

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014



385 N. HAYWOOD ST., SUITE 3 • WAYNESVILLE, NC 28786

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October 24, 2014

To the Honorable Mayor
And Board of Aldermen
Town of Waynesville

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Waynesville for the year ended June 30, 2014. We did not audit the financial statements of the Town of Waynesville ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Waynesville ABC Board, is based solely on the report of another auditor. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Waynesville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Town of Waynesville during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town of Waynesville's financial statements was:

Management's estimate of the useful lives of property and equipment is based on historical lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

The disclosure of the Required Supplementary Information: Exhibits A-1 through A-4.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Waynesville's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions, and Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements, budgetary schedules, and other schedules which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Aldermen and management of the Town of Waynesville and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ray, Bumgarner, Kingshill & Assoc., P.A.

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Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

TOWN OFFICIALS

MAYOR

Gavin Brown

ALDERMEN

Gary Caldwell
J. Wells Greeley

Julia Freeman
LeRoy Roberson

ADMINISTRATIVE

Marcia Onieal
Edward Caldwell

Town Manager
Finance Officer

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor and Board of Aldermen
Town of Waynesville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Waynesville ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Waynesville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 financial statement 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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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, on pages 4 through 14, the Law Enforcement Officers' Special Separation Allowance, on pages 52 and 53, and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 54 and 55, be presented to supplement the basic financial statements. Such information, although not a required 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waynesville's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates 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 by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 on our consideration of the Town of Waynesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 the Town of Waynesville's internal control over financial reporting and compliance.

Ray, Bingham, Kinghill & Assoc., P.A.

Waynesville, North Carolina
October 24, 2014

Management's Discussion and Analysis

As management of the Town of Waynesville, we offer readers of the Town of Waynesville's financial statements this narrative overview and analysis of the financial activities of the Town of Waynesville for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

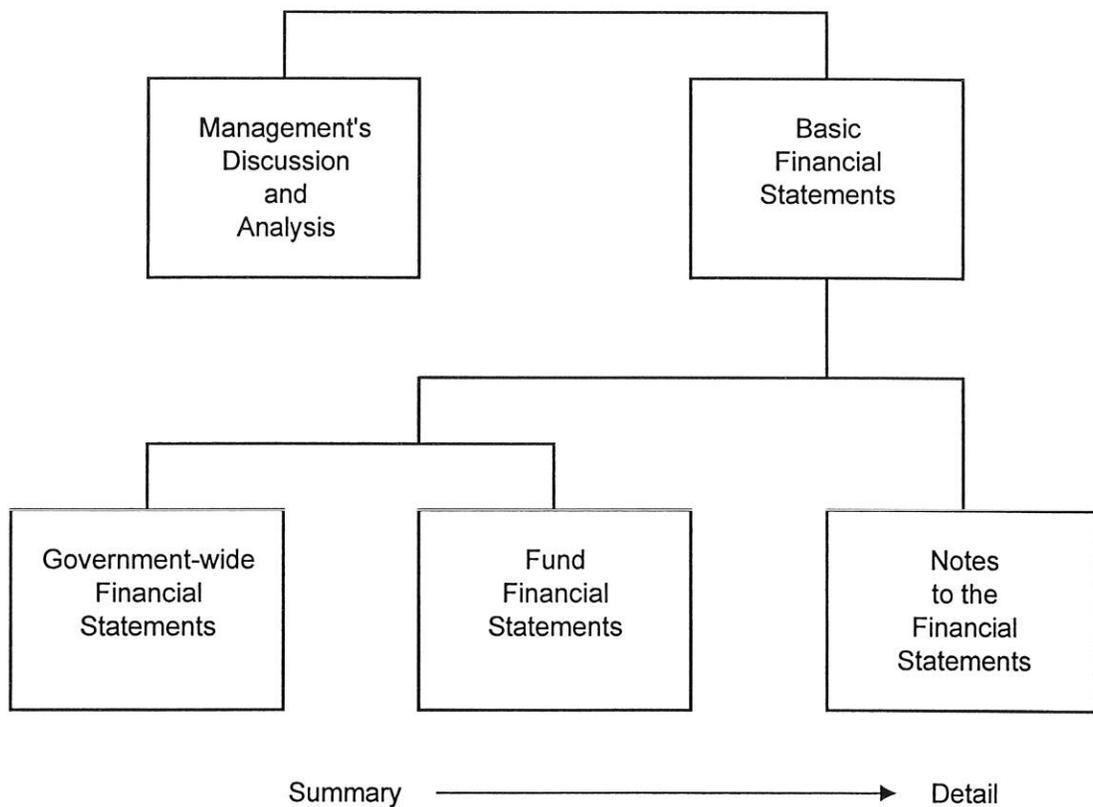
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$48,861,291 (*net position*).
- The government's total net position decreased by (\$457,851), primarily due to decreases in the governmental activities net position. This decrease is mainly due to the amount by which depreciation exceeds capital outlays. The depreciation for the Town's governmental activities exceeds capital outlays by \$1,065,828.
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$7,238,828, a decrease of \$210,631 in comparison with the prior year. Approximately 30.14 percent of this total amount, or \$2,181,608, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,573,741, or 26.33 percent of total general fund expenditures for the fiscal year.
- Overall the Town of Waynesville's total debt and notes decreased by (\$82,541), or (0.57%). However during the current fiscal year, the Town entered into two new debts. The first new debt is shown in notes payable which increased \$825,650. This debt is being used to purchased fifteen (15) new police service vehicles, two (2) fire service vehicles, two (2) administration service vehicles and their related equipment. The second new debt is for \$329,868. These funds were used to purchase radio read water meters. The other long term debt items such as unfunded pension liabilities, other post employment benefits and compensated absences increased \$585,078. These increases were off set by principal payments on existing debt and balances.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$6,303,427 an increase of \$404,904 or 6.86% in comparison with the prior year. Most of this year's increase is due to higher fuel costs and as stated in previous years, the town has experienced rising and falling fuel costs that have been passed along to the Town by its supplier on a month to month basis. In response to these fuel charges, the Town reviews its rates on a monthly basis. While the overall retail rates to its customers have remained unchanged since July 1, 2009, the Town has begun raising the base charge to its residential electric customers one dollar per month (\$1.00) starting April 1, 2014. The prior fiscal year reported power purchases of \$5,898,523, an increase of \$314,108 or 5.62% in comparison with the fiscal year ended June 30, 2012. The prior year's increase was mostly due to the expansion of manufacturing operations by the Town's largest power customer. The Electric Fund operating revenues for the current fiscal year reported charges for services of \$8,803,447, an increase of \$106,236 or 1.22%. The prior fiscal year ending June 30, 2013 reported charges for services of \$8,697,211, an increase of \$800,910 or 10.14% in comparison with the fiscal year ended June 30, 2012. As stated earlier, the prior year's increase is mostly due to the expansion of manufacturing operations by the Town's largest power customer.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Waynesville's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Waynesville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, state shared revenues and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the electric, water, and sewer services offered by the Town of Waynesville. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. 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. The Town of Waynesville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Waynesville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. The Town of Waynesville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of

accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Waynesville has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Waynesville uses enterprise funds to account for its electric, water, and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the Town of Waynesville. The Town uses internal service funds to account for two activities – its public works and garage operations. Because the public works benefits predominantly business-type rather than governmental activities, it has been included within the business-type activities in the government-wide financial statements. On the other hand, the garage operation benefits predominantly governmental rather than business-type activities and therefore has been included within the governmental activities in the government-wide financial statements.

Notes to the 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. The notes to the financial statements are on pages 24-51 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Waynesville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 52 through 55 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with US Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of Waynesville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,735,585	\$ 8,705,551	\$ 6,101,493	\$ 6,136,867	\$ 14,837,078	\$ 14,842,418
Capital assets	23,975,411	24,297,175	26,132,378	26,281,698	50,107,789	50,578,873
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	32,710,996	33,002,726	32,233,871	32,418,565	64,944,867	65,421,291
Long-term liabilities outstanding	10,522,311	10,420,680	3,890,656	4,074,828	14,412,967	14,495,508
Other liabilities	699,255	575,259	868,232	949,096	1,567,487	1,524,355
Deferred inflows of resources	103,122	82,286	-	-	103,122	82,286
Total liabilities and deferred inflows of resources	11,324,688	11,078,225	4,758,888	5,023,924	16,083,576	16,102,149
Net position:						
Net invested in capital assets	16,881,174	16,485,835	22,546,934	22,570,769	39,428,108	39,056,604
Restricted	2,031,658	1,991,454	-	-	2,031,658	1,991,454
Unrestricted	2,473,476	3,447,212	4,928,049	4,823,872	7,401,525	8,271,084
Total net position	\$ 21,386,308	\$ 21,924,501	\$ 27,474,983	\$ 27,394,641	\$ 48,861,291	\$ 49,319,142

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Waynesville exceeded liabilities and deferred inflows by \$48,861,291 as of June 30, 2014. The Town's net position decreased (\$457,851) or (0.93%) for the fiscal year ended June 30, 2014. However, the largest portion \$39,428,108 or 80.69% reflects the Town's net investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The Town of Waynesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Waynesville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Waynesville's net position \$2,031,658 or 4.16% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,401,525 is unrestricted. However, this includes \$247,719 in unspent funds that will be used for the repair and renovation of public buildings.

As noted last year, the slowly improving economy on the local, state and national levels has made it extremely hard to point to particular aspects of the Town's financial operations that positively influenced the total unrestricted governmental net position. However, the Town can point to the following facts:

- For the year ending June 30, 2014, the Town's total property valuations totaled \$1,219,580,671, an increase of \$47,366,460 or 4.04% in comparison with the prior year. Over half of this increase was due to the state's implementation of the new tax and tag program. This new program eliminated a lag between billing and collection that was present in the motor vehicle tax billings. The rest of the increase is mostly due to the expansion of a manufacturing plant and the continued reduction of a brownfield tax exemption at a major commercial development property.
- Continued diligence in the collection of property taxes resulted in a tax collection percentage of 97.27% excluding motor vehicles. This is an increase of 1.08% from the prior year's tax collection percentage excluding motor vehicles. For comparison, the statewide average of units with electrical

systems for the population grouping 2,500 to 9,999 excluding motor vehicles was 96.94% for the year ended June 30, 2013. Our collection rate was .33% better than the statewide average for our group.

- As a direct result of the higher valuations and the higher collection percentage, the ad valorem taxes and the related penalties and interest for the current fiscal year totaled \$5,002,512, an increase of \$290,212 or 6.16% in comparison to the prior year.
- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year totaled \$2,189,646, an increase of \$21,668 or 1.00% in comparison to the prior year.
- The recreation department fees were \$720,331, an increase of \$29,774 or 4.31% in comparison to the prior year.

But, the slow economy has also negatively affected the Town. Most of the Town's other General Fund revenues have either showed little or no growth, or showed slightly declining balances during the year when compared to the prior year's numbers.

Town of Waynesville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,257,397	\$ 2,327,486	\$13,571,548	\$13,194,865	\$15,828,945	\$15,522,351
Operating grants and contributions	42,360	325,787	-	-	42,360	325,787
Capital grants and contributions	432,261	130,185	62,560	-	494,821	130,185
General revenues:						
Property taxes	4,911,623	4,712,293	-	-	4,911,623	4,712,293
Other taxes	2,469,240	2,433,560	-	-	2,469,240	2,433,560
Grants and contributions not restricted to specific programs	714,432	711,968	-	-	714,432	711,968
Other	98,630	87,360	13,576	34,189	112,206	121,549
Total revenues	10,925,943	10,728,639	13,647,684	13,229,054	24,573,627	23,957,693
Expenses:						
General government	2,102,358	2,066,026	-	-	2,102,358	2,066,026
Public safety	4,901,203	4,613,699	-	-	4,901,203	4,613,699
Transportation	3,535,094	3,713,984	-	-	3,535,094	3,713,984
Economic development	-	50,000	-	-	-	50,000
Environmental Protection	79,010	104,114	-	-	79,010	104,114
Culture and recreation	2,017,043	1,892,946	-	-	2,017,043	1,892,946
Interest on long-term debt	298,048	342,184	-	-	298,048	342,184
Electric	-	-	7,801,993	7,447,751	7,801,993	7,447,751
Water	-	-	2,444,735	2,228,536	2,444,735	2,228,536
Sewer	-	-	1,851,994	1,841,937	1,851,994	1,841,937
Total expenses	12,932,756	12,782,953	12,098,722	11,518,224	25,031,478	24,301,177
Increase (decrease) in net assets before transfers	(2,006,813)	(2,054,314)	1,548,962	1,710,830	(457,851)	(343,484)
Transfers	1,468,620	1,456,370	(1,468,620)	(1,456,370)	-	-
Increase in net assets	(538,193)	(597,944)	80,342	254,460	(457,851)	(343,484)
Net assets, July 1	21,924,501	22,522,445	27,394,641	27,140,181	49,319,142	49,662,626
Net assets, June 30	\$21,386,308	\$21,924,501	\$27,474,983	\$27,394,641	\$48,861,291	\$49,319,142

Governmental activities. For the year ended June 30, 2014, Governmental activities decreased the Town's net position by (\$538,193). Key elements of this decrease are as follows:

- Depreciation exceeding capital outlay will lower net position. Governmental activities' depreciation exceeded capital outlay by \$1,065,828.
- Compensated absences, police pension obligation, and post employment benefits increased \$154,644 net of payments.
- This net position decrease of (\$538,193) would be even greater except for the Town's transfer of \$1,468,620 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2013 and June 30, 2012, the governmental activities decreased (\$597,944) and (\$789,014) respectively after the Town transferred \$1,456,370 and \$1,456,630 respectively from business-type activities to the governmental activities.

