# GREENSVILLE COUNTY WATER AND SEWER AUTHORITY

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

## FINANCIAL REPORT

## FOR THE YEAR ENDED SEPTEMBER 30, 2017

**GREENSVILLE COUNTY WATER AND SEWER AUTHORITY**

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Members**

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Michael W. Ferguson, Chairman

Dr. Margaret T. Lee, Vice-Chairman

Peggy R. Wiley

Raymond L. Bryant, Jr.

K. David Whittington, Director

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## 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, 2017, 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, 2017, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

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 March 12, 2018, 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 12, 2018

# - Financial Statements -

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

Statement of Net Position
At September 30, 2017

| | Water | Sewer | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 1,094,210 | $ 1,812,448 | $ 2,906,658 |
| Cash - restricted | 280,943 | 158,077 | 439,020 |
| Accounts receivable | 280,345 | 328,070 | 608,415 |
| Grant receivable | 125,968 | - | 125,968 |
| Loans receivable, current portion | 18,932 | 18,933 | 37,865 |
| Total current assets | $ 1,800,398 | $ 2,317,528 | $ 4,117,926 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and land rights | $ 2,171,350 | $ 334,550 | $ 2,505,900 |
| Buildings, plant and equipment, net of accumulated depreciation | 14,776,794 | 12,495,872 | 27,272,666 |
| Construction in progress | 10,919,418 | 2,981,469 | 13,900,887 |
| Total capital assets | $ 27,867,562 | $ 15,811,891 | $ 43,679,453 |
| Loans receivable, long-term portion | 267,924 | 267,923 | 535,847 |
| Total noncurrent assets | $ 28,135,486 | $ 16,079,814 | $ 44,215,300 |
| Total assets | $ 29,935,884 | $ 18,397,342 | $ 48,333,226 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Post measurement date employer pension contributions | $ 43,051 | $ 58,248 | $ 101,299 |
| Differences between expected and actual earnings - pension | 39,831 | 53,891 | 93,722 |
| Differences between expected and actual experience - pension | 41,096 | 55,602 | 96,698 |
| Total deferred outflows of resources | $ 123,978 | $ 167,741 | $ 291,719 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ 710,500 | $ 127,444 | $ 837,944 |
| Current portion of long-term obligations | 425,612 | 407,178 | 832,790 |
| Total current liabilities | $ 1,136,112 | $ 534,622 | $ 1,670,734 |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations | $ 6,826,747 | $ 3,576,622 | $ 10,403,369 |
| Total liabilities | $ 7,962,859 | $ 4,111,244 | $ 12,074,103 |
| **NET POSITION** | | | |
| Net investment in capital assets | $ 20,947,070 | $ 12,247,158 | $ 33,194,228 |
| Restricted - debt service reserve | 280,943 | 158,077 | 439,020 |
| Unrestricted net position | 868,990 | 2,048,604 | 2,917,594 |
| Total net position | $ 22,097,003 | $ 14,453,839 | $ 36,550,842 |

