

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

TOWN OFFICIALS

MAYOR

Gavin Brown

ALDERMEN

Gary Caldwell
J. Wells Greeley

Julia Freeman
LeRoy Roberson

ADMINISTRATIVE

Marcia Onieal
Edward Caldwell

Town Manager
Finance Officer

Town of Waynesville, North Carolina
Table of Contents
June 30, 2012

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report	-	1-3
Management's Discussion and Analysis	-	4-15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	16
Statement of Activities	2	17
Fund Financial Statements:		
Balance Sheet-Governmental Funds	3	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	5	21
Statement of Net Position-Proprietary Funds	6	22
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	7	23
Statement of Cash Flows-Proprietary Funds	8	24
Notes to the Financial Statements	-	25-51
Required Supplemental Financial Data:		
Law Enforcement Officers' Special Separation Allowance- Schedule of Funding Progress	A-1	52
Law Enforcement Officers' Special Separation Allowance- Schedule of Employer Contributions	A-2	53
Law Enforcement Officers' Special Separation Allowance- Notes to the Required Schedules	A-2	53
Other Postemployment Benefits - Schedule of Funding Progress	A-3	54
Other Postemployment Benefits - Schedule of Employer Contributions	A-4	55
Other Postemployment Benefits - Notes to the Required Schedules	A-4	55
Individual Fund Statements and Schedules:		
Statement of Revenues, Expenditures, and Changes in	B-1	56-59

Town of Waynesville, North Carolina
Table of Contents
June 30, 2012

	<u>Exhibit</u>	<u>Page</u>
Fund Balances - Budget and Actual - General Fund		
Combining Balance Sheet for Nonmajor Governmental Funds	B-2	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Nonmajor Governmental Funds	B-3	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - From Inception - Public Buildings Projects Fund	C-1	62
Schedules of Revenues and Expenditures - Budget and Actual (Non-GAAP):		
Electric Fund	D-1	63
Water Fund	D-2	64
Water Line Replacement Capital Projects Fund	D-3	65
Sewer Fund	D-4	66
Schedules of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP):		
Public Works Internal Service Fund	E-1	67
Garage Internal Service Fund	E-2	68
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	F-1	69
Analysis of Current Tax Levy - Town-Wide Levy	F-2	70
 COMPLIANCE SECTION		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	71-72
Independent Auditor's Report on Compliance With Requirements That Could Have A Direct and Material Effect On Each Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	-	73-74
Independent Auditor's Report on Compliance With Requirements Applicable to each Major State Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		75-76
Schedule of Finding and Questioned Costs	-	77-79
Corrective Action Plan	-	80
Summary Schedule of Prior Audit Findings	-	81
Schedule of Expenditures of Federal and State Awards		82
Attachment A		83

FINANCIAL SECTION



Ray,
Bumgarner,
Kingshill,

& Assoc., P.A.

Certified Public Accountants

(828) 452-4734
Fax (828) 452-4733

385 N. Haywood St., Suite 3
Waynesville, NC 28786

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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 54 and 55, respectively, 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, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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, Schedule of Expenditures of Federal and State Awards, 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, Kingbird & Assoc., P.A.

Waynesville, North Carolina
October 23, 2013

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, 2013. 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

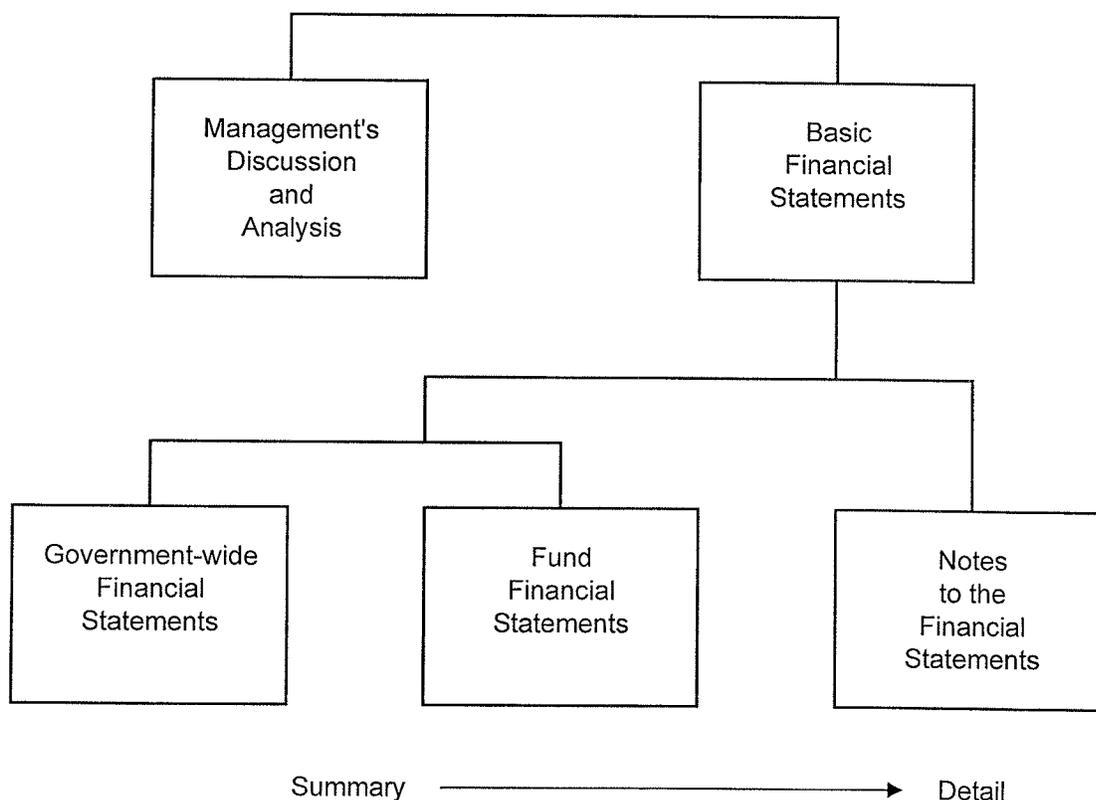
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,319,142 (*net position*).
- The government's total net position decreased by (\$343,484), primarily due to decreases in the governmental 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 \$1,531,264.
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$7,449,459, an increase of \$245,853 in comparison with the prior year. Approximately 32.04 percent of this total amount, or \$2,387,112, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,553,998, or 27.81 percent of total general fund expenditures for the fiscal year.
- The Town of Waynesville's total debt and notes decreased by (\$422,541), or (2.83%) during the current fiscal year. The installment purchase contracts increased \$1,672,190. A large portion of the installment purchase contract increase resulted when a \$904,740 notes payable arising from the construction costs of various water lines was reclassified as a loan from the North Carolina's "Drinking Water State Revolving Fund" program. The remaining increase of the installment purchase contracts came when the Town issued two installment purchase contracts totaling \$767,450 for the purchase of a fire truck, garbage truck and a bucket truck. The other long term debt items (unfunded pension liabilities, other post employment benefits and compensated absences) increased \$652,388. 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 \$5,898,523 an increase of \$314,108 or 5.62% in comparison with the prior year. Most of this year's increase is due to the expansion of manufacturing operations by the Town's largest power customer. As stated in previous years, the town has experienced falling and rising 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. The overall retail rates to its customers have remained unchanged since July 1, 2009. The prior fiscal year reported power purchases of \$5,584,415, a decrease of (\$84,621) or (1.49%) in comparison with the fiscal year ended June 30, 2011. The prior year's drop was due to an unusually mild winter that resulted in a reduced number of kilowatts purchased. The winter of 2011-2012 was the fourth warmest on record. The Electric Fund operating revenues for the current fiscal year reported charges for services of \$8,697,211, an increase of \$800,910 or 10.14%. As stated above, most of the increase is due to an expansion of manufacturing operations by the Town's largest power customer. The prior fiscal year ending June 30, 2012 reported charges for services of \$7,896,301, an decrease of (\$307,305) or (3.75%) in comparison with the fiscal year ended June 30, 2011. As stated earlier, the decrease for the year ended June 30, 2012, was due to an unusually mild winter.