Business-type activities: For the year ended June 30, 2014, business-type activities increased the Town's net position by \$80,342. Key elements of this increase are as follows:

- Depreciation exceeding capital outlay will lower net position. Business-type activities' depreciation exceeded capital outlay by \$234,470.
- The net position increase would be a greater increase; however the Town transferred \$1,468,620 from the business-type activities to the governmental activities.
- The Town's electric fund reported income before contributions and transfers of \$972,532, a decrease of \$297,271 from the prior year. This decrease as discussed earlier is due to higher fuel costs passed on to the Town by its power supplier.
- The Town implemented water and sewer rate increases of 6% for inside and outside customers. The base charge to residential electric customers were raised one dollar per month (\$1.00) starting April 1, 2014
- By comparison for the year ended June 30, 2013 and June 30, 2012, the business-type activities' net position increased by \$254,460 and decrease by (\$29,705) respectively after the Town transferred \$1,456,370 and \$1,456,630 respectively from the business-type activities to the governmental activities.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Waynesville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Waynesville's financing requirements.

The general fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, the Town of Waynesville's fund balance available in the General Fund was \$5,217,450, while total fund balance was \$6,680,127. By comparison, the year ended June 30, 2013 fund balance available in the General Fund was \$5,306,131 and total fund balance was \$6,899,703. The Town current fund balance available is 38.44% of general fund expenditures, while total fund balance represents 49.22% of the same amount. By comparison, the year ended June 30, 2013 the fund balance available was 41.53% of the general fund expenditures, while total fund balance represents 54.00% of the same amount.

At June 30, 2014, the governmental funds of Town of Waynesville reported a combined fund balance of \$7,238,828, with a net decrease in fund balance of (\$210,631). This represents a (2.83%) decrease over last year. The decrease is primarily due to the expenditures and other financing uses over revenues and other financing sources.

General Fund Budgetary Highlights: During the year the Town revised the budget on two occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increase in appropriations that become necessary to maintain services.

- The Town's total budget for the general fund including transfers to other funds for the year ended June 30, 2014 totaled \$14,628,690. The funding sources: revenues, transfer from business-type activities and appropriations from fund balance, were budgeted at \$11,521,040, \$1,468,620, and \$1,639,030 respectively. The actual revenues totaled \$11,883,767 or \$362,727 over budget. For a more detail comparison of actual and budgeted amounts see Exhibit 5 and Exhibit B-1 in the accompanying financial statements. The main reason for the total revenues having an overall positive variance can be traced to one revenue grouping. The ad valorem taxes revenue grouping came in \$343,812 over budget. As discussed previously, the higher property valuations and increased tax collection percentage are the main drivers behind this increase. The remaining revenue groupings were slightly higher or lower than budget. In fact, the total of all these revenue groupings together came in \$18,915 over budget. All the transfers to the general fund from business-type activities were made as budgeted. The Town's general fund expenditures totaled \$13,571,963 or \$1,056,727 under budget. Overall the expenditure underspending is due to the uncertain economic recovery and the related unknown revenue outcomes. Most of this underspending is tied to employee vacancies, projects being delayed, unfinished or being carried over to the next year. And as in previous years, the Town made an extra effort to under spend expenditures to limit the use of its fund balance. The Town had budgeted to use \$1,639,030 from general fund balance, but instead only used \$219,576.

Proprietary Funds. The Town of Waynesville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric, Water, and Sewer Funds at the end of the fiscal year totaled \$1,552,768, \$1,444,670, and \$1,899,932, respectively. In comparison to the year ended June 30, 2013, the unrestricted net position of the Electric, Water and Sewer funds totaled \$1,870,831, \$1,275,731, and \$1,694,332, respectively. The Electric fund's unrestricted net position decreased (\$318,063) or (17.00%). The water and Sewer funds' unrestricted net position increased \$168,939, or 13.24% and \$205,600 or 12.13%, respectively. Total net position of the Electric fund at the end of the fiscal year decreased (\$303,068) or (8.34%). Total net position of the Water, and Sewer funds at the end of the fiscal year increased \$165,203 or 1.16%, and \$170,506 or 1.89%, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Waynesville's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Waynesville's investment in capital assets for its governmental and business-type activities as of June 30, 2014 totaled \$50,107,789 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreation facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following additions:

- Purchase 15 police service vehicles, 2 fire service vehicles and related equipment (not placed in service at June 30, 2014) for \$658,467.
- Improvements and additions to the Town's water distribution systems for \$514,097.
- Improvements and additions to the Town's sewer distribution systems for \$314,080.
- Finish construction of new skate park for \$293,964
- Improvements and additions to the Town's roads and sidewalks for \$252,303.
- Purchase network and wireless upgrades for \$109,021.
- Purchase new digital radio system and radios for \$74,214.

- Purchase new street truck (2013 F-650) for \$69,737.
- Purchase new excavator (water maintenance) for \$57,578.
- Improvement to tennis courts for \$54,051.
- Purchase new rest rooms for \$46,152.
- Purchase 2014 administration vehicle (2014 Electric) for \$31,587.
- Purchase trench roller-wacker (water maintenance) for \$31,299.
- Improvement of paving at public works for \$30,175.
- The purchase and or improvements of additional assets during the year (<\$30,000) for \$216,017.

Major capital asset transactions during the year include the following disposals:

- Disposal of fire truck (pumper- model year 1988) with an original cost of \$108,640.
- Disposal of administration vehicle (Prius-model year 2005) with an original cost of \$25,928.
- Disposal of leaf collector box (model year 2003) with an original cost of \$17,200.
- Disposal of John Deere leaf collector (model year 1998) with an original cost of \$14,200.
- Disposal of radios charges and base station (model year 1994 thru 2002) with an original cost of \$9,388.

Town of Waynesville's Capital Assets (net of depreciation)

Figure 4

Additional information on the Town's capital assets can be found in Note I.E.7 and III.A.4 of the Basic Financial Statements.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,780,045	\$ 1,780,045	\$ 1,927,137	\$ 1,927,137	\$ 3,707,182	\$ 3,707,182
Public Art	81,603	68,522	-	-	81,603	68,522
Construction in process	658,467	218,378	-	128,700	658,467	347,078
Buildings and system	12,375,577	12,662,413	23,149,804	23,265,922	35,525,381	35,928,335
Land improvements	268,777	297,765	190,164	170,214	458,941	467,979
Equipment, furniture and fixtures	728,513	681,165	250,683	208,549	979,196	889,714
Infrastructure	6,355,758	6,654,438	-	-	6,355,758	6,654,438
Vehicles and motorized equipment	1,726,671	1,934,449	614,590	581,175	2,341,261	2,515,624
Total	\$ 23,975,411	\$ 24,297,175	\$ 26,132,378	\$ 26,281,697	\$ 50,107,789	\$ 50,578,872

Long-term Debt. The Town's total debt outstanding including notes payable for the year ending June 30, 2014 and June 30, 2013, was \$14,412,967 and \$14,495,508, respectively. All debt is backed by the full faith and credit of the Town of Waynesville. Unfunded pension liabilities, legal claims, and compensated absences for the year ending June 30, 2014 and June 30, 2013, make up \$2,157,038 and \$1,975,931 of the total debt outstanding respectively. The remaining balances are installment purchase obligations and notes payable.

**Town of Waynesville's Outstanding Debt
Installment Purchase Obligations**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment purchase obligations	\$ 7,929,985	\$ 8,808,648	\$ 3,500,294	\$ 3,710,929	\$ 11,430,279	\$ 12,519,577
Notes payable	825,650	-	-	-	825,650	-
Total	\$ 8,755,635	\$ 8,808,648	\$ 3,500,294	\$ 3,710,929	\$ 12,255,929	\$ 12,519,577

- The Town's total installment debt decreased (\$1,089,298) or (8.70%) during the current fiscal year. As noted earlier, the town increased installment debt by \$329,868. These funds were used to purchase radio read water meters. These increases were off set by principal payments on existing debt.
- The Town's total notes payable increased \$825,650. As noted earlier, the increase was for the purchase of vehicles and their related equipment. This debt is currently classified as notes payable and relate to the governmental activities. Most of the assets being purchased with these funds are not yet purchased or not yet placed in service at June 30, 2014. Upon completion, the note will be reclassified as part of the installment purchase obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Waynesville is \$85,353,776.

Additional information regarding the Town of Waynesville's long-term debt can be found in note III.B.10 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

For the years that ended June 30, 2010, 2011, 2012, and 2013, the Town experienced slow growing or declining revenues. For the year that just ended (July 1, 2013 thru June 30, 2014), the Town finally saw its total revenues as reported under the modified accrual accounting raise above the same total revenues as reported for the year ended June 30, 2009. The total revenues as reported by modified accrual accounting for the year ended June 30, 2014 was \$ 11,883,767 (see Exhibit B-1) an increase of \$112,008 or .95% from the same total revenues reported for the year ended June 30, 2009. Also while the town was preparing the up and coming budget for the year ending June 30, 2015, the state's General Assembly proposed for the elimination of the municipals' local privilege licenses. This revenue brought in \$136,791 for the year just ended. With the above revenue concerns in hand and the Town's desire to maintain current essential services in an increasing cost environment, the Town raised property taxes 3 cents from 40.82 cents to 43.82 cents per hundred valuation. The 3 cents is budgeted to raise \$328,724. No other fee increases are budgeted for the general fund. The Water and Sewer rates will increase 5.00%. In the electric fund, residential base rate have been increased by \$1/month each month starting April 1, 2014 thru August 1, 2014. In addition, the Town also expects to continue its monthly evaluation of electric rates. In this evaluation, electric rates are reviewed in order to keep the rates in line with fuel charges that might be passed on to the Town by its power supplier.

On the expenditure side, increases will be budgeted in personnel, fringe benefits, and operating costs. Personnel costs will rise because of employee vacancies being filled, a 1% cost of living, and a 2.5% set aside for personnel development. Fringe benefits will increase for the same reasons as personnel costs and the higher costs associated with higher health premiums. The operating costs are expected to go higher due to higher costs in general and the higher costs expected for a full year of the expended computer IT services. As

discussed previously, the Town has made an extra effort over the years to cut or under spend the budget if revenues fell short. Until the revenue picture improves, the Town's departments will continue to make this same effort in the current budget. So, the Town expects employee vacancies to be held open a little longer, and expenditures in general will be underspent where possible to limit the use of its fund balance.

Budget Summary for the Fiscal Year Ending June 30, 2015

Town of Waynesville
Budget Summary
For the Year Ending June 30, 2015

	General Fund	Electric Fund	Water Fund	Sewer Fund
Revenues	\$ (11,079,610)	\$ (9,568,880)	\$ (2,820,500)	\$ (2,215,400)
Transfer from Other Funds	(1,475,440)	-	-	-
Appropriations from Fund Balance	(1,250,840)	(584,900)	(307,840)	(397,010)
Total Sources	\$ (13,805,890)	\$ (10,153,780)	\$ (3,128,340)	\$ (2,612,410)
Expenditures:				
Governing Body	\$ 87,010	\$ -	\$ -	\$ -
Administration	457,270	-	-	-
Finance	387,800	-	-	-
Planning and Code Enforcement	541,480	-	-	-
Special Appropriations	325,110	-	-	-
Police	4,156,100	-	-	-
Fire	1,148,200	-	-	-
Streets, Sanitation & Powell Bill	3,195,930	-	-	-
Cemetery	160,060	-	-	-
Parks and Recreation	1,998,730	-	-	-
Maintenance	-	1,059,700	1,412,670	979,790
Treatment	-	-	1,224,420	1,325,170
Finance and Administration	-	737,350	212,130	176,530
Power Purchases	-	6,718,570	-	-
Debt Service	1,348,200	362,560	167,100	43,100
Transfer to Other Funds	-	1,275,600	112,020	87,820
Total Uses	\$ 13,805,890	\$ 10,153,780	\$ 3,128,340	\$ 2,612,410

In the budget for the year ending June 30, 2015, the shared or joint costs of the various departments and funds will be accounted for under new allocation models. The new allocation models should allow the Town to more accurately charge the shared costs back to the user departments and funds. However, because of the new allocations, the June 30, 2015 budget amounts will not be comparable to the prior year's budget and actual amounts.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Waynesville, 280 Georgia Ave Waynesville, NC 28786.