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

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

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2017

| | Water | Sewer | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Metered sales--water | $ 1,840,738 | $ - | $ 1,840,738 |
| User fees--sewer | - | 2,387,451 | 2,387,451 |
| Penalties | 20,567 | 28,046 | 48,613 |
| Other operating revenues | 107,442 | 66,094 | 173,536 |
| Total operating revenues | $ 1,968,747 | $ 2,481,591 | $ 4,450,338 |
| Operating expenses: | | | |
| Administration | $ 214,647 | $ 352,996 | $ 567,643 |
| Authority Board | 11,515 | 16,728 | 28,243 |
| Maintenance | 247,125 | 633,223 | 880,348 |
| Water treatment-Northampton | 14,777 | - | 14,777 |
| Water treatment-Jarratt | 737,212 | - | 737,212 |
| Econo lodge well system | 17,121 | - | 17,121 |
| Jackson Field water system | 3,563 | - | 3,563 |
| Falling run sewage treatment plant | - | 67,662 | 67,662 |
| Three creek sewage treatment plant | - | 668,394 | 668,394 |
| Sewage treatment -Emporia/Northampton | - | 38,803 | 38,803 |
| Sewage treatment-Jarratt | - | 46,580 | 46,580 |
| Washington Park tank repairs | 95,583 | - | 95,583 |
| Skippers sewage treatment plant | - | 58,937 | 58,937 |
| Depreciation | 487,244 | 463,454 | 950,698 |
| Total operating expenses | $ 1,828,787 | $ 2,346,777 | $ 4,175,564 |
| Operating income | $ 139,960 | $ 134,814 | $ 274,774 |
| Nonoperating revenues (expenses): | | | |
| Interest income | $ 15,424 | $ 15,491 | $ 30,915 |
| Transfers | 10,861 | (10,861) | - |
| Interest expense | (213,608) | (129,528) | (343,136) |
| Total nonoperating revenues (expenses) | $ (187,323) | $ (124,898) | $ (312,221) |
| Income (loss) before grants and capital contributions | $ (47,363) | $ 9,916 | $ (37,447) |
| Capital grants | $ 3,114,508 | $ 1,681,775 | $ 4,796,283 |
| Federal water grant | 1,198,884 | - | 1,198,884 |
| Connection charges | 19,060 | 37,042 | 56,102 |
| Total grants and capital contributions | $ 4,332,452 | $ 1,718,817 | $ 6,051,269 |
| Change in net position | $ 4,285,089 | $ 1,728,733 | $ 6,013,822 |
| Net position - beginning of year | 17,811,914 | 12,725,106 | 30,537,020 |
| Net position - end of year | $ 22,097,003 | $ 14,453,839 | $ 36,550,842 |

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

**GREENSVILLE COUNTY WATER AND SEWER AUTHORITY**

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

Statement of Cash Flows

For the Year Ended September 30, 2017

| | Water | Sewer | Total |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Receipts from customers and users | $ 1,834,987 | $ 2,455,403 | $ 4,290,390 |
| Payments to suppliers of goods and services | (504,643) | (1,133,642) | (1,638,285) |
| Payments to employees | (526,332) | (709,243) | (1,235,575) |
| Net cash provided by (used for) operating activities | $ 804,012 | $ 612,518 | $ 1,416,530 |
| Cash flows from noncapital financing activities: | | | |
| Transfers | $ 10,861 | $ (10,861) | $ - |
| Cash flows from capital and related financing activities: | | | |
| Interest paid on debt | $ (213,608) | $ (129,530) | $ (343,138) |
| Capital contributions and connection charges | 19,060 | 37,042 | 56,102 |
| Capital grants received | 4,313,392 | 1,681,775 | 5,995,167 |
| Additions to capital assets and construction in progress | (9,723,353) | (2,837,822) | (12,561,175) |
| Loan proceeds received | 267,461 | - | 267,461 |
| Retirement of indebtedness | (500,495) | (478,636) | (979,131) |
| Net cash provided by (used for) capital and related financing activities | $ (5,837,543) | $ (1,727,171) | $ (7,564,714) |
| Cash flows from investing activities: | | | |
| Interest earned | $ 15,424 | $ 15,491 | $ 30,915 |
| Principal payments received on loans receivable | 18,228 | 18,230 | 36,458 |
| Net cash provided by (used for) investing activities | $ 33,652 | $ 33,721 | $ 67,373 |
| Increase (decrease) in cash and cash equivalents for the year | $ (4,989,018) | $ (1,091,793) | $ (6,080,811) |
| Cash and cash equivalents at beginning of year, including $948,354 of cash in hands of trustee | 6,364,171 | 3,062,318 | 9,426,489 |
| Cash and cash equivalents at end of year, including $439,020 of cash in hands of trustee | $ 1,375,153 | $ 1,970,525 | $ 3,345,678 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income | $ 139,960 | $ 134,814 | $ 274,774 |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 487,244 | 463,454 | 950,698 |
| Changes in operating assets and deferred outflows of resources, and liabilities: | | | |
| (Increase) in accounts receivable | (7,792) | (26,188) | (33,980) |
| (Increase) in grant receivable | (125,968) | - | (125,968) |
| (Decrease) in accounts payable and other accrued liabilities | 306,528 | 28,601 | 335,129 |
| Increase in compensated absences | 3,878 | 5,869 | 9,747 |
| Increase in net pension liability | 72,564 | 107,330 | 179,894 |
| (Increase) in deferred outflows of resources - pension | (33,836) | (51,692) | (85,528) |
| (Decrease) in deferred inflows of resources - pension | (38,400) | (49,436) | (87,836) |
| (Decrease) in net OPEB obligation | (166) | (234) | (400) |
| Net cash provided by (used for) operating activities | $ 804,012 | $ 612,518 | $ 1,416,530 |