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 25-51 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 8,705,551	\$ 8,397,480	\$ 6,136,867	\$ 5,882,335	\$ 14,842,418	\$ 14,279,815
Capital assets	24,297,175	25,297,014	26,281,698	26,443,635	50,578,873	51,740,649
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	33,002,726	33,694,494	32,418,565	32,325,970	65,421,291	66,020,464
Long-term liabilities outstanding	10,420,680	10,563,079	4,074,828	3,450,532	14,495,508	14,013,611
Other liabilities	575,259	536,655	949,096	1,735,257	1,524,355	2,271,912
Deferred inflows of resources	82,286	72,315	-	-	82,286	72,315
Total liabilities and deferred inflows of resources	11,078,225	11,172,049	5,023,924	5,185,789	16,102,149	16,357,838
Net position:						
Net investment in capital assets	16,485,835	17,288,243	22,570,769	21,483,470	39,056,604	38,771,713
Restricted	1,991,454	2,138,340	-	-	1,991,454	2,138,340
Unrestricted	3,447,212	3,095,862	4,823,872	5,656,711	8,271,084	8,752,573
Total net position	\$ 21,924,501	\$ 22,522,445	\$ 27,394,641	\$ 27,140,181	\$ 49,319,142	\$ 49,662,626

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 \$49,319,142 as of June 30, 2013. The Town's net position decreased (\$343,484) or (0.69%) for the fiscal year ended June 30, 2013. However, the largest portion \$39,056,604 or 79.19% 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 \$1,991,454 or 4.04% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,271,084 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:

- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year were \$2,167,978, an increase of \$97,345 or 4.70% in comparison to the prior year. The sales tax revenues for the prior year were \$2,070,633, an increase of \$53,511 or 2.65% in comparison to the year ending June 30, 2011.
- The Town collected \$994,246 in sanitation fees, an increase of \$295,074 or 42.20% in comparison to the prior year. The sanitation fees for the prior year were \$699,172, an increase of \$1,018 or .15% in comparison to the year ending June 30, 2011.
- The privilege licenses and CATV revenues were \$247,104, an increase of \$95,504 or 63.00% in comparison to the prior year. The privilege licenses and CATV revenues for the prior year was \$151,600, a decrease of (\$13,310) or (8.07%) in comparison to the year ending June 30, 2011.

- Recreation department fees were \$690,557, an increase of \$46,988 or 7.30% in comparison to the prior year. The recreation department fees for the prior year was \$643,569, a decrease of (\$10,838) or (1.66%) in comparison to the year ending June 30, 2011.

But, the slow economy has also negatively affected the Town. Most of the other General Fund revenues either showed little or no growth, or slightly declined during the year. Several particular aspects of the Town's financial operations negatively influenced the total unrestricted governmental net position:

- The ad valorem taxes and the related penalties and interest for the current fiscal year were \$4,712,300, an increase of \$1,363 or .029% in comparison to the prior year.
- The building permits and inspection fees were \$93,802, a decrease of (\$53,619) or (36.37%) in comparison to the prior year.

Town of Waynesville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,327,486	\$ 1,967,250	\$13,194,865	\$12,233,074	\$15,522,351	\$14,200,324
Operating grants and contributions	325,787	529,850	-	-	325,787	529,850
Capital grants and contributions	130,185	6,068	-	203,583	130,185	209,651
General revenues:						
Property taxes	4,712,293	4,691,426	-	-	4,712,293	4,691,426
Other taxes	2,433,560	2,239,424	-	-	2,433,560	2,239,424
Grants and contributions not restricted to specific programs	711,968	716,702	-	-	711,968	716,702
Other	87,360	211,931	34,189	27,003	121,549	238,934
Total revenues	10,728,639	10,362,651	13,229,054	12,463,660	23,957,693	22,826,311
Expenses:						
General government	2,066,026	2,112,086	-	-	2,066,026	2,112,086
Public safety	4,613,699	4,526,575	-	-	4,613,699	4,526,575
Transportation	3,713,984	3,682,577	-	-	3,713,984	3,682,577
Economic development	50,000	-	-	-	50,000	-
Environmental Protection	104,114	114,688	-	-	104,114	114,688
Culture and recreation	1,892,946	1,799,105	-	-	1,892,946	1,799,105
Interest on long-term debt	342,184	373,264	-	-	342,184	373,264
Electric	-	-	7,447,751	7,078,947	7,447,751	7,078,947
Water	-	-	2,228,536	2,194,928	2,228,536	2,194,928
Sewer	-	-	1,841,937	1,762,860	1,841,937	1,762,860
Total expenses	12,782,953	12,608,295	11,518,224	11,036,735	24,301,177	23,645,030
Increase (decrease) in net position before transfers	(2,054,314)	(2,245,644)	1,710,830	1,426,925	(343,484)	(818,719)
Transfers	1,456,370	1,456,630	(1,456,370)	(1,456,630)	-	-
Increase in net position	(597,944)	(789,014)	254,460	(29,705)	(343,484)	(818,719)
Net position, July 1	22,522,445	23,311,459	27,140,181	27,169,886	49,662,626	50,481,345
Net position, June 30	\$21,924,501	\$22,522,445	\$27,394,641	\$27,140,181	\$49,319,142	\$49,662,626

Governmental activities. For the year ended June 30, 2013, Governmental activities decreased the Town's net position by (\$597,944). Key elements of this decrease are as follows:

- Depreciation exceeds capital outlay by \$1,531,264.
- Compensated absences, police pension obligation, and post employment benefits increased \$225,978.
- This net position decrease of (\$597,944) would be even greater except for the Town's transfer of \$1,456,370 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2012 and June 30, 2011, the governmental activities decreased (\$789,014) and (\$319,785) respectively after the Town transferred \$1,456,630 and \$1,293,020 respectively from business-type activities to the governmental activities.

Business-type activities: For the year ended June 30, 2013, business-type activities increased the Town's net position by \$254,460. Key elements of this increase are as follows:

- Depreciation exceeds capital outlay by \$354,759.
- The net position increase would be a greater increase; however the Town transferred \$1,456,370 from the business-type activities to the governmental activities.
- The Town's electric fund reported income before contributions and transfers of \$1,269,803, an increase of \$435,442 from the prior year. Most of this increase as discussed earlier is due to an expansion of manufacturing operations by one of the Town's largest customer.
- The Town implemented water and sewer rate increases of 6% for inside and outside customers. The Town left electric rates unchanged.
- By comparison for the year ended June 30, 2012, the business-type activities' net position decreased by (29,705) after the Town transferred \$1,456,630 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 \$5,306,131, while total fund balance was \$6,899,703. By comparison, the year ended June 30, 2012 fund balance available in the General Fund was \$5,339,028 and total fund balance was \$6,667,300. The Town's current fund balance available is 41.53% of general fund expenditures, while total fund balance represents 54.00% of the same amount. By comparison, the year ended June 30, 2012 the fund balance available was 43.04% of the general fund expenditures, while total fund balance represents 53.75% of the same amount.