Town of Waynesville, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,066,966	\$ 3,705,202	\$ 9,772,168	\$ 409,261
Investments	-	-	-	-
Taxes receivables (net)	486,381	-	486,381	-
Accrued interest receivable on taxes	48,387	-	48,387	-
Other receivables	8,691	23,329	32,020	59
Accounts receivable (net)	113,480	1,301,135	1,414,615	-
Due from other governments	1,141,439	329,868	1,471,307	-
Due from component units	-	-	-	-
Internal balances	74,421	(74,421)	-	-
Inventories	80,462	631,399	711,861	163,288
Prepaid items	143,471	3,440	146,911	7,560
Restricted cash and cash equivalents	522,717	181,541	704,258	-
Total current assets	<u>8,686,415</u>	<u>6,101,493</u>	<u>14,787,908</u>	<u>580,168</u>
Noncurrent assets:				
Accounts receivable (net)	49,170	-	49,170	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,520,115	1,927,138	4,447,253	509,646
Other capital assets, net of depreciation	21,455,296	24,205,240	45,660,536	881,230
Total capital assets	<u>23,975,411</u>	<u>26,132,378</u>	<u>50,107,789</u>	<u>1,390,876</u>
Total noncurrent assets	<u>24,024,581</u>	<u>26,132,378</u>	<u>50,156,959</u>	<u>1,390,876</u>
Total assets	<u>\$ 32,710,996</u>	<u>\$ 32,233,871</u>	<u>\$ 64,944,867</u>	<u>\$ 1,971,044</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 559,826	\$ 615,794	\$ 1,175,620	\$ 150,574
Accrued interest payable	120,672	70,897	191,569	2,666
Customer deposits	18,757	181,541	200,298	-
Due to primary government	-	-	-	-
Notes payable	825,650	-	825,650	-
Current portion of long-term liabilities	1,069,417	563,133	1,632,550	54,724
Total current liabilities	<u>2,594,322</u>	<u>1,431,365</u>	<u>4,025,687</u>	<u>207,964</u>
Long-term liabilities:				
Due in more than one year	8,627,244	3,327,523	11,954,767	922,650
Total liabilities	<u>11,221,566</u>	<u>4,758,888</u>	<u>15,980,454</u>	<u>1,130,614</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	20,595	-	20,595	-
Grants received in advance	82,527	-	82,527	-
Total deferred inflows of resources	<u>103,122</u>	<u>-</u>	<u>103,122</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	16,881,174	22,546,934	39,428,108	770,059
Restricted for:				
Cemetery Perpetual care	303,591	-	303,591	-
Stabilization by State Statute	1,312,727	-	1,312,727	-
Transportation	407,949	-	407,949	-
Culture and recreation	7,391	-	7,391	-
Working Capital	-	-	-	62,753
Unrestricted	2,473,476	4,928,049	7,401,525	7,618
Total net position	<u>\$ 21,386,308</u>	<u>\$ 27,474,983</u>	<u>\$ 48,861,291</u>	<u>\$ 840,430</u>

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

Town of Waynesville, North Carolina
Statement of Activities
For the Year Ended June 30, 2014

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 2,102,358	\$ 123,607	\$ 22,140	\$ -	\$ (1,956,611)	-	\$ (1,956,611)	\$ -
Public safety	4,901,203	399,979	15,882	-	(4,485,342)	-	(4,485,342)	-
Transportation	3,535,094	995,380	4,338	336,680	(2,198,696)	-	(2,198,696)	-
Environmental protection	79,010	18,100	-	-	(60,910)	-	(60,910)	-
Economic and physical development	-	-	-	-	-	-	-	-
Cultural and recreation	2,017,043	720,331	-	95,581	(1,201,131)	-	(1,201,131)	-
Interest on long-term debt	298,048	-	-	-	(298,048)	-	(298,048)	-
Total governmental activities	12,932,756	2,257,397	42,360	432,261	(10,200,738)	-	(10,200,738)	-
Business-type activities:								
Electric	7,801,993	8,803,447	-	-	-	\$ 1,001,454	1,001,454	-
Water	2,444,735	2,690,279	-	31,115	-	276,659	276,659	-
Sewer	1,851,994	2,077,822	-	31,445	-	257,273	257,273	-
Total business-type activities	12,098,722	13,571,548	-	62,560	-	1,535,386	1,535,386	-
Total primary government	\$ 25,031,478	\$ 15,828,945	\$ 42,360	\$ 494,821	(10,200,738)	1,535,386	(8,665,352)	-
Component units:								
ABC Board	\$ 2,064,636	\$ 2,125,213	\$ -	\$ -	-	-	-	60,577
Total component units	\$ 2,064,636	\$ 2,125,213	\$ -	\$ -	-	-	-	60,577
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,911,623	-	4,911,623	-
Other taxes					2,469,240	-	2,469,240	-
Grants and contributions not restricted to specific programs					714,432	-	714,432	-
Investment earnings					4,860	3,126	7,986	-
Miscellaneous					93,770	10,450	104,220	-
Total general revenues not including transfers					8,193,925	13,576	8,207,501	-
Transfers					1,468,620	(1,468,620)	-	-
Total general revenues and transfers					9,662,545	(1,455,044)	8,207,501	-
Change in net position					(538,193)	80,342	(457,851)	60,577
Net position-beginning					21,924,501	27,394,641	49,319,142	779,853
Net position-ending					\$ 21,386,308	\$ 27,474,983	\$ 48,861,291	\$ 840,430

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

Town of Waynesvills
Balance Sheet
Governmental Funds
June 30, 2014

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 5,463,266	\$ 558,664	\$ 6,021,930
Receivables, net:			
Taxes	486,381	-	486,381
Accounts	113,468	-	113,468
Prepaid items	143,471	-	143,471
Long-term receivable	49,170	-	49,170
Due from component unit	-	-	-
Due from other governmental agencies	1,141,439	-	1,141,439
Interest receivable	8,654	37	8,691
Inventories	6,479	-	6,479
Restricted cash and cash equivalents	522,717	-	522,717
Total assets	<u>\$ 7,935,045</u>	<u>\$ 558,701</u>	<u>\$ 8,493,746</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 531,890	\$ -	\$ 531,890
Notes payable	114,768	-	114,768
Performance bonds	18,757	-	18,757
Total liabilities	<u>665,415</u>	<u>-</u>	<u>665,415</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	486,381	-	486,381
Prepaid taxes	20,595	-	20,595
Grants received in advance	82,527	-	82,527
Total deferred inflows of resources	<u>589,503</u>	<u>-</u>	<u>589,503</u>
FUND BALANCES			
Non Spendable			
Inventories	6,479	-	6,479
Prepaid items	143,471	-	143,471
Perpetual maintenance	-	303,591	303,591
Restricted			
Stablization by State Statute	1,312,727	-	1,312,727
Streets-Powell bill	407,949	-	407,949
Cultural and Recreation	-	7,391	7,391
Committed			
General Government	-	247,719	247,719
Assigned			
Subsequent year's expenditures	1,127,060	-	1,127,060
Public Safety	108,700	-	108,700
Unassigned	3,573,741	-	3,573,741
Total fund balances	<u>6,680,127</u>	<u>558,701</u>	<u>7,238,828</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,935,045</u>	<u>\$ 558,701</u>	<u>\$ 8,493,746</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	7,238,828
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,912,339
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	48,387
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	205,612
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	486,381
Some liabilities, including installment purchases payable and accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,505,239)</u>
Net position of governmental activities	<u>\$ 21,386,308</u>

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

Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 5,002,512	\$ -	\$ 5,002,512
Other taxes and licenses	2,469,240	-	2,469,240
Unrestricted intergovernmental	714,432	-	714,432
Restricted intergovernmental	472,168	-	472,168
Permits and fees	184,474	-	184,474
Sales and services	2,940,103	8,700	2,948,803
Investment earnings	4,615	-	4,615
Miscellaneous	96,223	245	96,468
Total revenues	11,883,767	8,945	11,892,712
EXPENDITURES			
Current:			
General government	3,038,047	-	3,038,047
Public safety	4,476,553	-	4,476,553
Transportation	2,650,322	-	2,650,322
Environmental protection	88,419	-	88,419
Culture and recreation	2,089,010	-	2,089,010
Debt service:			
Principal	899,478	-	899,478
Interest and other charges	330,134	-	330,134
Total expenditures	13,571,963	-	13,571,963
Excess (deficiency) of revenues over expenditures	(1,688,196)	8,945	(1,679,251)
OTHER FINANCING SOURCES			
Transfers from other funds	1,468,620	-	1,468,620
Transfers to other funds	-	-	-
Installment purchase obligations issued	-	-	-
Total other financing sources	1,468,620	-	1,468,620
Net change in fund balance	(219,576)	8,945	(210,631)
Fund balances-beginning	6,899,703	549,756	7,449,459
Fund balances-ending	\$ 6,680,127	\$ 558,701	\$ 7,238,828

(continued)

Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds	\$ (210,631)
<p>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 depreciation exceeded capital outlays in the current period</p>	
Capital outlay expenditures which were capitalized	894,017
Depreciation expense for governmental assets	(1,959,845)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Change in unavailable revenue for tax revenues	(90,889)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	878,663
<p>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:</p>	
Compensated absences	(7,133)
Net pension obligation	(7,145)
Other postemployment benefits	(137,938)
Accrued interest on installment purchases obligations	32,086
Net book value of assets sold	-
Consolidation adjustment for internal balances between the internal service funds and the governmental funds	37,476
Net revenue of internal service funds determined to be governmental-type	33,146
Total changes in net position of governmental activities	\$ (538,193)

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

Town of Waynesville
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,307,120	\$ 4,658,700	\$ 5,002,512	\$ 343,812
Other taxes and licenses	2,480,060	2,480,060	2,469,240	(10,820)
Unrestricted intergovernmental	725,500	725,500	714,432	(11,068)
Restricted intergovernmental	528,720	475,860	472,168	(3,692)
Permits and fees	174,350	174,350	184,474	10,124
Sales and services	2,948,310	2,921,220	2,940,103	18,883
Investment earnings	-	-	4,615	4,615
Miscellaneous	85,350	85,350	96,223	10,873
Total revenues	<u>12,249,410</u>	<u>11,521,040</u>	<u>11,883,767</u>	<u>362,727</u>
Expenditures:				
Current:				
General government	3,544,010	3,594,880	3,038,047	556,833
Public safety	5,011,630	4,674,300	4,476,553	197,747
Transportation	3,161,600	2,798,240	2,650,322	147,918
Environmental protection	130,490	130,140	88,419	41,721
Cultural and recreation	2,022,130	2,198,930	2,089,010	109,920
Debt service:				
Principal retirement	901,198	901,198	899,478	1,720
Interest and other charges	331,002	331,002	330,134	868
Total expenditures	<u>15,102,060</u>	<u>14,628,690</u>	<u>13,571,963</u>	<u>1,056,727</u>
Revenues over (under) expenditures	<u>(2,852,650)</u>	<u>(3,107,650)</u>	<u>(1,688,196)</u>	<u>1,419,454</u>
Other financing sources (uses):				
Transfers from other funds	1,468,620	1,468,620	1,468,620	-
Transfers to other funds	-	-	-	-
Appropriations from fund balance	1,384,030	1,639,030	-	(1,639,030)
Total other financing sources (uses)	<u>2,852,650</u>	<u>3,107,650</u>	<u>1,468,620</u>	<u>(1,639,030)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(219,576)</u>	<u>\$ (219,576)</u>
Fund balances, beginning of year			6,899,703	
Fund balances, end of year			<u>\$ 6,680,127</u>	

