

TOWN OF WAVERLY, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

COUNCIL

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Eddie C. Boyd

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Treasurer

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Police

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Attorney

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Waverly, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the business-type activities, each major fund and the aggregate remaining fund information of Town of Waverly Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress on pages 3-7, 39, and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Waverly, Virginia's basic financial statements. The supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information 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 assistance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Waverly, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

January 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Waverly, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,587,481 (net position).
- As of the close of the current fiscal year, the Town reported a General Fund balance of \$738,402, an increase of \$77,068 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government administration, public safety, public works, and recreation activities.

The government-wide financial statements include only Town of Waverly, Virginia, itself (known as the Town).

Overview of the Financial Statements: (Continued)

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Waverly, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories - the governmental funds and proprietary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, the governmental fund financial statement focuses on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains a total of two governmental funds. Of the two governmental funds, one is considered to be a major fund, the General Fund. The other governmental fund is the Cemetery Fund, which is a nonmajor fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The Town maintains one proprietary fund - the Water Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedule of pension funding progress as well as other supplementary information for supporting schedules and statistical information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$1,587,481 at the close of the most recent fiscal year.

Town of Waverly, Virginia's Net Position June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 921,291	\$ 833,855	\$ 409,525	\$ 410,966	\$ 1,330,816	\$ 1,244,821
Capital assets	<u>382,657</u>	<u>190,884</u>	<u>113,374</u>	<u>120,399</u>	<u>496,031</u>	<u>311,283</u>
Total assets	<u>\$ 1,303,948</u>	<u>\$ 1,024,739</u>	<u>\$ 522,899</u>	<u>\$ 531,365</u>	<u>\$ 1,826,847</u>	<u>\$ 1,556,104</u>
Current liabilities	\$ 63,195	\$ 68,878	\$ 107,217	\$ 153,361	\$ 170,412	\$ 222,239
Long-term liabilities outstanding	<u>68,327</u>	<u>88,061</u>	<u>-</u>	<u>-</u>	<u>68,327</u>	<u>88,061</u>
Total liabilities	<u>\$ 131,522</u>	<u>\$ 156,939</u>	<u>\$ 107,217</u>	<u>\$ 153,361</u>	<u>\$ 238,739</u>	<u>\$ 310,300</u>
Deferred inflows of resources	<u>\$ 627</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627</u>	<u>\$ 1,085</u>
Net investment in capital assets	\$ 276,764	\$ 101,605	\$ 113,374	\$ 120,399	\$ 390,138	\$ 222,004
Restricted	105,000	105,000	-	-	105,000	105,000
Unrestricted	<u>790,035</u>	<u>660,110</u>	<u>302,308</u>	<u>257,605</u>	<u>1,092,343</u>	<u>917,715</u>
Total net position	<u>\$ 1,171,799</u>	<u>\$ 866,715</u>	<u>\$ 415,682</u>	<u>\$ 378,004</u>	<u>\$ 1,587,481</u>	<u>\$ 1,244,719</u>

A large part of the Town's net position, \$389,238, reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased the Town's net position by \$187,338 while proprietary activities increased net position by \$36,778. Key elements of these changes are as follows:

Town of Waverly, Virginia's Changes in Net Position
Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 524,257	\$ 270,714	\$ 408,293	\$ 362,439	\$ 932,550	\$ 633,153
Operating grants and contributions	93,327	28,162	-	-	93,327	28,162
General revenues:						
General property taxes	351,738	407,927	-	-	351,738	407,927
Other local taxes	424,934	416,678	-	-	424,934	416,678
Grants and contributions not restricted to specific programs	124,823	60,495	-	-	124,823	60,495
Other general revenues	14,017	225,515	1,516	849	15,533	226,364
Total revenues	\$ 1,533,096	\$ 1,409,491	\$ 409,809	\$ 363,288	\$ 1,942,905	\$ 1,772,779
Expenses:						
General government administration	\$ 361,031	\$ 354,210	\$ -	\$ -	\$ 361,031	\$ 354,210
Public safety	911,052	836,460	-	-	911,052	836,460
Public works	213,037	191,495	-	-	213,037	191,495
Parks, recreation, and cultural	9,311	32,984	-	-	9,311	32,984
Community development	16,192	-	-	-	16,192	-
Interest and other fiscal charges	2,120	-	-	-	2,120	-
Water	-	-	206,046	194,768	206,046	194,768
Total expenses	\$ 1,512,743	\$ 1,415,149	\$ 206,046	\$ 194,768	\$ 1,718,789	\$ 1,609,917
Increase in net position before transfers	\$ 20,353	\$ (5,658)	\$ 203,763	\$ 168,520	\$ 224,116	\$ 162,862
Transfers	166,985	69,525	(166,985)	(69,525)	-	-
Increase (decrease) in net position	\$ 187,338	\$ 63,867	\$ 36,778	\$ 98,995	\$ 224,116	\$ 162,862
Net position, beginning, as restated	984,461	802,848	378,904	279,009	1,363,365	1,081,857
Net position, ending	\$ 1,171,799	\$ 866,715	\$ 415,682	\$ 378,004	\$ 1,587,481	\$ 1,244,719

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. At June 30, 2014 the Town's fund balance totals \$872,127, and these balances increased \$77,140 during the fiscal year, reference Exhibit 4.

General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$1,272,114 and expenditures of \$1,633,731 (reference Exhibit 9). Actual General Fund revenues totaled \$1,490,683 which was \$218,569 more than the original budget. Actual General Fund expenditures totaled \$1,646,702 and was over the final budget amount by \$12,971. Overall general expenditures exceeded revenues by \$156,019, reference Exhibit 9.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2014 totals \$382,657 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings and improvements, equipment, furniture and fixtures and vehicles. The Town's investment in capital assets for the current fiscal year increased by \$74,027. The largest reason for this increase is due to the expenses related to Gibson Community Park, which totaled \$56,874 in 2014. Capital assets in the proprietary fund decreased by \$7,925.

Additional information on the Town's capital assets can be found in Note 5 to the financial statements.

Debt

During the year, the Town increased its long-term obligations by \$5,188. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 6 to the financial statements.

Contact the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor of the Town of Waverly, Virginia, P.O. Box 318, Waverly, Virginia 23890.