At June 30, 2013, the governmental funds of Town of Waynesville reported a combined fund balance of \$7,449,459, with a net increase in fund balance of \$245,853. This represents a 3.41% increase over last year. The increase is primarily due to the revenues and other financing sources over expenditures and other financing uses.

General Fund Budgetary Highlights: The Town's original budget was not adjusted during the year.

- The Town's total budget for the general fund including transfers to other funds for the year ended June 30, 2013 totaled \$14,186,410. The funding sources: revenues, transfer from business-type activities and appropriations from fund balance, were budgeted at \$11,486,170, \$1,456,370, and

\$1,243,870 respectively. The actual revenues totaled \$11,554,013 or \$67,843 over budget. For a more detail comparison of actual and budgeted amounts see Exhibit 5 and Exhibit B-1 in the accompanying financial statements. Some of the reasons for the total revenues having an overall positive variance can be traced to three revenues groupings. The ad valorem taxes, miscellaneous and other taxes and licenses revenue groupings came in \$151,800, \$59,158, and \$34,340 over budget respectively. The ad valorem taxes were budgeted to drop from the previous year's collection amounts. But the continued diligence in the collection of property tax collection allowed the Town to collect the same amounts as the prior year. The miscellaneous revenue variance was positive due to higher asset sales, higher mulch sales, and higher late payment fees. The other taxes and licenses grouping were higher because of increased local option sales tax receipts. However, these positive variances were partly offset by a number of negative variances. The unrestricted intergovernmental revenues were (\$40,702) under budget mainly due to lower franchise taxes and lower ABC profit distributions. The restricted intergovernmental revenues were (\$150,886) under budget. These restricted revenues were less than budgeted because some grant funds that the Town originally had expected to receive were unavailable or unspent. All the transfers to the general fund from business-type activities were made as budgeted. The Town's general fund expenditures totaled \$12,777,980 or \$1,476,273 under budget. Some of this under spending is tied to grants. If grant revenues are less than expected, grant expenditures are held in check to compensate for the lack of funding. Thus the Town was able to comply with its budgetary requirements. Additional under spending comes about due to projects being unfinished or being carried over to the next year. However, most of the under spending of expenditures has been an effort made by the Town to limit the use of fund balance. Here, expenditures were delayed, not spent or kept under budget due to this uncertain economic recovery and the related unknown revenue outcomes. The Town had budgeted to use \$1,243,870 from general fund balance, but instead added \$232,403 to general fund balance.

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 \$1,870,831, \$1,275,731, and \$1,694,332, respectively. In comparison to the year ended June 30, 2012, the unrestricted net position of the Electric, Water and Sewer funds totaled \$1,874,433, \$1,448,256, and \$1,448,459, respectively. The Electric and Water funds' unrestricted net position decreased (\$3,602) or (0.19%) and (\$172,525) or (11.91%) respectively. The Sewer fund's unrestricted net position increased \$245,873, or 16.97%. Total net position of the Electric fund at the end of the fiscal year decreased (\$5,797) or (0.16%). Total net position of the Water, and Sewer funds at the end of the fiscal year increased \$184,747 or 1.32%, and \$77,865 or 0.87%, 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, 2013 totaled \$50,578,873 (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 new fire truck and related equipment for \$443,030.
- Improvements at Water Treatment Plant (concrete basins) for \$273,668.
- Improvements and additions to the Town's water distribution systems for \$265,503.
- Improvements and additions to the Town's sewer distribution systems for \$204,029.
- Purchase new bucket truck for \$195,469.
- Construction of new skate park (construction in progress) for \$186,753.
- Purchase four new police vehicles and related equipment for \$131,698.

- Replace Water Treatment Plant actuators (construction in progress) for \$128,700.
- Purchase new garbage truck for \$125,459.
- Purchase new tractor and boom mower for \$102,925.
- Purchase new brine-system for snow removal for \$27,260.
- Purchase new 911 recorder system for \$22,433.

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

- Disposal of bucket truck (model year 1993) with an original cost of \$79,509.
- Disposal of tractor and boom mower (model year 1993) with an original cost of \$50,364.
- Disposal of seven copiers with an original cost of \$37,791.
- Disposal of water maintenance truck (model year 2000) with an original cost of \$21,037.
- Disposal of police vehicle (model year 2002) with an original cost of \$15,300.

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	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,780,045	\$ 1,780,045	\$ 1,927,138	\$ 1,927,138	\$ 3,707,183	\$ 3,707,183
Public Art	\$ 68,522	\$ 62,950	\$ -	\$ -	68,522	62,950
Construction in process	218,378	31,200	128,700	25,013	347,078	56,213
Buildings and system	12,662,413	12,993,670	23,265,922	23,612,816	35,928,335	36,606,486
Land improvements	297,765	326,919	170,214	180,434	467,979	507,353
Equipment, furniture and fixtures	681,165	836,569	208,549	210,545	889,714	1,047,114
Infrastructure	6,654,438	7,744,977	-	-	6,654,438	7,744,977
Vehicles and motorized equipment	1,934,449	1,520,684	581,175	487,689	2,515,624	2,008,373
Total	\$ 24,297,175	\$ 25,297,014	\$ 26,281,698	\$ 26,443,635	\$ 50,578,873	\$ 51,740,649

Long-term Debt. The Town’s total debt outstanding excluding notes payable for the year ending June 30, 2013 and June 30, 2012, was \$14,495,508 and \$14,013,611, 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, 2013 and June 30, 2012, make up \$1,975,931 and \$1,681,687 of the total debt outstanding respectively. The remaining balances are installment purchase obligations.

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
	Installment purchase obligations	\$ 8,808,648	\$ 9,180,635	\$ 3,710,929	\$ 3,151,289	\$12,519,577
Total	\$ 8,808,648	\$ 9,180,635	\$ 3,710,929	\$ 3,151,289	\$12,519,577	\$12,331,924

- The Town's total installment debt increased \$187,653 or 1.52% during the current fiscal year. As noted earlier, the town increased installment debt by re-classing \$904,740 of notes payable. These notes payable are used during the year for the construction of various water lines. When construction on these various water lines is completed, the notes are reclassified as loans. The Town also issued two installment purchase contracts totaling \$767,450 for the purchase of a fire truck, garbage truck and a bucket truck. These increases were off set by principal payments on existing debt.

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 \$81,333,827.