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

Town of Waynesville
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,111,823	\$ 713,803	\$ 1,822,576	\$ 3,648,202	\$ 57,000	\$ 45,036
Due from state government	-	329,868	-	329,868	-	-
Accounts receivable	766,836	299,184	235,115	1,301,135	-	-
Prepaid items	-	-	3,440	3,440	-	-
Other receivables	139	11,549	11,631	23,319	10	12
Inventories	299,872	290,882	31,446	622,200	9,199	73,983
Restricted cash and cash equivalents	126,127	55,414	-	181,541	-	-
Total current assets	2,304,797	1,700,700	2,104,208	6,109,705	66,209	119,031
Capital assets:						
Land and Construction in Progress	230,058	1,486,362	110,500	1,826,920	100,218	-
Other capital assets, net of depreciation	3,597,674	12,870,951	7,246,199	23,714,824	490,416	63,072
Capital assets (net)	3,827,732	14,357,313	7,356,699	25,541,744	590,634	63,072
Total assets	\$ 6,132,529	\$ 16,058,013	\$ 9,460,907	\$ 31,651,449	\$ 656,843	\$ 182,103
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	558,051	58,116	64,275	680,442	6,249	27,936
Customer deposits	126,127	55,414	-	181,541	-	-
Compensated absences - current	14,602	26,678	36,235	77,515	5,262	2,911
Installment purchases payable-current	293,193	145,347	41,816	480,356	-	-
Total current liabilities	991,973	285,555	142,326	1,419,854	11,511	30,847
Noncurrent liabilities:						
Other postemployment benefits	49,261	115,494	103,766	268,521	29,460	14,074
Compensated absences	3,988	328	-	4,316	5,288	5,991
Installment purchases payable	1,756,047	1,263,891	-	3,019,938	-	-
Total noncurrent liabilities	1,809,296	1,379,713	103,766	3,292,775	34,748	20,065
Total liabilities	2,801,269	1,665,268	246,092	4,712,629	46,259	50,912
NET POSITION						
Net investment in capital assets	1,778,492	12,948,075	7,314,883	22,041,450	590,634	63,072
Unrestricted	1,552,768	1,444,670	1,899,932	4,897,370	19,950	68,119
Total net position	\$ 3,331,260	\$ 14,392,745	\$ 9,214,815	26,938,820	\$ 610,584	\$ 131,191

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. 536,163

Net assets of business-type activities \$ 27,474,983

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

Town of Waynesville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
OPERATING REVENUES						
Charges for services	\$ 8,803,447	\$ 2,690,279	\$ 2,077,822	\$ 13,571,548	\$ 388,400	\$ 685,645
Other operating revenue	-	-	-	-	-	-
Total operating revenues	<u>8,803,447</u>	<u>2,690,279</u>	<u>2,077,822</u>	<u>13,571,548</u>	<u>388,400</u>	<u>685,645</u>
OPERATING EXPENSES						
Finance and administration	412,860	247,260	215,760	875,880	-	-
Electric operations	773,959	-	-	773,959	-	-
Electric power purchases	6,303,427	-	-	6,303,427	-	-
Water treatment and distribution	-	1,624,399	-	1,624,399	-	-
Waste collection and treatment	-	-	1,243,771	1,243,771	-	-
Public works operations	-	-	-	-	285,203	-
Garage operations	-	-	-	-	-	651,853
Depreciation	273,343	558,445	396,264	1,228,052	19,492	16,436
Total operating expenses	<u>7,763,589</u>	<u>2,430,104</u>	<u>1,855,795</u>	<u>12,049,488</u>	<u>304,695</u>	<u>668,289</u>
Operating income (loss)	<u>1,039,858</u>	<u>260,175</u>	<u>222,027</u>	<u>1,522,060</u>	<u>83,705</u>	<u>17,356</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	929	827	1,370	3,126	69	82
Interest and other charges	(69,919)	(25,278)	(1,738)	(96,935)	-	-
Miscellaneous revenues (expenses)	1,664	7,594	1,192	10,450	1,403	15,708
Total nonoperating revenue (expenses)	<u>(67,326)</u>	<u>(16,857)</u>	<u>824</u>	<u>(83,359)</u>	<u>1,472</u>	<u>15,790</u>
Income (loss) before contributions and transfers	<u>972,532</u>	<u>243,318</u>	<u>222,851</u>	<u>1,438,701</u>	<u>85,177</u>	<u>33,146</u>
Capital contributions	-	31,115	31,445	62,560	-	-
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	(1,275,600)	(109,230)	(83,790)	(1,468,620)	-	-
Change in net position	<u>(303,068)</u>	<u>165,203</u>	<u>170,506</u>	<u>32,641</u>	<u>85,177</u>	<u>33,146</u>
Total net position - beginning	<u>3,634,328</u>	<u>14,227,542</u>	<u>9,044,309</u>		<u>525,407</u>	<u>98,045</u>
Total net position - ending	<u>\$ 3,331,260</u>	<u>\$ 14,392,745</u>	<u>\$ 9,214,815</u>		<u>\$ 610,584</u>	<u>\$ 131,191</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

47,701

Change in net position - business-type activities

\$ 80,342

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

Town of Waynesville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities				Governmental Activity	
	Enterprise Funds			Totals	Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund		Public Works Fund	Garage Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 8,958,222	\$ 2,298,270	\$ 2,040,928	\$ 13,297,420	\$ 388,402	\$ 686,887
Cash paid for goods and services	(7,135,907)	(1,140,458)	(641,270)	(8,917,635)	(98,504)	(531,712)
Cash paid to or on behalf of employees for services	(340,959)	(855,125)	(790,509)	(1,986,593)	(192,567)	(102,681)
Customer deposits received	61,520	28,690	-	90,210	-	-
Customer deposits returned	(50,879)	(25,104)	-	(75,983)	-	-
Net cash provided by operating activities	<u>1,491,997</u>	<u>306,273</u>	<u>609,149</u>	<u>2,407,419</u>	<u>97,331</u>	<u>52,494</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from miscellaneous sources	612	40	1,192	1,844	1,403	15,509
Transfers to other funds	(1,275,600)	(109,230)	(83,790)	(1,468,620)	-	-
Total cash flows from noncapital financing activities	<u>(1,274,988)</u>	<u>(109,190)</u>	<u>(82,598)</u>	<u>(1,466,776)</u>	<u>1,403</u>	<u>15,509</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from installment purchase obligation	-	329,868	-	-	-	-
Principal and interest paid on long-term debt	(362,550)	(242,734)	(43,098)	(648,382)	-	-
Capital contributions	-	31,115	31,445	62,560	-	-
Proceeds from sale of assets	1,052	7,554	-	8,606	-	199
Acquisition and construction of capital assets	(4,248)	(668,737)	(320,597)	(993,582)	(104,642)	(49,619)
Net cash provided (used) by capital and related financing activities	<u>(365,746)</u>	<u>(542,934)</u>	<u>(332,250)</u>	<u>(1,570,798)</u>	<u>(104,642)</u>	<u>(49,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	929	827	1,370	3,126	69	82
Proceeds from investment maturities	699,759	-	-	699,759	-	-
Net cash provided (used) by investing activities	<u>700,688</u>	<u>827</u>	<u>1,370</u>	<u>702,885</u>	<u>69</u>	<u>82</u>
Net increase (decrease) in cash and cash equivalents	551,951	(345,024)	195,671	402,598	(5,839)	18,665
Balances-beginning of the year	685,999	1,114,241	1,626,905	3,427,145	62,839	26,371
Balances-end of the year	<u>\$ 1,237,950</u>	<u>\$ 769,217</u>	<u>\$ 1,822,576</u>	<u>\$ 3,829,743</u>	<u>\$ 57,000</u>	<u>\$ 45,036</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	<u>\$ 1,039,858</u>	<u>\$ 260,175</u>	<u>\$ 222,027</u>	<u>\$ 1,522,060</u>	<u>\$ 83,705</u>	<u>\$ 17,356</u>
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	273,343	558,445	396,264	1,228,052	19,492	16,436
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	154,668	(392,399)	(35,265)	(272,996)	2	1,242
(Increase) decrease in allowance for doubtful accounts	180	390	(1,629)	(1,059)	-	-
(increase) decrease in inventory	(6,149)	(18,042)	(7,519)	(31,710)	(1,849)	(6,313)
Increase (decrease) in accounts payable and accrued liabilities	15,429	(115,999)	20,522	(80,048)	(9,181)	21,344
Increase (decrease) in prepaid items	-	-	1,310	1,310	1,200	-
Increase (decrease) in customer deposits	10,641	3,586	-	14,227	-	-
Increase (decrease) in accrued OPEB liability	7,694	19,784	17,586	45,064	4,946	2,198
Increase (decrease) in accrued vacation pay	(3,667)	(9,667)	(4,147)	(17,481)	(984)	231
Total adjustments	<u>452,139</u>	<u>46,098</u>	<u>387,122</u>	<u>885,359</u>	<u>13,626</u>	<u>35,138</u>
Net cash provided by operating activities	<u>\$ 1,491,997</u>	<u>\$ 306,273</u>	<u>\$ 609,149</u>	<u>\$ 2,407,419</u>	<u>\$ 97,331</u>	<u>\$ 52,494</u>

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Waynesville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Waynesville is a municipal corporation that is governed by an elected mayor and a four-member board of alderman. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Waynesville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Waynesville ABC Board, 52 Dayco Drive, Waynesville, NC 28786.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Capital Projects Fund. This fund is used to account for the construction of the new fire station, construction needed at the current police station, and construction of a new development office.

Public Buildings Projects Fund. This fund is used to account for the renovations to the Town's Hazelwood office, Municipal and Public Works Buildings, and the Recreation Center.

Cemetery Fund. This fund is used to accumulate monies from the sale of cemetery lots for future maintenance of the Town's cemetery.

Playground Fund. This fund is used to account for revenue restricted for use in the Town's playground.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric fund operations.

Water Fund. This fund is used to account for the Town's water operations.

Sewer Fund. This fund is used to account for the Town's sewer operations.

The Town reports the following fund type:

Internal Service Funds. Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Town of Waynesville has two Internal Service Funds: the Public Works Operations Fund and the Garage Operations Fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including

special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenues because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues that are unearned at year-end are recorded as deferred inflows of resources. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position balances available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Public Buildings Projects Fund and the Water Line Replacement Project Fund. The Town's Public Works and Garage Operations Funds, internal service funds, operate under financial plans that were adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, two amendments to the original budget were necessary. The budget ordinance must be

adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Fund and the Playground Fund are not required to be budgeted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the Scot's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and certain investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Waynesville Restricted Cash

Governmental Activities

General Fund	Streets	\$ 407,949
	Public Safety	114,768
		<u>\$ 522,717</u>

Total Governmental Activities

Business-type Activities

Electric Fund	Customer deposits	126,127
Water and Sewer Fund	Customer deposits	55,414

Total Business-type Activities

Total Restricted Cash

<u>\$ 181,541</u>
<u>\$ 704,258</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town’s General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town’s enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land and land improvements, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$8,500; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	15-50
Buildings and system	20-50
Substations, lines and related equipment	24
Other Improvements	20-40
Vehicles and motorized equipment	5-25
Equipment and furniture	5-20
Computer equipment	5

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Furniture and equipment	3-10
Leasehold improvements	10

8. 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 and so will not be recognized as an expense or expenditure until then. The Town has no deferred outflows of resources. 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 and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and grants received in advance.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In fund financial statements, the face amount of installment note purchases is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town’s government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town’s sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town's Cemetery.

Prepaid items – portion of fund balance that is not an available resource because it represents the expenses paid in advance, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Cultural and Recreation – portion of fund balance restricted by revenue source for use for maintenance of the Town's playground.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Waynesville's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for General Government - portion of fund balance assigned by the Board for renovations to the Town's public buildings and artwork for the Town's Police Station.

Assigned fund balance – portion of fund balance that Town of Waynesville intends to use for specific purposes.

Assigned for Public safety – portion of fund balance that has been set aside by the Board for future maintenance and repair of the Town's Fire Station.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds without limitation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Waynesville does not have a formal spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer uses resources in the following hierarchy: loan proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town of Waynesville has not adopted a minimum fund balance policy for the general fund.

II. Stewardship, Compliance, and Accountability

The Town had no violations of non-compliance with State Statutes for the year ended June 30, 2014.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$5,170,013 and a bank balance of \$5,322,312. Of the bank balance, \$1,208,813 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$406,935 and the bank balance was \$403,192. The ABC Board maintains a cash balance at a financial institution which exceeds the Federal Deposit Insurance Corporation coverage of \$250,000. At June 30, 2014, the Board's uninsured cash balance was \$153,192. All amounts exceeding FDIC insurance limits were covered by collateral held by the Pooling Method. At June 30, 2014 the Town's petty cash fund totaled \$2,975.