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

## 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 Code of Virginia, 1950, as amended. The County of Greensville, Virginia serves as the fiscal agent for the Authority.

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

B. 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 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Basis of Accounting: (continued)

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents:

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

F. Allowance for Uncollectible Accounts:

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

G. Capital Assets and Depreciation:

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

| 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, 2017 was immaterial.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. Use of Estimates:

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

I. Compensated Absences:

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

J. 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 two items that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investment. It is also 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. 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 no items that qualifies for reporting in this category.

K. Net Position:

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

L. Net Position Flow Assumption:

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

## NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

The Authority has not adopted a formal investment policy as of September 30, 2017.

### Credit Risk of Debt Securities

The Authority's rated debt investments as of September 30, 2017 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

**Authority's Rated Debt Investment Value**

| Rated Debt Investments | | Fair Quality Ratings |
|---|---|---|
| | | AAAm |
| Local Government Investment Pool | $ | 120,132 |
| Virginia State Non-Arbitrage Pool | | 143,801 |
| Total | $ | 263,933 |

### Interest Rate Risk

**Investment Maturities (in years)**

| Investment Type | | Fair Value | | Less Than 1 Year |
|---|---|---|---|---|
| Local Government Investment Pool | $ | 120,132 | $ | 120,132 |
| Virginia State Non-Arbitrage Pool | | 143,801 | | 143,801 |
| Total | $ | 263,933 | $ | 263,933 |

## 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 September 30, 2016 | Additions | Deletions | Balance September 30, 2017 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and land rights | $ 2,505,900 | $ - | $ - | $ 2,505,900 |
| Construction in progress | 3,086,163 | 12,495,376 | 1,680,652 | 13,900,887 |
| Total capital assets not being depreciated | $ 5,592,063 | $ 12,495,376 | $ 1,680,652 | $ 16,406,787 |
| Capital assets being depreciated: | | | | |
| Buildings and plant | $ 42,821,855 | $ 1,680,652 | $ - | $ 44,502,507 |
| Equipment | 980,398 | 65,800 | - | 1,046,198 |
| Total capital assets being depreciated | $ 43,802,253 | $ 1,746,452 | $ - | $ 45,548,705 |
| Accumulated depreciation: | | | | |
| Buildings, plant, and equipment | $ (17,325,341) | $ (950,698) | $ - | $ (18,276,039) |
| Total capital assets being depreciated, net | 26,476,912 | 795,754 | - | 27,272,666 |
| Capital assets, net | $ 32,068,975 | $ 13,291,130 | $ 1,680,652 | $ 43,679,453 |

Depreciation expense for the year totaled $950,698.

## NOTE 4 - CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2017 are as follows:

| Project | Balance September 30, 2016 | Additions | Deletions | Balance September 30, 2017 |
|---|---|---|---|---|
| Exit 4 Potable Well Integration | $ 180,765 | $ - | $ - | $ 180,765 |
| Jarratt WTP Intake | 217,962 | - | 217,962 | - |
| Exit 4 Potable Water Storage Tank | 5,623 | 64,729 | 70,352 | - |
| High Hills Sewer PS replace | 6,985 | 106,258 | - | 113,243 |
| Dominion VA Power Water | 841,472 | 9,262,854 | - | 10,104,326 |
| Dominion VA Power Sewer | 398,906 | 2,469,320 | - | 2,868,226 |
| Moonlight/Crescent Interconnect | 36,041 | - | 36,041 | - |
| Jarratt WTP Sludge Handling | 321,483 | 312,844 | - | 634,327 |
| Rt 301 N Manhole Project | 563,368 | - | 563,368 | - |
| Exit 4 Skippers Well Sewer Force Main | 10,702 | (368) | 10,334 | - |
| I95 Exit 4 IHOP | 7,817 | 83,400 | 91,217 | - |
| SCADA Controls | 11,473 | 129,070 | 140,543 | - |
| I95 Exit 4 Water Convenience Project | 15,430 | 67,269 | 82,699 | - |
| Nottoway Reservoir | 468,136 | - | 468,136 | - |
| Total | $ 3,086,163 | $ 12,495,376 | $ 1,680,652 | $ 13,900,887 |

## 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 $231,919.

## 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, 2017:

| | Balance Beginning of Year | Issuances/ Increases | Retirements/ Decreases | Balance End of Year | Current Portion |
|---|---|---|---|---|---|
| Loan payable | $ 103,304 | $ - | $ 13,268 | $ 90,036 | $ 13,735 |
| Interim Financing | - | 267,461 | - | 267,461 | - |
| 2014 Revenue Refunding Bonds | 2,065,000 | - | 250,000 | 1,815,000 | 70,000 |
| 2013 Revenue Refunding Bonds | 1,095,000 | - | 355,000 | 740,000 | 365,000 |
| 2010 Revenue Refunding Bonds | 3,335,000 | - | 180,000 | 3,155,000 | 180,000 |
| 2011 Revenue Bonds | 1,360,000 | - | 65,000 | 1,295,000 | 65,000 |
| 2012 Revenue Bonds | 220,000 | - | 5,000 | 215,000 | 5,000 |
| 2016 Revenue Bonds | 2,025,000 | - | 35,000 | 1,990,000 | 35,000 |
| Premiums on bonds payable | 993,591 | - | 75,863 | 917,728 | 75,863 |
| Net OPEB obligation | 20,300 | 3,700 | 4,100 | 19,900 | - |
| Net Pension Liability | 319,221 | 376,794 | 196,900 | 499,115 | - |
| Compensated absences | 222,172 | 9,747 | - | 231,919 | 23,192 |
| Total | $ 11,758,588 | $ 657,702 | $ 1,180,131 | $ 11,236,159 | $ 832,790 |

## NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

| | Water and Sewer Revenue Bonds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year Ended | 2016B | | 2013 Refunding | | 2014 | | 2012B | | 2011B | |
| September 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 | $ 1,990,000 | $ 1,294,533 | $ 740,000 | $ 40,894 | $ 1,815,000 | $ 854,960 | $ 215,000 | $ 98,197 | $ 1,295,000 | $ 529,815 |

## NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

| Year Ended | Interim Financing | | 2010 Refunding | | Loan Payable | |
|---|---|---|---|---|---|---|
| September 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | $ - | $ - | $ 180,000 | $ 151,416 | $ 13,735 | $ 3,032 |
| 2019 | - | - | 190,000 | 143,056 | 14,220 | 2,547 |
| 2020 | 267,461 | - | 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 | 16,337 | 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 | - | - |
| Total | $ 267,461 | $ - | $ 3,155,000 | $ 1,193,864 | $ 90,036 | $ 10,508 |

Details of Long-term Obligations:

| | |
|---|---|
| Compensated absences | $ 231,919 |
| Net OPEB obligation | $ 19,900 |
| Interim Financing | $ 267,461 |
| Net Pension Liability | $ 499,115 |
| 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%. | $ 90,036 |

## NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-term Obligations: (continued)

| | | |
|---|---|---|
| Revenue Bonds: | | |
| $2,105,000 Water & Sewer Refunding Revenue Bonds series 2013C issued November 6, 2013, due in various semi-annual payments of principal and interest through October 1, 2019, interest payable semi-annually at 1.74%. | $ | 740,000 |
| Premiums on bonds payable | | 917,728 |
| $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%. | | 1,495,000 |
| $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%. | | 320,000 |
| $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%. | | 215,000 |
| $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%. | | 1,295,000 |
| $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%. | | 1,990,000 |
| $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%. | | 3,155,000 |
| Total revenue bonds | $ | 10,127,728 |
| Total long-term obligations | $ | 11,236,159 |
| Less current portion | | 832,790 |
| Total noncurrent obligations | $ | 10,403,369 |

## 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 a 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 Code of Virginia, 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**<br>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**<br>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**<br>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")<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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. |

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)<br>• 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.</td></tr>
<tr><td>Eligible Members<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members<br>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.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• 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.</td></tr>
</table>

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Hybrid Opt-In Election (Cont.)**<br>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.)**<br>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**<br>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.<br><br>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**<br>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**<br>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**<br>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. |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (continued)*

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

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting**<br>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.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component:**<br>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.<br><br>**Defined Contributions Component:**<br>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.<br><br>Members are always 100% vested in the contributions that they make. |

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting (Cont.)** | **Vesting (Cont.)** | **Vesting (Cont.)**<br>**Defined Contributions Component: (Cont.)**<br>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.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |
| **Calculating the Benefit**<br>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**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**Defined Benefit Component:**<br>See definition under Plan 1 |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Calculating the Benefit (Cont.)**<br>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.)**<br>**Defined Contribution Component:**<br>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**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>**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%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.<br><br>**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 employer. | **Service Retirement Multiplier**<br>**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.<br><br>**Sheriffs and regional jail superintendents:** Same as Plan 1.<br><br>**Political subdivision hazardous duty employees:** Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>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.<br><br>**Sheriffs and regional jail superintendents:** Not applicable.<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Not applicable. |

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

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

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility (Cont.)**<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>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.<br><br>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**<br>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%.<br><br>**Eligibility:**<br>Same as Plan 1 | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as Plan 1 and Plan 2. |

**NOTE 7 - PENSION PLAN: (continued)**

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• 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. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

## NOTE 7 - PENSION PLAN: (continued)

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Disability Coverage**<br>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.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | **Disability Coverage**<br>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.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>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.<br><br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| **Purchase of Prior Service**<br>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. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**<u>Defined Benefit Component:</u>**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.<br>• 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.<br><br>**<u>Defined Contribution Component:</u>**<br>Not applicable. |

**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/2016-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, 2015 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 | 1 |
| Inactive members active elsewhere in VRS | 8 |
| Total inactive members | 13 |
| Active members | 21 |
| Total covered employees | 40 |

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, 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, 2017 was 7.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 $86,513 and $78,920 for the years ended June 30, 2017 and June 30, 2016, respectively.

## NOTE 7 - PENSION PLAN: (continued)

*Net Pension Liability*

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

*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, 2015, 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, 2016.

| | |
|---|---|
| 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* |

* 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.

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

**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, 2015 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

**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%.

**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 Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | $ 3,834,255 | $ 3,515,034 | $ 319,221 |
| Changes for the year: | | | |
| Service cost | $ 103,433 | $ - | $ 103,433 |
| Interest | 264,821 | - | 264,821 |
| Differences between expected and actual experience | 6,359 | - | 6,359 |
| Contributions - employer | - | 78,575 | (78,575) |
| Contributions - employee | - | 54,998 | (54,998) |
| Net investment income | - | 63,327 | (63,327) |
| Benefit payments, including refunds of employee contributions | (102,185) | (102,185) | - |
| Administrative expenses | - | (2,155) | 2,155 |
| Other changes | - | (26) | 26 |
| Net changes | $ 272,428 | $ 92,534 | $ 179,894 |
| Balances at June 30, 2016 | $ 4,106,683 | $ 3,607,568 | $ 499,115 |