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 and 2012, the Town experienced slow growing or declining revenues. For the year that just ended (July 1, 2012 thru June 30, 2013), the Town finally saw some revenue increases. However, most of these revenue increases were caused by a new internet sweepstake fee, rate increases and an expansion of manufacturing operations by the Town's largest power customer. Due to a recent court decision, the machines associated with the internet sweepstake fee will not be allowed to operate in the State of North Carolina. Therefore the revenue raised (approximately \$100,000) with this fee is not expected to be repeated in the up and coming budget. The original budget of 2013-2014 included revenues and expenditures associated with a requested annexation. Shortly after the budget was adopted the annexation was put on hold and a budget amendment was approved to exclude the revenues and expenditures associated with the proposed requested annexation. The discussion that follows takes into account the original budget and the amendment excluding the requested annexation figures. With this in mind, the Town's budget for the year ending June 30, 2014 is slightly higher than the budget passed for the year ending June 30, 2013. The budget for the year June 30, 2014 keeps the tax rate at .4082 cents per hundred, maintains the current garbage rates, calls for the Town's business license fees to switch from a mainly fee based system to a gross receipts system, increases cemetery fees, increases reconnection fees and keeps most of the other general fund rates unchanged. The Water and Sewer rates will increase 6.00%. The electric rates are expected to increase by as much as 5.70%. 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, during the last four years, the Town has made an extra effort to cut or under spent the budget if revenues fell short. Until the economy improves, the Town's departments will continue to make this same effort in the current budget. So the Town expects expenditures will be delayed, not spent, or kept under budget until such time that the revenues come in.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The budgeted revenues, transfers from other funds, and appropriated fund balance for the year ended June 30, 2014 are expected to come to \$14,417,240, an increase of \$230,830 or 1.63% from the June 30, 2013 budget. However this is an increase of \$1,406,857 or 10.81% over actual revenues, transfers, and appropriated fund balance from the year ended June 30, 2013. The increase will mainly be funded from a larger fund balance appropriation. This budget calls for a \$1,271,930 fund balance appropriation from the general fund and a \$112,100 fund balance appropriation from the Powell bill reserves. For comparison, the Town added a combined \$232,403 to these fund balances for the year ended June 30, 2013. The Electric, Water and Sewer fund transfers to the General fund are expected to remain almost unchanged at \$1,275,600, \$109,230 and \$83,790 respectively.

The budgeted expenditures and transfers to other funds for the year ended June 30, 2014 are expected to increase to \$14,417,240, an increase of \$1,639,260 or 12.83% from actual expenditures and transfers to other funds for the year ended June 30, 2013. The largest increases are in personnel, fringe benefits, and operating costs. Personnel costs will mainly rise because of a 2.1% increase set aside for personnel development and employee vacancies being filled. Fringe benefits are up because of higher health insurance rates, higher retirement rates, and employee vacancies being filled. The operating costs are expected to go higher due to higher costs in general and the higher costs associated with expanded computer IT services.

Business – type Activities:

Water Fund: The budgeted revenues, transfer from other funds, and the appropriated fund balance amounts for the year ended June 30, 2014 are expected to rise to \$3,107,590, an increase of \$20,090 or 0.65% from the June 30, 2013 budget. However this is an increase of \$444,287 or 16.68% from actual revenues, transfers, and appropriated fund balance for the year ended June 30, 2013. This increase will be funded by a \$195,000 reimbursement for the water line to be constructed for the state's new rest area, a 6% water rate increase, and a fund balance appropriation of \$181,990. For comparison, the Town used \$147,176 of fund balance for the year ended June 30, 2013.

Budgeted expenditures and transfers to other funds for the year ended June 30, 2013 are expected to rise to \$3,107,590, an increase of \$444,287 or 16.68% from actual expenditures for the year ended June 30, 2013. The largest increases are in personnel, fringe benefits, forest management expenditures and operating costs.

Sewer Fund: The budgeted revenues and appropriated fund balance amounts for the year ended June 30, 2014 are expected to rise to \$2,969,340, an increase of \$796,700 or 36.67% from the year ended June 30, 2013 budget. However, this is an increase of \$972,410 or 48.70% from actual revenues, transfers and appropriated fund balance for the year ended June 30, 2013. This increase will be funded by a \$730,000 reimbursement for the sewer line to be constructed to the state's new rest area, a 6% sewer rate increase, and a fund balance appropriation of \$144,640. For comparison, the Town added \$266,339 to fund balance for the year ended June 30, 2013.

Budgeted expenditures and transfer to other funds for the year ended June 30, 2014 are expected to increase to \$2,969,340, an increase of \$1,238,749, or 71.58% from actual expenditures for the year ended June 30, 2013. The largest increases are in capital outlay, wages and fringe benefits.

Electric Fund: The budgeted revenues and appropriated fund balance amounts for the year ended June 30, 2014 are expected to increase to \$10,166,150, an increase of \$428,840 or 4.40% from the year ended June 30, 2013 budget. However, this is an increase of \$1,449,812, or 16.63% from actual revenues and appropriated fund balance for the year ended June 30, 2013. Revenues are expected to increase because of an expected rate increase and the completed expansion at the Town's largest power customer. This budget calls for a \$310,210 fund balance appropriation. For comparison, the Town used \$341 of fund balance for the year ended June 30, 2013.

Budgeted expenditures and transfers to other funds for the year ended June 30, 2014 are expected to increase to \$10,166,150, an increase of \$1,449,812 or 16.63% from actual expenditures and transfers for the year ended June 30, 2013. The largest increases are in wholesale power costs, personnel and capital outlay.

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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,123,239	\$ 3,503,744	\$ 9,626,983	\$ 456,922
Investments	-	685,999	685,999	-
Taxes receivables (net)	585,614	-	585,614	-
Accrued interest receivable on taxes	40,043	-	40,043	-
Other receivables	8,063	7,392	15,455	97
Accounts receivable (net)	124,020	1,372,887	1,496,907	-
Due from other governments	1,020,466	-	1,020,466	-
Due from component units	4,113	-	4,113	-
Internal balances	36,945	(36,945)	-	-
Inventories	75,623	597,840	673,463	163,664
Prepaid items	153,362	5,950	159,312	9,689
Restricted cash and cash equivalents	491,503	-	491,503	-
Total current assets	8,662,991	6,136,867	14,799,858	630,372
Noncurrent assets:				
Accounts receivable (net)	42,560	-	42,560	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,066,945	2,055,838	4,122,783	509,646
Other capital assets, net of depreciation	22,230,230	24,225,860	46,456,090	488,964
Total capital assets	24,297,175	26,281,698	50,578,873	998,610
Total noncurrent assets	24,339,735	26,281,698	50,621,433	998,610
Total assets	\$ 33,002,726	\$ 32,418,565	\$ 65,421,291	\$ 1,628,982
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 403,748	\$ 699,941	\$ 1,103,689	\$ 241,112
Accrued interest payable	152,758	81,841	234,599	-
Customer deposits	18,753	167,314	186,067	-
Due to primary government	-	-	-	4,113
Current portion of long-term liabilities	1,107,578	618,935	1,726,513	53,064
Total current liabilities	1,682,837	1,568,031	3,250,868	298,289
Long-term liabilities:				
Due in more than one year	9,313,102	3,455,893	12,768,995	550,840
Total liabilities	10,995,939	5,023,924	16,019,863	849,129
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	25,402	-	25,402	-
Grants received in advance	56,884	-	56,884	-
Total deferred inflows of resources	82,286	-	82,286	-
NET POSITION				
Net investment in capital assets	16,485,835	22,570,769	39,056,604	706,645
Restricted for:				
Cemetery Perpetual care	294,652	-	294,652	-
Stabilization by State Statute	1,197,914	-	1,197,914	-
Transportation	491,503	-	491,503	-
Culture and recreation	7,385	-	7,385	-
Working Capital	-	-	-	63,422
Unrestricted	3,447,212	4,823,872	8,271,084	9,786
Total net position	\$ 21,924,501	\$ 27,394,641	\$ 49,319,142	\$ 779,853