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2014

	Primary Government		
	Business-type		
	Governmental Activities	Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 625,639	\$ 288,273	\$ 913,912
Restricted cash	190,719	63,822	254,541
Receivables (net of allowance for uncollectibles):			
Property taxes	38,390	-	38,390
Accounts receivable	22,034	57,430	79,464
Due from other governments	44,509	-	44,509
Total Current Assets	\$ 921,291	\$ 409,525	\$ 1,330,816
Noncurrent Assets			
Capital assets (net of accumulated depreciation):			
Land and land improvements	\$ 144,675	\$ 900	\$ 145,575
Construction in progress	-	9,838	9,838
Buildings and improvements	47,922	-	47,922
Equipment, furniture and fixtures	59,820	-	59,820
Water lines	-	72,552	72,552
Pumps and other equipment	-	21,317	21,317
Vehicles	130,240	8,767	139,007
Total Capital Assets	\$ 382,657	\$ 113,374	\$ 496,031
Total Assets	\$ 1,303,948	\$ 522,899	\$ 1,826,847
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 10,147	\$ 2,524	\$ 12,671
Due to Sussex Service Authority	-	40,871	40,871
Deposits payable from restricted assets	-	63,822	63,822
Current portion of long-term obligations	53,048	-	53,048
Total Current Liabilities	\$ 63,195	\$ 107,217	\$ 170,412
Noncurrent Liabilities			
Noncurrent portion of long-term obligations	68,327	-	68,327
Total Liabilities	\$ 131,522	\$ 107,217	\$ 238,739
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	\$ 627	\$ -	\$ 627
NET POSITION			
Net investment in capital assets	\$ 276,764	\$ 113,374	\$ 390,138
Restricted	105,000	-	105,000
Unrestricted	790,035	302,308	1,092,343
Total Net Position	\$ 1,171,799	\$ 415,682	\$ 1,587,481
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,303,948	\$ 522,899	\$ 1,826,847

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

TOWN OF WAVERLY, VIRGINIA

Statement of Activities
Year Ended June 30, 2014

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 361,031	\$ 1,240	\$ -	\$ -
Public safety	911,052	519,142	92,059	-
Public works	213,037	200	1,268	-
Parks, recreation, and cultural	9,311	-	-	-
Community development	16,192	3,675	-	-
Interest on long-term debt	2,120	-	-	-
Total governmental activities	\$ 1,512,743	\$ 524,257	\$ 93,327	\$ -
Business-type activities:				
Water	\$ 206,046	\$ 408,293	\$ -	\$ -
Total primary government	\$ 1,718,789	\$ 932,550	\$ 93,327	\$ -

General revenues:

General property taxes
Local sales and use taxes
Meals taxes
Business license taxes
Bank franchise tax
Consumer utility taxes
Motor vehicle licenses
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business- type Activities	Total
\$ (359,791)	\$ -	\$ (359,791)
(299,851)	-	(299,851)
(211,569)	-	(211,569)
(9,311)	-	(9,311)
(12,517)	-	(12,517)
(2,120)	-	(2,120)
<u>\$ (895,159)</u>	<u>\$ -</u>	<u>\$ (895,159)</u>
\$ -	\$ 202,247	\$ 202,247
<u>\$ (895,159)</u>	<u>\$ 202,247</u>	<u>\$ (692,912)</u>
\$ 351,738	\$ -	\$ 351,738
96,482	-	96,482
208,191	-	208,191
47,090	-	47,090
29,671	-	29,671
26,601	-	26,601
16,899	-	16,899
7,891	1,516	9,407
6,126	-	6,126
124,823	-	124,823
166,985	(166,985)	-
<u>\$ 1,082,497</u>	<u>\$ (165,469)</u>	<u>\$ 917,028</u>
\$ 187,338	\$ 36,778	\$ 224,116
984,461	378,904	1,363,365
<u>\$ 1,171,799</u>	<u>\$ 415,682</u>	<u>\$ 1,587,481</u>

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Fund Financial Statements

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Balance Sheet - Governmental Funds

June 30, 2014

	General	Cemetery	Total
ASSETS			
Cash and cash equivalents	\$ 596,914	\$ 28,725	\$ 625,639
Restricted cash	85,719	105,000	190,719
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	38,390	-	38,390
Accounts	22,034	-	22,034
Due from other governmental units	44,509	-	44,509
Total assets	<u>\$ 787,566</u>	<u>\$ 133,725</u>	<u>\$ 921,291</u>
LIABILITIES			
Accounts payable	\$ 10,147	\$ -	\$ 10,147
Total liabilities	<u>\$ 10,147</u>	<u>\$ -</u>	<u>\$ 10,147</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>\$ 39,017</u>	<u>\$ -</u>	<u>\$ 39,017</u>
FUND BALANCES			
Restricted:			
Cemetery	\$ -	\$ 105,000	\$ 105,000
Forfeited assets	5,020	-	5,020
Assigned:			
Cemetery	-	28,725	28,725
Capital improvements	11,072	-	11,072
Vehicle purchases	69,627	-	69,627
Parks and recreation	36,928	-	36,928
Unassigned fund balance	615,755	-	615,755
Total fund balances	<u>\$ 738,402</u>	<u>\$ 133,725</u>	<u>\$ 872,127</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 787,566</u>	<u>\$ 133,725</u>	<u>\$ 921,291</u>

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Fund balance of governmental funds \$ 872,127

When capital assets (land, buildings, 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.

382,657

Because 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 offset by deferred inflows in the governmental funds and thus are not included in the fund balance.

38,390

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.

(121,375)

Net position of General Governmental Activities \$ 1,171,799

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

Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2014

	General	Cemetery	Total
Revenues:			
General property taxes	\$ 313,348	\$ -	\$ 313,348
Other local taxes	424,934	-	424,934
Permits, privilege fees and regulatory licenses	550	-	550
Fines and forfeitures	519,142	-	519,142
Revenue from use of money and property	7,543	348	7,891
Charges for services	890	3,675	4,565
Miscellaneous	6,126	-	6,126
Intergovernmental:			
Commonwealth	218,150	-	218,150
Total revenues	\$ 1,490,683	\$ 4,023	\$ 1,494,706
Expenditures:			
Current:			
General government administration	\$ 356,649	\$ -	\$ 356,649
Public safety	943,316	-	943,316
Public works	205,944	-	205,944
Parks, recreation, and cultural	66,185	-	66,185
Community development	-	6,821	6,821
Nondepartmental	17,161	-	17,161
Debt service:			
Principal retirement	52,358	-	52,358
Interest and other fiscal charges	5,089	-	5,089
Total expenditures	\$ 1,646,702	\$ 6,821	\$ 1,653,523
Excess (deficiency) of revenues over (under) expenditures	\$ (156,019)	\$ (2,798)	\$ (158,817)
Other financing sources (uses):			
Transfers in	\$ 166,985	\$ 2,870	\$ 169,855
Issuance of capital lease	68,972	-	68,972
Transfers (out)	(2,870)	-	(2,870)
Total other financing sources (uses)	\$ 233,087	\$ 2,870	\$ 235,957
Changes in fund balances	\$ 77,068	\$ 72	\$ 77,140
Fund balance at beginning of year, as restated	661,334	133,653	794,987
Fund balance at end of year	\$ 738,402	\$ 133,725	\$ 872,127

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

		<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	77,140
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:		
Capital outlay	\$ 128,871	
Depreciation expense	<u>(54,844)</u>	74,027
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		38,390
The issuance of long-term debt (e.g. bonds, leases) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items and details are as follows:		
Issuance of capital leases	\$ (68,972)	
Principal retired on long-term obligations	<u>52,358</u>	(16,614)
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 governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued interest payable		2,969
Change in compensated absences		<u>11,426</u>
Change in net position of governmental activities	\$	<u>187,338</u>

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

Statement of Net Position - Proprietary Fund
June 30, 2014

	<u>Water Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 288,273
Restricted cash	63,822
Accounts receivable	57,430
Total Current Assets	<u>\$ 409,525</u>
Noncurrent Assets	
Capital Assets (net of accumulated depreciation):	
Land	\$ 900
Construction in progress	9,838
Water lines	72,552
Pumps and other equipment	21,317
Vehicles	8,767
Total Capital Assets	<u>\$ 113,374</u>
Total Assets	<u><u>\$ 522,899</u></u>
LIABILITIES	
Accounts payable	\$ 2,524
Due to Sussex Service Authority	40,871
Customer deposits payable from restricted assets	63,822
Total Liabilities	<u>\$ 107,217</u>
NET POSITION	
Net investment in capital assets	\$ 113,374
Unrestricted	<u>302,308</u>
Total Net Position	<u>\$ 415,682</u>
Total Liabilities and Net Position	<u><u>\$ 522,899</u></u>

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

Statement of Revenues, Expenses and Change in Net Position -
 Proprietary Fund
 Year Ended June 30, 2014

	<u>Water Fund</u>
Operating revenues:	
Charges for services:	
Water revenue	\$ 305,983
Trash revenue	80,475
Other revenue	<u>21,835</u>
Total operating revenues	\$ <u>408,293</u>
Operating expenses:	
Salaries - regular pay	\$ 33,521
Salaries - overtime	5,696
Fringe benefits	2,643
Maintenance and repairs	18,339
Electricity	17,207
Contracted services - Sussex Service Authority	25,650
Well repairs	18,896
Trash removal services	56,584
Other operating expenses	9,747
Depreciation	<u>17,763</u>
Total operating expenses	\$ <u>206,046</u>
Operating income	\$ 202,247
Nonoperating revenues:	
Interest income	<u>1,516</u>
Income before transfers	\$ 203,763
Transfers:	
Transfers (out)	<u>(166,985)</u>
Change in net position	\$ 36,778
Net position, beginning of year, as restated	<u>378,904</u>
Net position, end of year	<u><u>\$ 415,682</u></u>

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

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2014

	Water Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 396,137
Payments to employees (including fringe benefits)	(41,860)
Payments for other operating activities	<u>(144,692)</u>
Net cash provided by (used for) operating activities	<u>\$ 209,585</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ <u>(9,838)</u>
Cash flows from noncapital financing activities:	
Transfers (out)	<u>\$ (166,985)</u>
Cash flows from investing activities:	
Interest income	\$ <u>1,516</u>
Net increase (decrease) in cash and cash equivalents	\$ 34,278
Cash and cash equivalents at beginning of year, including restricted	<u>317,817</u>
Cash and cash equivalents at end of year, including restricted	<u><u>\$ 352,095</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 202,247
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	17,763
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	(15,869)
Increase / (Decrease) in customer deposits payable	3,630
Increase/(Decrease) in accounts payable and accrued liabilities	1,731
Increase/(Decrease) in due to other governments	<u>83</u>
Net cash provided by (used in) operating activities	<u><u>\$ 209,585</u></u>

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

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Town of Waverly, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Town's accounting policies are described below.

Financial Statement Presentation

Management's Discussion and Analysis: GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Town's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Statement of Activities - The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Financial Statement Presentation (Continued)

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Waverly, Virginia.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds:

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The special revenue fund consists of the Cemetery Fund, which is considered to be a nonmajor fund.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund which is considered a major fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Administrator is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget revisions as of June 30.

D. 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. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents. The Town has no investments at June 30, 2014.

E. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The Town has no prepaid items at June 30, 2014.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**F. Receivables and Payables**

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. The Town computes its allowance for uncollectible accounts using historical collection data. At June 30, 2014 the allowance for uncollectible general property taxes totaled \$128,410 and the Town has no provision for water receivables.

G. 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 government 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was zero interest attributable to capitalized assets at June 30, 2014.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 20
Equipment, furniture and fixtures	5 to 10
Vehicles	5
Pumps and other equipment	5 to 7
Water lines	20

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. 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. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting 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.

J. 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 and disclosures. Accordingly, actual results could differ from those estimates.

K. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension costs as they accrue.

L. Long-term Obligations

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

M. Fund Equity

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:

- Nonspendable 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 providers (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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

M. Fund Equity (Continued)

- 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 delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in 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).

N. 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.

O. 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.

NOTE 2—PROPERTY TAXES RECEIVABLE:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The Town bills and collects its own property taxes.

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 3—DEPOSITS:

Deposits:

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

NOTE 4—DUE TO / FROM OTHER GOVERNMENTS:

At June 30, 2014 the Town's Water Fund has \$40,871 due to Sussex Service Authority for sewer fees collected in the month of June.