**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 | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Greensville County Water and Sewer Authority Net Pension Liability (Asset) | $ 1,123,081 | $ 499,115 | $ (12,701) |

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

For the year ended June 30, 2017, the Authority recognized pension expense of $107,484. At June 30, 2017, 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 | $ 96,698 | $ - |
| Net difference between projected and actual earnings on pension plan investments | 93,722 | - |
| Employer contributions subsequent to the measurement date | 101,299 | - |
| Total | $ 291,719 | $ - |

$101,299 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, 2018. 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 | |
|---|---|
| 2018 | $ 39,121 |
| 2019 | 39,119 |
| 2020 | 74,598 |
| 2021 | 37,582 |
| 2022 | - |
| Thereafter | - |

## 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, 2017, the Commonwealth of Virginia-Department of Corrections was billed $1,883,584 for services, which constitutes approximately 42% of total operating revenues. Boar's Head Provisions Company, Inc. was billed $657,669 for services, which constitutes approximately 15% 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.

**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:

| | | Primary Government |
|---|---|---|
| Annual required contribution | $ | 3,700 |
| Interest on OPEB obligation | | 800 |
| Adjustment to annual required contribution | | (800) |
| Annual OPEB cost (expense) | $ | 3,700 |
| Estimated contribution made during FY 2017 | | (4,100) |
| Increase in net OPEB obligation | $ | (400) |
| Net OPEB obligation - beginning of year | | 20,300 |
| Net OPEB obligation - end of year | $ | 19,900 |

For 2017, the Authority's annual contribution of $4,100 was greater than the annual OPEB cost of $3,700. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| September 30, 2015 | $ 3,700 | 24.32% | $ 18,300 |
| September 30, 2016 | 3,800 | 47.37% | 20,300 |
| September 30, 2017 | 3,700 | 110.81% | 19,900 |

**Funded Status and Funding Progress:**

As of July 1, 2016, the Authority's actuarial accrued liability for benefits was $49,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,128,262, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.35%.

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.

## 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, 2016 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, 2017 was $573,712.

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

Annual repayments of principal and interest are as follows:

| | IDA Refinance | |
|---|---|---|
| | Principal | Interest |
| 2018 | $ 37,865 | $ 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 | 9,440 | 44 |
| Total | $ 573,712 | $ 143,221 |

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

## 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 Code of Virginia and the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2017 was .23% 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 2017, the Authority's contribution of $2,704 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 2017 and the preceding two years are as follows:

| Fiscal Year Ending | Annual OPEB Cost (APC) | Percentage of APC Contributed | Net OPEB Obligation |
|---|---|---|---|
| September 30, 2017 | $ 2,704 | 100% | $ - |
| September 30, 2016 | 2,670 | 100% | - |
| September 30, 2015 | 2,547 | 100% | - |

### D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 58,840 |
| Actuarial value of plan assets | $ 34,684 |
| Unfunded actuarial accrued liability (UAAL) | $ 24,156 |
| Funded ratio (actuarial value of plan assets/AAL) | 58.95% |
| Covered payroll (active plan members) | $ 1,128,262 |
| UAAL as a percentage of covered payroll | 2.14% |

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.

## 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, 2016 was 18-27 years.

## NOTE 13 - UPCOMING PRONOUNCEMENTS:

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.

## NOTE 14 - UPCOMING PRONOUNCEMENTS: (continued)

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.

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

# - Required Supplementary Information -

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Total pension liability** | | | |
| Service cost | $ 103,433 | $ 103,615 | $ 115,718 |
| Interest | 264,821 | 235,966 | 217,736 |
| Differences between expected and actual experience | 6,359 | 162,821 | - |
| Benefit payments, including refunds of employee contributions | (102,185) | (78,182) | (67,871) |
| **Net change in total pension liability** | $ 272,428 | $ 424,220 | $ 265,583 |
| **Total pension liability - beginning** | 3,834,255 | 3,410,035 | 3,144,452 |
| **Total pension liability - ending (a)** | $ 4,106,683 | $ 3,834,255 | $ 3,410,035 |
| | | | |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 78,575 | $ 75,055 | $ 80,168 |
| Contributions - employee | 54,998 | 52,633 | 51,522 |
| Net investment income | 63,327 | 154,360 | 450,281 |
| Benefit payments, including refunds of employee contributions | (102,185) | (78,182) | (67,871) |
| Administrative expense | (2,155) | (2,033) | (2,348) |
| Other | (26) | (33) | 24 |
| **Net change in plan fiduciary net position** | $ 92,534 | $ 201,800 | $ 511,776 |
| **Plan fiduciary net position - beginning** | 3,515,034 | 3,313,234 | 2,801,458 |
| **Plan fiduciary net position - ending (b)** | $ 3,607,568 | $ 3,515,034 | $ 3,313,234 |
| | | | |
| **Authority's net pension liability - ending (a) - (b)** | $ 499,115 | $ 319,221 | $ 96,801 |
| | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 87.85% | 91.67% | 97.16% |
| | | | |
| **Covered payroll** | $ 1,106,867 | $ 1,052,653 | $ 1,030,441 |
| | | | |
| **Authority's net pension liability as a percentage of covered payroll** | 45.09% | 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.

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

Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

| Fiscal Year | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2017 | $ 101,299 | $ 101,299 | $ - | $ 1,168,444 | 8.67% |
| 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% |

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

**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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

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

Schedule of Funding OPEB Progress for Other Postemployment Benefits

### Health Insurance:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded (Excess Funded) Actuarial Accrued Liability | Funded Ratio (2)/(3) | Covered Payroll | UAAL as % of Payroll (4)/(6) |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 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% |
| 7/1/2016 | - | 49,100 | 49,100 | 0.00% | 1,128,262 | 4.35% |

### Virginia Retirement System Health Insurance Credit:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded (Excess Funded) Actuarial Accrued Liability | Funded Ratio (2)/(3) | Covered Payroll | UAAL as % of Payroll (4)/(6) |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 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% |
| 6/30/2016 | 34,684 | 58,840 | 24,156 | 58.95% | 1,128,262 | 2.14% |

# - Compliance -

## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**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, 2017, 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 March 12, 2018.

### 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 12, 2018

## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

### Report on Compliance for Each Major Federal Program

We have audited the Greensville County Water and Sewer Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Greensville County Water and Sewer Authority's major federal programs for the year ended September 30, 2017. Greensville County Water and Sewer Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Greensville County Water and Sewer Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Greensville County Water and Sewer Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Greensville County Water and Sewer Authority's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Greensville County Water and Sewer Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

Management of the Greensville County Water and Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Greensville County Water and Sewer Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Greensville County Water and Sewer Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 12, 2018

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| **Economic Development Administration** | | | |
| Direct payment: | | | |
| Department of Commerce | | | |
| Investments for Public Works and Economic Development Facilities | 11.300 | N/A | $ 1,198,884 |
| Total expenditures of federal awards | | | $ 1,198,884 |

**Note 1- Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Greensville County Water & Sewer Authority under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with reporting requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Greensville County Water & Sewer Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Greensville County Water & Sewer Authority.

**Note 2 - Basis of Accounting**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers were not available for presentation.

**Note 3 - De Minimis Cost Rate**

The Authority did not elect to use the ten percent de minimis indirect cost rate allowed under Uniform Guidance.

**Note 4 - Subrecipients**

No awards were passed through to subrecipients.

**Note 5 - Relationship to Financial Statements**

Federal expenditures, revenues and capital contributions are reported in the Authority's financial statements as follows:

| | |
|---|---|
| Federal capital grants | $ 1,198,884 |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | $ 1,198,884 |

**GREENSVILLE COUNTY WATER & SEWER AUTHORITY**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

**Section I - Summary of Auditors' Results**

*Financial Statements*

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

*Federal Awards*

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Type for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---|---|
| 11.300 | Investments for Public Works and Economic Development Facilities |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Prior Year Audit Findings**

There were no prior year audit findings.