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, 2013

Exhibit 2

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	Component Unit
					Governmental Activities	Business-type Activities			
Primary government:									
Governmental Activities:									
General government	\$ 2,066,026	\$ 118,859	\$ 55,860	\$ -	\$ (1,891,307)	-	\$ (1,891,307)	\$ -	-
Public safety	4,613,699	405,210	49,322	-	(4,159,167)	-	(4,159,167)	-	-
Transportation	3,713,984	1,032,310	220,605	130,185	(2,330,884)	-	(2,330,884)	-	-
Environmental protection	104,114	30,550	-	-	(73,564)	-	(73,564)	-	-
Economic and physical development	50,000	50,000	-	-	-	-	-	-	-
Cultural and recreation	1,892,946	690,557	-	-	(1,202,389)	-	(1,202,389)	-	-
Interest on long-term debt	342,184	-	-	-	(342,184)	-	(342,184)	-	-
Total governmental activities	12,782,953	2,327,486	325,787	130,185	(9,999,495)	-	(9,999,495)	-	-
Business-type activities:									
Electric	7,447,751	8,697,211	-	-	-	\$ 1,249,460	1,249,460	-	-
Water	2,228,536	2,501,044	-	-	-	272,508	272,508	-	-
Sewer	1,841,937	1,996,610	-	-	-	154,673	154,673	-	-
Total business-type activities	11,518,224	13,194,865	-	-	-	1,676,641	1,676,641	-	-
Total primary government	\$ 24,301,177	\$ 15,522,351	\$ 325,787	\$ 130,185	(9,999,495)	1,676,641	(8,322,854)	-	-
Component units:									
ABC Board	\$ 2,038,723	\$ 2,139,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,712,293	\$ -
Total component units	\$ 2,038,723	\$ 2,139,899	\$ -	\$ -	\$ -	\$ -	\$ -	2,433,560	\$ -
General revenues:									
Taxes:									
Property taxes, levied for general purpose								4,712,293	-
Other taxes								2,433,560	-
Grants and contributions not restricted to specific programs								711,968	-
Miscellaneous								87,360	-
Total general revenues not including transfers								7,945,181	-
Transfers								1,456,370	(1,456,370)
Total general revenues and transfers								9,401,551	(1,422,181)
Change in net position								(597,944)	254,460
Net position-beginning								22,522,445	27,140,181
Net position-ending								\$ 21,924,501	\$ 27,394,641
								\$ 49,319,142	\$ 779,853

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

Town of Waynesvills
Balance Sheet
Governmental Funds
June 30, 2013

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,547,166	\$ 549,702	\$ 6,096,868
Receivables, net:			
Taxes	585,614	-	585,614
Accounts	122,766	-	122,766
Prepaid items	153,362	-	153,362
Long-term receivable	42,560	-	42,560
Due from component unit	4,113	-	4,113
Due from other governmental agencies	1,020,466	-	1,020,466
Interest receivable	8,009	54	8,063
Inventories	7,953	-	7,953
Restricted cash and cash equivalents	491,503	-	491,503
Total assets	<u>\$ 7,983,512</u>	<u>\$ 549,756</u>	<u>\$ 8,533,268</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 397,156	\$ -	\$ 397,156
Performance bonds	18,753	-	18,753
Total liabilities	<u>415,909</u>	<u>-</u>	<u>415,909</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	585,614	-	585,614
Prepaid taxes	25,402	-	25,402
Grants received in advance	56,884	-	56,884
Total deferred inflows of resources	<u>667,900</u>	<u>-</u>	<u>667,900</u>
FUND BALANCES			
Non Spendable			
Inventories	7,953	-	7,953
Prepaid items	153,362	-	153,362
Perpetual maintenance	-	294,652	294,652
Restricted			
Stablization by State Statute	1,432,257	-	1,432,257
Streets-Powell bill	491,503	-	491,503
Cultural and Recreation	-	7,385	7,385
Committed			
General Government	-	247,719	247,719
Assigned			
Subsequent year's expenditures	1,151,930	-	1,151,930
Public Safety	108,700	-	108,700
Unassigned	3,553,998	-	3,553,998
Total fund balances	<u>6,899,703</u>	<u>549,756</u>	<u>7,449,459</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,983,512</u>	<u>\$ 549,756</u>	<u>\$ 7,865,368</u>

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

Total Fund Balance, Governmental Funds	\$ 7,449,459
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,267,286
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	40,043
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.	134,990
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	585,614
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>(10,552,891)</u>
Net position of governmental activities	<u>\$ 21,924,501</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, 2013

	Major Fund		Total
	General	Total Non- Major Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,712,300	\$ -	\$ 4,712,300
Other taxes and licenses	2,433,560	-	2,433,560
Unrestricted intergovernmental	711,968	-	711,968
Restricted intergovernmental	472,994	-	472,994
Permits and fees	180,021	-	180,021
Sales and services	2,898,412	13,450	2,911,862
Miscellaneous	144,758	-	144,758
Total revenues	11,554,013	13,450	11,567,463
EXPENDITURES			
Current:			
General government	2,821,952	-	2,821,952
Public safety	4,225,717	-	4,225,717
Transportation	2,509,557	-	2,509,557
Environmental protection	97,840	-	97,840
Culture and recreation	1,827,967	-	1,827,967
Debt service:			
Principal	940,870	-	940,870
Interest and other charges	354,077	-	354,077
Total expenditures	12,777,980	-	12,777,980
Excess (deficiency) of revenues over expenditures	(1,223,967)	13,450	(1,210,517)
OTHER FINANCING SOURCES			
Transfers from other funds	1,456,370	-	1,456,370
Transfers to other funds	-	-	-
Installment purchase obligations issued	-	-	-
Total other financing sources	1,456,370	-	1,456,370
Net change in fund balance	232,403	13,450	245,853
Fund balances-beginning	6,667,300	536,306	7,203,606
Fund balances-ending	\$ 6,899,703	\$ 549,756	\$ 7,449,459

(continued)

Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	\$ 245,853
<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	509,566
Depreciation expense for governmental assets	(2,040,830)
<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	(7)
<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>	
	940,870
<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	(1,258)
Net pension obligation	(33,613)
Other postemployment benefits	(191,107)
Accrued interest on installment purchases obligations	11,893
Net book value of assets sold	(24,431)
Consolidation adjustment for internal balances between the internal service funds and the governmental funds	(1,853)
Net revenue of internal service funds determined to be governmental-type	<u>(13,027)</u>
Total changes in net position of governmental activities	<u><u>\$ (597,944)</u></u>

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, 2013

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 4,560,500	\$ 4,560,500	\$ 4,712,300	\$ 151,800
Other taxes and licenses	2,399,220	2,399,220	2,433,560	34,340
Unrestricted intergovernmental	752,670	752,670	711,968	(40,702)
Restricted intergovernmental	623,880	623,880	472,994	(150,886)
Permits and fees	173,100	173,100	180,021	6,921
Sales and services	2,891,200	2,891,200	2,898,412	7,212
Miscellaneous	85,600	85,600	144,758	59,158
Total revenues	<u>11,486,170</u>	<u>11,486,170</u>	<u>11,554,013</u>	<u>67,843</u>
Expenditures:				
Current:				
General government	3,141,870	3,141,870	2,821,952	319,918
Public safety	4,517,740	4,517,740	4,225,717	292,023
Transportation	2,925,840	2,925,840	2,509,557	416,283
Environmental protection	123,720	123,720	97,840	25,880
Cultural and recreation	2,170,530	2,170,530	1,827,967	342,563
Debt service:				
Principal retirement	950,045	950,045	940,870	9,175
Interest and other charges	356,665	356,665	354,077	2,588
Total expenditures	<u>14,186,410</u>	<u>14,186,410</u>	<u>12,777,980</u>	<u>1,408,430</u>
Revenues over (under) expenditures	<u>(2,700,240)</u>	<u>(2,700,240)</u>	<u>(1,223,967)</u>	<u>1,476,273</u>
Other financing sources (uses):				
Transfers from other funds	1,456,370	1,456,370	1,456,370	-
Transfers to other funds	-	-	-	-
Appropriations from fund balance	1,243,870	1,243,870	-	(1,243,870)
Total other financing sources (uses)	<u>2,700,240</u>	<u>2,700,240</u>	<u>1,456,370</u>	<u>(1,243,870)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>232,403</u>	<u>\$ 232,403</u>
Fund balances, beginning of year			<u>6,667,300</u>	
Fund balances, end of year			<u>\$ 6,899,703</u>	

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

Town of Waynesville
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 685,999	\$ 1,114,241	\$ 1,626,905	\$ 3,427,145	\$ 62,839	\$ 26,371
Investments	699,759	-	-	699,759	-	-
Accounts receivable	921,611	248,388	202,888	1,372,887	-	-
Prepaid items	-	-	4,750	4,750	1,200	-
Other receivables	212	204	6,964	7,380	12	1,254
Inventories	293,723	272,840	23,927	590,490	7,350	67,670
Total current assets	2,601,304	1,635,673	1,865,434	6,102,411	71,401	95,295
Capital assets:						
Land and Construction in Progress	230,058	1,615,062	110,500	1,955,620	100,218	-
Other capital assets, net of depreciation	3,866,769	12,631,959	7,321,866	23,820,594	405,266	29,889
Capital assets (net)	4,096,827	14,247,021	7,432,366	25,776,214	505,484	29,889
Total assets	\$ 6,698,131	\$ 15,882,694	\$ 9,297,800	\$ 31,878,625	\$ 576,885	\$ 125,184
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	551,163	170,649	44,540	766,352	15,430	6,592
Customer deposits	115,486	51,828	-	167,314	-	-
Compensated absences - current	12,357	30,551	29,653	72,561	5,872	3,019
Installment purchases payable-current	284,089	215,840	40,573	540,502	-	-
Total current liabilities	963,095	468,868	114,766	1,546,729	21,302	9,611
Noncurrent liabilities:						
Other postemployment benefits	41,567	95,710	86,180	223,457	24,514	11,876
Compensated absences	9,900	11,204	10,729	31,833	5,662	5,652
Installment purchases payable	2,049,241	1,079,370	41,816	3,170,427	-	-
Total noncurrent liabilities	2,100,708	1,186,284	138,725	3,425,717	30,176	17,528
Total liabilities	3,063,803	1,655,152	253,491	4,972,446	51,478	27,139
NET POSITION						
Net investment in capital assets	1,763,497	12,951,811	7,349,977	22,065,285	505,484	29,889
Unrestricted	1,870,831	1,275,731	1,694,332	4,840,894	19,923	68,156
Total net position	\$ 3,634,328	\$ 14,227,542	\$ 9,044,309	26,906,179	\$ 525,407	\$ 98,045

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. 488,462

Net position of business-type activities \$ 27,394,641

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, 2013

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
OPERATING REVENUES						
Charges for services	\$ 8,697,211	\$ 2,501,044	\$ 1,996,610	\$ 13,194,865	\$ 248,456	\$ 590,092
Other operating revenue	-	-	-	-	-	-
Total operating revenues	<u>8,697,211</u>	<u>2,501,044</u>	<u>1,996,610</u>	<u>13,194,865</u>	<u>248,456</u>	<u>590,092</u>
OPERATING EXPENSES						
Finance and administration	415,030	215,828	183,539	814,397	-	-
Electric operations	772,885	-	-	772,885	-	-
Electric power purchases	5,898,523	-	-	5,898,523	-	-
Water treatment and distribution	-	1,402,133	-	1,402,133	-	-
Waste collection and treatment	-	-	1,216,909	1,216,909	-	-
Public works operations	-	-	-	-	237,381	-
Garage operations	-	-	-	-	-	600,819
Depreciation	281,277	545,477	435,483	1,262,237	18,415	13,028
Total operating expenses	<u>7,367,715</u>	<u>2,163,438</u>	<u>1,835,931</u>	<u>11,367,084</u>	<u>255,796</u>	<u>613,847</u>
Operating income (loss)	<u>1,329,496</u>	<u>337,606</u>	<u>160,679</u>	<u>1,827,781</u>	<u>(7,340)</u>	<u>(23,755)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and other charges	(78,479)	(64,572)	(5,734)	(148,785)	-	-
Miscellaneous revenues (expenses)	18,786	15,083	320	34,189	3,132	10,728
Total nonoperating revenue (expenses)	<u>(59,693)</u>	<u>(49,489)</u>	<u>(5,414)</u>	<u>(114,596)</u>	<u>3,132</u>	<u>10,728</u>
Income (loss) before contributions and transfers	1,269,803	288,117	155,265	1,713,185	(4,208)	(13,027)
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	(1,275,600)	(103,370)	(77,400)	(1,456,370)	-	-
Change in net position	(5,797)	184,747	77,865	256,815	(4,208)	(13,027)
Total net position - beginning	3,640,125	14,042,795	8,966,444		529,615	111,072
Total net position - ending	<u>\$ 3,634,328</u>	<u>\$ 14,227,542</u>	<u>\$ 9,044,309</u>		<u>\$ 525,407</u>	<u>\$ 98,045</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(2,355)		
Change in net position - business-type activities				<u>\$ 254,460</u>		

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, 2013

	Business-Type Activities				Governmental Activity	
	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Totals	Public Works Fund	Garage Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 8,428,081	\$ 2,812,292	\$ 1,988,012	\$ 13,228,385	\$ 248,470	\$ 588,849
Cash paid for goods and services	(6,707,255)	(718,306)	(637,723)	(8,063,284)	(36,967)	(496,411)
Cash paid to or on behalf of employees for services	(365,773)	(762,044)	(747,810)	(1,875,627)	(183,095)	(98,562)
Customer deposits received	53,930	39,562	-	93,492	-	-
Customer deposits returned	(46,360)	(12,152)	-	(58,512)	-	-
Net cash provided by operating activities	<u>1,362,623</u>	<u>1,359,352</u>	<u>602,479</u>	<u>3,324,454</u>	<u>28,408</u>	<u>(6,124)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from miscellaneous sources	2,786	11,491	320	14,597	3,132	8,733
Transfers to other funds	(1,275,600)	(103,370)	(77,400)	(1,456,370)	-	-
Total cash flows from noncapital financing activities	<u>(1,272,814)</u>	<u>(91,879)</u>	<u>(77,080)</u>	<u>(1,441,773)</u>	<u>3,132</u>	<u>8,733</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from installment purchase obligation	198,567	302	-	-	-	-
Principal and interest paid on long-term debt	(352,256)	(302,990)	(43,098)	(698,344)	-	-
Proceeds from sale of assets	16,000	2,030	-	18,030	-	1,995
Acquisition and construction of capital assets	(209,769)	(661,644)	(231,534)	(1,102,947)	(14,206)	-
Net cash provided (used) by capital and related financing activities	<u>(347,458)</u>	<u>(962,302)</u>	<u>(274,632)</u>	<u>(1,783,261)</u>	<u>(14,206)</u>	<u>1,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(2,099,340)	-	-	(2,099,340)	-	-
Proceeds from investment maturities	2,806,847	-	-	2,806,847	-	-
Net cash provided (used) by investing activities	<u>707,507</u>	<u>-</u>	<u>-</u>	<u>707,507</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	449,858	305,171	250,767	1,005,796	17,334	4,604
Balances-beginning of the year	236,141	809,070	1,376,138	2,421,349	45,505	21,767
Balances-end of the year	<u>\$ 685,999</u>	<u>\$ 1,114,241</u>	<u>\$ 1,626,905</u>	<u>\$ 3,427,145</u>	<u>\$ 62,839</u>	<u>\$ 26,371</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 1,329,496	\$ 337,606	\$ 160,679	\$ 1,827,781	\$ (7,340)	\$ (23,755)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	281,277	545,477	435,483	1,262,237	18,415	13,028
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(247,412)	311,603	(5,955)	58,236	14	(1,243)
(Increase) decrease in allowance for doubtful accounts	(21,584)	(355)	(2,643)	(24,582)	-	-
(increase) decrease in inventory	17,110	15,712	2,074	34,896	331	697
Increase (decrease) in accounts payable and accrued liabilities	(16,090)	122,522	(4,298)	102,134	10,340	1,540
Increase (decrease) in prepaid items	-	-	(4,750)	(4,750)	(1,200)	-
Increase (decrease) in customer deposits	7,570	4,125	-	11,695	-	-
Increase (decrease) in accrued OPEB liability	10,659	27,410	24,364	62,433	6,852	3,045
Increase (decrease) in accrued vacation pay	1,597	(4,748)	(2,475)	(5,626)	996	564
Total adjustments	<u>33,127</u>	<u>1,021,746</u>	<u>441,800</u>	<u>1,496,673</u>	<u>35,748</u>	<u>17,631</u>
Net cash provided by operating activities	<u>\$ 1,362,623</u>	<u>\$ 1,359,352</u>	<u>\$ 602,479</u>	<u>\$ 3,324,454</u>	<u>\$ 28,408</u>	<u>\$ (6,124)</u>

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

Town of Waynesville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Haywood County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Waynesville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Haywood County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period 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 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

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, 2013.

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, 2013, the Town's deposits had a carrying amount of \$4,076,117 and a bank balance of \$4,281,693. Of the bank balance, \$1,208,709 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 \$454,597 and the bank balance was \$423,363. The ABC Board maintains a cash balance at a financial institution which exceeds the Federal Deposit Insurance Corporation's coverage of \$250,000. At June 30, 2013, the ABC Board's uninsured cash balance was \$182,363. At June 30, 2013, the Town's petty cash fund totaled \$2,975.

2. Investments

At June 30, 2013, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Federal Home Loan Bank Discount Note	\$ 699,759	\$ 699,699	12/20/2013	A-1+
NC Capital Management Trust - Cash Portfolio	<u>5,584,275</u>	<u>5,584,275</u>	Various	AAAm
Total:	\$ 6,284,034	\$ 6,283,974		

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 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, 2013.

Concentration of Credit Risk. The Town's investment policy limits the funds invested with a single issuer to 40 percent of available funds, with the exception of the United States Treasury. More than five percent of the Town's investments are in a Federal Home Loan Discount Note. These investments comprise twenty nine percent of the Town's total investments.

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, 2013 are net of the following allowances for doubtful accounts:

Fund	6/30/2013
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	15,320
Total	35,320
Enterprise Funds	64,271
Total	\$ 99,591

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2013, 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	62,950	2,872	-	2,700	68,522
Construction in progress	31,200	189,878	-	(2,700)	218,378
Total capital assets not being depreciated	1,874,195	192,750	-	-	2,066,945
Capital assets being depreciated:					
Land improvements	957,486	-	-	-	957,486
Buildings and building improvements	15,757,757	-	-	-	15,757,757
Equipment and furniture and fixtures	2,831,759	80,605	61,811	(4,073)	2,846,480
Vehicles and motorized equipment	4,397,920	803,111	37,273	-	5,163,758
Infrastructure	28,127,049	-	-	-	28,127,049
Total capital assets being depreciated	52,071,971	883,716	99,084	(4,073)	52,852,530
Less accumulated depreciation for:					
Land improvements	630,566	29,155	-	-	659,721
Buildings and building improvements	2,764,087	331,257	-	-	3,095,344
Equipment and furniture and fixtures	1,995,190	213,561	40,924	(2,512)	2,165,315
Vehicles and motorized equipment	2,877,236	389,346	37,273	-	3,229,309
Infrastructure	20,382,072	1,090,539	-	-	21,472,611
Total accumulated depreciation	28,649,151	2,053,858	78,197	(2,512)	30,622,300
Total capital assets being depreciated, net	23,422,820				22,230,230
Governmental activity capital assets, net	\$ 25,297,015				\$ 24,297,175

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

General government	\$	81,440
Public safety		426,989
Transportation		1,293,360
Environmental protection		2,917
Cultural and recreational		236,124
Depreciation on capital assets held in Garage		
Fund charged to functions based on usage		<u>13,028</u>
Total depreciation expense		<u><u>\$ 2,053,858</u></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 progress	-	-	-	-	-
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	141,929	6,800	-	-	148,729
Vehicles and motorized equipment	643,709	202,969	79,509	-	767,169
Substations, lines, and related equipment	7,081,508	-	-	-	7,081,508
Total capital assets being depreciated	7,890,143	209,769	79,509	-	8,020,403
Less accumulated depreciation for:					
Buildings and building improvements	19,753	480	-	-	20,233
Equipment and furniture and fixtures	120,821	7,615	-	-	128,436
Vehicles and motorized equipment	490,811	52,668	79,509	-	463,970
Substations, lines, and related equipment	3,320,481	220,514	-	-	3,540,995
Total accumulated depreciation	3,951,866	281,277	79,509	-	4,153,634
Total capital assets being depreciated, net	3,938,277				3,866,769
Electric fund capital assets, net	4,168,335				4,096,827
 <i>Water Fund</i>					
Capital assets not being depreciated:					
Land	1,486,362	-	-	-	1,486,362
Construction in progress	25,013	128,700	-	(25,013)	128,700
Total capital assets not being depreciated	1,511,375	128,700	-	(25,013)	1,615,062
Capital assets being depreciated:					
Land improvements	83,692	-	-	-	83,692
Buildings and building improvements	1,818,427	-	-	-	1,818,427
Equipment and furniture and fixtures	362,712	18,786	-	4,073	385,571
Vehicles and motorized equipment	449,287	-	21,037	-	428,250
Plant and system distributions	21,687,858	514,158	-	25,013	22,227,029
Total capital assets being depreciated	24,401,976	532,944	21,037	29,086	24,942,969
Total Capital Assets	25,913,351	661,644	21,037	4,073	26,558,031
Less accumulated depreciation for:					
Land improvements	16,711	3,834	-	-	20,545
Buildings and building improvements	1,007,648	27,728	-	-	1,035,376
Equipment and furniture and fixtures	213,383	27,905	-	2,511	243,799
Vehicles and motorized equipment	344,908	25,120	21,037	-	348,991
Plant and system distributions	10,201,409	460,890	-	-	10,662,299
Total accumulated depreciation	11,784,059	545,477	21,037	2,511	12,311,010
Total capital assets being depreciated, net	12,617,917				12,631,959
Water fund capital assets, net	14,129,292				14,247,021