2. Investments

At June 30, 2014, the Town had \$5,303,438 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town’s investment policy limits at least 80 percent of the Town’s investment portfolio to maturities of less than 12 months. Also, the Town’s investment policy requires purchases of securities to be scheduled so that maturities coincide with projected cash flow needs and limits all securities to a final maturity of no more than five years.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank Discount Notes is rated A-1+ by Standard and Poor’s and P-1 by Moody’s Investors Service. The Town’s investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2014.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 are net of the following allowances for doubtful accounts:

Fund	6/30/2014
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	<u>16,034</u>
Total	36,034
Enterprise Funds	<u>63,212</u>
Total	<u><u>\$ 99,246</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,780,045	\$ -	\$ -	\$ -	\$ 1,780,045
Public art	68,521	9,957	-	3,125	81,603
Construction in progress	218,378	658,467	-	(218,378)	658,467
Total capital assets not being depreciated	2,066,944	668,424	-	(215,253)	2,520,115
Capital assets being depreciated:					
Land improvements	957,486	-	-	-	957,486
Buildings and building improvements	15,757,757	46,152	-	-	15,803,909
Equipment and furniture and fixtures	2,846,480	205,574	31,400	-	3,020,654
Vehicles and motorized equipment	5,163,758	134,050	134,568	-	5,163,240
Infrastructure	28,127,048	600,318	-	215,253	28,942,619
Total capital assets being depreciated	52,852,529	986,094	165,968	215,253	53,887,908
Less accumulated depreciation for:					
Land improvements	659,720	28,989	-	-	688,709
Buildings and building improvements	3,095,344	332,988	-	-	3,428,332
Equipment and furniture and fixtures	2,165,315	158,226	31,400	-	2,292,141
Vehicles and motorized equipment	3,229,308	341,829	134,568	-	3,436,569
Infrastructure	21,472,612	1,114,249	-	-	22,586,861
Total accumulated depreciation	30,622,299	1,976,281	165,968	-	32,432,612
Total capital assets being depreciated, net	22,230,230				21,455,296
Governmental activity capital assets, net	\$ 24,297,174				\$ 23,975,411

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

General government	\$ 77,364
Public safety	401,324
Transportation	1,223,010
Environmental protection	2,542
Cultural and recreational	255,605
Depreciation on capital assets held in Garage	
Fund charged to functions based on usage	16,436
Total depreciation expense	<u>\$ 1,976,281</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
<i>Electric Fund</i>					
Capital assets not being depreciated:					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	230,058	-	-	-	230,058
Capital assets:					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	148,728	4,248	8,735	-	144,241
Vehicles and motorized equipment	767,169	-	-	-	767,169
Substations, lines, and related equipment	7,081,508	-	-	-	7,081,508
Total capital assets being depreciated	8,020,402	4,248	8,735	-	8,015,915
Less accumulated depreciation for:					
Buildings and building improvements	20,233	481	-	-	20,714
Equipment and furniture and fixtures	128,436	7,502	8,735	-	127,203
Vehicles and motorized equipment	463,970	53,346	-	-	517,316
Substations, lines, and related equipment	3,540,994	212,014	-	-	3,753,008
Total accumulated depreciation	4,153,633	273,343	8,735	-	4,418,241
Total capital assets being depreciated, net	3,866,769				3,597,674
Electric fund capital assets, net	4,096,827				3,827,732
<i>Water Fund</i>					
Capital assets not being depreciated:					
Land	1,486,362	-	-	-	1,486,362
Construction in process	128,700	-	-	(128,700)	-
Total capital assets not being depreciated	1,615,062	-	-	(128,700)	1,486,362
Capital assets being depreciated:					
Land improvements	83,691	-	-	-	83,691
Buildings and building improvements	1,818,427	-	-	-	1,818,427
Equipment and furniture and fixtures	385,571	10,160	-	-	395,731
Vehicles and motorized equipment	428,250	135,817	-	-	564,067
Plant and system distributions	22,227,030	522,760	-	128,700	22,878,490
Total capital assets being depreciated	24,942,969	668,737	-	128,700	25,740,406
Total Capital Assets	26,558,031	668,737	-	-	27,226,768
Less accumulated depreciation for:					
Land improvements	20,545	3,834	-	-	24,379
Buildings and building improvements	1,035,376	27,720	-	-	1,063,096
Equipment and furniture and fixtures	243,799	29,287	-	-	273,086
Vehicles and motorized equipment	348,991	28,564	-	-	377,555
Plant and system distributions	10,662,299	469,040	-	-	11,131,339
Total accumulated depreciation	12,311,010	558,445	-	-	12,869,455
Total capital assets being depreciated, net	12,631,959				12,870,951
Water fund capital assets, net	14,247,021				14,357,313

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Sewer Fund					
Capital assets not being depreciated:					
Land	110,500	-	-	-	110,500
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	110,500	-	-	-	110,500
Capital assets being depreciated:					
Land improvements	57,329	-	-	-	57,329
Buildings and building improvements	8,615,022	-	-	-	8,615,022
Equipment and furniture and fixtures	307,811	-	-	-	307,811
Vehicles and motorized equipment	405,889	6,517	-	-	412,406
Plant and system distributions	9,090,756	314,080	-	-	9,404,836
Total capital assets being depreciated	18,476,807	320,597	-	-	18,797,404
Less accumulated depreciation for:					
Land improvements	6,233	2,816	-	-	9,049
Buildings and building improvements	6,226,168	180,125	-	-	6,406,293
Equipment and furniture and fixtures	261,328	8,462	-	-	269,790
Vehicles and motorized equipment	220,708	25,849	-	-	246,557
Plant and system distributions	4,440,504	179,012	-	-	4,619,516
Total accumulated depreciation	11,154,941	396,264	-	-	11,551,205
Total capital assets being depreciated, net	7,321,866				7,246,199
Sewer fund capital assets, net	7,432,366				7,356,699
Public Works Fund					
Capital assets not being depreciated:					
Land	100,217	-	-	-	100,217
Capital assets being depreciated:					
Land improvements	83,688	30,428	-	-	114,116
Buildings and building improvements	576,318	-	-	-	576,318
Other improvements	21,563	-	-	-	21,563
Equipment and furniture and fixtures	5,494	74,214	653	-	79,055
Vehicles and motorized equipment	38,434	-	-	-	38,434
Total capital assets being depreciated	725,497	104,642	653	-	829,486
Less accumulated depreciation for:					
Land improvements	27,717	3,827	-	-	31,544
Buildings and building improvements	256,223	11,524	-	-	267,747
Other improvements	5,900	1,744	-	-	7,644
Equipment and furniture and fixtures	5,492	1,237	653	-	6,076
Vehicles and motorized equipment	24,898	1,160	-	-	26,058
Total accumulated depreciation	320,230	19,492	653	-	339,069
Total capital assets being depreciated, net	405,267				490,417
Public Works fund capital assets, net	505,484				590,634
Business-type activities capital assets, net	\$26,281,698				\$ 26,132,378

Construction commitments

The Town has active construction projects as of June 30, 2014. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent To-Date</u>	<u>Remaining Commitment</u>
Propane Conversion Kits - Police Cars	\$ -	\$ 84,000

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Capital assets not being depreciated:					
Land	\$ 509,646		\$ -	\$ -	\$ 509,646
Furniture and fixtures	37,154		37,154		-
Construction in progress	447,184		447,184		-
Total capital assets not being depreciated	<u>993,984</u>	-	<u>484,338</u>	-	<u>509,646</u>
Capital assets being depreciated:					
New Facility	-	787,677	-	-	787,677
Furniture and equipment	57,133	114,289	40,073	-	131,349
Leasehold improvements	3,308	-	3,308	-	-
Total capital assets being depreciated	<u>60,441</u>	<u>901,966</u>	<u>43,381</u>	-	<u>919,026</u>
Less accumulated depreciation					
New Facility	-	14,769	-	-	14,769
Furniture and equipment	52,507	10,005	39,485	-	23,027
Leasehold improvements	3,308	-	3,308	-	-
Total accumulated depreciation	<u>55,815</u>	<u>24,774</u>	<u>42,793</u>	-	<u>37,796</u>
Total capital assets being depreciated, net	<u>4,626</u>				<u>881,230</u>
ABC capital assets, net	<u>\$ 998,610</u>				<u>\$ 1,390,876</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 275,281	\$ 247,219	\$ 9,389	\$ 531,889
Public Buildings Projects	-	-	-	-
Other Governmental	25,281	2,656	-	27,937
Total Governmental Activities	\$ 300,562	\$ 249,875	\$ 9,389	\$ 559,826
Business-type Activities:				
Water	\$ 34,753	\$ 18,969	\$ -	\$ 53,722
Sewer	16,429	24,035	23,000	63,464
Electric	483,619	8,740	-	492,359
Other Business-type Activities	1,745	4,504	-	6,249
Total Business-type Activities:	\$ 536,546	\$ 56,248	\$ 23,000	\$ 615,794

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description.

The Town of Waynesville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy.

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.070 percent and 7.280 percent, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.3 percent of annual covered payroll. The contribution requirements of members and of the Town of Waynesville and the ABC are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$455,280, \$426,531, and \$423,034, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$15,985, \$13,040, and \$14,208, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Waynesville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent

of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitles to but not yet receiving benefits	0
Active plan members	<u>36</u>
Total	<u><u>41</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investment. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25 percent to 7.85 percent per year. Both (a) and (b) included an inflation component of 3.00 percent. The assumptions did not include post-retirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	71,618
Interest on net pension obligation		21,773
Adjustment to annual required contribution		<u>(35,479)</u>
Annual pension cost		57,912
Contributions made		<u>(50,767)</u>
Increase (decrease) in net pension obligation		7,145
Net pension obligation beginning of year		<u>435,470</u>
Net pension obligation end of year	\$	<u><u>442,615</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 57,738	43.17%	\$ 401,857
2013	\$ 60,548	44.49%	\$ 435,470
2014	\$ 57,912	87.66%	\$ 442,615

4. Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$668,698. The covered payroll (annual payroll of active employees covered by the plan) was \$1,561,997, and the ratio of the UAAL to the covered payroll was 42.81 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description.

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Funding Policy.

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$122,443 which consisted of \$75,947 from the Town and \$46,496 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

1. Plan Description.

The Town has elected, effective January 1, 2004, to contribute to the Supplemental Retirement Income Plan (Plan) for general employees in addition to law enforcement officers.

2. *Funding Policy.*

Effective January 1, 2004, the Town commenced contributions of 3 percent for all covered employees. Effective January 1, 2005, this percentage increased to 5 percent. Contributions for the year ended June 30, 2014 were \$342,366, which consisted of \$220,916 from the Town and \$121,450 from the general employees.

e. Firefighter's and Rescue Squad Workers' Pension Fund

1. *Plan Description.*

The State of North Carolina contributes, on behalf of the Town of Waynesville, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. *Funding Policy.*

Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) or Law Enforcement Officers Retirement System and meet the requirements enumerated below. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town reserves the right to change benefits at its discretion without prior notice to retirees. A separate report was not issued for the plan. A retiree shall receive health insurance coverage under the following conditions:

Health Benefits for Retirees hired prior to January 1, 2006

1) A retiree who has achieved ten (10) or more years of service with the Town, not including any accumulated sick or vacation time, and has reached 55 years of age will receive health insurance coverage, *at no cost* to the retiree, until the retiree reaches age 65 or until the retiree becomes Medicare eligible through a disability at an earlier age.

2) A Retiree who has achieved 25 or more years of service with the Town, not including any accumulated sick or vacation time, will receive health insurance coverage for a maximum period of ten (10) years from their official retirement date, regardless of the age at which that employee retires, *at no cost* to the retiree. At the conclusion of the ten (10) year period, the retiree (if he/she chooses) will be allowed to pay the cost of the group health premium and maintain coverage in the Town's health insurance program until age 65, or until employee becomes Medicare eligible through a disability at an earlier age.

Health Benefits for Employees Hired On or After January 1, 2006

Employees hired on January 1, 2006, and thereafter who meet the age and service eligibility requirements for retirement with the Town and the Local Governmental Employees Retirement System or Law Enforcement Officers Retirement System will be eligible for health insurance coverage to a maximum of ten (10) years. The premium will be shared by the Town and retiree. The retiree’s years of service with the Town will determine the percentage of insurance premium paid by the Town.

Retiree Premium Rate Table:

If an Employee has:	Town will pay:
25 years of service	100 percent of premium for employee only
20 years of service	75 percent of premium for employee only
15 years of service	50 percent of premium for employee only
10 years of service	25 percent of premium for employee only

When the retiree and/or spouse reach the age of 65 and the Town's regular health insurance coverage terminates, the retiree may have the option of purchasing Medicare supplement insurance, if available through the Town's insurance program. The retiree and/or spouse would be responsible for the full cost of Medicare supplemental insurance premium.

