

**TOWN OF WAVERLY, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2019**

# **TOWN OF WAVERLY, VIRGINIA**

## **Town Council**

Jonathan Butts

Clyde Johnson

Miriam Edwards

Allen Bernstorf

Franklin Cox

## **Town Officials**

Angela McPhaul, Mayor

Kathleen M. Mayes, Clerk of Council

Patricia Parks, Treasurer

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council  
Town of Waverly, Virginia  
Waverly, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities, and each major fund of the Town of Waverly, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Waverly, Virginia'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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, and each major fund of the Town of Waverly, Virginia as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, pension, and other post-employment benefit information on pages 3 through 6 and 37 through 41 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 them to be essential parts 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waverly, Virginia's basic financial statements. The listing of Town Council members and officials is presented for purposes of additional analysis and is not a required part of the financial statements. The listing of Town Council members and officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of Town of Waverly, Virginia'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waverly, Virginia's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
December 13, 2019

**TOWN OF WAVERLY, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

The Town of Waverly, Virginia (Town) offers readers of the financial statements this narrative overview and analysis of the financial activities of the Town of Waverly, Virginia for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements following this section.

**Overview of Financial Statements**

Our discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. As of the year ended June 30, 2019, the Town's financial statements present two types of statements, each with a different snapshot of the Town's finances. The focus is on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the Town's overall financial status. The fund financials focus on the individual part of Town government, reporting the Town's operations in more detail than the government-wide statements, which present a longer-term view. Presentation of both perspectives provides the user a broader overview, enhances of the basis for comparisons, and better reflects the Town's accountability.

**Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net position and the Statement of Activities. These statements provide information about the Town as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the Town's position, as a whole, better or worse as a result of the year's activities?"

One of the main goals of these two statements is to report the Town's net position and changes that affected net position during the fiscal year. The change in the Town's net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the Town's financial health, or financial position. Increases or decreases in net position are indicators of whether the Town's financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Town's property tax base and the condition of the Town's infrastructure should also be considered in assessing the overall financial health of the Town.

In the Statement of Net position and the Statement of Activities, the Town's activities are classified as follows:

Governmental Activities

Most of the Town's basic services are reported here, including general government, public safety, public works, and parks and recreation and cultural departments. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-Type Activities

The Town's water and waste disposal are reported here as the Town charges a fee to customers designed to cover all the cost of the services it provides.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. However, the focus is now on the Town's most significant funds rather than fund types. The fund financial statements begin on page 9 and provide detailed information about the most significant funds, not the Town as a whole. The Town has two types of funds:

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**TOWN OF WAVERLY, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

**Fund Financial Statements (Continued)**

Governmental Funds

Most of the Town's basic services are accounted for in the governmental funds. Fund-based statements for these funds focus on how resources flow into and out of those funds and the balances at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental funds financial statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the Town's programs. The differences between governmental activities as reported in the government-wide and funds financial statements are reconciled on pages 10 and 12.

Proprietary Funds

When the Town charges customers for services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, utilize the accrual basis of accounting, and their statements provide both short and long-term financial information.

The Town's enterprise fund, one type of proprietary fund, is the same as the government-wide, business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The Town's enterprise fund is the Water Fund.

**Financial Highlights and Analysis**

The staff includes 20 full-time employees and 5 part-time employees. Seasonal employees are also hired if needed for maintenance work or grass cutting. The Town owns its own water system which serves approximately 1100 residents.

Government-Wide Financial Statement Analysis

Town of Waverly, Virginia Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 161,162	\$ 215,595	\$ 413,954	\$ 397,911	\$ 575,116	\$ 613,506
Operating grants and contributions	136,468	76,163	-	-	136,468	76,163
Total program revenues	297,630	291,758	413,954	397,911	711,584	689,669
General revenues:						
General property taxes	512,539	503,069	-	-	512,539	503,069
Other local taxes	482,687	420,056	-	-	482,687	420,056
Other general revenues	80,200	68,661	-	-	80,200	68,661
Miscellaneous	10,215	9,829	1,903	2,112	12,118	11,941
Total general revenues	1,085,641	1,001,615	1,903	2,112	1,087,544	1,003,727
Total revenues	1,383,271	1,293,373	415,857	400,023	1,799,128	1,693,396

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**TOWN OF WAVERLY, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019**

**Financial Highlights and Analysis (Continued)**

Town of Waverly, Virginia Changes in Net Position (Continued)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Expenses:						
General government administration	\$ 450,814	\$ 442,678	\$ -	\$ -	\$ 450,814	\$ 442,678
Public safety	888,933	838,021	-	-	888,933	838,021
Public works	197,024	229,855	-	-	197,024	229,855
Parks, recreation, culture, and cemetery	30,579	22,783	-	-	30,579	22,783
Public utilities	-	-	260,775	224,697	260,775	224,697
Total expenses	<u>1,567,350</u>	<u>1,533,337</u>	<u>260,775</u>	<u>224,697</u>	<u>1,828,125</u>	<u>1,758,034</u>
Change in net position before transfers	(184,079)	(239,964)	155,082	175,326	(28,997)	(64,638)
Transfers	<u>65,840</u>	<u>121,311</u>	<u>(65,840)</u>	<u>(121,311)</u>	-	-
Change in net position	(118,239)	(118,653)	89,242	54,015	(28,997)	(64,638)
Net position, beginning of year	<u>1,601,678</u>	<u>1,720,331</u>	<u>702,477</u>	<u>648,462</u>	<u>2,304,155</u>	<u>2,368,793</u>
Net position, end of year	<u>\$ 1,483,439</u>	<u>\$ 1,601,678</u>	<u>\$ 791,719</u>	<u>\$ 702,477</u>	<u>\$ 2,275,158</u>	<u>\$ 2,304,155</u>

Total revenues increased from fiscal year 2018 by \$105,732. This is primarily because of an increase in tax collections as well as \$49,778 in public safety grants received from the Commonwealth during the year. In addition, a \$19,136 demolition grant was received from Sussex County.

Total expenses increased by \$70,091. This is primarily because of increased public safety expenses and public utilities repair materials and supplies and related allocation of employee salary costs during the year.