At June 30, 2014 the Town has receivables from other governments as follows:

	<u>General Fund</u>
Commonwealth of Virginia:	
Communication taxes	\$ 2,695
Rolling stock tax	9
Fire Program Funds	1,000
Sussex County:	
Local sales tax	16,535
Mobile home titling tax	3,061
Fines	21,209
Total	\$ <u>44,509</u>

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in governmental activities capital assets for the fiscal year ended June 30, 2014:

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$ 117,746	\$ 26,929	\$ -	\$ 144,675
Total capital assets not being depreciated	\$ 117,746	\$ 26,929	\$ -	\$ 144,675
Capital assets being depreciated:				
Buildings and improvements	\$ 57,142	\$ 3,025	\$ -	\$ 60,167
Equipment, furniture and fixtures	99,107	29,945	-	129,052
Vehicles	225,068	68,972	-	294,040
Total capital assets being depreciated	\$ 381,317	\$ 101,942	\$ -	\$ 483,259
Accumulated depreciation:				
Buildings and improvements	\$ 8,760	\$ 3,485	\$ -	\$ 12,245
Equipment, furniture and fixtures	56,802	12,430	-	69,232
Vehicles	124,871	38,929	-	163,800
Total accumulated depreciation	\$ 190,433	\$ 54,844	\$ -	\$ 245,277
Capital assets being depreciated, net	\$ 190,884	\$ 47,098	\$ -	\$ 237,982
Net capital assets	\$ 308,630	\$ 74,027	\$ -	\$ 382,657

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in business-type activities capital assets for the fiscal year ended June 30, 2014:

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 900	\$ -	\$ -	\$ 900
Construction in progress	-	9,838	-	9,838
Total capital assets not being depreciated	\$ 900	\$ 9,838	\$ -	\$ 10,738
Capital assets being depreciated:				
Water lines	\$ 459,266	\$ -	\$ -	\$ 459,266
Pumps and other equipment	177,079	-	-	177,079
Vehicles	18,138	-	-	18,138
Total capital assets being depreciated	\$ 654,483	\$ -	\$ -	\$ 654,483
Accumulated depreciation:				
Water lines	\$ 375,852	\$ 10,862	\$ -	\$ 386,714
Pumps and other equipment	152,489	3,273	-	155,762
Vehicles	5,743	3,628	-	9,371
Total accumulated depreciation	\$ 534,084	\$ 17,763	\$ -	\$ 551,847
Capital assets being depreciated, net	\$ 120,399	\$ (17,763)	\$ -	\$ 102,636
Net capital assets	\$ 121,299	\$ (7,925)	\$ -	\$ 113,374

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government administration	\$ 6,704
Public safety	40,934
Public works	7,206
Total	\$ 54,844
Business-type Activities:	
Water	\$ 17,763

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Town for the fiscal year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Current Portion</u>
Governmental Activities Obligations:					
Compensated absences	\$ 26,908	\$ -	\$ 11,426	\$ 15,482	\$ 1,548
Capital leases	<u>89,279</u>	<u>68,972</u>	<u>52,358</u>	<u>105,893</u>	<u>51,500</u>
 Total Governmental Activities Obligations	 \$ <u>116,187</u>	 \$ <u>68,972</u>	 \$ <u>63,784</u>	 \$ <u>121,375</u>	 \$ <u>53,048</u>

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

<u>Year Ending June 30,</u>	<u>General Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 51,500	\$ 5,947
2016	<u>54,393</u>	<u>3,054</u>
Total	<u>\$ 105,893</u>	<u>\$ 9,001</u>

Details of long-term obligations at June 30, 2014 are as follows:

Governmental Activities:

Capital Leases:

Note payable, Ford Motor Credit Company, payable in 5 annual installments of \$33,215 through November 2016, interest at 5.7%	\$ 61,153
Note payable, Ford Motor Credit Company, payable in 3 annual installments of \$24,232 through November 2015, interest at 5.5%	<u>44,740</u>
Total capital leases	\$ 105,893
Compensated Absences	<u>15,482</u>
Total Long-term Obligations	<u>\$ 121,375</u>

NOTE 7—DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred/unavailable revenue is comprised of the following:

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$38,390 at June 30, 2014 and deferred revenue representing prepaid taxes total \$627.

NOTE 8—PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

VRS – PLAN 1

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

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

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

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

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** -Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** -Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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

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

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** -The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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

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

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** -The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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

15. **Exceptions to COLA Effective Dates**- The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

16. **Disability Coverage**-Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

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

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

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

VRS – PLAN 2

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

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

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

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

4. **Retirement Contributions**-Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** -Same as VRS Plan 1-Refer to Section 5.

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

6. **Vesting** -Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit**-Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** -Same as VRS Plan 1-Refer to Section 14.
15. **Exceptions to COLA Effective Dates** -Same as VRS Plan 1-Refer to Section 15.
16. **Disability Coverage**-Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** -Same as VRS Plan 1-Refer to Section 17.

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

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

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

NOTE 8—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

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

5. **Creditable Service**

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

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

6. **Vesting**

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

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

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

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

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 8—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

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

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

Defined Contribution Component—Not Applicable.

NOTE 8-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

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

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

16. **Disability Coverage** -Eligible political subdivision and school division members(including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **Purchase of Prior Service**

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

Defined Contribution Component-Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rate for the fiscal year ended 2014 was 2.68% of annual covered payroll.

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements
June 30, 2014 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$16,723 was equal to the Town's required and actual contributions.

Fiscal Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 16,723	100%	\$ -
June 30, 2013	14,148	100%	-
June 30, 2012	28,661	100%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 119.40% funded. The actuarial accrued liability for benefits was \$1,479,487, and the actuarial value of assets was \$1,766,510, resulting in an overfunded actuarial accrued liability asset of \$287,023. The covered payroll (annual payroll of active employees covered by the plan) was \$604,650 and ratio of the actuarial accrued asset to the covered payroll was (47.47%).

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

TOWN OF WAVERLY, VIRGINIA

Notes to Financial Statements June 30, 2014 (Continued)

NOTE 9—CONTINGENT LIABILITIES:

At June 30, 2014, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

NOTE 10—SURETY BONDS:

The Town maintains surety bond coverage with Selective Insurance Company in the amount of \$300,000 for all Town employees.

NOTE 11—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 carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

NOTE 13—FUND BALANCE RESTATEMENTS:

Fund balance was restated at July 1, 2013 as follows:

	General Fund	Governmental Activities	Water Fund
Fund Balance / Net Position, as previously reported	\$ 616,231	\$ 866,715	\$ 378,004
Adjustment for revenue accruals which were previously recorded on the entity-wide statements which should be reported in the fund statements, details follow:			
Rolling stock tax	6,131	-	-
Department of Emergency Services	7,361	-	-
Local sales tax	8,814	-	-
General property taxes	16,045	-	-
Adjustment for land not previously reported	-	117,746	900
Adjustment for accrued leave reported in the fund statements	6,752	-	-
Fund Balance / Net Position, as restated	\$ 661,334	\$ 984,461	\$ 378,904

Required Supplementary Information

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Schedule of Revenues, Expenditures and Change in Fund Balance -
 Budget and Actual - General Fund
 Year Ended June 30, 2014

Fund	Original Budget	Budget As Amended	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 424,500	\$ 424,500	\$ 313,348	\$ (111,152)
Other local taxes	461,000	461,000	424,934	(36,066)
Permits, privilege fees and regulatory licenses	400	400	550	150
Fines and forfeitures	269,500	305,803	519,142	213,339
Revenue from use of money and property	3,600	3,600	7,543	3,943
Charges for services	950	950	890	(60)
Miscellaneous	4,000	4,000	6,126	2,126
Intergovernmental:				
Commonwealth	71,861	71,861	218,150	146,289
Total revenues	\$ 1,235,811	\$ 1,272,114	\$ 1,490,683	\$ 218,569
Expenditures:				
General government administration	\$ 350,742	\$ 350,742	\$ 356,649	\$ (5,907)
Public safety	835,566	871,869	943,316	(71,447)
Public works	246,820	246,820	205,944	40,876
Parks, recreation and cultural	7,700	99,700	66,185	33,515
Nondepartmental	64,600	64,600	17,161	47,439
Debt service:				
Principal retirement	-	-	52,358	(52,358)
Interest and fiscal charges	-	-	5,089	(5,089)
Total expenditures	\$ 1,505,428	\$ 1,633,731	\$ 1,646,702	\$ (12,971)
Excess (deficiency) of revenues over expenditures	\$ (269,617)	\$ (361,617)	\$ (156,019)	\$ 205,598
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 166,985	\$ 166,985
Issuance of capital lease	-	-	68,972	68,972
Transfers (out)	-	-	(2,870)	(2,870)
Total other financing sources (uses)	\$ -	\$ -	\$ 233,087	\$ 233,087
Changes in fund balance	\$ (269,617)	\$ (361,617)	\$ 77,068	\$ 438,685
Fund balance at beginning of year, as restated	269,617	361,617	661,334	299,717
Fund balance at end of year	\$ -	\$ -	\$ 738,402	\$ 738,402

Schedule of Pension Funding Progress
Last Three Fiscal Years

Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 1,766,510	\$ 1,479,487	\$ (287,023)	119.40%	\$ 604,650	(47.47%)
June 30, 2012	1,721,565	1,444,434	(277,131)	119.19%	596,238	(46.48%)
June 30, 2011	1,711,587	1,338,059	(373,528)	127.92%	550,926	(67.80%)

Other Supplementary Information

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Supporting Schedules

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Schedule of Revenues - Budget and Actual - Governmental Funds
 Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Current and delinquent taxes	\$ 422,000	\$ 422,000	\$ 300,350	\$ (121,650)
Interest and penalties	2,500	2,500	12,998	10,498
Total general property taxes	\$ 424,500	\$ 424,500	\$ 313,348	\$ (111,152)
Other local taxes:				
Local sales and use taxes	\$ 135,000	\$ 135,000	\$ 96,482	\$ (38,518)
Consumers' utility taxes	60,000	60,000	26,601	(33,399)
Bank franchise tax	14,000	14,000	29,671	15,671
Meals taxes	188,000	188,000	208,191	20,191
Business license taxes	47,000	47,000	47,090	90
Motor vehicle licenses	17,000	17,000	16,899	(101)
Total other local taxes	\$ 461,000	\$ 461,000	\$ 424,934	\$ (36,066)
Permits, privilege fees and regulatory licenses:				
Zoning fees	\$ 400	\$ 400	\$ 550	\$ 150
Total permits, privilege fees and regulatory licenses	\$ 400	\$ 400	\$ 550	\$ 150
Fines and Forfeitures:				
Fines	\$ 269,500	\$ 305,803	\$ 519,142	\$ 213,339
Total fines and forfeitures	\$ 269,500	\$ 305,803	\$ 519,142	\$ 213,339
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,143	\$ 2,143
Revenue from use of property	3,600	3,600	5,400	1,800
Total revenue from use of money and property	\$ 3,600	\$ 3,600	\$ 7,543	\$ 3,943
Charges for services:				
Cemetery grass cutting fees	\$ 200	\$ 200	\$ 200	\$ -
Credit card service fees	750	750	690	(60)
Total charges for services	\$ 950	\$ 950	\$ 890	\$ (60)

Schedule of Revenues - Budget and Actual - Governmental Funds
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 4,126	\$ 2,626
Other reimbursed expenses	2,500	2,500	2,000	(500)
Total miscellaneous revenue	\$ 4,000	\$ 4,000	\$ 6,126	\$ 2,126
Total charges for services				
Total revenue from local sources	\$ 1,163,950	\$ 1,200,253	\$ 1,272,533	\$ 72,280
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 5,000	\$ 5,000	\$ 18	\$ (4,982)
Communications tax	-	-	32,079	32,079
Mobile home titling tax	500	500	3,136	2,636
PPTRA	-	-	89,590	89,590
Total noncategorical aid	\$ 5,500	\$ 5,500	\$ 124,823	\$ 119,323
Categorical aid:				
Law enforcement grants	\$ 52,361	\$ 52,361	\$ 52,360	\$ (1)
Police grants	13,000	13,000	17,850	4,850
Emergency services	-	-	3,849	3,849
Fire program funds	-	-	18,000	18,000
Litter grant	1,000	1,000	1,268	268
Total other categorical aid	\$ 66,361	\$ 66,361	\$ 93,327	\$ 26,966
Total revenue from the Commonwealth	\$ 71,861	\$ 71,861	\$ 218,150	\$ 146,289
Total General Fund	\$ 1,235,811	\$ 1,272,114	\$ 1,490,683	\$ 218,569
Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 750	\$ 750	\$ 348	\$ (402)
Total revenue from use of money and property	\$ 750	\$ 750	\$ 348	\$ (402)
Charges for services:				
Sale of lots	\$ 5,750	\$ 5,750	\$ 3,675	\$ (2,075)
Total charges for services	\$ 5,750	\$ 5,750	\$ 3,675	\$ (2,075)
Total Cemetery Fund	\$ 6,500	\$ 6,500	\$ 4,023	\$ (2,477)
Grand total revenues	\$ 1,242,311	\$ 1,278,614	\$ 1,494,706	\$ 216,092

Schedule of Expenditures - Budget and Actual - Governmental Funds
Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Salaries	\$ 141,183	\$ 141,183	\$ 149,983	\$ (8,800)
Overtime	2,500	2,500	12,277	(9,777)
FICA	11,100	11,100	10,823	277
Health insurance	22,560	22,560	18,838	3,722
Retirement	3,649	3,649	3,530	119
Unemployment	-	-	323	(323)
Council members	7,800	7,800	7,800	-
Mayor's expense	1,500	1,500	1,500	-
Mayor's discretionary fund	500	500	566	(66)
Meeting / conference	4,000	4,000	3,137	863
Audit	16,500	16,500	16,500	-
Christmas	2,500	2,500	3,064	(564)
Computer upgrade / support	4,000	4,000	3,473	527
Contingency / website / other	4,465	4,465	344	4,121
Credit card service fees	1,000	1,000	1,003	(3)
Dues and subscriptions	2,500	2,500	1,696	804
Election	1,000	1,000	2,264	(1,264)
Electricity	8,000	8,000	7,036	964
Fuel oil / propane	5,500	5,500	8,073	(2,573)
HR compliance services	550	550	237	313
Insurance	56,000	56,000	57,847	(1,847)
Legal fees	12,000	12,000	10,000	2,000
Miscellaneous	1,000	1,000	1,573	(573)
Office furniture / machines	2,500	2,500	1,871	629
Office supplies	6,500	6,500	5,355	1,145
Office supplies - cleaning	2,000	2,000	1,910	90
Snacks	-	-	113	(113)
Postage	2,500	2,500	2,359	141
Quick books software	3,000	3,000	429	2,571
Maintenance agreements	1,500	1,500	-	1,500
Tax bill preparation	2,135	2,135	2,050	85
Telephone / cable / internet	8,700	8,700	9,089	(389)
Telephone - mayor cell	1,100	1,100	649	451
Training	3,000	3,000	1,124	1,876
Upkeep / maintenance	2,500	2,500	6,788	(4,288)
Zoning	1,000	1,000	-	1,000
Capital improvements	4,500	4,500	3,025	1,475
Total general government administration	\$ 350,742	\$ 350,742	\$ 356,649	\$ (5,907)

Schedule of Expenditures - Budget and Actual - Governmental Funds

Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Police:				
Salaries for officers	\$ 265,593	\$ 265,593	\$ 241,653	\$ 23,940
Overtime	82,000	82,000	32,813	49,187
FICA	26,700	26,700	19,213	7,487
Health insurance	33,840	33,840	23,536	10,304
Retirement	6,150	6,150	6,213	(63)
Unemployment	-	-	334	(334)
Cell phones	9,000	9,000	9,310	(310)
Discretionary funds	2,200	2,200	-	2,200
Drug operations	4,000	4,000	-	4,000
Dues	-	-	270	(270)
Grant expenses	6,000	6,000	25,337	(19,337)
Legal	5,000	5,000	1,973	3,027
Line of duty insurance	3,319	3,319	3,654	(335)
Miscellaneous	3,000	3,000	2,663	337
Oil and gasoline	30,000	30,000	31,880	(1,880)
Parts and repairs	20,000	20,000	22,628	(2,628)
Police cruisers - lease payments	33,215	33,215	-	33,215
Police cruisers	-	36,303	-	36,303
Radio repairs	6,552	6,552	3,705	2,847
Service contracts	9,000	9,000	14,599	(5,599)
Supplies	4,000	4,000	4,133	(133)
Training	2,000	2,000	501	1,499
Uniforms	11,500	11,500	6,630	4,870
Weapons / ammunition	1,000	1,000	621	379
Selective - salary	4,600	4,600	114,023	(109,423)
Selective - FICA	-	-	8,166	(8,166)
Selective - cable	-	-	507	(507)
Selective - computer supplies	-	-	883	(883)
Selective - miscellaneous	-	-	19,814	(19,814)
Selective - Dodge Chargers	-	-	68,972	(68,972)
Selective - gas / oil	-	-	6,926	(6,926)
Total police	\$ 568,669	\$ 604,972	\$ 670,957	\$ (65,985)
Communications:				
Salaries	\$ 173,037	\$ 173,037	\$ 168,195	\$ 4,842
Overtime	27,000	27,000	31,908	(4,908)
FICA	15,560	15,560	13,273	2,287
Health insurance	28,200	28,200	19,324	8,876
Retirement	4,600	4,600	3,813	787
Unemployment	-	-	375	(375)
Computer support / maintenance	3,500	3,500	4,202	(702)
Computer upgrade	1,000	1,000	1,075	(75)
Miscellaneous	500	500	860	(360)
Supplies	2,000	2,000	3,264	(1,264)
Training	1,000	1,000	1,873	(873)
Uniforms	1,000	1,000	761	239
VCIN	1,000	1,000	980	20
Cable	-	-	507	(507)
Total communications	\$ 258,397	\$ 258,397	\$ 250,410	\$ 7,987

Schedule of Expenditures - Budget and Actual - Governmental Funds
 Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire Department and Rescue:				
Cell phone	\$ 1,000	\$ 1,000	\$ 613	\$ 387
Gas / diesel	2,500	2,500	1,836	664
Donations - fire department	2,500	2,500	19,500	(17,000)
Donations - rescue	2,500	2,500	-	2,500
Total fire and rescue	\$ 8,500	\$ 8,500	\$ 21,949	\$ (13,449)
Total public safety	\$ 835,566	\$ 871,869	\$ 943,316	\$ (71,447)
Public works:				
Salaries	\$ 76,135	\$ 76,135	\$ 93,091	\$ (16,956)
Overtime	5,000	5,000	3,372	1,628
FICA	6,375	6,375	5,961	414
Health insurance	22,560	22,560	22,634	(74)
Retirement	3,200	3,200	3,155	45
Unemployment	-	-	219	(219)
Asphalt / rock	2,000	2,000	6,384	(4,384)
Cell phone	2,100	2,100	2,211	(111)
Contingency	1,000	1,000	-	1,000
Contracted services	2,500	2,500	620	1,880
Electricity	30,500	30,500	24,578	5,922
Miscellaneous	1,750	1,750	2,347	(597)
Oil and gasoline	10,000	10,000	12,156	(2,156)
Oil / propane	2,000	2,000	-	2,000
Parts and repairs	8,000	8,000	11,461	(3,461)
Signs	1,000	1,000	1,405	(405)
Tools and supplies	8,500	8,500	6,699	1,801
Trash collection	57,000	57,000	4,486	52,514
Uniforms	4,200	4,200	4,389	(189)
Capital improvements	3,000	3,000	776	2,224
Total public works	\$ 246,820	\$ 246,820	\$ 205,944	\$ 40,876
Parks, recreation and cultural:				
Library:				
Friends of the Library	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Other - public relations	500	500	-	500
Total library	\$ 4,500	\$ 4,500	\$ 4,000	\$ 500
Parks and recreation:				
Electricity	\$ 200	\$ 200	\$ (26)	\$ 226
Fund raising expenses	500	500	-	500
Tennis court maintenance	-	30,000	-	30,000
Donation - Recreation Association	1,000	1,000	1,000	-
Donation - Carpenter Museum	500	500	500	-
Park	-	62,000	60,711	1,289
Capital improvements	1,000	1,000	-	1,000
Total library	\$ 3,200	\$ 95,200	\$ 62,185	\$ 33,015
Total parks, recreation and cultural	\$ 7,700	\$ 99,700	\$ 66,185	\$ 33,515

Schedule of Expenditures - Budget and Actual - Governmental Funds
Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Donation - Relay for life	\$ 500	\$ 500	\$ -	\$ 500
Litter grant	1,000	1,000	1,566	(566)
Miscellaneous	1,000	1,000	-	1,000
General contingency	15,000	15,000	6,151	8,849
Donation - other	-	-	1,500	(1,500)
Payroll	-	-	75	(75)
Unemployment expense	4,500	4,500	-	4,500
Reseed airport property	-	-	7,869	(7,869)
Water escrow permit	42,600	42,600	-	42,600
Total nondepartmental	\$ 64,600	\$ 64,600	\$ 17,161	\$ 47,439
Debt service:				
Principal retirement	\$ -	\$ -	\$ 52,358	\$ (52,358)
Interest and fiscal charges	-	-	5,089	(5,089)
Total debt service	\$ -	\$ -	\$ 57,447	\$ (57,447)
Total General Fund	\$ 1,505,428	\$ 1,633,731	\$ 1,646,702	\$ (12,971)
Cemetery Fund:				
Community development:				
Salaries	\$ 4,202	\$ 4,202	\$ -	\$ 4,202
Summer labor	1,920	1,920	2,431	(511)
Social security	500	500	286	214
Contracted labor	1,000	1,000	1,892	(892)
Unemployment	-	-	40	(40)
Equipment / lawnmowers	2,000	2,000	512	1,488
Miscellaneous	1,800	1,800	740	1,060
Parts and repairs	2,500	2,500	392	2,108
Signs and improvements	2,500	2,500	-	2,500
Supplies	2,000	2,000	528	1,472
Total Cemetery Fund	\$ 18,422	\$ 18,422	\$ 6,821	\$ 11,601
Grand total expenditures	\$ 1,523,850	\$ 1,652,153	\$ 1,653,523	\$ (1,370)

Statistical Information

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Net Position by Component
Last Four Fiscal Years
(accrual basis of accounting)

Governmental Activities	2011	2012	2013	2014
Net investment in Capital Assets	\$ 146,959	\$ 132,357	\$ 101,605	\$ 276,764
Restricted	105,000	122,302	197,302	105,000
Unrestricted	457,119	548,189	567,808	790,035
Total Governmental Activities	<u>\$ 709,078</u>	<u>\$ 802,848</u>	<u>\$ 866,715</u>	<u>\$ 1,171,799</u>
Business-type Activities				
Net investment in Capital Assets	\$ 132,031	\$ 138,273	\$ 120,399	\$ 112,474
Unrestricted	113,051	140,736	257,605	303,208
Total Business-type Activities	<u>\$ 245,082</u>	<u>\$ 279,009</u>	<u>\$ 378,004</u>	<u>\$ 415,682</u>
Primary Government				
Net investment in Capital Assets	\$ 278,990	\$ 270,630	\$ 222,004	\$ 389,238
Net investment in Capital Assets	105,000	122,302	197,302	105,000
Unrestricted	570,170	688,925	825,413	1,093,243
Total Primary Government	<u>\$ 954,160</u>	<u>\$ 1,081,857</u>	<u>\$ 1,244,719</u>	<u>\$ 1,587,481</u>

Changes in Net Position
Last Four Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental Activities				
General Government Administration	\$ 323,204	\$ 343,871	\$ 354,210	\$ 361,031
Public Safety	770,336	874,924	836,460	911,052
Public Works	130,573	176,229	191,495	213,037
Parks, recreation, and cultural	32,734	38,144	32,984	9,311
Community Development	-	-	-	16,192
Interest on Long-term Debt	-	-	-	2,120
Total Governmental Activities Expenses	\$ 1,256,847	\$ 1,433,168	\$ 1,415,149	\$ 1,512,743
Business-type Activities				
Water	\$ 216,853	\$ 202,873	\$ 194,768	\$ 206,046
Total Business-type Activities Expenses	\$ 216,853	\$ 202,873	\$ 194,768	\$ 206,046
Total Primary Government Expenses	\$ 1,473,700	\$ 1,636,041	\$ 1,609,917	\$ 1,718,789
Program Revenues				
Governmental Activities				
Charges for Services				
General Government Administration	\$ -	\$ -	\$ -	\$ 1,240
Public Safety	-	-	270,714	519,142
Public Works	-	-	-	200
Community Development	-	-	-	3,675
Operating Grants and Contributions	30,592	84,781	28,162	93,327
Total Governmental Activities Program Revenues	\$ 30,592	\$ 84,781	\$ 298,876	\$ 617,584
Business-type Activities				
Charges for Services				
Water	\$ 303,444	\$ 346,375	\$ 362,439	\$ 408,293
Total Business-type Activities Program Revenues	\$ 303,444	\$ 346,375	\$ 362,439	\$ 408,293
Total Primary Government Program Revenues	\$ 334,036	\$ 431,156	\$ 661,315	\$ 1,025,877

Changes in Net Position
Last Four Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Program Revenues: (Continued)				
Net (Expense)/ Revenue				
Governmental Activities	\$ (1,226,255)	\$ (1,348,387)	\$ (1,116,273)	\$ (895,159)
Business-type Activities	86,591	143,502	167,671	202,247
Total Primary Government Net Expense	\$ (1,139,664)	\$ (1,204,885)	\$ (948,602)	\$ (692,912)
General Revenues and Other Changes in Net Position				
Governmental Activities				
General Property Taxes	\$ 398,465	\$ 375,756	\$ 407,927	\$ 351,738
Other Local Taxes	755,772	872,363	416,678	424,934
Unrestricted Revenues from Use of Money and Property	4,348	4,269	5,717	7,891
Miscellaneous	18,842	17,852	219,798	6,126
Grants and contributions not restricted to specific programs	59,079	61,262	60,495	124,823
Transfers	146,517	110,655	69,525	166,985
Total Governmental Activities	\$ 1,383,023	\$ 1,442,157	\$ 1,180,140	\$ 1,082,497
Business-type Activities				
Unrestricted Revenues from Use of Money and Property	\$ 1,714	\$ 1,080	\$ 849	\$ 1,516
Transfers	(146,517)	(110,655)	(69,525)	(166,985)
Total Business-type Activities	\$ (144,803)	\$ (109,575)	\$ (68,676)	\$ (165,469)
Total Primary Government	\$ 1,238,220	\$ 1,332,582	\$ 1,111,464	\$ 917,028
Change in Net Position				
Governmental Activities	\$ 156,768	\$ 93,770	\$ 63,867	\$ 187,338
Business-type Activities	(58,212)	33,927	98,995	36,778
Total Primary Government Change in Net Position	\$ 98,556	\$ 127,697	\$ 162,862	\$ 224,116

Fund Balance - Governmental Funds
 Last Four Fiscal Years
 (modified accrual basis of accounting)

General Fund	2011	2012	2013	2014
Nonspendable	\$ -	\$ 2,477	\$ 13,900	\$ -
Restricted	-	17,302	47,302	-
Forfeited assets	-	-	-	5,020
Committed	-	-	45,000	-
Assigned:				
Capital improvements	-	-	-	11,072
Vehicle purchases	-	-	-	69,627
Parks and recreation	-	-	-	36,928
Unassigned	427,344	508,245	510,029	615,755
Total General Fund	<u>\$ 427,344</u>	<u>\$ 528,024</u>	<u>\$ 616,231</u>	<u>\$ 738,402</u>
All Other Governmental Funds				
Restricted - cemetery	\$ 5,000	\$ 5,000	\$ 5,000	\$ 105,000
Assigned - cemetery	128,433	128,305	128,653	28,725
Total All Other Governmental Funds	<u>\$ 128,433</u>	<u>\$ 128,305</u>	<u>\$ 133,653</u>	<u>\$ 133,725</u>
Total Governmental Funds	<u>\$ 555,777</u>	<u>\$ 656,329</u>	<u>\$ 749,884</u>	<u>\$ 872,127</u>

Changes in Fund Balances - Governmental Funds
Last Four Fiscal Years

	2011	2012	2013	2014
Revenues				
General property taxes	\$ 395,788	\$ 392,673	\$ 398,269	\$ 313,348
Other local taxes	745,004	871,042	690,667	424,934
Permits, privilege fees and regulatory licenses	-	-	-	550
Fines and forfeitures	-	-	-	519,142
Revenue from the use of money and property	4,348	4,269	5,717	7,891
Charges for services	-	-	-	4,565
Miscellaneous	18,842	17,852	219,798	6,126
Operating grants and contributions	30,592	76,418	29,165	-
Intergovernmental	54,037	61,262	59,405	218,150
Total Revenues	\$ 1,248,611	\$ 1,423,516	\$ 1,403,021	\$ 1,494,706
Expenditures				
General administration	\$ 324,196	\$ 350,959	\$ 367,923	\$ 356,649
Public safety	771,937	868,283	797,443	898,576
Public works	128,248	181,819	185,641	205,944
Parks recreation and cultural	32,734	38,144	32,984	66,185
Community development	-	-	-	6,821
Nondepartmental	-	-	-	17,161
Debt Service:				
Principal retirement of indebtedness	-	-	-	28,126
Interest	-	-	-	5,089
Total Expenditures	\$ 1,257,115	\$ 1,439,205	\$ 1,383,991	\$ 1,584,551
Excess (deficiency) of revenues over (under) expenditures	\$ (8,504)	\$ (15,689)	\$ 19,030	\$ (89,845)
Other Financing Sources (Uses)				
Issuance of capital leases	\$ -	\$ -	\$ -	\$ 68,972
Operating transfers in	146,517	116,241	69,525	166,985
Total Other Financing Sources (Uses)	\$ 146,517	\$ 116,241	\$ 69,525	\$ 166,985
Net Change in Fund Balance	\$ 138,013	\$ 100,552	\$ 88,555	\$ 77,140

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools (1)	Public Service (1)	Mobile Homes (1)	Total
2004-05	\$ 62,977,422	\$ 9,893,218	\$ n/a	\$ 6,027,288	\$ n/a	\$ 78,897,928
2005-06	63,019,222	9,180,774	n/a	6,088,290	n/a	78,288,286
2006-07	60,906,222	9,294,740	n/a	6,104,357	n/a	76,305,319
2007-08	92,626,332	8,954,648	n/a	7,696,722	n/a	109,277,702
2008-09	93,077,822	11,757,498	n/a	5,908,349	n/a	110,743,669
2009-10	93,726,522	10,795,726	n/a	4,610,078	n/a	109,132,326
2010-11	93,829,722	10,840,455	n/a	5,543,911	n/a	110,214,088
2011-12	93,596,922	9,745,803	n/a	6,450,350	n/a	109,793,075
2012-13	90,964,122	9,972,360	n/a	6,618,855	n/a	107,555,337
2013-14	90,497,222	9,373,303	8,820,751	n/a	321,654	109,012,930

(1) Commissioner of the Revenue, Sussex County

n/a information not available at publication

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Service	
					Real Estate	Personal Property
2004-05	\$ 0.20	\$ 1.85	\$ 1.06	\$ 0.20	\$ 0.20	\$ 1.85
2005-06	0.20	1.85	1.06	0.20	0.20	1.85
2006-07	0.20	1.85	1.06	0.20	0.20	1.85
2007-08	0.20	1.85	1.06	0.20	0.20	1.85
2008-09	0.20	1.85	1.06	0.20	0.20	1.85
2009-10	0.20	1.85	1.06	0.20	0.20	1.85
2010-11	0.20	1.85	1.06	0.20	0.20	1.85
2011-12	0.22	1.85	1.06	0.22	0.22	1.85
2012-13	0.22	1.85	1.06	0.22	0.22	1.85
2013-14	0.23	1.85	1.06	0.23	0.23	1.85

(1) Per \$100 of assessed value.

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Waverly, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Waverly, Virginia's basic financial statements, and have issued our report dated January 26, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Waverly, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
January 26, 2015