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	12	4
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	116	41
Total	<u>128</u>	<u>45</u>

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town’s Board of Aldermen. The Town’s retirees pay \$460 per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.08 percent of annual covered payroll. For the current year, the Town contributed \$167,221 or 2.84 percent of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required OPEB contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.13 percent and 0.71 percent of covered payroll, respectively. The Town’s contributions totaled \$167,221 in fiscal year 2014. There were no contributions made by retired employees, except for spousal coverage in the amount of \$6,435. The Town’s obligation to contribute to HCB Plan is established and may be amended by the Town’s Board of Aldermen.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the fund from which the employee retired and are recorded on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 355,547
Interest on net OPEB obligation	40,728
Adjustment to annual required contribution	<u>(38,908)</u>
Annual OPEB cost (expense)	\$ 357,367
Contributions made	<u>(167,221)</u>
Increase (decrease) in net OPEB obligation	190,146
Net OPEB obligation, beginning of year	<u>1,018,200</u>
Net OPEB obligation, end of year	<u><u>\$ 1,208,346</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

<u>3 Year Trend Information</u>			
For Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 372,325	31.2%	\$ 754,761
2013	\$ 383,495	31.7%	\$ 1,018,200
2014	\$ 357,367	34.0%	\$ 1,208,346

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,813,656. The covered payroll (annual payroll of active employees covered by the plan) was \$5,881,430, and the ratio of the UAAL to the covered payroll was 64.84 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses),

which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a pre-Medicare trend rate of 8.5 to 5.0 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 25 years.

3. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial. The Town provides additional death benefits to employees through its group health insurance plan.

For the fiscal year ended June 30, 2014, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

4. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, and rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of the general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

In accordance with IRS Regulations, the funds are placed with a third party trustee and accordingly are not included in the financial statements of the Town.

5. Deferred Outflows/Inflows of Resources

Deferred inflows of resources year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 20,595
Taxes receivable, net (General Fund)	486,381	-
Unearned distributions (General Fund)	-	11,315
Other unearned revenue (General Fund)	-	71,212
Total	<u>\$ 486,381</u>	<u>\$ 103,122</u>

6. Commitments

The Town had commitments of \$14,118 in its proprietary funds and \$20,567 in its general funds at June 30, 2014. These items will be funded from operating funds.

The Town held cash performance bonds with a balance at June 30, 2014 of \$18,757 from real estate developers for improvements to be made within the developments. In the Town’s opinion, the bond money will be more than sufficient to cover all costs that the Town will incur.

During the current year, the Town entered into an IT Services contract that includes IT support and computer equipment rental for the next five years, with a monthly payment of \$18,356. The expense for the year ended June 30, 2014 was \$113,971.

Future minimum annual services agreement and computer rental payments for this IT Services contract are as follows:

Years ended June 30:	
2015	\$ 220,266
2016	220,266
2017	220,226
2018	220,226
2019	<u>110,133</u>
	<u>\$991,117</u>

The Town has entered into a lease for equipment with a monthly payment of \$4,221. Equipment lease expense for the years ended June 30, 2014 and 2013 was \$50,654 and \$16,885, respectively.

Future minimum annual equipment lease payments are as follows:

Years ended June 30:

2015	\$ 50,654
2016	50,654
2017	50,654
2018	<u>33,769</u>
	<u>\$185,731</u>

7. 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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past five fiscal years.

The Town does not carry flood insurance because it is not located in an area that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$120,000, the tax collector is individually bonded for \$100,000, and elected officials are bonded for \$1 million per claim with an annual aggregate limit of \$3 million. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of between \$5,000 and \$125,000 per occurrence, depending on the type of crime.

8. Claims, Judgments and Contingent Liabilities

Periodically, the Town has been a defendant to various lawsuits. The town has set up a contingent liability, in the amount of \$10,000, for legal claims. At June 30, 2014, there was one lawsuit against the Town of Waynesville.

9. Notes Payable

On February 20, 2014, the Town entered into an agreement with a local bank for \$825,650 to purchase fifteen police service vehicles and equipment, two fire service vehicles and equipment and two administrative service vehicles and equipment. The installment contract agreement requires five annual payments of \$172,084 at 1.40% annual rate of interest. At June 30, 2014, the purchase of these vehicles and related equipment was not complete; therefore, this loan is being reported as a note payable. Annual payments are scheduled to begin February 20, 2015.

10. Long-Term Obligationsa. Installment Purchases, Interlocal Agreement and Construction Financing

On March 14, 2014, the Town entered into an installment purchase contract for \$329,868 to fund the purchase of radio read water meters. The financing agreement requires twenty annual payments of \$16,493 at a zero percent interest rate. The loan is shown under business-type activities and the balance was \$329,868 at June 30, 2014.

On February 26, 2013, the Town entered into an installment purchase contract for \$441,450 to fund the purchase of a fire truck and related equipment. The financing agreement requires ten annual payments of \$48,722 at an interest rate of 1.835 percent. Interest expense for the year ended June 30, 2014 was \$7,848. This loan is shown under governmental activities and the balance was \$400,829 at June 30, 2014.

On September 18, 2012, the Town entered into a \$326,000 installment purchase contract to fund the purchase of a garbage truck and a bucket truck. The financing contract requires four annual payments of \$84,931 with an interest rate of 1.67 percent. Interest expense for the year ended June 30, 2014 totaled \$4,408, with \$1,723 recorded in the governmental activities and \$2,685 recorded in the business-type activities. The portion of the loan for the garbage truck is shown under governmental activities and the balance was \$96,632 at June 30, 2014. The portion representing the Electric Department bucket truck is shown under business-type activities and the balance was \$150,151 at June 30, 2014.

On October 31, 2011, the Town entered into an installment purchase contract with North Carolina Department of Environmental and Natural Resources for \$260,563 to fund the construction of water lines and improved water service to the Eagles Nest community. The financing agreement requires ten annual payments of \$26,056 at zero percent interest. This loan is shown under business-type activities and the balance was \$182,394 at June 30, 2014.

On January 25, 2011, the Town entered into an installment purchase contract for \$120,000 to purchase exercise equipment for the Recreation Center. The financing requires three annual payments of \$41,562 at an interest rate of 1.94 percent. Interest expense for the year ended June 30, 2014 was \$468. This loan was paid in full at June 30, 2014.

On December 20, 2010, the Town entered into an installment purchase contract for \$240,000 to fund the purchase of a garbage truck and two street trucks. The financing requires four annual payments of \$54,091 at an interest rate of 2.07 percent. Interest expense for the year ended June 30, 2014 was \$1,715. This loan is shown under governmental activities and the balance was \$52,994 at June 30, 2014.

Effective November 1, 2010, the Town entered into an installment purchase contract with North Carolina Department of Environmental and Natural Resources (NCDENR) in the amount of \$904,740 to replace water lines in the Dayton Drive community. The principal sum is to be repaid in twenty annual installments of \$45,237 each, beginning May 1, 2013. The interest rate is 2.22 % and is to be paid in forty semi-annual payments beginning November 1, 2012. The initial interest payment was calculated to include the period September 15, 2010 through November 1, 2012. Interest expense for the year ended June 30, 2014 was \$18,952. This loan is shown under business-type activities and the balance was \$814,266 at June 30, 2014.

On September 24, 2010, the Town entered into an installment purchase contract for \$397,600 to fund the purchase of a fire truck and related equipment. The financing agreement requires ten annual payments of \$45,488 at an interest rate of 2.56 percent. Interest expense for the year ended June 30, 2014 was \$7,520. This loan is shown under governmental activities and the balance was \$288,163 at June 30, 2014.

On December 11, 2009, the Town entered into a \$414,800 installment purchase contract to acquire a sewer jet truck, a backhoe, and eight police cars. The financing contract requires five annual payments of \$52,045 with an interest rate of 3.065 percent for the sewer jet truck and the backhoe and three annual payments of \$61,861 with an interest rate of 2.725 percent for the police cars. Interest expense for the year ended June 30, 2014 totaled \$2,098, with \$0 recorded in the governmental activities and \$2,098 recorded in the business-type activities. The portion of the loan for the police cars under governmental activities was paid in full at June 30, 2013. The portion representing the sewer jet truck and back hoe is shown under business-type activities and the balance was \$50,497 at June 30, 2014.

On September 26, 2008, the Town entered into an installment purchase contract with USDA Rural Development for \$2,000,000 to refinance the construction loan on the new fire station. The financing contract requires forty annual payments of \$108,700 at an interest rate of 4.5 percent. Interest expense for the year ended June 30, 2014 was \$85,639. This loan is shown under governmental activities and the balance was \$1,897,698 at June 30, 2014.

On July 17, 2008, the Town entered into an installment purchase contract with a local bank for \$3,000,000 to fund the construction of a second electric substation. The financing requires twelve annual payments of \$310,817 at an interest rate of 3.52 percent. Interest expense for the year ended June 30, 2014 was \$67,234. This loan is shown under business-type activities and the balance was \$1,899,089 at June 30, 2014.

On May 13, 2008, the Town entered into an installment purchase contract for \$3,000,000 to fund the construction of a new Police Station. The financing requires forty semi-annual payments of \$105,669 with an interest rate of 3.58 percent. Interest expense for the year ended June 30, 2014 was \$85,527. This loan is shown under governmental activities and the balance was \$2,311,165 at June 30, 2014.

On July 19, 2007, the Town entered into an installment purchase contract to expand the water treatment lab facilities. The financing contract requires sixteen semi-annual payments of \$25,635 with an interest rate of 3.86 percent. Interest expense for the year ended June 30, 2014 was \$3,411. This loan is shown under business-type activities and the balance was \$74,029 at June 30, 2014.

On February 15, 2007, the Town entered into a second installment purchase contract for \$1,000,000 to finance the construction of a new Fire Station. The financing requires thirty semi-annual fixed principal payments of \$33,333 plus interest at the rate of 3.77 percent. Interest expense for the year ended June 30, 2014 was \$21,054. This loan is shown under governmental activities and the balance was \$533,333 at June 30, 2014.

On July 6, 2005, the Town entered into an installment purchase contract to acquire a water tank. The financing contract requires ten annual payments of \$118,680 with an interest rate of 3.49 percent. Interest expense for the year ended June 30, 2014 was \$2,598. This loan under business-type activities was paid in full at June 30, 2014.

In January 2003, the Town entered into an interlocal agreement with Haywood County to assist the County with its payment for the construction of a new parking facility. The agreement required annual payments of \$227,047 with an interest rate of 4.479 percent. In the current year, Haywood County refinanced the debt on the parking facility. The new agreement requires annual payments of \$217,573 with an interest rate of 1.64 percent. Interest expense for the year ended June 30, 2014 was \$14,978. This loan is shown under governmental activities and the balance was \$835,748 at June 30, 2014. The Town of Waynesville does not hold title to this asset.

In October 1998, the Town entered into an installment purchase contract to build a new recreation facility center. The contract, as refinanced, requires semi-annual payments of \$185,407 at an interest rate of 3.99 percent. Interest expense for the year ended June 30, 2014 was \$67,484. This loan is shown under governmental activities and the balance was \$1,513,693 at June 30, 2014.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	901,161	275,207	480,356	91,370
2016	872,142	247,323	415,538	77,502
2017	896,944	220,006	400,114	66,288
2018	889,408	191,831	358,436	55,231
2019	512,425	163,320	367,963	44,700
2020-2024	1,465,438	633,806	951,055	86,581
2025-2029	979,112	409,738	308,652	30,126
2030-2034	246,724	296,776	218,180	6,026
2035-2039	307,463	236,037	-	-
2040-2044	383,155	160,345	-	-
2045-2049	476,013	66,020	-	-
Total	<u>\$ 7,929,985</u>	<u>\$ 2,900,409</u>	<u>\$ 3,500,294</u>	<u>\$ 457,824</u>
Less: current portion	<u>(901,161)</u>		<u>(480,356)</u>	
Long-term portion	<u>\$ 7,028,824</u>		<u>\$ 3,019,938</u>	

b. General Obligation Bonds

At June 30, 2014, the Town of Waynesville had a legal debt margin of \$85,353,776.