Town of Waverly, Virginia Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,370,005	\$ 1,461,456	\$ 523,256	\$ 499,269	\$ 1,893,261	\$ 1,960,725
Capital assets	<u>537,384</u>	<u>349,206</u>	<u>632,055</u>	<u>617,823</u>	<u>1,169,439</u>	<u>967,029</u>
Total assets	<u>\$ 1,907,389</u>	<u>\$ 1,810,662</u>	<u>\$ 1,155,311</u>	<u>\$ 1,117,092</u>	<u>\$ 3,062,700</u>	<u>\$ 2,927,754</u>
Deferred outflows of resources	<u>\$ 27,033</u>	<u>\$ 17,631</u>	<u>\$ 772</u>	<u>\$ 901</u>	<u>\$ 27,805</u>	<u>\$ 18,532</u>
Current liabilities	\$ 82,734	\$ 64,635	\$ 102,337	\$ 106,283	\$ 185,071	\$ 170,918
Noncurrent liabilities	<u>330,245</u>	<u>111,836</u>	<u>260,277</u>	<u>307,049</u>	<u>590,522</u>	<u>418,885</u>
Total liabilities	<u>\$ 412,979</u>	<u>\$ 176,471</u>	<u>\$ 362,614</u>	<u>\$ 413,332</u>	<u>\$ 775,593</u>	<u>\$ 589,803</u>
Deferred inflows of resources	<u>\$ 38,004</u>	<u>\$ 50,144</u>	<u>\$ 1,750</u>	<u>\$ 2,184</u>	<u>\$ 39,754</u>	<u>\$ 52,328</u>
Net investment in capital assets	\$ 537,384	\$ 349,206	\$ 371,778	\$ 310,774	\$ 909,162	\$ 659,980
Restricted	577,035	117,728	50,254	-	627,289	117,728
Unrestricted	<u>369,020</u>	<u>1,134,744</u>	<u>369,687</u>	<u>391,703</u>	<u>738,707</u>	<u>1,526,447</u>
Net position	<u>\$ 1,483,439</u>	<u>\$ 1,601,678</u>	<u>\$ 791,719</u>	<u>\$ 702,477</u>	<u>\$ 2,275,158</u>	<u>\$ 2,304,155</u>

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## TOWN OF WAVERLY, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

#### **Financial Highlights and Analysis (Continued)**

Net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$2,275,158 compared to the previous year in which assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,304,155.

A large portion of the Town's net position represents unrestricted net position of \$738,707, which may be used to meet the Town's ongoing obligations. In the previous year, unrestricted net position totaled \$1,526,447.

#### Governmental Fund Financial Statement Analysis

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. As shown on the Balance Sheet, the combined fund balances equal \$735,120, which can be further divided into the following components based on liquidity: \$117,451 restricted by grantors and perpetual cemetery maintenance purposes; \$55,440 assigned by Town management for various purposes; and \$562,229 unassigned fund balance.

As shown on the Statement of Revenues, Expenditures and Changes in Fund Balances, the General Fund increased by \$1,636, which was primarily due to normal operations of the General Fund function.

#### General Fund Budgetary Highlights

The General Fund is the chief operating fund for the Town - the Town's basic services are reported in the General Fund. During the year, revenues were more than the budgetary estimates by \$11,938. This was primarily due to more than expected revenues from intergovernmental grants as well as more than expected collections of taxes. Expenditures exceeded budgetary estimates by \$11,197 due to needs in excess of budgeted amounts for capital outlay. See page 39 for more details.

#### Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$537,384 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and other equipment. There was a decrease in governmental activities net capital assets during FY19 of \$188,178 due to depreciation of \$70,640, investments in vehicles and equipment of \$240,318, and investments in land and land improvements of \$18,500. The Town's investment in capital assets for its business-type activities as of June 30, 2019, amounted to \$632,055, which was a net \$14,232 increase over the prior year. This net increase was due to depreciation of \$32,277 and a total increase in construction in progress of \$46,509. See Note 5 to the financial statements for more details.

#### Long Term Obligations

The Town issued new debt in fiscal year 2019 for police vehicles. The balance outstanding at June 30, 2019, was \$195,821. See Note 6 to the financial statements for additional details on long-term obligations.

#### **Economic Conditions**

The Town continues to make every effort to keep the utility rates down for its customers.

Questions concerning this report or requests for additional information should be directed to the Mayor of the Town of Waverly, Virginia.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF NET POSITION**

**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 490,780	\$ 362,651	\$ 853,431
Taxes receivable, net	164,614	-	164,614
Accounts receivable, net and other current assets	-	60,000	60,000
Due from other governments (Note 4)	137,576	-	137,576
Restricted cash and cash equivalents (Note 2)	117,451	50,351	167,802
	<u>910,421</u>	<u>473,002</u>	<u>1,383,423</u>
<b>NONCURRENT ASSETS</b>			
Net pension asset (Note 7)	459,584	50,254	509,838
Capital assets (Note 5):			
Nondepreciable	163,175	217,531	380,706
Depreciable, net	374,209	414,524	788,733
	<u>\$ 1,907,389</u>	<u>\$ 1,155,311</u>	<u>\$ 3,062,700</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals (Note 7)	\$ 7,063	\$ 772	\$ 7,835
LODA OPEB deferrals (Note 8)	18,546	-	18,546
VLDP OPEB deferrals (Note 8)	1,424	-	1,424
	<u>\$ 27,033</u>	<u>\$ 772</u>	<u>\$ 27,805</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 69,401	\$ 51,986	\$ 121,387
Customer deposits payable from restricted cash	-	50,351	50,351
	<u>69,401</u>	<u>102,337</u>	<u>171,738</u>
<b>NONCURRENT LIABILITIES (Note 6)</b>			
Due within one year	43,805	83,241	127,046
Due in more than one year	299,773	177,036	476,809
	<u>\$ 412,979</u>	<u>\$ 362,614</u>	<u>\$ 775,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals (Note 7)	\$ 16,004	\$ 1,750	\$ 17,754
LODA OPEB deferrals (Note 8)	22,000	-	22,000
	<u>\$ 38,004</u>	<u>\$ 1,750</u>	<u>\$ 39,754</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 537,384	\$ 371,778	\$ 909,162
Restricted	577,035	50,254	627,289
Unrestricted	369,020	369,687	738,707
	<u>\$ 1,483,439</u>	<u>\$ 791,719</u>	<u>\$ 2,275,158</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and and Changes in Net Position</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>PRIMARY GOVERNMENT</b>						
Governmental activities:						
General government administration	\$ 450,814	\$ 1,918	\$ -	\$ (448,896)	\$ -	\$ (448,896)
Public safety	888,933	159,064	116,286	(613,583)	-	(613,583)
Public works	197,024	180	20,182	(176,662)	-	(176,662)
Parks, recreation, culture, and cemetery	30,579	-	-	(30,579)	-	(30,579)
Total governmental activities	<u>1,567,350</u>	<u>161,162</u>	<u>136,468</u>	<u>(1,269,720)</u>	<u>-</u>	<u>(1,269,720)</u>
Business-type activities:						
Water fund	260,775	413,954	-	-	153,179	153,179
Total primary government	<u>\$ 1,828,125</u>	<u>\$ 575,116</u>	<u>\$ 136,468</u>	<u>(1,269,720)</u>	<u>153,179</u>	<u>(1,116,541)</u>
<b>GENERAL REVENUES</b>						
General property taxes				512,539	-	512,539
Other local taxes and fines				482,687	-	482,687
Revenues from use of money and property				11,491	1,903	13,394
Revenues from other local sources				68,709	-	68,709
Miscellaneous				10,215	-	10,215
Transfers				65,840	65,840	131,680
Total general revenues and transfers				<u>1,151,481</u>	<u>67,743</u>	<u>1,219,224</u>
Change in net position				(118,239)	220,922	102,683
Net position, beginning of year				<u>1,601,678</u>	<u>702,477</u>	<u>2,304,155</u>
Net position, end of year				<u>\$ 1,483,439</u>	<u>\$ 923,399</u>	<u>\$ 2,406,838</u>

The Notes to Financial Statements are an integral part of this statement.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**TOWN OF WAVERLY, VIRGINIA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2019**

	<b>General Fund</b>	<b>Cemetery Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 457,378	\$ 33,402	\$ 490,780
Restricted cash and cash equivalents (Note 2)	17,451	100,000	117,451
Taxes receivable, net	164,613	-	164,613
Due from other governments (Note 4)	137,576	-	137,576
	<u>\$ 777,018</u>	<u>\$ 133,402</u>	<u>\$ 910,420</u>
Total assets	<u>\$ 777,018</u>	<u>\$ 133,402</u>	<u>\$ 910,420</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 18,915	\$ 3,707	\$ 22,622
Payroll liabilities	46,623	-	46,623
	<u>65,538</u>	<u>3,707</u>	<u>69,245</u>
Total liabilities	<u>65,538</u>	<u>3,707</u>	<u>69,245</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	106,055	-	106,055
	<u>106,055</u>	<u>-</u>	<u>106,055</u>
<b>FUND BALANCES</b>			
Restricted:			
Forfeited assets	17,451	-	17,451
Cemetery	-	100,000	100,000
Assigned:			
Capital improvements	11,155	-	11,155
Vehicle purchases	9,115	-	9,115
Parks and recreation	5,475	-	5,475
Cemetery	-	29,695	29,695
Unassigned	562,229	-	562,229
	<u>605,425</u>	<u>129,695</u>	<u>735,120</u>
Total fund balances	<u>\$ 777,018</u>	<u>\$ 133,402</u>	<u>\$ 910,420</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION**

**June 30, 2019**

Detailed explanation of adjustments from fund balance sheet to government-wide statement of net position:

Total fund balances, governmental funds	\$	735,120
<p>When capital assets (land, building, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the town as a whole.</p>		
Capital assets, cost		1,099,237
Accumulated depreciation		(561,853)
<p>Because of the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are sometimes offset by deferred inflows in the governmental funds and thus are not included in the fund balance.</p>		
Net pension asset		459,584
Unavailable revenue, property taxes		105,900
<p>Deferred outflows of resources are not outflows of resources in the current period and, therefore, are not reported in the funds.</p>		
Pension deferrals		7,063
LODA OPEB deferrals		18,546
VLDP OPEB deferrals		1,424
<p>Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.</p>		
Loan payable		(195,821)
Accounts payable, long-term		(13,333)
Compensated absences		(29,424)
LODA OPEB liability		(104,000)
VLDP OPEB liability		(1,000)
<p>Deferred inflows of resources are not inflows of resources in the current period and, therefore, are not reported in the funds.</p>		
Pension deferrals		(16,004)
LODA OPEB deferrals		(22,000)
Net position of governmental activities	<u>\$</u>	<u>1,483,439</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
<b>OPERATING REVENUES</b>			
General property taxes	\$ 604,378	\$ -	\$ 604,378
Other local taxes	482,687	-	482,687
Permits, privilege fees and regulatory licenses	68,709	-	68,709
Fines and forfeitures	159,064	-	159,064
Revenue from use of money and property	3,032	8,459	11,491
Charges for services	2,098	-	2,098
Miscellaneous	10,215	-	10,215
Intergovernmental	136,468	-	136,468
	<u>1,466,651</u>	<u>8,459</u>	<u>1,475,110</u>
<b>OPERATING EXPENSES</b>			
Current:			
General governmental administration	448,921	-	448,921
Public safety	855,844	-	855,844
Public works	205,611	-	205,611
Parks, recreation, culture, and cemetery	7,343	14,318	21,661
Debt service	9,179	-	9,179
Capital outlay	211,485	-	211,485
	<u>1,738,383</u>	<u>14,318</u>	<u>1,752,701</u>
Excess of expenditures over revenues	<u>(271,732)</u>	<u>(5,859)</u>	<u>(277,591)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	68,368	-	68,368
Transfer out	-	(2,528)	(2,528)
Proceeds from issuance of debt	205,000	-	205,000
	<u>273,368</u>	<u>(2,528)</u>	<u>270,840</u>
Changes in fund balances	1,636	(8,387)	(6,751)
Fund balance, beginning of year	<u>603,789</u>	<u>138,082</u>	<u>741,871</u>
Fund balances, end of year	<u>\$ 605,425</u>	<u>\$ 129,695</u>	<u>\$ 735,120</u>

The Notes to Financial Statements are an integral part of this statement.



**TOWN OF WAVERLY, VIRGINIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

Net change in fund balances, total governmental funds \$ (6,751)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays. The details of this difference are as follows:

Depreciation expense	(70,640)
Capital outlay expenditures	258,818

The collections of tax outstanding revenue reported in the funds, which related to prior year assessments, is not reported as revenues in the statement of activities. (91,839)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The details of this difference are as follows:

Issuance of debt	(225,000)
Principal payments	15,846

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	(5,588)
Change in net pension asset and related deferred amounts	11,149
Change in LODA OPEB liability and related deferred amounts	(4,000)
Change in VLDP OPEB liability and related deferred amounts	(234)

Change in net position of governmental activities	<u>\$ (118,239)</u>
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**PROPRIETARY FUND FINANCIAL STATEMENTS**

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF NET POSITION - PROPRIETARY FUND**

**June 30, 2019**

	<u><b>Water Fund</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 362,651
Restricted cash (Note 2)	50,351
Accounts receivable, net	57,750
Prepaid expenses	2,250
Total current assets	<u>473,002</u>
<b>NONCURRENT ASSETS</b>	
Net pension asset (Note 7)	<u>50,254</u>
Capital assets, net of accumulated depreciation (Note 5):	
Land	900
Construction in progress	216,631
Water lines	581,238
Pumps and other equipment	450,147
Vehicles	18,138
Accumulated depreciation	<u>(634,999)</u>
Total capital assets, net of accumulated depreciation	<u>632,055</u>
Total assets	<u><u>\$ 1,155,311</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals (Note 7)	<u><u>\$ 772</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 5,607
Due to Sussex Service Authority	46,379
Customer deposits payable from restricted assets	50,351
Current portion of noncurrent liabilities (Note 6)	<u>83,241</u>
Total current liabilities	185,578
<b>NONCURRENT LIABILITIES</b>	
Amounts payable for construction in progress (Note 6)	<u>177,036</u>
Total liabilities	<u><u>\$ 362,614</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals (Note 7)	<u><u>\$ 1,750</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 371,778
Restricted for pensions	50,254
Unrestricted	<u>369,687</u>
Total net position	<u><u>\$ 791,719</u></u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUND  
Year Ended June 30, 2019**

	<b>Water Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenue	\$ 320,428
Trash revenue	72,774
Other revenue	20,752
	413,954
Total operating revenues	413,954
<b>OPERATING EXPENSES</b>	
Salaries and benefits - regular pay	56,507
Trash removal services	67,281
Deprecation	32,277
Materials and supplies	27,555
Contracted services - Sussex Service Authority	27,000
Electricity	17,829
Maintenance and repairs	12,277
Office expense	8,925
Other operating expenses	6,549
Salaries - overtime	4,575
	260,775
Total operating expenses	260,775
Operating income	153,179
<b>NONOPERATING REVENUES</b>	
Interest income	1,903
	1,903
Income before operating transfers	155,082
<b>TRANSFERS</b>	
Transfers out	(65,840)
	(65,840)
Change in net position	89,242
Net position, beginning of year	702,477
	702,477
Net position, end of year	\$ 791,719

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year Ended June 30, 2019**

	<b>Water Fund</b>
<b>OPERATING ACTIVITIES</b>	
Received from customers and users	\$ 406,579
Payments to suppliers for goods and services	(168,112)
Payments to employees	(78,502)
	<u>159,965</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers out	(65,840)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(12,392)
Payments made on financed construction costs	(80,889)
	<u>(93,281)</u>
<b>INVESTING ACTIVITIES</b>	
Interest received	1,903
	<u>2,747</u>
Net increase in cash and cash equivalents	410,255
Cash and cash equivalents, beginning of year	410,255
	<u>\$ 413,002</u>
	<u>413,002</u>
<b>CASH AND CASH EQUIVALENTS</b> , as shown on statement of net position:	
Cash and cash equivalents	\$ 362,651
Restricted cash	50,351
	<u>\$ 413,002</u>
	<u>413,002</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 153,179
Adjusting to reconcile operating income to net cash provided by operating activities:	
Depreciation	32,277
Change in current assets and liabilities:	
Accounts receivable	(4,125)
Net pension asset and related deferrals	(17,420)
Accounts payable	(668)
Due to Sussex Service Authority	(28)
Customer deposits payable from restricted assets	(3,250)
	<u>\$ 159,965</u>
	<u>159,965</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Financed construction in progress	\$ 34,117
	<u>34,117</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**1. Summary of Significant Accounting Policies**

Reporting entity

The Town of Waverly, Virginia (Town) is a political subdivision of the Commonwealth of Virginia (Commonwealth) governed by a five-member elected Town Council. The accompanying financial statements for the primary government are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by the GASB represent generally accepted accounting principles applicable to governmental funds.

Government-wide and fund financial statements

There are two basic government-wide statements, the statement of net position and the statement of activities, which report information on all of the activities of the Town. These two statements report governmental activities, which are normally supported by taxes and intergovernmental revenues, separately from business-type activities, which rely primarily on fees and charges for services. In addition to separately presenting business-type activities and governmental activities, the government-wide financial statements present a consolidated total column for the primary government. The government-wide financial statements are consolidated; therefore, the effect of inter-fund activity has been removed from these financial statements. There are no fiduciary funds or component units that are fiduciary in nature.

The statement of activities presents a comparison between the direct expenses of a function and program revenues. Direct expenses are those that are associated with a specific function or segment. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the function or segment and (b) grants and contributions that are restricted to meet the operating or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements are provided to separately present governmental funds and the proprietary fund. All individual governmental funds and the enterprise fund are reported separately in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. This measurement focus attempts to match revenues and related costs. The accrual basis of accounting recognizes revenues as they are earned, and expenses are recognized when a liability is incurred. The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus does not attempt to match revenues and related costs; instead, the focus is on increases and decreases in current financial resources. The modified accrual basis of accounting recognizes revenue when measurable and available. That is, revenues are recognized to the degree that they are available to finance expenses of the current fiscal period. Generally, revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or within forty-five (45) days thereafter.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**1. Summary of Significant Accounting Policies (Continued)**

Accordingly, real and personal property taxes are recorded as revenues and receivables when billed and are displayed at year end, net of an allowance for uncollectible amounts. Sales and utility taxes, as well as licenses, permits, and fines, are collected by other governments or utilities and are subsequently remitted to the Town. These are recognized as revenues and receivables upon collection by the government or utility, which is generally one month preceding receipt by the Town. Revenues from general purpose grants are recognized in the period to which the grant applies. Expenses are recorded as the related fund liabilities are incurred.

With the fund financial statements, two reconciliations are provided to explain the difference between the governmental fund financial statements and the government-wide financial statements caused by these differences in measurement focus and basis of accounting.

The Town reports the following governmental funds:

**General Fund**

A General Fund accounts for all revenues and expenses applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived from general property taxes, including penalties and interest, other local taxes, licenses and permits, intergovernmental revenues, and operating grants and contributions. Primary expenditures are for public safety, public works, parks, recreation and culture, and the general administration of the Town.

**Permanent Fund**

A Permanent Fund accounts for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. As such, the Cemetery Fund was derived from the sale of cemetery lots and donations. An assigned balance capped at \$100,000 from cemetery lot sales was established for perpetual care. Interest earnings may be used by the Town for the maintenance of cemetery grounds. These funds are identified as assigned and restricted fund balances on the Balance Sheet - Governmental Funds.

The Town reports the following proprietary fund:

**Enterprise Fund**

An Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses are recovered in the form of charges to users of such services. The Town's enterprise fund accounts for the operations of water and waste disposal services. Operating revenues are defined as revenue generated by providing customer services. The largest sources are water services, trash services, and penalty charges for late payments. Non-operating revenues consist of interest income.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**1. Summary of Significant Accounting Policies (Continued)**

Budget and budgetary accounting

The Town's annual operating budgets for the General and Proprietary Funds are adopted by ordinances and resolutions passed by Town Council. The budgets are prepared on the basis of accounting utilized in each fund type. All appropriations lapse at year end to the extent that they have not been fully expended. Public hearings are conducted to obtain citizen comments. Prior to July 1, the General Fund budget is legally adopted through passage of an appropriations resolution. All General Fund budget data presented in the accompanying required supplementary information represents the budget for the fiscal year ended June 30, 2019.

Budgetary comparison statements

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - compares budget and actual data for all governmental funds for which a budget is adopted. A review of the budgetary comparison presented herein discloses how accurately the governing body was able to forecast the revenues and expenses of the Town.

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment pool. The general fund and permanent fund certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents and restricted cash and cash equivalents, respectively. The Town has no investments at June 30, 2019.

Receivables and allowance for uncollectible accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2019, the allowance for uncollectible general property taxes was \$73,946 and the allowance for uncollectible water receivables was \$34,198.

Capital assets

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at the date of donation. Depreciation is recorded on capital assets on a government-wide basis and in the Proprietary Fund using the straight-line method and the following estimated useful lives.

Buildings and improvements	10 to 20 years
Equipment, furniture and fixtures	5 to 10 years
Vehicles	5 years
Pumps and other equipment	5 to 7 years
Water lines	20 years

(Continued)



**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**1. Summary of Significant Accounting Policies (Continued)**

Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports 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/expenditure) until then. The Town's deferred outflows of resources consist of amounts related to pensions (see Note 7) and other post-employment benefits (see Note 8).

In addition to liabilities, the statement of net position and governmental funds balance sheet reports 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. On the statement of net position, the Town's deferred inflows of resources consist of amounts related to pensions (see Note 7) and other post-employment benefits (see Note 8).

On the governmental funds balance sheet, under the modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported as a deferred inflow of resources. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources.

Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

## TOWN OF WAVERLY, VIRGINIA

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

#### 1. Summary of Significant Accounting Policies (Continued)

##### Long-term obligations

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities.

##### Fund balance

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts constrained to specific purposes by their provider (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (Town Council), to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegated the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported to the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

##### 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.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**1. Summary of Significant Accounting Policies (Continued)**

Net position flow assumption

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

Credit risk

Financial instruments which potentially subject the Town to concentration of credit risk consist principally of temporary cash investments. The Town places its temporary cash investments with a high credit quality financial institution. At June 30, 2019, the Town's cash funds were located in a single financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Town's customer base.

Interfund transactions

Transactions that constitute reimbursement to a fund for expenditures/expenses initially made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are recorded as operating transfers.

**2. Cash and Cash Equivalents**

The carrying value of the Town's deposits with banks was \$1,021,233, and the bank balances were \$1,052,383 as of June 30, 2019. All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of the Virginia or are covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

The Town had cash restricted for the following purposes at June 30, 2019: \$17,451 of proceeds from forfeited assets to be spent for public safety in accordance with federal regulations, \$100,000 for perpetual maintenance of cemetery property, and \$50,351 in refundable customer utility deposits.

**3. Property Taxes Receivable**

Property is assessed at its value on January 1 by Sussex County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable January 31st. The Town bills and collects its own property taxes. The tax rates for the fiscal year ended June 30, 2019, were \$0.30 and \$1.85, respectively, for real estate and personal property per every \$100 of assessed value.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**4. Due To/ From Other Governmental Units**

At June 30, 2019, the Town's Water Fund has \$46,379 due to Sussex Service Authority for sewer fees collected in the month of June. At June 30, 2019, the Town's General Fund has receivables from other governments as follows:

Commonwealth of Virginia:			
Communication taxes	\$	4,325	
Personal property tax relief		89,590	
Funds grant		2,000	
Rolling stock taxes		5,313	
Mobile home sales taxes		390	
Automobile rental taxes		253	
Sussex County:			
Fines		15,467	
Local sales taxes		<u>20,238</u>	
	\$	<u>137,576</u>	

**5. Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 144,675	\$ 18,500	\$ -	\$ 163,175
Capital assets being depreciated:				
Building and improvements	108,917	-	-	108,917
Equipment, furniture and fixtures	178,342	35,500	-	213,842
Vehicles	<u>408,485</u>	<u>204,818</u>	<u>-</u>	<u>613,303</u>
Total capital assets being depreciated	<u>695,744</u>	<u>240,318</u>	<u>-</u>	<u>936,062</u>
Accumulated depreciation:				
Building and improvements	(34,144)	(6,936)	-	(41,080)
Equipment, furniture and fixtures	(131,045)	(13,366)	-	(144,411)
Vehicles	<u>(326,024)</u>	<u>(50,338)</u>	<u>-</u>	<u>(376,362)</u>
Total accumulated depreciation	<u>(491,213)</u>	<u>(70,640)</u>	<u>-</u>	<u>(561,853)</u>
Capital assets being depreciated, net	<u>204,531</u>	<u>169,678</u>	<u>-</u>	<u>374,209</u>
Governmental activities capital assets, net	<u>\$ 349,206</u>	<u>\$ 188,178</u>	<u>\$ -</u>	<u>\$ 537,384</u>

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

General government administration	\$ 5,094
Public safety	44,075
Public works	12,553
Parks, recreation, culture, and cemetery	<u>8,918</u>
	<u>\$ 70,640</u>

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 900	\$ -	\$ -	\$ 900
Construction in process	<u>531,669</u>	<u>46,509</u>	<u>(361,547)</u>	<u>216,631</u>
Total capital assets not being depreciated	<u>532,569</u>	<u>46,509</u>	<u>(361,547)</u>	<u>217,531</u>
Capital assets being depreciated:				
Vehicles	18,138	-	-	18,138
Pumps and other equipment	450,147	-	-	450,147
Water lines	<u>219,691</u>	<u>361,547</u>	<u>-</u>	<u>581,238</u>
Total capital assets being depreciated	<u>687,976</u>	<u>361,547</u>	<u>-</u>	<u>1,049,523</u>
Accumulated depreciation:				
Vehicles	(18,138)	-	-	(18,138)
Pumps and other equipment	(425,965)	(6,351)	-	(432,316)
Water lines	<u>(158,619)</u>	<u>(25,926)</u>	<u>-</u>	<u>(184,545)</u>
Total accumulated depreciation	<u>(602,722)</u>	<u>(32,277)</u>	<u>-</u>	<u>(634,999)</u>
Capital assets being depreciated, net	<u>85,254</u>	<u>329,270</u>	<u>-</u>	<u>414,524</u>
Business-type activities capital assets, net	<u>\$ 617,823</u>	<u>\$ 375,779</u>	<u>\$ (361,547)</u>	<u>\$ 632,055</u>

Construction in process is composed of \$216,631 in costs related to a well project. At June 30, 2019, an additional \$291,179 has been committed for this project.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**6. Long-Term Liabilities**

The following is a summary of long-term liability transactions of the Town for the fiscal year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due Within One year</u>
<b>Governmental activities</b>					
Loan payable	\$ -	\$ 205,000	\$ 9,179	\$ 195,821	\$ 37,138
Accounts payable, long term	-	20,000	6,667	13,333	6,667
Compensated absences	23,836	50,181	44,593	29,424	-
LODA OPEB liability	87,000	17,000	-	104,000	-
VLDP OPEB liability	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
	<u>\$ 111,836</u>	<u>\$ 292,181</u>	<u>\$ 60,439</u>	<u>\$ 343,578</u>	<u>\$ 43,805</u>

The Town has obtained a loan for the purchase of certain police vehicles. Payments of \$3,915.91 are due monthly bearing interest at an annual rate of 5.50%. Annual requirements under this payment arrangement are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 37,138	\$ 9,852
2021	39,235	7,757
2022	41,447	5,544
2023	43,785	3,206
2024	<u>34,216</u>	<u>791</u>
	<u>\$ 195,821</u>	<u>\$ 27,150</u>

The Town has also financed the purchase of software during the year with a long-term account payable. The outstanding balance as of June 30, 2019 is \$13,333 and annual payments of \$6,667 and \$6,666 are due in fiscal years 2020 and 2021, respectively.

Historically, the general fund has been used to liquidate governmental activities' long-term liabilities.

	<u>Balance June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due Within One year</u>
<b>Business-type activities</b>					
Amounts payable for construction in process and water lines	<u>\$ 307,049</u>	<u>\$ 34,117</u>	<u>\$ 80,889</u>	<u>\$ 260,277</u>	<u>\$ 83,241</u>

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**6. Long-Term Liabilities (Continued)**

The Town has entered into a payment arrangement for the construction of certain Water Fund infrastructure. Annual requirements under this payment arrangement are as follows:

<u>Year Ending</u> <u>June 30</u>		
2020	\$	83,241
2021		83,241
2022		83,241
2023		-
2024		<u>10,554</u>
	<u>\$</u>	<u>260,277</u>

**7. Defined Benefit Pension Plan**

The Town contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS.

Plan description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Retirement Plan upon employment. This agent multiple-employer 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 *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. Defined Benefit Pension Plan (Continued)**

Employees covered by benefit terms

As of the June 30, 2017, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>16</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	<u>40</u>
Active members	<u>13</u>
Total covered employees	<u><u>69</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2019, was 0.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 Town were \$754 for the year ended June 30, 2019.

Net pension amounts

The net pension amount is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Actuarial assumptions

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

(Continued)



**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2019**

**7. Defined Benefit Pension Plan (Continued)**

Inflation	2.50%
General employees - Salary increases, including inflation	3.50 - 5.35%
Public Safety employees with hazardous duty benefits - Salary increases, including inflation	3.50 - 4.75%
Investment rate of return	7.00%, net of pension plan investment expenses, including inflation*

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

Mortality rates

General employees - 15 to 20% of deaths are assumed to be service related. Public Safety Employees - 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees - Largest 10 - Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

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:

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. Defined Benefit Pension Plan (Continued)**

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue 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.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. Defined Benefit Pension Plan (Continued)**

Changes in net pension liability (asset)

	<b>Increase (Decrease)</b>		
	<b>Total</b>	<b>Plan</b>	<b>Net Pension</b>
	<b>Pension</b>	<b>Fiduciary</b>	<b>Liability /</b>
	<b>Liability</b>	<b>Net Position</b>	<b>(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2017	\$ 1,800,310	\$ 2,290,661	\$ (490,351)
Changes for the year:			
Service cost	38,261	-	38,261
Interest	122,651	-	122,651
Difference between expected and actual experience	19,506	-	19,506
Contributions - employer	-	1,583	(1,583)
Contributions - employee	-	32,033	(32,033)
Net investment income	-	167,912	(167,912)
Benefit payments, including refunds of employee contributions	(96,312)	(96,312)	-
Administrative expenses	-	(1,474)	1,474
Other changes	-	(149)	149
Net changes	<u>84,106</u>	<u>103,593</u>	<u>(19,487)</u>
Balances at June 30, 2018	<u>\$ 1,884,416</u>	<u>\$ 2,394,254</u>	<u>\$ (509,838)</u>

Sensitivity of the net pension asset to changes in the discount rate

The following presents the net pension asset of the Town using the discount rate of 7.00%, as well as what the Town's net pension 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:

	<b>1.00% Decrease</b>	<b>Current</b>	<b>1.00% Increase</b>
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Town's net pension asset	<u>\$ (263,721)</u>	<u>\$ (509,838)</u>	<u>\$ (711,597)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2019, the Town recognized pension expense (recovery) of \$(27,212). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Differences between expected and actual experience	\$ 7,081	\$ -
Employer contributions subsequent to the measurement date	754	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>17,754</u>
	<u>\$ 7,835</u>	<u>\$ 17,754</u>

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. Defined Benefit Pension Plan (Continued)**

The \$754 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as an increase to the Net Pension Asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ 16,045
2021	(1,126)
2022	(23,626)
2023	(1,966)
	\$ (10,673)

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan descriptions

*Line of Duty Act Program*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>

TOWN OF WAVERLY, VIRGINIA

NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2019

8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)

*Virginia Local Disability Program*

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

*Line of Duty Act Program*

Governed by:	Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$705.77 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2019 Contribution	\$ 3,546
June 30, 2018 Contribution	\$ 3,546

*Virginia Local Disability Program*

Governed by:	Code of Virginia 51.1-1178(C) and may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly.
Total rate:	0.72% of covered employee compensation.
June 30, 2019 Contribution	\$ 1,424
June 30, 2018 Contribution	\$ 1,659

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liabilities were measured as of June 30, 2018, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)**

*Line of Duty Act Program*

June 30, 2019 proportionate share of liability	\$	104,000
June 30, 2018 proportion		0.03330%
June 30, 2017 proportion		0.03288%
June 30, 2019 expense	\$	8,000

*Virginia Local Disability Program*

June 30, 2019 proportionate share of liability	\$	1,000
June 30, 2018 proportion		0.10083%
June 30, 2017 proportion		0.08008%
June 30, 2019 expense	\$	2,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

*Line of Duty Act Program*

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,000	\$ -
Change in assumptions	-	12,000
Changes in proportion	-	10,000
Employer contributions subsequent to the measurement date	<u>3,546</u>	<u>-</u>
	<u>\$ 18,546</u>	<u>\$ 22,000</u>

*Virginia Local Disability Program*

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	<u>\$ 1,424</u>	<u>\$ -</u>

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2019**

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)**

The deferred outflows of resources related to OPEB resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Line of Duty Act Program*

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (1,000)
2021	\$ (1,000)
2022	\$ (1,000)
2023	\$ (1,000)
2024	\$ (1,000)
Thereafter	\$ (2,000)

Actuarial assumptions

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.50%
Salary increase, including inflation:	
Locality - general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Healthcare cost trend rate assumptions:	
Under age 65	7.75 - 5.00%
Ages 65 and older	5.75 - 5.00%
Investment rate of return, net of expenses, including inflation*	VLDP: 7.0%; LODA 3.89%

\*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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2019**

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)**

Net OPEB liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Line of Duty Program</b>	<b>Virginia Local Disability Program</b>
Total OPEB Liability	\$ 315,395	\$ 1,588
Plan fiduciary net position	\$ 1,889	\$ 816
Employers' net OPEB liability	\$ 313,506	\$ 772
Plan fiduciary net position as a percentage of total OPEB liability	0.60%	51.39%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-term expected rate of return

*Line of Duty Act Program*

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

*Virginia Local Disability Program*

The long-term expected rate of return for the VLDP OPEB plan is the same as that used for the actuarial valuations of the VRS pension plans. The long-term expected rate of return is discussed in detail at Note 7.

(Continued)



**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)**

Discount rate

The discount rate used to measure the VLDP OPEB liability was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 OPEB liabilities 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 OPEB plans' 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 OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liabilities of the Town, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% VLDP/2.89% LODA) or one percentage point higher (8.00% VLDP/4.89% LODA) than the current discount rate:

	<b>1% Decrease 6.00%</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
VLDP Net OPEB liability	\$ 1,000	\$ 1,000	\$ -
	<b>1% Decrease (2.89%)</b>	<b>Current Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
LODA Net OPEB liability	\$ 119,000	\$ 104,000	\$ 92,000

Sensitivity of the LODA net OPEB liability to changes in the healthcare cost trend rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the Town using health care trend rate of 7.75% decreasing to 5.00%, as well as what the Town's LODA net OPEB liability would be if it were calculated using a healthcare cost trend rates that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	<b>1.00% Decrease (6.75% decreasing to 4.00%)</b>	<b>Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)</b>	<b>1.00% Increase (8.75% decreasing to 6.00%)</b>
Net LODA OPEB liability	\$ 89,000	\$ 104,000	\$ 123,000

(Continued)

**TOWN OF WAVERLY, VIRGINIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**8. Other Postemployment Benefits Liability - Virginia Retirement System Plans (Continued)**

OPEB plan fiduciary net position

Detailed information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**9. Contingent Liability - Cemetery**

Upon the sale of cemetery privileges, the Town collects a fee to provide perpetual cemetery care. These amounts have been credited to the cemetery fund balance in the past and have been included in revenues collected in the accompanying statements. These amounts are potentially refundable if the owner elects to resell the lot back to the Town. No provision for this contingency has been provided and the amount of this potential liability is not readily determinable.

**10. Risk Management**

The Town 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 Town joined the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the Association for its workers compensation and general liability insurance. In the event of a deficit and depletion of all available excess insurance, the Association may assess all members proportionally based on the premium that each bears to the total premiums paid by all members in the year in which such a deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss including 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.

**11. Commitment**

The Town entered into a contract in June 2019 with a construction contractor where they will provide a new well pumping facility. The Town will pay approximately \$291,000 for the facility in progress payments as the project is completed. The project is expected to be completed in 2020.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**TOWN OF WAVERLY, VIRGINIA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (MODIFIED CASH BASIS)**

**Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>				
General property taxes	\$ 560,000	\$ 560,000	\$ 571,846	\$ 11,846
Other local taxes	452,500	452,500	485,184	32,684
Permits, privilege fees and regulatory licenses	61,000	61,000	70,595	9,595
Fines and forfeitures	240,000	240,000	165,341	(74,659)
Revenue from use of money and property	3,636	3,636	3,032	(604)
Charges for services	500	500	2,098	1,598
Recovered costs	9,500	9,500	-	(9,500)
Miscellaneous	2,000	2,000	17,959	15,959
Intergovernmental	106,212	106,212	131,231	25,019
	<u>1,435,348</u>	<u>1,435,348</u>	<u>1,447,286</u>	<u>11,938</u>
<b>OPERATING EXPENSES</b>				
Current:				
General governmental administration	440,893	440,893	460,301	(19,408)
Public safety	856,086	856,086	841,157	14,929
Public works	207,921	207,921	205,611	2,310
Parks, recreation and culture	4,800	4,800	7,343	(2,543)
Capital outlay	-	-	6,485	(6,485)
	<u>1,509,700</u>	<u>1,509,700</u>	<u>1,520,897</u>	<u>(11,197)</u>
Total expenditures	<u>1,509,700</u>	<u>1,509,700</u>	<u>1,520,897</u>	<u>(11,197)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,352)</u>	<u>(74,352)</u>	<u>(73,611)</u>	<u>741</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	-	-	68,368	68,368
	<u>-</u>	<u>-</u>	<u>68,368</u>	<u>68,368</u>
Change in fund balance	<u>\$ (74,352)</u>	<u>\$ (74,352)</u>	<u>\$ (5,243)</u>	<u>\$ 69,109</u>

**TOWN OF WAVERLY, VIRGINIA**

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS**

	Plan Year				
	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 38,261	\$ 43,609	\$ 46,455	\$ 64,248	\$ 69,031
Interest	122,651	117,743	108,770	106,665	100,855
Changes of assumptions	-	19,158	-	-	-
Benefit payments, including refunds of employee contributions	(96,312)	(120,300)	(94,913)	(96,359)	(77,407)
Difference between expected and actual experience	19,506	(2,097)	80,566	(45,201)	-
Net change in total pension liability	84,106	58,113	140,878	29,353	92,479
Total pension liability, beginning	1,800,310	1,742,197	1,601,319	1,571,966	1,479,487
Total pension liability, ending (a)	<u>\$ 1,884,416</u>	<u>\$ 1,800,310</u>	<u>\$ 1,742,197</u>	<u>\$ 1,601,319</u>	<u>\$ 1,571,966</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - employer	\$ 1,583	\$ 293	\$ 13,318	\$ 15,455	\$ 16,711
Contributions - employee	32,033	24,585	22,376	26,012	31,178
Net investment income	167,912	254,268	36,416	95,853	291,280
Benefit payments	(96,312)	(120,300)	(94,913)	(96,359)	(77,407)
Administrative expenses	(1,474)	(1,529)	(1,360)	(1,347)	(1,581)
Other changes	(149)	(224)	(16)	(20)	16
Net change in plan fiduciary net position	103,593	157,093	(24,179)	39,594	260,197
Plan fiduciary net position, beginning	2,290,661	2,133,568	2,157,747	2,118,153	1,857,956
Plan fiduciary net position, ending (b)	<u>\$ 2,394,254</u>	<u>\$ 2,290,661</u>	<u>\$ 2,133,568</u>	<u>\$ 2,157,747</u>	<u>\$ 2,118,153</u>
Town's net pension asset, ending (a) - (b)	<u>\$ (509,838)</u>	<u>\$ (490,351)</u>	<u>\$ (391,371)</u>	<u>\$ (556,428)</u>	<u>\$ (546,187)</u>
Plan fiduciary net position as a percentage of the total pension liability	127.1%	127.2%	122.5%	134.7%	134.7%
Employer's covered payroll*	<u>\$ 652,667</u>	<u>\$ 195,333</u>	<u>\$ 465,675</u>	<u>\$ 503,420</u>	<u>\$ 795,464</u>
Net pension asset as a percentage of employer's covered payroll	<u>-78.1%</u>	<u>-251.0%</u>	<u>-84.0%</u>	<u>-110.5%</u>	<u>-68.7%</u>

