GREENSVILLE COUNTY WATER AND SEWER AUTHORITY (A Component Unit of the County of Greensville, Virginia) FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2015

GREENSVILLE COUNTY WATER AND SEWER AUTHORITY

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Members

Michael W. Ferguson, Chairman

Dr. Margaret T. Lee, Vice-Chairman

James C. Vaughan

Peggy R. Wiley

K. David Whittington, Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 respective financial position of the business-type activities of Greensville County Water and Sewer Authority, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2015, the Greensville County Water and Sewer Authority adopted new accounting guidance, GASB Statement Nos. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 41-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Reporting Required by Government Auditing Standards

Jouinsa, Farmer, Cox Associates

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, 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.

Charlottesville, Virginia

February 3, 2016



Statement of Net Position At September 30, 2015

ASSETS Current assets:		
Cash and cash equivalents	\$	3,337,138
Cash in hands of trustee	•	443,369
Accounts receivable		597,820
Bonds receivable		1,170,002
Loans receivable, current portion		35,104
Total current assets	\$	5,583,433
Noncurrent assets:		
Capital assets:		
Land and land rights	\$	459,746
Buildings, plant and equipment, net of accumulated depreciation		27,392,533
Construction in progress	_	1,626,485
Total capital assets	\$	29,478,764
Loans receivable, long-term portion		610,169
Total noncurrent assets	\$	30,088,933
Total assets	\$	35,672,366
DEFERRED OUTFLOWS OF RESOURCES		
Post measurement date employer pension contributions	\$	75,054
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$	248,536
Current portion of long-term obligations	_	919,461
Total current liabilities	\$_	1,167,997
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	\$	9,231,030
Total liabilities	\$	10,399,027
DEFERRED INFLOWS OF RESOURCES Net difference of actual and expected pension plan earnings	\$	201,622
NET POSITION Net investment in capital assets	\$	19,624,050
Unrestricted net position	Φ	5,522,721
·	_	
Total net position	\$ <u></u>	25,146,771

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

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2015

Metered saleswater 1,903,935 User feessewer 2,406,145 Penalties 44,104 Other operating revenues 211,255 Total operating revenues * 4,565,439 Operating expenses: * 405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): 11,003 Interest income \$ 12,023 <th>Operating revenues:</th> <th></th> <th></th>	Operating revenues:		
User feessewer 2,406,145 Penalties 44,104 Other operating revenues 211,255 Total operating expenses: ***4,565,439 Operating expenses: ***405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment-Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses 3,894,934 Operating income \$ 7,508 Nonoperating revenues (expenses): 11,023 Interest income \$ 12,023 Interest expense (414,930)	· · · · · · · · · · · · · · · · · · ·	\$	1,903,935
Other operating revenues \$ 4,565,439 Total operating revenues \$ 4,565,439 Operating expenses: * 405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): \$ 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 C	User feessewer		
Total operating revenues \$ 4,565,439 Operating expenses: * 405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Penalties		44,104
Operating expenses: 405,102 Administration \$ 405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment-Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 <td>Other operating revenues</td> <td>_</td> <td>211,255</td>	Other operating revenues	_	211,255
Administration \$ 405,102 Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): \$ 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Total operating revenues	\$_	4,565,439
Authority Board 25,459 Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Operating expenses:		
Water distribution-maintenance 742,950 Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Administration	\$	405,102
Water treatment-Northampton 23,441 Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Authority Board		25,459
Water treatment-Jarratt 790,788 Econo lodge well system 9,740 Jackson Field water system 3,493 Falling run sewage treatment plant 60,106 Three creek sewage treatment plant 643,819 Sewage treatment -Emporia/Northampton 24,980 Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Water distribution-maintenance		
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Sewage treatment-Jarratt 45,841 Washington Park tank repairs 85,841 Skippers sewage treatment plant 34,484 Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): \$ 12,023 Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	· · · · · · · · · · · · · · · · · · ·		
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Skippers sewage treatment plant Depreciation Amortization Total operating expenses Operating income Nonoperating revenues (expenses): Interest income Interest expense Total nonoperating revenues (expenses) Interest expense Capital grants 34,484 919,550 91	•		
Depreciation 919,550 Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	·		
Amortization 79,340 Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	· · · · · · · · · · · · · · · · · · ·		
Total operating expenses \$ 3,894,934 Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	·		
Operating income \$ 670,505 Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	AMOLUZATION	_	79,340
Nonoperating revenues (expenses): Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Total operating expenses	\$_	3,894,934
Interest income \$ 12,023 Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Operating income	\$_	670,505
Interest expense (414,930) Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Nonoperating revenues (expenses):		
Total nonoperating revenues (expenses) \$ (402,907) Income (loss) before grants and capital contributions \$ 267,598 Capital grants \$ 2,646,892	Interest income	\$	12,023
Income (loss) before grants and capital contributions \$\frac{267,598}{2,646,892}\$	Interest expense	_	(414,930)
Capital grants \$ 2,646,892	Total nonoperating revenues (expenses)	\$_	(402,907)
	Income (loss) before grants and capital contributions	\$_	267,598
	Capital grants	\$	2,646,892
	, ,	· 	
Total grants and capital contributions \$ 2,663,492	Total grants and capital contributions	\$_	2,663,492
Change in net position \$ 2,931,090	Change in net position	\$	2.931.090
Net position - beginning of year, as restated 22,215,681	· · · · · · · · · · · · · · · · · · ·	Ψ	
Net position - end of year \$		\$	

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

Statement of Cash Flows For the Year Ended September 30, 2015

Cash flows from operating activities:	Φ.	4 510 707
Receipts from customers and users Payments to suppliers of goods and services Payments to employees	\$ _	4,518,626 (1,902,209) (1,051,506)
Net cash provided by (used for) operating activities	\$	1,564,911
Cash flows from capital and related financing activities: Interest paid on debt Capital contributions and connection charges Capital grants received Additions to capital assets and construction in progress New bonds receivable Principal payments received on loans receivable Bond premium received Proceeds from bonds payable Retirement of indebtedness	\$	(484,295) 16,600 2,646,892 (1,353,643) (1,170,002) 14,239 332,952 2,540,000 (1,207,377)
Net cash provided by (used for) capital and related financing activities	\$_	1,335,366
Cash flows from investing activities: Interest earned	\$	12,023
Increase (decrease) in cash and cash equivalents for the year	\$	2,912,300
Cash and cash equivalents at beginning of year, including \$130,063 of cash in hands of trustee	_	868,207
Cash and cash equivalents at end of year, including \$443,369 of cash in hands of trustee	\$_	3,780,507
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income	\$	670,505
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: Depreciation and amortization	·	998,890
Changes in operating assets and liabilities: (Increase) in accounts receivable (Decrease) in accounts payable and other accrued liabilities Increase in compensated absences (Decrease) in net pension liability Decrease in deferred outflows of resources - pension Increase in deferred inflows of resources - pension Increase in net OPEB obligation	_	(46,813) (41,357) 20,343 (246,193) 5,114 201,622 2,800
Net cash provided by (used for) operating activities	\$_	1,564,911

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

Notes to Financial Statements As of September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

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

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

B. Financial Reporting Entity:

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

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

C. Basic Financial Statements:

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

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

D. Basis of Accounting:

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

Notes to Financial Statements As of September 30, 2015 (Continued)

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

D. Basis of Accounting: (continued)

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

E. Cash and Cash Equivalents:

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

F. Allowance for Uncollectible Accounts:

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

G. Capital Assets and Depreciation:

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

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, 2015 was immaterial.

Notes to Financial Statements As of September 30, 2015 (Continued)

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

H. Use of Estimates:

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

I. Compensated Absences:

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

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of 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 one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

K. Deferred Charge on Refunding:

In fiscal year 2003, the Authority recognized \$224,798 of deferred refunding on revenue bonds. This refunding is amortized over the life of the new refunding bonds. Amortization expense related to the deferred amount on refunding for the year totaled \$79,340. The deferred charge on refunding remaining at September 30, 2015 is \$0.

L. Net Position:

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

Notes to Financial Statements As of September 30, 2015 (Continued)

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

M. Net Position Flow Assumption:

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Authority's Rated Debt Investment Value								
Rated Debt Investments		Fair Quality Ratings						
		AAAm						
Local Government Investment Pool	\$	118,544						
Total	\$	118,544						

The Authority has not adopted a formal investment policy as of September 30, 2015.

External Investment Pool:

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 3 - CAPITAL ASSETS:

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

	:	Balance September 30, 2014	Add	litions		Deletions	Balance September 30, 2015
Capital assets not being depreciated:							
Land and land rights Construction in progress	\$	415,207 \$ 666,119		44,539 53,251	\$	- 292,885	\$ 459,746 1,626,485
Total capital assets not being depreciated	\$_	1,081,326_\$	1,2	97,790	\$_	292,885	\$ 2,086,231
Capital assets being depreciated:							
Buildings and plant Equipment	\$	42,528,971 \$ 941,403		92,885 55,853	\$	- -	\$ 42,821,856 997,256
Total capital assets being depreciated	\$_	43,470,374 \$	3	48,738	\$_	-	\$ 43,819,112
Less accumulated depreciation for:							
Buildings, plant, and equipment	\$_	(15,507,029) \$	(9	19,550)	\$_	-	\$ (16,426,579)
Total capital assets being depreciated, net	_	27,963,345	(5	70,812)		-	 27,392,533
Capital assets, net	\$_	29,044,671 \$	7	26,978	\$_	292,885	\$ 29,478,764

Depreciation expense for the year totaled \$919,550.

NOTE 4 - CONSTRUCTION IN PROGRESS:

Details of construction work in progress for the fiscal year ended September 30, 2015 are as follows:

		Balance September 30,				Balance September 30,
Project		2014	Additions	_	Deletions	 2015
Exit 4 Potable Well Integration	\$	20,530 \$	152,761	\$	-	\$ 173,291
Jarratt WTP Intake		24,519	20,707		-	45,226
Exit 4 Potable Water Storage Tank		-	3,238		-	3,238
High Hills Sewer PS replace		-	6,460		-	6,460
Dominion VA Power Water and Sewer		-	365,333		-	365,333
Moonlight/Crescent Interconnect		-	5,850		-	5,850
Jarratt WTP Sludge Handling		15,584	34,020		-	49,604
Rt 301 N Manhole Project		465	508,882		-	509,347
Skippers Well		292,312	573		292,885	-
Nottoway Reservoir	_	312,709	155,427	_	-	 468,136
Total	\$	666,119 \$	1,253,251	\$	292,885	\$ 1,626,485

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 5 - COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding compensated absences. Authority employees earn vacation and sick leave at the rate of one day for each per month. All accumulated vacation is paid upon termination. 25% of sick leave up to \$5,000 is paid upon termination if employed by the Authority for at least five years. The Authority has outstanding accrued vacation and sick pay totaling \$180,676.

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, 2015:

	Balance Beginning	Issuances/	Retirements/		Balance End of	Current
	of Year, as Restated	 Increases	 Decreases	_	Year	Portion
Loan payable	\$ 128,496	\$ -	\$ 12,377	\$	116,119 \$	-
2014 Revenue Refunding Bonds	-	2,540,000	235,000		2,305,000	240,000
2013 Revenue Refunding Bonds	1,775,000	-	335,000		1,440,000	345,000
2010 Revenue Refunding Bonds	3,665,000	-	160,000		3,505,000	-
2004 Revenue Bonds	400,000	-	400,000		-	-
2011 Revenue Bonds	1,480,000	-	60,000		1,420,000	60,000
2012 Revenue Bonds	230,000	-	5,000		225,000	5,000
Premiums on bonds payable	580,008	332,952	69,365		843,595	68,578
Net OPEB obligation	15,500	3,700	900		18,300	-
Net Pension Liability	342,994	335,778	581,971		96,801	-
Compensated absences	160,333	 20,343	 	_	180,676	18,068
Total	\$ 8,777,331	\$ 3,232,773	\$ 1,859,613	\$	10,150,491 \$	736,646

Notes to Financial Statements As of September 30, 2015 (Continued)

Total

1,440,000 \$

121,038 \$

2,305,000 \$

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 2013 Refunding 2014 2012B 2011B Interest Principal Interest September 30, Principal Interest Principal Principal Interest 2016 \$ 345,000 \$ 43,625 \$ 240,000 \$ 106,781 \$ 9,169 \$ 60,000 \$ 5,000 \$ 68,625 2017 355,000 36,519 250,000 99,281 5,000 8,963 65,000 66,150 365,000 25,425 70,000 86,469 5,000 8,706 65,000 63,019 2018 82,881 2019 375,000 15,469 75,000 5,000 8,450 70,000 60,588 8,194 70,000 2020 80,000 79,038 5,000 57,450 75,388 7,938 75,000 2021 80,000 10,000 54,363 2022 85,000 71,288 10,000 7,425 80,000 50,519 2023 95,000 66,931 10,000 6,913 85,000 46,419 6,400 90,000 2024 100,000 62,063 10,000 42,063 100,000 56,938 10,000 5,938 95,000 37,450 2025 2026 105,000 51,813 10,000 5,475 95,000 32,581 2027 110,000 46,781 10,000 5,038 100,000 27,713 110,000 41,494 10,000 4,650 110,000 2028 22,588 2029 115,000 36,156 10,000 4,263 115,000 17,300 2030 125,000 32,213 10,000 3,875 120,000 11,756 2031 130,000 26,206 10,000 3,550 125,000 6,006 140,000 19,944 15,000 2032 3,225 2033 145,000 13,169 15,000 2,719 150,000 2034 6,188 15,000 2,175 2035 15,000 1,631 2036 15,000 1,088 2037 15,000 544

1,061,022 \$

225,000 \$

116,329 \$

1,420,000 \$

664,590

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

Year Ended		2010 Refu	unding	Loan Pay	yable
September 30,		Principal	Interest	Principal	Interest
	_	_		_	_
2016	\$	170,000 \$	167,029 \$	12,815 \$	3,952
2017		180,000	160,776	13,267	3,501
2018		180,000	151,416	13,735	3,032
2019		190,000	143,056	14,220	2,547
2020		200,000	133,726	14,722	2,045
2021		205,000	126,226	15,242	1,525
2022		220,000	117,854	15,780	987
2023		230,000	107,633	16,338	372
2024		235,000	96,898	-	-
2025		250,000	85,815	-	-
2026		265,000	73,940	-	-
2027		275,000	61,360	-	-
2028		285,000	47,060	-	-
2029		300,000	32,240	-	-
2030	-	320,000	16,640	<u> </u>	
Total	\$	3,505,000 \$	1,521,669 \$	116,119 \$	17,961

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

Componented absonces	\$	100 474
Compensated absences Net OPEB obligation	»_ \$	180,676 18,300
Net Pension Liability	* – \$	96,801
·	_Ф —	90,001
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%.	\$_	116,119
Revenue Bonds:		
\$2,105,000 Water & Sewer Refunding Revenue Bonds series 2013C issued November 6, 2013, due in various semi-annual payments of principal and interest through October 1, 2019, interest payable semi-annually at 1.74%.	\$	1,440,000
Premium on bonds payable		843,595
\$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%.		1,955,000
\$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%.		350,000
\$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%.		225,000
\$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%.		1,420,000
\$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%.	_	3,505,000
Total revenue bonds	\$	9,738,595
Total long-term obligations	\$	10,150,491
Less current portion	_	736,646
Total noncurrent obligations	\$	9,413,845

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS										
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN								
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.								

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) 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) o ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.	

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.	

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.	
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1	

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution</u> <u>Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long- term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Exceptions to COLA Effective Dates: Same as Plan 1	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.	

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.	

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members: Vested inactive members	4
Non-vested inactive members	3
Inactive members active elsewhere in VRS	9
Total inactive members	16
Active members	24
Total covered employees	43

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 7.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$75,054 and \$80,168 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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, 2013, 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, 2014.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

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

expense, including inflation*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2013 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

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Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

	Target	Arithmetic Long-Term Expected	Weighted Average Long-Term Expected
Asset Class (Strategy)	Allocation	Rate of Return	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 arithme	tic nominal return	8.33%

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

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

Discount Rate

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

Changes in Net Pension Liability

		Increase (Decrease)					
	_	Total Plan			Net		
		Pension		Fiduciary		Pension	
		Liability		Net Position		Liability	
	_	(a)		(b)	_	(a) - (b)	
Balances at June 30, 2013	\$ _	3,144,452	\$	2,801,458	\$ _	342,994	
Changes for the year:							
Service cost	\$	115,718	\$	-	\$	115,718	
Interest		217,736		-		217,736	
Contributions - employer		-		80,168		(80,168)	
Contributions - employee		-		51,522		(51,522)	
Net investment income		-		450,281		(450,281)	
Benefit payments, including refunds							
of employee contributions		(67,871)		(67,871)		-	
Administrative expenses		-		(2,348)		2,348	
Other changes		-	_	24	_	(24)	
Net changes	\$	265,583	\$	511,776	\$	(246,193)	
Balances at June 30, 2014	\$_	3,410,035	\$	3,313,234	\$_	96,801	

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 7 - PENSION PLAN: (continued)

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

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

		Rate				
	_	(6.00%)		(7.00%)		(8.00%)
Greensville County Water and Sewer Authority						
Net Pension Liability (Asset)	\$	638,514	\$	96,801	\$	(345,499)

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$35,597. At June 30, 2015, 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		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$	201,622		
Employer contributions subsequent to the measurement date	75,054				
Total	\$ 75,054	\$	201,622		

\$75,054 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, 2016. 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	_	
2016	\$	(50,405)
2017		(50,405)
2018		(50,405)
2019		(50,407)
Thereafter		_

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 8 - RISK MANAGEMENT:

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

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

NOTE 9 - ECONOMIC DEPENDENCY:

For the fiscal year ended September 30, 2015, the Commonwealth of Virginia-Department of Corrections was billed \$1,848,373 for services, which constitutes approximately 42% of total operating revenues. Boar's Head Provisions Company, Inc. was billed \$743,689 for services, which constitutes approximately 17% of total operating revenues.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM - HEALTH INSURANCE:

Plan Description:

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

Funding Policy:

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

Notes to Financial Statements As of September 30, 2015 (Continued)

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

Annual OPEB Cost and Net OPEB Obligation:

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

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

	Primary vernment
Annual required contribution Interest on OPEB obligation Adjustment to annual required contribution	\$ 3,700 700 (700)
Annual OPEB cost (expense)	\$ 3,700
Estimated contribution made during FY 2015 Increase in net OPEB obligation	\$ (900) 2,800
Net OPEB obligation - beginning of year Net OPEB obligation - end of year	\$ 15,500 18,300

For 2015, the Authority's annual contribution of \$900 did not equal 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 2015 and the two preceding years were as follows:

		Percentage	
Fiscal	Annual	of Annual	Net
Year	OPEB	OPEB Cost	OPEB
Ended	Cost	Contributed	Obligation
	 _		_
September 30, 2013	\$ 4,400	63.64%	\$ 13,700
September 30, 2014	4,600	60.87%	15,500
September 30, 2015	3,700	24.32%	18,300

Notes to Financial Statements As of September 30, 2015 (Continued)

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

Funded Status and Funding Progress:

As of July 1, 2014, the Authority's actuarial accrued liability for benefits was \$53,112, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,022,990, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.19%.

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

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

Actuarial Methods and Assumptions:

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

The following simplifying assumptions were made:

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

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

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

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was thirty years.

Notes to Financial Statements As of September 30, 2015 (Continued)

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, 2015 was \$645,273.

Annual repayments of principal and interest are as follows:

	_	IDA Refinance						
	_	Principal		Interest				
2016	\$	35,104	\$	23,850				
2017		36,457		22,496				
2018		37,863		21,090				
2019		39,324		19,630				
2020		40,840		18,114				
2021		42,415		16,539				
2022		44,051		14,903				
2023		45,750		13,204				
2024		47,514		11,440				
2025		49,347		9,607				
2026		51,250		7,704				
2027		53,226		5,728				
2028		53,279		3,675				
2029		59,411		1,543				
2030	_	9,443		44				
Total	\$	645,273	\$	189,567				

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.

Notes to Financial Statements As of September 30, 2015 (Continued)

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

A. Plan Description: (continued)

An employee of the Authority, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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

B. Funding Policy:

As a participating local political subdivision, the Authority is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the <u>Code of Virginia</u> and the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2015 was .24% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation:

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

For 2015, the Authority's contribution of \$2,547 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 2015 and the preceding two years are as follows:

	Annual	Percentage	Net
	OPEB	of APC	OPEB
Fiscal Year Ending	 Cost (APC)	Contributed	 Obligation
September 30, 2015	\$ 2,547	100%	\$ -
September 30, 2014	3,298	100%	-
September 30, 2013	3,344	100%	-

Notes to Financial Statements As of September 30, 2015 (Continued)

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

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 53,123
Actuarial value of plan assets	\$ 30,033
Unfunded actuarial accrued liability (UAAL)	\$ 23,090
Funded ratio (actuarial value of plan assets/AAL)	56.53%
Covered payroll (active plan members)	\$ 1,022,990
UAAL as a percentage of covered payroll	2.26%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions:

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

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 30 years.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 13 - ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended September 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at September 30, 2014	\$	22,478,507
Implementation of GASB 68	-	(262,826)
Net Position as restated at September 30, 2014	\$	22,215,681

NOTE 14 - UPCOMING PRONOUNCEMENTS:

Statement No. 72, Fair Value Measurement and Application, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, Fair Value Measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Notes to Financial Statements As of September 30, 2015 (Continued)

NOTE 14 - UPCOMING PRONOUNCEMENTS: (continued)

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

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves 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. No formal study or estimate of the impact of this standard has been performed.



Schedule of Components of and Changes in Net Pension Liability and Related Ratios For the Year Ended June 30, 2015

		2014
Total pension liability Service cost	\$	115,718
Interest Benefit payments, including refunds of employee contributions	_	217,736 (67,871)
Net change in total pension liability Total pension liability - beginning	\$	265,583 3,144,452
Total pension liability - ending (a)	\$	3,410,035
Plan fiduciary net position		
Contributions - employer Contributions - employee	\$	80,168 51,522
Net investment income		450,281
Benefit payments, including refunds of employee contributions		(67,871)
Administrative expense		(2,348)
Other	-	24
Net change in plan fiduciary net position Plan fiduciary net position - beginning	\$ _	511,776 2,801,458
Plan fiduciary net position - ending (b)	\$	3,313,234
Authority's net pension liability - ending (a) - (b)	\$	96,801
Plan fiduciary net position as a percentage of the total pension liability		97.16%
Covered-employee payroll	\$	1,030,441
Authority's net pension liability as a percentage of covered-employee payroll		9.39%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

Schedule of Employer Contributions For the Year Ended June 30, 2015

			(Contributions in	1				Contributions
				Relation to				Employer's	as a % of
	Co	ontractually		Contractually		Contribution		Covered	Covered
		Required		Required		Deficiency		Employee	Employee
	С	ontribution		Contribution		(Excess)		Payroll	Payroll
Date	_	(1)	_	(2)	_	(3)		(4)	(5)
							_		
2015	\$	75,054	\$	75,054	\$	-	\$	1,052,653	7.13%

This schedule is intended to report information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included when available.

Notes to Required Supplementary Information For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

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

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

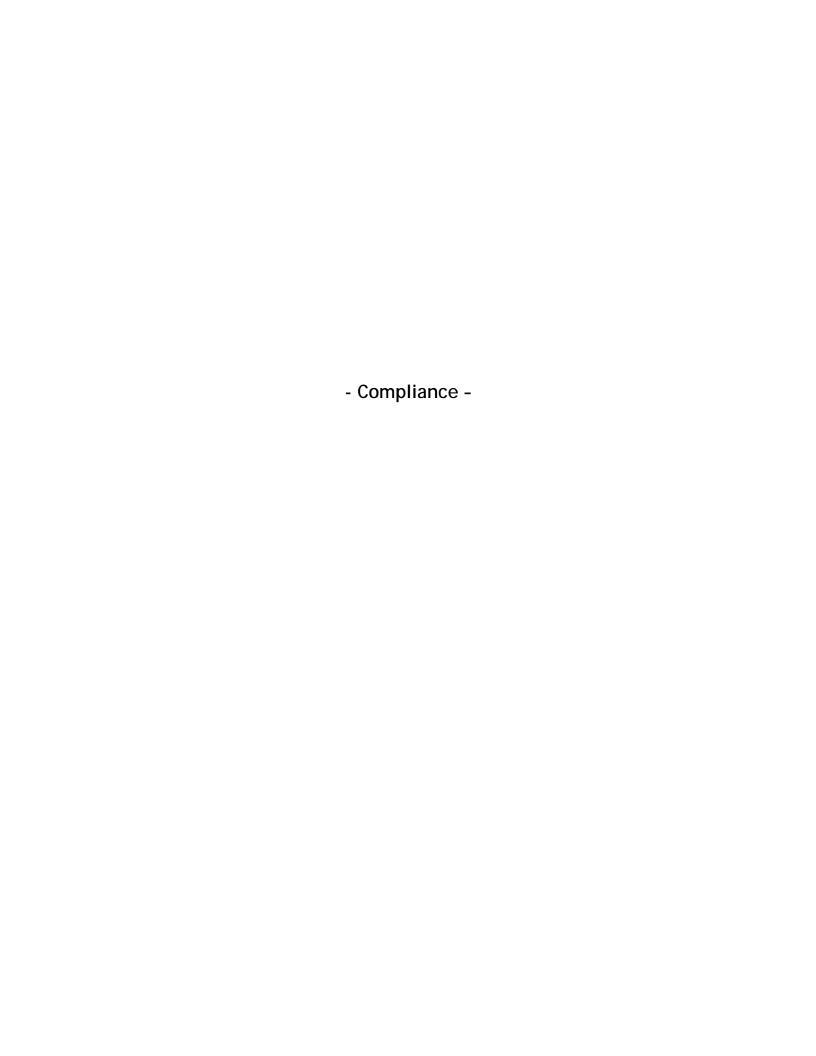
Schedule of Funding OPEB Progress for Other Postemployment Benefits

Other Postemployment Benefits:

Valuation Date	Actuarial Value of Assets (AVA)		Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	 (2)	_	(3)	(4)	(5)	(6)	(7)
7/1/2010	\$ -	\$	60,400 \$	60,400	0.00% \$	931,756	6.48%
7/1/2012	-		50,900	50,900	0.00%	941,822	5.40%
7/1/2014	-		53,112	53,112	0.00%	1,022,990	5.19%

Virginia Retirement System Health Insurance Credit:

	Actuarial	Actuarial		Unfunded			UAAL
	Value of	Accrued		(Excess Funded)	Funded	Annual	as % of
Valuation	Assets	Liability		Actuarial	Ratio	Covered	Payroll
Date	(AVA)	(AAL)	1	Accrued Liability	(2)/(3)	Payroll	(4)/(6)
(1)	(2)	(3)		(4)	(5)	(6)	(7)
6/30/2012	\$ 18,827 \$	48,833 \$	\$	30,006	38.55% \$	941,822	3.19%
6/30/2013	23,981	52,597		28,616	45.59%	1,109,073	2.58%
6/30/2014	30,033	53,123		23,090	56.53%	1,022,990	2.26%



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Greensville County Water and Sewer Authority as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Greensville County Water and Sewer Authority's basic financial statements and have issued our report thereon dated February 3, 2016.

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.

Charlottesville, Virginia

Hourson, Farmer, By Associates

February 3, 2016