c. Changes in General Long-Term Debt

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 8,808,648	\$ 20,815	\$ 899,478	\$ 7,929,985	\$ 901,161
Unfunded pension liabilities	435,470	7,145	-	442,615	-
Legal Claims	10,000	-	-	10,000	-
Other postemployment benefits	770,228	194,339	54,203	910,364	-
Compensated absences-garage	8,671	3,142	2,911	8,902	2,911
Compensated absences	387,663	172,477	165,345	394,795	165,345
Governmental activity long-term liabilities	<u>\$ 10,420,680</u>	<u>\$ 397,918</u>	<u>\$ 1,121,937</u>	<u>\$ 9,696,661</u>	<u>\$ 1,069,417</u>
Business-type activities:					
Electric Fund					
Installment purchases	\$ 2,333,330	\$ -	\$ 284,090	\$ 2,049,240	\$ 293,193
Other postemployment benefits	41,568	19,524	11,831	49,261	-
Compensated absences	22,257	10,935	14,602	18,590	14,602
Total activity Electric Fund	<u>2,397,155</u>	<u>30,459</u>	<u>310,523</u>	<u>2,117,091</u>	<u>307,795</u>
Water Fund					
Installment purchases	1,295,210	329,868	215,840	1,409,238	145,347
Other postemployment benefits	95,710	55,656	35,872	115,494	-
Compensated absences	41,755	11,929	26,678	27,006	26,678
Total activity Water Fund	<u>1,432,675</u>	<u>397,453</u>	<u>278,390</u>	<u>1,551,738</u>	<u>172,025</u>
Sewer Fund					
Installment purchases	82,389	-	40,573	41,816	41,816
Other postemployment benefits	86,180	56,059	38,473	103,766	-
Compensated absences	40,382	34,646	38,793	36,235	36,235
Total activity Sewer Fund	<u>208,951</u>	<u>90,705</u>	<u>117,839</u>	<u>181,817</u>	<u>78,051</u>
Public Works Fund					
Installment purchases	-	-	-	-	-
Other postemployment benefits	24,514	14,948	10,002	29,460	-
Compensated absences	11,534	4,278	5,262	10,550	5,262
Total activity Public Works Fund	<u>36,048</u>	<u>19,226</u>	<u>15,264</u>	<u>40,010</u>	<u>5,262</u>
Business-type activity long-term liabilities	<u>\$ 4,074,829</u>	<u>\$ 537,843</u>	<u>\$ 722,016</u>	<u>\$ 3,890,656</u>	<u>\$ 563,133</u>

Compensated absences for governmental activities typically have been liquidated in the general fund.

C. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the Town from the component unit, ABC Board	\$ -
Due from the Public Works Fund for its activity allocation to the Governmental Funds	<u>\$ 74,421</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2014 consist of the following:

From the Water Fund to the General Fund - payment in lieu of taxes	\$ 109,230
From the Sewer Fund to the General Fund - payment in lieu of taxes	83,790
From the Electric Fund to the General Fund - payment in lieu of taxes	1,275,600
From the component unit, ABC Board, to the Town	1,738
Total	<u>\$1,470,358</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the Town of Waynesville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$10,648 for the thirty-six volunteer firemen and ten employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution per fireman paid by the Town, investment income, and a State appropriation.

The Town has determined that on-behalf of payments for fringe benefits and salaries for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2014 is immaterial, and therefore, not recognized as a revenue and an expenditure. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their dependents.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 23,975,411	\$ 26,132,378
less: long-term debt	7,094,237	3,585,444
add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 16,881,174</u>	<u>\$ 22,546,934</u>

F. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 6,680,127
Less:	
Prepaid Items	143,471
Inventories	6,479
Stabilization by State Statute	1,312,727
Streets - Powell Bill	407,949
Appropriated Fund Balance in 2014 budget	1,127,060
Public Safety	108,700
Working capital / Fund Balance Policy	-
Remaining Fund Balance	\$ 3,573,741

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major Funds
	\$104,567	\$0

IV. Related Organization

The five-member board of the Town of Waynesville Housing Authority is appointed by the mayor of the Town of Waynesville. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Waynesville is also disclosed as a related organization in the notes to the financial statements for the Town of Waynesville Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority at P. O. Box 418, Waynesville, NC 28786.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through October 24, 2014, which is the date the audit report was available to be issued.

**Town of Waynesville, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2008	-	478,456	478,456	0%	1,387,023	34.50%
12/31/2009	-	624,526	624,526	0%	1,421,861	43.92%
12/31/2010	-	532,666	532,666	0%	1,431,067	37.22%
12/31/2011	-	593,795	593,795	0%	1,385,311	42.86%
12/31/2012	-	625,961	625,961	0%	1,530,326	40.90%
12/31/2013	-	668,698	668,698	0%	1,561,997	42.81%

Town of Waynesville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	51,809	31.68%
2010	58,273	29.55%
2011	67,744	25.42%
2012	57,738	43.17%
2013	60,548	44.49%
2014	57,912	87.66%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

**Town of Waynesville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2008	-	2,569,013	2,569,013	0%	5,357,074	48.0%
12/31/2010	-	3,819,419	3,819,419	0%	6,038,837	63.2%
12/31/2012	-	3,813,656	3,813,656	0%	5,881,430	64.8%

Town of Waynesville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	248,312	4.63%
2010	248,312	4.63%
2011	258,260	4.28%
2012	372,325	6.17%
2013	383,495	6.52%
2014	355,547	6.08%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of Pay, open
Remaining amortization period	25 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical Cost Trend Rate	8.50% - 5.00%
Year of Ultimate Trend Rate	2018
*Includes inflation at	3.00%
Cost-of living adjustments	None

Town of Waynesville, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 4,937,916	\$ -
Penalties and interest	-	64,596	-
Total	<u>4,658,700</u>	<u>5,002,512</u>	<u>343,812</u>
Other taxes and licenses:			
Local option sales tax	-	2,189,646	-
Gross receipts tax on short-term rental property	-	19,729	-
Privilege licenses and CATV	-	259,865	-
Total	<u>2,480,060</u>	<u>2,469,240</u>	<u>(10,820)</u>
Unrestricted intergovernmental:			
Utility franchise tax	-	670,123	-
Beer and wine tax	-	42,571	-
ABC profit distribution	-	1,738	-
Total	<u>725,500</u>	<u>714,432</u>	<u>(11,068)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	340,588	-
Investment earnings	-	430	-
On-behalf of payments - Fire and Rescue	-	10,648	-
ABC Revenue for law enforcement	-	2,781	-
Other grant revenue	-	117,721	-
Total	<u>475,860</u>	<u>472,168</u>	<u>(3,692)</u>
Permits and fees:			
Building permits and inspection fees	-	92,607	-
Reconnect fees	-	91,867	-
Total	<u>174,350</u>	<u>184,474</u>	<u>10,124</u>

cont.

Town of Waynesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Recreation department fees	-	720,331	-
Cemetery revenues	-	9,400	-
Solid waste container sales	-	33,705	-
Fire protection	-	257,209	-
Police contract services	-	48,155	-
Sanitation fee	-	961,675	-
Court costs and fees	-	2,008	-
Rents	-	31,740	-
Charges to water fund	-	247,260	-
Charges to sewer fund	-	215,760	-
Charges to electric fund	-	412,860	-
Total	<u>2,921,220</u>	<u>2,940,103</u>	<u>18,883</u>
Investment earnings	-	4,615	4,615
Miscellaneous	<u>85,350</u>	<u>96,223</u>	<u>10,873</u>
Total revenues	<u>11,521,040</u>	<u>11,883,767</u>	<u>362,727</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	91,436	-
Other operating expenditures	-	39,125	-
Total	<u>142,210</u>	<u>130,561</u>	<u>11,649</u>
Administration:			
Salaries and employee benefits	-	634,826	-
Professional services	-	54,888	-
Other operating expenditures	-	249,390	-
Capital outlay	-	109,021	-
Total	<u>1,313,930</u>	<u>1,048,125</u>	<u>265,805</u>
Finance:			
Salaries and employee benefits	-	591,165	-
Professional services	-	77,119	-
Other operating expenditures	-	139,306	-
Capital outlay	-	-	-
Total	<u>850,870</u>	<u>807,590</u>	<u>43,280</u>

cont.

Town of Waynesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Public buildings:			
Salaries and employee benefits	-	87,895	-
Other operating expenditures	-	227,773	-
Capital outlay	-	59,609	-
Total	<u>530,630</u>	<u>375,277</u>	<u>155,353</u>
Planning and code enforcement:			
Salaries and employee benefits	-	404,361	-
Other operating expenditures	-	62,681	-
Capital Outlay	-	-	-
Total	<u>507,870</u>	<u>467,042</u>	<u>40,828</u>
Special appropriations:			
Contributions	-	209,452	-
Total	<u>249,370</u>	<u>209,452</u>	<u>39,918</u>
Total general government	<u>3,594,880</u>	<u>3,038,047</u>	<u>556,833</u>
Public safety:			
Police:			
Salaries and employee benefits	-	2,881,234	-
Professional services	-	16,685	-
Other operating expenditures	-	619,983	-
Capital outlay	-	-	-
Total	<u>3,700,110</u>	<u>3,517,902</u>	<u>182,208</u>
Fire:			
Salaries and employee benefits	-	711,764	-
Professional services	-	17,160	-
Other operating expenditures	-	198,896	-
Building inspection and EMT's	-	4,230	-
Capital outlay	-	26,601	-
Total	<u>974,190</u>	<u>958,651</u>	<u>15,539</u>
Total public safety	<u>4,674,300</u>	<u>4,476,553</u>	<u>197,747</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,097,269	-
Professional services	-	59,670	-
Other operating expenditures	-	971,250	-
Contracted services	-	185,453	-
Capital outlay	-	336,680	-
Total transportation	<u>2,798,240</u>	<u>2,650,322</u>	<u>147,918</u>

cont.

Town of Waynesville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	60,717	-
Other operating expenditures	-	13,610	-
Capital outlay	-	14,092	-
Total environmental protection	<u>130,140</u>	<u>88,419</u>	<u>41,721</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,210,468	-
Other operating expenditures	-	530,528	-
Capital outlay	-	348,014	-
Total culture and recreation	<u>2,198,930</u>	<u>2,089,010</u>	<u>109,920</u>
Debt service:			
Principal retirement	-	899,478	-
Interest and other charges	-	330,134	-
Total debt service	<u>1,232,200</u>	<u>1,229,612</u>	<u>2,588</u>
Total expenditures	<u>14,628,690</u>	<u>13,571,963</u>	<u>1,056,727</u>
Revenues over (under) expenditures	<u>(3,107,650)</u>	<u>(1,688,196)</u>	<u>1,419,454</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,468,620	1,468,620	
Transfer to other funds:			
Capital Projects Fund	-	-	
Appropriations from fund balance	1,639,030	-	
Total	<u>\$ 3,107,650</u>	<u>1,468,620</u>	<u>\$ (1,639,030)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(219,576)</u>	<u>\$ (219,576)</u>
Fund balances:			
Beginning of year, July 1		<u>6,899,703</u>	
End of year, June 30		<u>\$ 6,680,127</u>	

Town of Waynesville
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 247,719	\$ 303,555	\$ 7,390	\$ 558,664
Accounts and interest receivable	-	36	1	37
Due from other governments	-	-	-	-
Total assets	\$ 247,719	\$ 303,591	\$ 7,391	\$ 558,701
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable-perpetual maintenance	-	303,591	-	303,591
Restricted-Cultural and Recreation	-	-	7,391	7,391
Committed-General Government	247,719	-	-	247,719
Total fund balances	247,719	303,591	7,391	558,701
Total liabilities and fund balances	\$ 247,719	\$ 303,591	\$ 7,391	\$ 558,701

Town of Waynesville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Sales and services	-	8,700	-	8,700
Miscellaneous revenue	-	239	6	245
Total revenues	-	8,939	6	8,945
Expenditures:				
Cultural and recreation	-	-	-	-
General government	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	8,939	6	8,945
Other financing sources:				
Transfers from other funds:				
General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	8,939	6	8,945
Fund balances:				
Beginning of year, July 1	247,719	294,652	7,385	549,756
End of year, June 30	<u>\$ 247,719</u>	<u>\$ 303,591</u>	<u>\$ 7,391</u>	<u>\$ 558,701</u>

Town of Waynesville, North Carolina
Public Buildings Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Miscellaneous income	\$ 96,400	\$ 96,406	\$ -	\$ 96,406	\$ (6)
Investment earnings	-	-	-	-	-
Total revenues	<u>96,400</u>	<u>96,406</u>	<u>-</u>	<u>96,406</u>	<u>(6)</u>
Expenditures:					
Capital outlay					
Public Building Renovations:					
Capital Improvments	771,790	524,077	-	524,077	247,713
Equipment and furniture	-	-	-	-	-
Contingency	-	-	-	-	-
Total public building renovations	<u>771,790</u>	<u>524,077</u>	<u>-</u>	<u>524,077</u>	<u>247,713</u>
Revenues over (under) expenditures	<u>(675,390)</u>	<u>(427,671)</u>	<u>-</u>	<u>(427,671)</u>	<u>(247,719)</u>
Other financing sources:					
Operating transfer in from General Fund	<u>675,390</u>	<u>675,390</u>	<u>-</u>	<u>675,390</u>	<u>-</u>
Total other financing sources	<u>675,390</u>	<u>675,390</u>	<u>-</u>	<u>675,390</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 247,719</u>	<u>-</u>	<u>\$ 247,719</u>	<u>\$ (247,719)</u>
Fund balances:					
Beginning of year, July 1			<u>247,719</u>		
End of year, June 30			<u>\$ 247,719</u>		