\*Employer's covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

See Independent Auditor's Report.

**TOWN OF WAVERLY, VIRGINIA**

**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**

	<b>Plan Year</b>	
	<b>2018</b>	<b>2017</b>
<b>Line of Duty Act (LODA) Program</b>		
Employer's proportion of the net LODA OPEB liability	0.03330%	0.03288%
Employer's proportionate share of the net LODA OPEB liability	\$ 104,000	\$ 87,000
Employer's covered payroll	\$ 296,780	\$ 255,402
Employer's proportionate share of the net LODA OPEB liability as a percentage of its covered payroll	35.04%	34.06%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	0.60%	1.30%
<b>Virginia Local Disability Program (VLDP)</b>		
Employer's proportion of the net VLDP OPEB liability	0.10083%	0.08008%
Employer's proportionate share of the net VLDP OPEB liability	\$ 1,000	\$ 1,000
Employer's covered payroll	\$ 276,500	\$ 244,816
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.36%	0.41%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	51.39%	38.40%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

See Independent Auditor's Report.

**TOWN OF WAVERLY, VIRGINIA**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ending June 30,</b>	<b>Required Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Pension</b>					
2019	\$ 754	\$ 754	\$ -	\$ 519,221	0.15%
2018	\$ 979	\$ 979	\$ -	\$ 652,667	0.15%
2017	\$ 293	\$ 293	\$ -	\$ 195,333	0.15%
2016	\$ 13,318	\$ 13,318	\$ -	\$ 465,675	2.86%
2015	\$ 15,455	\$ 15,455	\$ -	\$ 503,420	3.07%
<b>VLDP OPEB</b>					
2019	\$ 1,424	\$ 1,424	\$ -	\$ 197,778	0.72%
2018	\$ 1,659	\$ 1,659	\$ -	\$ 276,500	0.60%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

See Independent Auditor's Report.

## TOWN OF WAVERLY, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

#### 1. Budgetary Appropriations

The Town budget is prepared on a modified cash basis. The General Fund cash-basis expenditures exceeded budgeted appropriations by \$11,197.

#### 2. Pension Plan

##### Changes of benefit terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

##### Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

##### All Others (Non 10 Largest) - Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates

##### All Others (Non 10 Largest) - Hazardous Duty:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty disability rates

#### 3. OPEB Plans

##### Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

##### Changes of assumptions

See Note 2 above for System changes of assumptions.



## **COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S 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 Honorable Members of the Town Council  
Town of Waverly, Virginia  
Waverly, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Waverly, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Waverly, Virginia's basic financial statements and have issued our report thereon dated December 13, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Waverly, Virginia'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waverly, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waverly, Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-01 and 2019-02 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Waverly, Virginia'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*.

### **Town of Waverly, Virginia's Responses to Findings**

The Town of Waverly, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Waverly, Virginia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 the 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 purposes.

  
CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
December 13, 2019

**TOWN OF WAVERLY, VIRGINIA**

**SCHEDULE OF FINDINGS AND RESPONSES - FINANCIAL STATEMENTS  
June 30, 2019**

**Finding 2019-01 (Significant Deficiency)**

Condition

Supporting documentation and evidence of proper approval was not available for journal entries posted to the Town's general ledger.

Effect

Material amounts on the financial statements prepared by management were unsupported. Entries that were pervasive to the financial statements were unsupported and management was unable to provide justification for the entry amounts.

Cause

Retention policies and procedures were not followed or implemented effectively.

Criteria

Management is responsible for maintaining financial documentation that supports the Town's transactions and balances, including those recorded via manual journal entries.

Recommendation

Supporting documentation, including approval by appropriate personnel, should be maintained for all journal entries. Retention policies should be documented, implemented, and monitored.

Management Response

Detailed descriptions are being included with all journal entries. Additionally, copies of all journal entries will be printed going forward, approved, and filed along with supporting documentation for such entries.

**Finding 2019-02 (Significant Deficiency)**

Condition

Accurate records of customer deposit liabilities are not being maintained and adjusted in the general ledger.

Effect

The customer deposit liability was materially misstated within the financial statements prepared by management.

Cause

The customer deposit liability is not being reduced for refunds which are applied against the customer's final bill.

Criteria

The customer deposit liability record should be maintained continuously and the general ledger adjusted accordingly.

Recommendation

Accurate records of customer deposit liabilities should be maintained and the general ledger adjusted accordingly on a regular basis. The customer deposit liability should be reduced in real-time for refunds which are applied against a customer's final bill.

Management Response

The Town has implemented procedures whereby the account is being reviewed and monitored and reconciled to the general ledger on a regular basis.

(Continued)

## TOWN OF WAVERLY, VIRGINIA

### SCHEDULE OF FINDINGS AND RESPONSES - FINANCIAL STATEMENTS June 30, 2019

#### **Finding 2019-03 (Material Weakness)**

##### Condition

As part of our audit, we proposed multiple significant adjustments related to pensions, capital assets, accounts payable, and accounts receivable. These are reviewed and approved by management; however, auditors feel that this review would only detect material misstatements, and that a misstatement that is more than inconsequential may not be prevented or detected.

##### Effect

Financial statements and related disclosures may be misstated by an amount that is more than inconsequential.

##### Cause

Due to the small size of the Town, there is a limited accounting staff, which does not allow for the hiring of an accountant with the background needed to prepare GAAP financial statements and related disclosures.

##### Criteria

The Town does not prepare financial statements and footnotes in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).

##### Recommendation

Management should meet regularly with the auditors to keep up to date on changes in GAAP and GASB and continue to review the draft GAAP and GASB financial statements and related disclosures prior to issuance.

##### Management Response

Recommendations made by auditors will be implemented.