GREENSVILLE COUNTY WATER AND SEWER AUTHORITY (A Component Unit of the County of Greensville, Virginia) FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2016

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY

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

FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Members

Michael W. Ferguson, Chairman

Dr. Margaret T. Lee, Vice-Chairman

Raymond L. Bryant, Jr.

Peggy R. Wiley

K. David Whittington, Director

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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 a component unit of the County of Greensville, Virginia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Greensville County Water and Sewer Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Greensville County Water and Sewer Authority, as of September 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73 and 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 41-44 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 February 28, 2017, on our consideration of 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.

Rounson, Farmer, Cox Resociates Charlottesville, Virginia

February 28, 2017



Statement of Net Position At September 30, 2016

ASSETS	_	Water	Sewer		Total
Current assets: Cash and cash equivalents Cash - restricted Accounts receivable Loans receivable, current portion	\$	5,572,470 5 791,701 272,553 18,228	\$ 2,905,665 156,653 301,882 18,229	\$	8,478,135 948,354 574,435 36,457
Total current assets	\$	6,654,952	\$ 3,382,429	\$_	10,037,381
Noncurrent assets: Capital assets: Land and land rights Buildings, plant and equipment, net of accumulated depreciation Construction in progress	\$	2,171,350 s 13,772,846 2,687,257	\$ 334,550 12,704,066 398,906	\$	2,505,900 26,476,912 3,086,163
Total capital assets Loans receivable, long-term portion	\$	18,631,453 286,856	\$ 13,437,522 286,857	\$	32,068,975 573,713
Total noncurrent assets	\$	18,918,309	\$ 13,724,379	\$	32,642,688
Total assets	\$	25,573,261	\$ 17,106,807	\$_	42,680,068
DEFERRED OUTFLOWS OF RESOURCES Post measurement date employer pension contributions Differences between expected and actual experience - pension	\$	34,502 55,640	\$ 44,418 	\$	78,920 127,271
Total deferred outflows of resources	\$	90,142	\$116,049	\$_	206,191
LIABILITIES Current liabilities: Accounts payable and accrued expenses Current portion of long-term obligations	\$	403,972 : 511,225	\$ 98,843 490,122	\$	502,815 1,001,347
Total current liabilities	\$	915,197	\$ 588,965	\$	1,504,162
Noncurrent liabilities: Noncurrent portion of long-term obligations	\$_	6,897,892	\$ 3,859,349	\$	10,757,241
Total liabilities	\$	7,813,089	\$ 4,448,314	\$	12,261,403
DEFERRED INFLOWS OF RESOURCES Net difference of actual and expected pension plan earnings	\$_	38,400	\$ 49,436	\$	87,836
NET POSITION Net investment in capital assets Restricted - debt service reserve Unrestricted net position	\$	11,477,927 791,701 5,542,286	156,653 3,174,300		20,872,080 948,354 8,716,586
Total net position	\$_	17,811,914	\$ 12,725,106	\$	30,537,020

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

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2016

	_	Water		Sewer		Total
Operating revenues: Metered saleswater User feessewer Penalties Other operating revenues	\$	1,883,734 - 17,310 46,248	\$	- \$ 2,316,849 26,159 58,124		1,883,734 2,316,849 43,469 104,372
Total operating revenues	\$_	1,947,292	\$	2,401,132 \$		4,348,424
Operating expenses: Administration Authority Board Maintenance Water treatment-Northampton Water treatment-Jarratt Econo lodge well system Jackson Field water system Falling run sewage treatment plant Three creek sewage treatment plant Sewage treatment -Emporia/Northampton Sewage treatment-Jarratt Washington Park tank repairs Skippers sewage treatment plant Depreciation Amortization	\$	308,881 11,552 289,678 15,625 670,422 13,839 4,887 - - - - 463,291	\$	321,939 \$ 17,180 493,795 62,764 666,871 73,449 90,660 - 61,337 452,330 -		630,820 28,732 783,473 15,625 670,422 13,839 4,887 62,764 666,871 73,449 90,660 - 61,337 915,621
Total operating expenses	\$_	1,778,175		2,240,325 \$		4,018,500
Operating income	\$_	169,117	. \$ _	160,807 \$		329,924
Nonoperating revenues (expenses): Interest income Interest expense	\$	26,907 (184,150)	\$	23,432 \$ (206,894)		50,339 (391,044)
Total nonoperating revenues (expenses)	\$_	(157,243)	\$_	(183,462) \$		(340,705)
Income (loss) before grants and capital contributions	\$_	11,874	\$_	(22,655) \$		(10,781)
Capital grants Connection charges	\$	3,939,488 8,010	\$	1,440,515 \$ 13,018		5,380,003 21,028
Total grants and capital contributions	\$_	3,947,498	\$_	1,453,533 \$		5,401,031
Change in net position Net position - beginning of year	\$	3,959,372 13,852,542	\$	1,430,878 \$ 11,294,228		5,390,250 25,146,770
Net position - end of year	\$_	17,811,914	\$_	12,725,106 \$;	30,537,020

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

Statement of Cash Flows For the Year Ended September 30, 2016

		Water	Sewer	Total
Cash flows from operating activities: Receipts from customers and users Payments to suppliers of goods and services Payments to employees	\$	2,006,048 \$ (639,767) (498,411)	2,365,761 \$ (1,067,685) (621,744)	4,371,809 (1,707,452) (1,120,155)
Net cash provided by (used for) operating activities	\$_	867,870 \$	676,332 \$	1,544,202
Cash flows from capital and related financing activities: Interest paid on debt Capital contributions and connection charges Capital grants received Additions to capital assets and construction in progress Bond premium received Proceeds from bonds payable Retirement of indebtedness	\$	(217,359) \$ 8,010 3,939,488 (3,068,799) 218,574 2,025,000 (407,500)	(242,263) \$ 13,018 1,440,515 (437,034) (425,315)	(459,622) 21,028 5,380,003 (3,505,833) 218,574 2,025,000 (832,815)
Net cash provided by (used for) capital and related financing activities	\$_	2,497,414 \$	348,921 \$	2,846,335
Cash flows from investing activities: Interest earned Principal payments received on loans receivable	\$_	26,907 \$ 17,552	23,432 \$ 17,552	50,339 35,104
Net cash provided by (used for) investing activities	\$_	44,459 \$	40,984 \$	85,443
Increase (decrease) in cash and cash equivalents for the year	\$	3,409,743 \$	1,066,237 \$	4,475,980
Cash and cash equivalents at beginning of year, including \$443,369 of cash in hands of trustee	_	2,954,428	1,996,081	4,950,509
Cash and cash equivalents at end of year, including \$948,354 of cash in hands of trustee	\$_	6,364,171 \$	3,062,318 \$	9,426,489
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income	\$	169,117 \$	160,807 \$	329,924
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: Depreciation		463,291	452,330	915,621
Changes in operating assets and liabilities: (Increase) in accounts receivable (Decrease) in accounts payable and other accrued liabilities Increase in compensated absences Increase in net pension liability (Increase) in deferred outflows of resources - pension (Decrease) in deferred inflows of resources - pension Increase in net OPEB obligation	_	58,756 177,252 8,441 97,235 (57,328) (49,749) 855	(35,371) 77,027 33,055 125,185 (73,809) (64,037) 1,145	23,385 254,279 41,496 222,420 (131,137) (113,786) 2,000
Net cash provided by (used for) operating activities	\$_	867,870 \$	676,332 \$	1,544,202

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

Notes to Financial Statements As of September 30, 2016

NOTE 1 - SUMMARY OF 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 <u>Code of Virginia</u>, 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), <u>Code of Virginia</u>, 1950, as amended and in accordance with the general provisions of the Virginia Water and Sewer Authorities Act.

B. Financial 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 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:

For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 - Schedule of Employer Contributions
 - Notes to Required Supplementary Information
 - Schedule of Funding OPEB Progress for Other Postemployment Benefits

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.

Notes to Financial Statements As of September 30, 2016 (Continued)

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

D. <u>Basis of Accounting: (continued)</u>

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:

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.

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, 2016 was immaterial.

Notes to Financial Statements As of September 30, 2016 (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. <u>Compensated Absences:</u>

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

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes 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 has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year, and differences between expected and actual experience. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes 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 has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

K. Net Position:

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

Notes to Financial Statements As of September 30, 2016 (Continued)

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

L. <u>Net Position Flow Assumption:</u>

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.

M. Adoption of Accounting Principles

<u>Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application</u>

The Authority implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Authority's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The Authority implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Authority's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73

The Authority early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

The Authority has not adopted a formal investment policy as of September 30, 2016.

Credit Risk of Debt Securities

The Authority's rated debt investments as of September 30, 2016 were rated by <u>Standard & Poor's</u> and the ratings are presented below using Standard & Poor's rating scale.

Authority's	Rated D	ebt Inves	tment \	/alue
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Rated Debt Investments	 Fair Quality Ratings
	 AAAm
Local Government Investment Pool	\$ 119,041
Virginia State Non-Arbitrage Pool	725,979
Total	\$ 845,020

Interest Rate Risk

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 119,041	\$ 119,041
Virginia State Non-Arbitrage Pool	725,979	725,979
Total	\$ 845,020	\$ 845,020

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3 - CAPITAL ASSETS:

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

		Balance			Balance
	S	eptember 30,			September 30,
	_	2015	Additions	Deletions	2016
Capital assets not being depreciated:					
Land and land rights	\$	459,746 \$	2,046,154 \$	- \$	2,505,900
Construction in progress		1,626,485	3,505,832	2,046,154	3,086,163
Total capital assets not being					
depreciated	\$_	2,086,231 \$	5,551,986 \$	2,046,154 \$	5,592,063
Capital assets being depreciated:					
Buildings and plant	\$	42,821,856 \$	- \$	- \$	42,821,856
Equipment		997,256		(16,859)	1,014,115
Total capital assets being depreciated	\$	43,819,112 \$	- \$	(16,859) \$	43,835,971
Accumulated depreciation:					
Buildings, plant, and equipment	\$_	(16,426,579) \$	(915,621) \$	16,859	(17,359,059)
Total capital assets being depreciated, net		27,392,533	(915,621)		26,476,912
Capital assets, net	\$	29,478,764 \$	4,636,365 \$	2,046,154 \$	32,068,975

Depreciation expense for the year totaled \$915,621.

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 4 - CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2016 are as follows:

	Balance September 30,				Balance September 30,
Project	 2015	 Additions	 Deletions	ons 2016	
Exit 4 Potable Well Integration	\$ 173,291	\$ 7,474	\$ -	\$	180,765
Jarratt WTP Intake	45,226	172,736	-		217,962
Exit 4 Potable Water Storage Tank	3,238	2,385	-		5,623
High Hills Sewer PS replace	6,460	525	-		6,985
Dominion VA Power Water	269,049	2,597,462	2,025,039		841,472
Dominion VA Power Sewer	96,284	323,737	21,115		398,906
Moonlight/Crescent Interconnect	5,850	30,191	-		36,041
Jarratt WTP Sludge Handling	49,604	271,879	-		321,483
Rt 301 N Manhole Project	509,347	54,021	-		563,368
Exit 4 Skippers Well Sewer Force Main	-	10,702	-		10,702
195 Exit 4 IHOP	-	7,817	-		7,817
SCADA Controls	-	11,473	-		11,473
195 Exit 4 Water Convenience Project	-	15,430	-		15,430
Nottoway Reservoir	468,136	 -	 -	-	468,136
Total	\$ 1,626,485	\$ 3,505,832	\$ 2,046,154	\$	3,086,163

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 \$222,172.

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the fiscal year ended September 30, 2016:

		Balance			Balance	
		Beginning	Issuances/	Retirements/	End of	Current
	_	of Year	Increases	Decreases	Year	Portion
	_				_	_
Loan payable	\$	116,119 \$	- \$	12,815 \$	103,304 \$	13,267
2014 Revenue Refunding Bonds		2,305,000	-	240,000	2,065,000	250,000
2013 Revenue Refunding Bonds		1,440,000	-	345,000	1,095,000	355,000
2010 Revenue Refunding Bonds		3,505,000	-	170,000	3,335,000	180,000
2011 Revenue Bonds		1,420,000	-	60,000	1,360,000	65,000
2012 Revenue Bonds		225,000	-	5,000	220,000	5,000
2016 Revenue Bonds		-	2,025,000	-	2,025,000	35,000
Premiums on bonds payable		843,595	218,574	68,578	993,591	75,863
Net OPEB obligation		18,300	3,800	1,800	20,300	-
Net Pension Liability		96,801	504,468	282,048	319,221	-
Compensated absences	_	180,676	41,496		222,172	22,217
Total	\$_	10,150,491 \$	2,793,338	1,185,241 \$	11,758,588 \$	1,001,347

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

Year Ended		2016	В	2013 Refu	ınding	2	01	4		2012B		201	18	3	
eptember 30,		Principal	Interest	Principal	Interest	Principal		Interest		Principal	_	Interest	Principal	_	Interest
2017	\$	35,000 \$	77,769 \$	355,000 \$	36,519 \$	250,000	\$	99,281	\$	5,000	\$	8,963 \$	65,000	\$	66,150
2018		35,000	76,575	365,000	25,425	70,000		86,469		5,000		8,706	65,000		63,019
2019		40,000	75,181	375,000	15,469	75,000		82,881		5,000		8,450	70,000		60,588
2020		40,000	73,731	-	-	80,000		79,038		5,000		8,194	70,000		57,450
2021		40,000	71,931	-	-	80,000		75,388		10,000		7,938	75,000		54,363
2022		45,000	70,131	-	-	85,000		71,288		10,000		7,425	80,000		50,519
2023		45,000	67,825	-	-	95,000		66,931		10,000		6,913	85,000		46,419
2024		50,000	65,519	-	-	100,000		62,063		10,000		6,400	90,000		42,063
2025		50,000	63,156	-	-	100,000		56,938		10,000		5,938	95,000		37,450
2026		50,000	61,094	-	-	105,000		51,813		10,000		5,475	95,000		32,581
2027		55,000	59,031	-	-	110,000		46,781		10,000		5,038	100,000		27,713
2028		55,000	56,363	-	-	110,000		41,494		10,000		4,650	110,000		22,588
2029		60,000	53,994	-	-	115,000		36,156		10,000		4,263	115,000		17,300
2030		60,000	51,369	-	-	125,000		32,213		10,000		3,875	120,000		11,756
2031		65,000	49,156	-	-	130,000		26,206		10,000		3,550	125,000		6,006
2032		65,000	46,825	-	-	140,000		19,944		15,000		3,225	-		-
2033		70,000	44,469	-	-	145,000		13,169		15,000		2,719	-		-
2034		70,000	41,956	-	-	150,000		6,188		15,000		2,175	-		-
2035		75,000	39,369	-	-	-		-		15,000		1,631	-		-
2036		75,000	37,338	-	-	-		-		15,000		1,088	-		-
2037		80,000	35,231	-	-	-		-		15,000		544	-		-
2038		80,000	31,806	-	-	-		-		-		-	-		-
2039		85,000	28,269	-	-	-		-		-		-	-		-
2040		90,000	24,475	-	-	-		-		-		-	-		-
2041		95,000	20,363	-	-	-		-		-		-	-		-
2042		95,000	16,094	-	-	-		-		-		-	-		-
2043		100,000	13,125	-	-	-		-		-		-	-		-
2044		105,000	10,000	-	-	-		-		-		-	-		-
2045		105,000	6,719	-	-	-		-		-		-	-		-
2046	_	110,000	3,438	-		-		-		-		_		_	
Total	\$	2,025,000 \$	1 372 302 \$	1 005 000 \$	77 /12 ¢	2 065 000	Ф	954,241	¢	220,000	Ф	107 140 ¢	1,360,000	¢	EOE 041

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

Year Ended		2010 Refunding		Loan Pay	/able
September 30,	-	Principal	Interest	Principal	Interest
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	<u> </u>	
Total	\$	3,335,000 \$	1,354,640 \$	103,304 \$	14,009

<u>Details of Long-term Obligations:</u>

Compensated absences	\$ 222,172
Net OPEB obligation	\$ 20,300
Net Pension Liability	\$ 319,221
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%.	\$ 103,304

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

<u>Details of Long-term Obligations: (continued)</u>

Rev	/en	ПР	RΩ	nds:

\$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%.	\$	1,095,000
Premiums on bonds payable		993,591
\$2,175,000 Water & Sewer Refunding Revenue Bonds series 2014C issued November 5, 2014, due in various semi-annual payments of principal and interest through October 1, 2034, interest payable semi-annually at 3.26%.		1,730,000
\$365,000 Water & Sewer Refunding Revenue Bonds series 2014C issued November 5, 2014, due in various semi-annual payments of principal and interest through October 1, 2034, interest payable semi-annually at 3.50%.		335,000
\$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%.		220,000
\$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%.		1,360,000
\$2,025,000 Water & Sewer Revenue Bonds series 2016B issued July 27, 2016, due in various semi-annual payments of principal and interest through October 1, 2046, interest payable semi-annually at 3.17%.		2,025,000
\$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%.	_	3,335,000
Total revenue bonds	\$_	11,093,591
Total long-term obligations	\$	11,758,588
Less current portion	_	1,001,347
Total noncurrent obligations	\$_	10,757,241

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 7 - PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (VRS)

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 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 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and 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.	

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.	
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible 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 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 Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or 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.	

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.	
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	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.	

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
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.	Creditable Service Same as Plan 1.	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 Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.		

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
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.	Vesting Same as Plan 1.	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. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.	

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.		
Calculating the Benefit 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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1		

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Calculating the Benefit (Cont.) 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.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.	
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.	
Service Retirement Multiplier VRS: 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 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the	Service Retirement Multiplier VRS: 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. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component:	

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable.	
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.	
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.	
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)		
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.		
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.		

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)			
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.	Exceptions to COLA Effective Dates: Same as Plan 1	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.			

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before	Disability Coverage Employees of political subdivisions (including Plan 1 and 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. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered			
	becoming eligible for non-work related disability benefits.	under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.			
	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.			

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Plan Description (continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	4
Non-vested inactive members	3
Inactive members active elsewhere in VRS	8
Total inactive members	15
Active members	22
Total covered employees	43

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Authority's contractually required contribution rate for the year ended June 30, 2016 was 7.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$78,920 and \$75,054 for the years ended June 30, 2016 and June 30, 2015, respectively.

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

All Others (Non 10 Largest) - Non-LEOS:

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

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
*Expected arithmetic nominal return			8.33%

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

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Greensville County Water & Sewer Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		Increase (Decrease)				
	Total		Plan		Net	
	Pension			Fiduciary		Pension
		Liability		Net Position		Liability
	_	(a)		(b)		(a) - (b)
Balances at June 30, 2014	\$_	3,410,035	\$	3,313,234	\$_	96,801
Changes for the year:						
Service cost	\$	103,615	\$	-	\$	103,615
Interest		235,966		-		235,966
Differences between expected						
and actual experience		162,821		-		162,821
Contributions - employer		-		75,055		(75,055)
Contributions - employee		-		52,633		(52,633)
Net investment income		-		154,360		(154,360)
Benefit payments, including refunds						
of employee contributions		(78,182)		(78,182)		-
Administrative expenses		-		(2,033)		2,033
Other changes		-		(33)		33
Net changes	\$	424,220	\$	201,800	\$	222,420
Balances at June 30, 2015	\$_	3,834,255	\$	3,515,034	\$_	319,221

Notes to Financial Statements As of September 30, 2016 (Continued)

Note 7-Pension Plan: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	_		Rate	
		(6.00%)	 (7.00%)	 (8.00%)
Greensville County Water and Sewer Authority				
Net Pension Liability (Asset)	\$	905,843	\$ 319,221	\$ (160,979)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Authority recognized pension expense of \$56,418. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	_	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	127,271 \$	-
Net difference between projected and actual earnings on pension plan investments		-	87,836
Employer contributions subsequent to the measurement date		78,920	<u> </u>
Total	\$	206,191 \$	87,836

\$78,920 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	_	
2017	\$	990
2018		990
2019		988
2020		36,467
Thereafter		_

Notes to Financial Statements As of September 30, 2016 (Continued)

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, 2016, the Commonwealth of Virginia-Department of Corrections was billed \$1,758,151 for services, which constitutes approximately 40% of total operating revenues. Boar's Head Provisions Company, Inc. was billed \$733,389 for services, which constitutes approximately 17% of total operating revenues.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM - HEALTH INSURANCE:

Plan Description:

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

Funding Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

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

Notes to Financial Statements As of September 30, 2016 (Continued)

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

Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

	_ G	Primary Sovernment
Annual required contribution Interest on OPEB obligation Adjustment to annual required contribution	\$	3,900 700 (800)
Annual OPEB cost (expense)	\$	3,800
Estimated contribution made during FY 2016		(1,800)
Increase in net OPEB obligation	\$	2,000
Net OPEB obligation - beginning of year		18,300
Net OPEB obligation - end of year	\$	20,300

For 2016, the Authority's annual contribution of \$1,800 did not equal the annual OPEB cost of \$3,800. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended		Annual of Annual OPEB OPEB Cost Cost Contributed		Net OPEB Obligation		
September 30, 2014 September 30, 2015 September 30, 2016	\$	4,600 3,700 3,800	60.87% 24.32% 47.37%	\$ 15,500 18,300 20,300		

Funded Status and Funding Progress:

As of July 1, 2014, the Authority's actuarial accrued liability for benefits was \$48,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,036,768, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.66%.

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.

Notes to Financial Statements As of September 30, 2016 (Continued)

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

Funded Status and Funding Progress: (Continued)

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

Actuarial Methods and Assumptions:

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

The following simplifying assumptions were made:

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

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

Coverage elections - The actuarial assumed that 20% of current actives of the 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 July 1, 2014 was thirty years.

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

The Authority has made the following loan 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 November 15, 2029, interest at 3.80%. The outstanding balance of this note at September 30, 2016 was \$610,169.

Notes to Financial Statements As of September 30, 2016 (Continued)

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

Annual repayments of principal and interest are as follows:

		IDA Refinance								
	_	Principal		Interest						
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	_	9,442		44						
Total	\$	610,169	\$	165,717						

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.

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 <u>Code of Virginia</u>. 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.

Notes to Financial Statements As of September 30, 2016 (Continued)

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

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 <u>Code of Virginia</u> and the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2016 was .24% 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 2016, the Authority's contribution of \$2,670 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 2016 and the preceding two years are as follows:

		Annual	Percentage		Net
		OPEB	of APC		OPEB
Fiscal Year Ending	_	Cost (APC)	Contributed	_	Obligation
September 30, 2016	\$	2,670	100%	\$	-
September 30, 2015		2,547	100%		-
September 30, 2014		3,298	100%		-

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 56,548
Actuarial value of plan assets	\$ 32,844
Unfunded actuarial accrued liability (UAAL)	\$ 23,704
Funded ratio (actuarial value of plan assets/AAL)	58.08%
Covered payroll (active plan members)	\$ 1,036,768
UAAL as a percentage of covered payroll	2.29%

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.

Notes to Financial Statements As of September 30, 2016 (Continued)

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

D. Funded Status and Funding Progress: (continued)

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, 2015 was 19-28 years.

NOTE 13 - 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 Commonwealth 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. For property and liability insurance the Authority joined together with other local governments in the State to form the Virginia Association of Counties Group Self-Insurance Pool, a public entity risk pool. The Agreements for Formation of the associations provide that the associations will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

Notes to Financial Statements As of September 30, 2016 (Continued)

NOTE 14 - UPCOMING PRONOUNCEMENTS:

The primary objective of statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

The primary objective of statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The primary objective of statement No. 81, *Irrevocable Split-Interest Agreements*, is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.



Schedule of Components of and Changes in Net Pension Liability and Related Ratios For the Year Ended June 30, 2016

		2015		2014
Total pension liability	_		_	
Service cost	\$	103,615	\$	115,718
Interest		235,966		217,736
Differences between expected and actual experience		162,821		-
Benefit payments, including refunds of employee contributions		(78,182)		(67,871)
Net change in total pension liability	\$	424,220	\$	265,583
Total pension liability - beginning		3,410,035		3,144,452
Total pension liability - ending (a)	\$	3,834,255	\$	3,410,035
Plan fiduciary net position				
Contributions - employer	\$	75,055	\$	80,168
Contributions - employee		52,633		51,522
Net investment income		154,360		450,281
Benefit payments, including refunds of employee contributions		(78,182)		(67,871)
Administrative expense		(2,033)		(2,348)
Other	_	(33)	_	24
Net change in plan fiduciary net position	\$	201,800	\$	511,776
Plan fiduciary net position - beginning		3,313,234		2,801,458
Plan fiduciary net position - ending (b)	\$	3,515,034	\$	3,313,234
Authority's net pension liability - ending (a) - (b)	\$	319,221	\$	96,801
Plan fiduciary net position as a percentage of the total pension liability		91.67%		97.16%
Covered payroll	\$	1,052,653	\$	1,030,441
Authority's net pension liability as a percentage of covered payroll		30.33%		9.39%

This schedule is intended to report information for 10 years. Information prior to the 2014 valuation is not available. Additional years will be included when available.

Schedule of Employer Contributions For the Year Ended June 30, 2016

Fiscal Year					 Contribution Deficiency (Excess) (3)	 Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)	
2016	\$	78,920	\$	78,920	\$ -	\$ 1,106,867	7.13%	
2015		75,054		75,054	-	1,052,653	7.13%	
2014		80,168		80,168	-	1,030,441	7.78%	
2013		80,556		80,556	-	1,035,420	7.78%	
2012		52,825		52,825	-	963,954	5.48%	
2011		50,841		50,841	-	927,764	5.48%	
2010		53,009		53,009	-	939,870	5.64%	
2009		52,751		52,751	-	935,298	5.64%	
2008		70,677		70,677	-	894,643	7.90%	
2007		67,294		67,294	-	851,824	7.90%	

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

All Others (Non 10 Largest) - Non-LEOS:

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

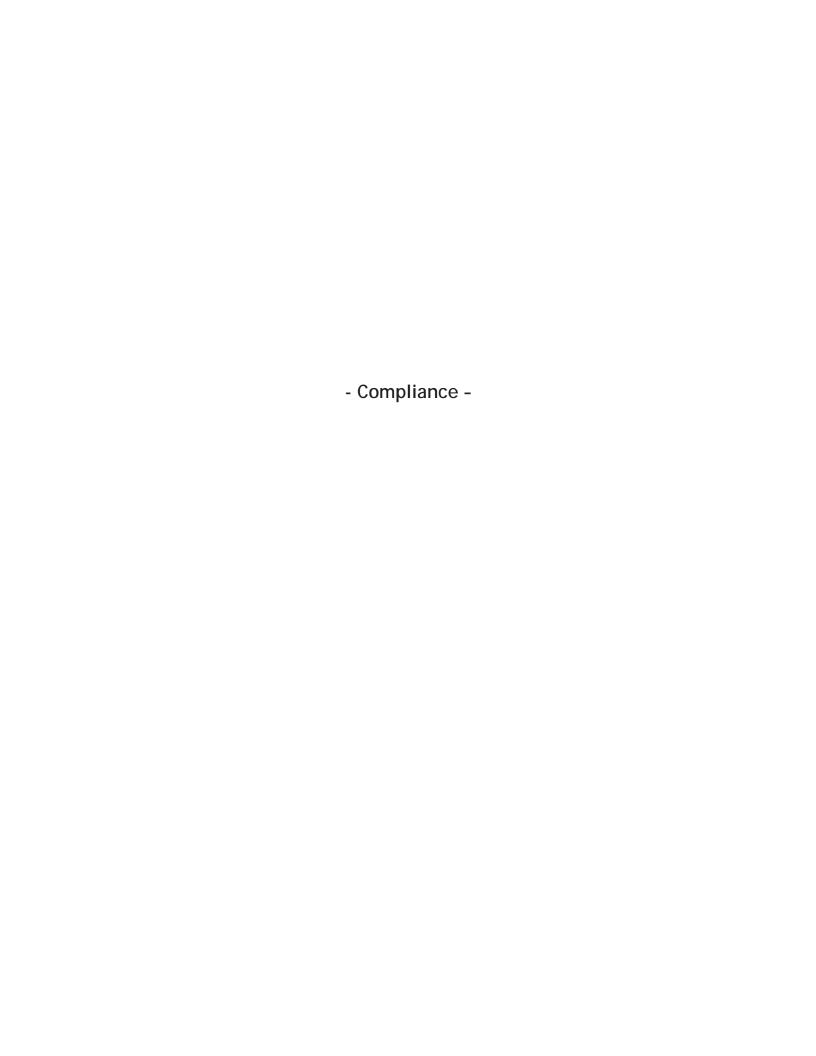
Schedule of Funding OPEB Progress for Other Postemployment Benefits

Health Insurance:

	Actuarial	Actuarial	Unfunded			UAAL
Actuarial	Value of	Accrued	(Excess Funded)	Funded		as % of
Valuation	Assets	Liability	Actuarial	Ratio	Covered	Payroll
Date	(AVA)	(AAL)	Accrued Liability	(2)/(3)	Payroll	(4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
7/1/2014	-	48,300	48,300	0.00%	1,022,990	4.72%

Virginia Retirement System Health Insurance Credit:

	Actuarial	Actuarial	Unfunded			UAAL
Actuarial	Value of	Accrued	(Excess Funded)	Funded		as % of
Valuation	Assets	Liability	Actuarial	Ratio	Covered	Payroll
Date	(AVA)	(AAL)	Accrued Liability	(2)/(3)	Payroll	(4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 23,981 \$	52,597 \$	28,616	45.59% \$	1,109,073	2.58%
6/30/2014	30,033	53,123	23,090	56.53%	1,022,990	2.26%
6/30/2015	32,844	56,548	23,704	58.08%	1,036,768	2.29%



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, 2016, 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 February 28, 2017.

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 Greensville 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.

Ruinson, Farmer, Cox Associates Charlottesville, Virginia

February 28, 2017