Town of Waynesville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for service	\$ 9,820,940	\$ 8,803,447	\$ (1,017,493)
Other operating revenue	-	-	-
Total operating revenues	<u>9,820,940</u>	<u>8,803,447</u>	<u>(1,017,493)</u>
Nonoperating revenues:			
Miscellaneous	-	2,593	-
Total nonoperating revenues	<u>3,000</u>	<u>2,593</u>	<u>(407)</u>
Total revenues	<u>9,823,940</u>	<u>8,806,040</u>	<u>(1,017,900)</u>
Expenditures:			
Finance and administration:			
Charge for services	<u>412,860</u>	<u>412,860</u>	-
Electrical operations:			
Salaries and employee benefits	-	341,072	-
Professional services	-	21,397	-
Maintenance	-	167,386	-
Other departmental expenditures	-	240,077	-
Capital outlay	-	4,248	-
Total	<u>1,000,790</u>	<u>774,180</u>	<u>226,610</u>
Electrical power purchases	<u>7,082,340</u>	<u>6,303,427</u>	<u>778,913</u>
Debt service:			
Principal payments	-	284,089	-
Interest and fees	-	78,460	-
Total	<u>362,560</u>	<u>362,549</u>	<u>11</u>
Total expenditures	<u>8,858,550</u>	<u>7,853,016</u>	<u>1,005,534</u>
Revenues over expenditures	<u>965,390</u>	<u>953,024</u>	<u>(12,366)</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfer to Water Fund	-	-	-
Transfer to General Fund	(1,275,600)	(1,275,600)	-
Fund balance appropriated	<u>310,210</u>	-	<u>(310,210)</u>
Total other financing (uses)	<u>(965,390)</u>	<u>(1,275,600)</u>	<u>(310,210)</u>
Net change in fund balance	<u>\$ -</u>	<u>(322,576)</u>	<u>\$ (322,576)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		284,089	
Capital outlays		4,248	
Depreciation		(273,343)	
Decrease in long-term debt accrued interest		8,541	
Increase in OPEB liability		(7,694)	
Decrease in accrued vacation pay		3,667	
Total		<u>19,508</u>	
Change in net position		<u>\$ (303,068)</u>	

Town of Waynesville, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 2,667,179	\$ -
Taps and connection fees	-	23,100	-
Total operating revenues	<u>2,642,100</u>	<u>2,690,279</u>	<u>48,179</u>
Nonoperating revenues:			
Miscellaneous	-	8,421	-
Total nonoperating revenues	<u>76,500</u>	<u>8,421</u>	<u>(68,079)</u>
Total revenues	<u>2,718,600</u>	<u>2,698,700</u>	<u>(19,900)</u>
Expenditures:			
Finance and administration:			
Charge for services	247,260	247,260	-
Total	<u>247,260</u>	<u>247,260</u>	<u>-</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	409,972	-
Maintenance	-	224,241	-
Professional services	-	1,980	-
Other departmental expenditures	-	180,833	-
Capital outlay	-	638,127	-
Total	<u>1,607,600</u>	<u>1,455,153</u>	<u>152,447</u>
Operations department:			
Salaries and employee benefits	-	445,512	-
Professional services	-	19,433	-
Utilities	-	19,540	-
Maintenance	-	178,040	-
Other departmental expenditures	-	134,731	-
Capital outlay	-	30,610	-
Total	<u>953,000</u>	<u>827,866</u>	<u>125,134</u>
Total water maintenance and distribution	<u>2,560,600</u>	<u>2,283,019</u>	<u>277,581</u>
Debt service:			
Principal payments	-	215,840	-
Interest and fees	-	23,618	-
Total	<u>242,800</u>	<u>239,458</u>	<u>3,342</u>
Total expenditures	<u>3,050,660</u>	<u>2,769,737</u>	<u>280,923</u>
Revenues over (under) expenditures	<u>(332,060)</u>	<u>(71,037)</u>	<u>261,023</u>
Other financing sources (uses):			
Transfers (to)/from other funds:			
Transfer to General Fund	(109,230)	(109,230)	-
Capital contribution	195,000	31,115	(163,885)
Fund balance appropriated	246,290	-	(246,290)
Total other financing (uses)	<u>332,060</u>	<u>(78,115)</u>	<u>(215,175)</u>
Net change in fund balance	<u>\$ -</u>	<u>(149,152)</u>	<u>\$ 45,848</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items:	
Principal payments	215,840
Capital outlays	668,737
Depreciation	(558,445)
Increase in long-term debt accrued interest	(1,660)
Increase in OPEB liability	(19,784)
Decrease in accrued vacation pay	9,667
Total	<u>314,355</u>
Change in net position	<u>\$ 165,203</u>

Town of Waynesville, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 2,058,072	\$ -
Taps and connection fees	-	19,750	-
Impact fees	-	-	-
Industrial discharge permits	-	-	-
Total operating revenues	<u>2,079,950</u>	<u>2,077,822</u>	<u>(2,128)</u>
Nonoperating revenues:			
Miscellaneous	-	2,562	2,562
Total nonoperating revenues	<u>400</u>	<u>2,562</u>	<u>2,162</u>
Total revenues	<u>2,080,350</u>	<u>2,080,384</u>	<u>34</u>
Expenditures:			
Finance and administration:			
Charges by general fund	<u>215,760</u>	<u>215,760</u>	<u>-</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	196,293	-
Professional services	-	-	-
Maintenance	-	31,510	-
Other departmental expenditures	-	52,393	-
Capital outlay	-	314,080	-
Total	<u>1,563,960</u>	<u>594,276</u>	<u>969,684</u>
Operations department:			
Salaries and employee benefits	-	598,777	-
Professional services	-	12,102	-
Utilities	-	189,546	-
Maintenance	-	67,174	-
Other departmental expenditures	-	82,537	-
Capital outlay	-	6,517	-
Total	<u>1,048,380</u>	<u>956,653</u>	<u>91,727</u>
Total waste collection and treatment	<u>2,612,340</u>	<u>1,550,929</u>	<u>1,061,411</u>
Debt service:			
Principal payments	-	40,573	-
Interest and fees	-	2,525	-
Total	<u>43,100</u>	<u>43,098</u>	<u>2</u>
Total expenditures	<u>2,871,200</u>	<u>1,809,787</u>	<u>1,061,413</u>
Revenues over (under) expenditures	<u>(790,850)</u>	<u>270,597</u>	<u>1,061,447</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers to general fund:	(83,790)	(83,790)	-
Contributed capital	730,000	31,445	(698,555)
Fund balance appropriated	144,640	-	(144,640)
Total other financing sources	<u>790,850</u>	<u>(52,345)</u>	<u>(843,195)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 218,252</u>	<u>\$ 218,252</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items:	
Principal payments	40,573
Capital outlays	320,597
Depreciation	(396,264)
Decrease in long-term debt accrued interest	787
Increase in OPEB liability	(17,586)
Decrease in accrued vacation pay	4,147
Total	<u>(47,746)</u>
Change in net position	<u>\$ 170,506</u>

Town of Waynesville, North Carolina
Public Works Internal Service Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 402,720	\$ 388,400	\$ (14,320)
Total operating revenues	402,720	388,400	(14,320)
Nonoperating revenues:			
Miscellaneous	-	1,472	1,472
Total nonoperating revenues	5,000	1,472	(3,528)
Total revenues	407,720	389,872	(17,848)
Expenditures:			
Salaries and employee benefits	-	192,567	-
Occupancy costs	-	11,796	-
Maintenance and repairs	-	45,143	-
Materials and supplies	-	13,717	-
Other departmental expenses	-	18,018	-
Capital outlays	-	104,642	-
Total expenditures	407,720	385,883	21,837
Revenues over expenditures	-	3,989	(39,685)
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	3,989	\$ 3,989
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(19,492)	
Capital outlays		104,642	
Increase in OPEB liability		(4,946)	
Decrease in accrued vacation pay		984	
Total reconciling items		81,188	
Change in net position		\$ 85,177	

Town of Waynesville, North Carolina
Garage Internal Service Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 767,600	\$ 685,645	\$ (81,955)
Total operating revenues	<u>767,600</u>	<u>685,645</u>	<u>(81,955)</u>
Nonoperating revenues:			
Miscellaneous	100	15,790	15,690
Total nonoperating revenues	<u>100</u>	<u>15,790</u>	<u>15,690</u>
Total revenues	767,700	701,435	(66,265)
Expenditures:			
Salaries and employee benefits	-	102,931	-
Occupancy costs	-	93,226	-
Maintenance and repairs	-	11,386	-
Materials and supplies	-	96,719	-
Other departmental expenses	-	345,162	-
Capital outlay	-	49,619	-
Total expenditures	<u>767,700</u>	<u>699,043</u>	<u>68,657</u>
Net change in fund balance	<u>\$ -</u>	<u>2,392</u>	<u>\$ 2,392</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(16,436)	
Capital outlay		49,619.00	
Increase in OPEB liability		(2,198)	
Increase in accrued vacation pay		(231)	
Total reconciling items		<u>30,754</u>	
Change in net position		<u>\$ 33,146</u>	

Town of Waynesville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
 June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2013 - 2014	-	4,880,096	\$ 4,741,060	\$ 139,036
2012 - 2013	210,279	-	138,761	71,518
2011 - 2012	82,338	-	28,652	53,686
2010 - 2011	67,502	-	17,983	49,519
2009 - 2010	60,640	-	17,271	43,369
2008 - 2009	48,551	-	11,440	37,111
2007 - 2008	39,341	-	1,660	37,681
2006 - 2007	26,773	-	1,396	25,377
2005 - 2006	28,038	-	(442)	28,480
2004 - 2005	21,285	-	681	20,604
2003 - 2004	20,867	-	20,867	-
	<u>\$ 605,614</u>	<u>\$ 4,880,096</u>	<u>\$ 4,979,329</u>	<u>506,381</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(20,000)</u>
Ad valorem taxes receivable - net				<u><u>486,381</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				5,002,512
Reconciling items:				
	Interest, penalties and advertising collected			(64,596)
	Taxes written off			41,413
	Subtotal			<u>(23,183)</u>
Total collections and credits				<u><u>\$ 4,979,329</u></u>

Town of Waynesville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2014

	Town - Wide		Total Levy			
			Property exclusing Registered Motor Vehicles	Registered Motor Vehicles		
	Property Valuation	Rate	Total Levy			
Original levy:						
Property taxed at current year's rate	\$1,169,807,089	0.4082	\$4,775,153	\$4,394,652	\$ 380,501	
Municipal service district	50,314,226	0.2000	100,628	100,628	-	
Penalties	-		4,533	4,533	-	
Total	<u>1,220,121,315</u>		<u>4,880,314</u>	<u>4,499,813</u>	<u>380,501</u>	
Discoveries:						
Current year taxes	2,214,356	0.4082	9,039	9,039	-	
Penalties	-		1,763	1,763	-	
Total	<u>2,214,356</u>		<u>10,802</u>	<u>10,802</u>	<u>-</u>	
Refund of overpayments			-	-		
Abatements	<u>(2,755,000)</u>		<u>(11,020)</u>	<u>(8,456)</u>	<u>(2,564)</u>	
Total property valuation	<u>\$ 1,219,580,671</u>					
Net levy			4,880,096	4,502,159	377,937	
Uncollected taxes at June 30, 2014			<u>(139,036)</u>	<u>(122,730)</u>	<u>(16,306)</u>	
Current year's taxes collected			<u>\$4,741,060</u>	<u>\$4,379,429</u>	<u>\$ 361,631</u>	
Current levy collection percentage			<u>97.15%</u>	<u>97.27%</u>	<u>95.69%</u>	

COMPLIANCE SECTION

**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**

Independent Auditor's Report

To the Honorable Mayor and Board of Aldermen
Town of Waynesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Waynesville's basic financial statements, and have issued our report thereon dated October 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the Town of Waynesville ABC Board, as described in our report on the Town of Waynesville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Waynesville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waynesville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of the internal control over financial reporting 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 the Town of Waynesville'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 the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ray, Bergeron, Kingshill & Assoc., P.A.

Waynesville, North Carolina

October 24, 2014

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

Section II. - Financial Statement Findings

None reported

Town of Waynesville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statements Findings

None reported

Town of Waynesville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2014

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported