000	25,425	5,000	8,706	65,000	63,019
2019	15,000	15,578	375,000	15,469	5,000	8,450	70,000	60,588
2020	15,000	14,962	-	-	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	\$ <u>400,000</u>	\$ <u>219,011</u>	\$ <u>1,775,000</u>	\$ <u>172,782</u>	\$ <u>230,000</u>	\$ <u>125,704</u>	\$ <u>1,480,000</u>	\$ <u>736,090</u>

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

<u>Year Ended</u> <u>September 30,</u>	<u>2010 Refunding</u>		<u>Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	\$ 3,665,000	\$ 1,695,918	\$ 128,496	\$ 22,351

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-term Obligations:

Compensated absences	\$ <u>160,333</u>
Net OPEB obligation	\$ <u>15,500</u>
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%.	\$ <u>128,496</u>
Revenue Bonds:	
\$2,105,000 Water & Sewer Refunding Revenue Bonds series 2013C issued November 6, 2013, due in various semi-annual payments of principal and interest through October 1, 2019, interest payable semi-annually at 1.74%.	\$ 1,775,000
\$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%.	400,000
Premium on bonds payable	580,008
\$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 at 3.83%.	230,000
\$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%.	1,480,000
\$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 at 3.98%.	<u>3,665,000</u>
Total revenue bonds	\$ <u>8,130,008</u>
Total long-term obligations	\$ 8,434,337
Less current portion	<u>655,379</u>
Total noncurrent obligations	<u><u>\$ 7,778,958</u></u>

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

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

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

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

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

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

VRS – PLAN 1 (continued)

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

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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

- 4. Retirement Contributions** - Same as VRS Plan 1 - Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1 - Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1 - Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1 - Refer to Section 7.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

VRS – PLAN 2 (continued)

- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- 9. Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
- 10. Normal Retirement Age** - Normal Social Security retirement age.
- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
- 14. Eligibility** - Same as VRS Plan 1 - Refer to Section 14.
- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 - Refer to Section 15.
- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1 - Refer to Section 17.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
 - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

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

5. Creditable Service

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

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

6. Vesting

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

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

6. Vesting (continued)

Defined Contribution Component (continued)

- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1 - Refer to Section 7.

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

8. Average Final Compensation - Same as VRS Plan 2 - Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

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

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

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

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

A. Plan Description: (continued)

HYBRID RETIREMENT PLAN (continued)

12. Earliest Reduced Retirement Eligibility

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

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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. 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 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 2014 was 7.78% of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2014, the Authority's annual pension cost of \$80,168 was equal to the Authority's 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, 2012	\$ 59,304	100%	\$ -
September 30, 2013	81,294	100%	-
September 30, 2014	80,168	100%	-

(1) Employer portion only

The FY 2014 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 5.60% 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.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 7 - PENSION PLAN: (continued)

D. Funded Status and Progress:

As of June 30, 2013, the most recent actuarial valuation date, the Authority's plan was 84.71% funded. The actuarial accrued liability for benefits was \$3,144,452, and the actuarial value of assets was 2,663,574, resulting in an unfunded actuarial accrued liability (UAAL) of \$480,878. The covered payroll (annual payroll of active employees covered by the plan) was \$1,109,073 and ratio of the UAAL to the covered payroll was 43.36%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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.

NOTE 9 - ECONOMIC DEPENDENCY:

For the fiscal year ended September 30, 2014, the Commonwealth of Virginia-Department of Corrections was billed \$1,680,306 for services, which constitutes approximately 41% of total operating revenues. Boar's Head Provisions Company, Inc. was billed \$2,658,452 for services, which constitutes approximately 16% of total operating revenues.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM - HEALTH INSURANCE:

Plan Description:

Greenville 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.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM - HEALTH INSURANCE: (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:

	<u>Primary Government</u>
Annual required contribution	\$ 4,700
Interest on OPEB obligation	500
Adjustment to annual required contribution	<u>(600)</u>
Annual OPEB cost (expense)	\$ 4,600
Estimated contribution made during FY 2014	<u>(2,800)</u>
Increase in net OPEB obligation	\$ 1,800
Net OPEB obligation - beginning of year	13,700
Net OPEB obligation - end of year	<u><u>\$ 15,500</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2012	\$ 5,500	63.64%	\$ 10,600
September 30, 2013	4,400	63.64%	13,700
September 30, 2014	4,600	60.87%	15,500

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM - HEALTH INSURANCE: (continued)

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.

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 July 1, 2012 was 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, 2014 (Continued)

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

The Authority has made the following loan 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 November 15, 2029, interest at 3.80%. The outstanding balance of this note at September 30, 2014 was \$659,512.

Annual repayments of principal and interest are as follows:

	<u>IDA Refinance</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 14,239	\$ 10,325
2016	35,104	23,850
2017	36,457	22,496
2018	37,863	21,090
2019	39,324	19,630
2020	40,840	18,114
2021	42,415	16,539
2022	44,051	14,903
2023	45,750	13,204
2024	47,514	11,440
2025	49,347	9,607
2026	51,250	7,704
2027	53,226	5,728
2028	53,279	3,675
2029	59,411	1,543
2030	9,443	44
Total	<u>\$ 659,512</u>	<u>\$ 199,894</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 an agent and 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, 2014 (Continued)

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

A. Plan Description: (Continued)

An employee of the Authority, 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 \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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:

As a participating local political subdivision, the Authority is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The Authority’s contribution rate for the fiscal year ended 2014 was .32% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The Authority is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2014, the Authority’s contribution of \$3,298 was equal to the ARC and OPEB cost. The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2014	\$ 3,298	100%	\$ -
September 30, 2013	3,344	100%	-
September 30, 2012	3,053	100%	-

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

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

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	52,597
Actuarial value of plan assets	\$	23,981
Unfunded actuarial accrued liability (UAAL)	\$	28,616
Funded ratio (actuarial value of plan assets/AAL)		45.59%
Covered payroll (active plan members)	\$	1,109,073
UAAL as a percentage of covered payroll		2.58%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision 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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by the member's years of service and the maximum benefit is assumed, no assumption relating to health care costs trend rates is needed or applied.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 30 years.

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

Notes to Financial Statements
As of September 30, 2014 (Continued)

NOTE 13 - UPCOMING 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)

Schedule of Pension Funding Progress for the Virginia Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
6/30/2013	2,663,574	3,144,452	480,878	84.71%	1,109,073	43.36%

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

Schedule of Funding OPEB Progress for Other Postemployment Benefits

Other Postemployment Benefits:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial 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	-	50,900	50,900	0.00%	941,822	5.40%

Virginia Retirement System Health Insurance Credit:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial 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)
6/30/2011	\$ 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%
6/30/2013	23,981	52,597	28,616	45.59%	1,109,073	2.58%

- 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, 2014, 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 29, 2015.

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 opinion 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, Ferme, & Associates

Charlottesville, Virginia
January 29, 2015