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Sewer Fund					
Capital assets not being depreciated:					
Land	110,500	-	-	-	110,500
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	110,500	-	-	-	110,500
Capital assets being depreciated:					
Land improvements	57,329	-	-	-	57,329
Buildings and building improvements	8,605,122	9,900	-	-	8,615,022
Equipment and furniture and fixtures	290,206	17,605	-	-	307,811
Vehicles and motorized equipment	405,889	-	-	-	405,889
Plant and system distributions	8,886,727	204,029	-	-	9,090,756
Total capital assets being depreciated	18,245,273	231,534	-	-	18,476,807
Less accumulated depreciation for:					
Land improvements	3,417	2,816	-	-	6,233
Buildings and building improvements	6,046,414	179,754	-	-	6,226,168
Equipment and furniture and fixtures	250,407	10,921	-	-	261,328
Vehicles and motorized equipment	190,174	30,534	-	-	220,708
Plant and system distributions	4,229,046	211,458	-	-	4,440,504
Total accumulated depreciation	10,719,458	435,483	-	-	11,154,941
Total capital assets being depreciated, net	7,525,815				7,321,866
Sewer fund capital assets, net	7,636,315				7,432,366
Public Works Fund					
Capital assets not being depreciated:					
Land	100,218	-	-	-	100,218
Capital assets being depreciated:					
Land improvements	83,688	-	-	-	83,688
Buildings and building improvements	562,112	14,206	-	-	576,318
Other improvements	21,563	-	-	-	21,563
Equipment and furniture and fixtures	9,468	-	3,975	-	5,493
Vehicles and motorized equipment	38,434	-	-	-	38,434
Total capital assets being depreciated	715,265	14,206	3,975	-	725,496
Less accumulated depreciation for:					
Land improvements	24,144	3,573	-	-	27,717
Buildings and building improvements	244,592	11,631	-	-	256,223
Other improvements	4,156	1,744	-	-	5,900
Equipment and furniture and fixtures	9,160	307	3,975	-	5,492
Vehicles and motorized equipment	23,738	1,160	-	-	24,898
Total accumulated depreciation	305,790	18,415	3,975	-	320,230
Total capital assets being depreciated, net	409,475				405,266
Public Works fund capital assets, net	509,693				505,484
Business-type activities capital assets, net	\$ 26,443,634				\$ 26,281,697

Construction commitments

The Town has active construction projects as of June 30, 2013. At year-end, the Town's commitments with contractors are as follows:

Project	Spent To-Date	Remaining Commitment
Skate Park Construction	\$ 174,626	\$ 230,074
Public Art Project	3,125	9,375
Total	\$ 177,751	\$ 239,449

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning				Ending
	Balances	Increases	Decreases	Transfers	Balances
Capital assets not being depreciated:					
Land	\$ 10,000	\$499,646	\$ -	\$ -	\$ 509,646
Furniture and fixtures	-	37,154	-	-	37,154
Construction in progress	2,500	444,684	-	-	447,184
Total capital assets not being depreciated	12,500	981,484	-	-	993,984
Capital assets being depreciated:					
Furniture and equipment	57,133	-	-	-	57,133
Leasehold improvements	3,308	-	-	-	3,308
Total capital assets being depreciated	60,441	-	-	-	60,441
Less accumulated depreciation					
Furniture and equipment	48,672	3,835	-	-	52,507
Leasehold improvements	3,308	-	-	-	3,308
Total accumulated depreciation	51,980	3,835	-	-	55,815
Total capital assets being depreciated, net	8,461				4,626
ABC capital assets, net	\$ 20,961				\$ 998,610

Liabilities1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 202,535	\$ 188,670	\$ 5,951	\$ 397,156
Public Buildings Projects	-	-	-	-
Other Governmental	4,477	2,115	-	6,592
Total Governmental Activities	\$ 207,012	\$ 190,785	\$ 5,951	\$ 403,748
Business-type Activities:				
Water	\$ 151,111	\$ 13,528	\$ -	\$ 164,639
Sewer	3,444	16,498	23,000	42,942
Electric	469,223	7,707	-	476,930
Other Business-type Activities	11,319	4,111	-	15,430
Total Business-type Activities:	\$ 635,097	\$ 41,844	\$ 23,000	\$ 699,941

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 6.74 percent and 6.77 percent, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74 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, 2013, 2012, and 2011 were \$426,531, \$423,034 and \$387,081, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$13,040, \$14,208, and \$12,992, 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitles to but not yet receiving benefits	0
Active plan members	37
Total	<u>39</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, 2012 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	\$ 65,463
Interest on net pension obligation	20,093
Adjustment to annual required contribution	<u>(25,008)</u>
Annual pension cost	60,548
Contributions made	<u>(26,935)</u>
Increase (decrease) in net pension obligation	33,613
Net pension obligation beginning of year	<u>401,857</u>
Net pension obligation end of year	<u><u>\$ 435,470</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 67,744	25.42%	\$ 369,044
2012	\$ 57,738	43.17%	\$ 401,857
2013	\$ 60,548	44.49%	\$ 435,470

4. *Funding 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 the unfunded actuarial accrued liability (UAAL) was \$625,961. The covered payroll (annual payroll of active employees covered by the plan) was \$1,530,326, and the ratio of the UAAL to the covered payroll was 40.9 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, 2013 were \$113,880, which consisted of \$78,143 from the Town and \$35,767 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, 2013 were \$345,639, which consisted of \$218,083 from the Town and \$127,556 from the general employees.

e. Firemen'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 Firemen'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 Firemen'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 \$405 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 6.52 percent of annual covered payroll. For the current year, the Town contributed \$121,406 or 2.064 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 1.55 percent and 0.52 percent of covered payroll, respectively. There were no contributions made by retired employees, except for spousal coverage in the amount of \$7,291. 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	\$ 383,495
Interest on net OPEB obligation	30,190
Adjustment to annual required contribution	<u>(28,841)</u>
Annual OPEB cost (expense)	\$ 384,844
Contributions made	<u>(121,405)</u>
Increase (decrease) in net OPEB obligation	263,439
Net OPEB obligation, beginning of year	<u>754,761</u>
Net OPEB obligation, end of year	<u>\$ 1,018,200</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, 2013 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
2011	\$ 258,260	45.0%	\$ 497,717
2012	\$ 372,325	31.2%	\$ 754,761
2013	\$ 383,495	31.7%	\$ 1,018,200

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, 2012, was 26 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.

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:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 25,402
Taxes receivable, net (General Fund)	585,614	-
Unearned distributions (General Fund)	-	9,988
Other unearned revenue (General Fund)	-	46,896
Total	\$ 585,614	\$ 82,286

6. Commitments

The Town had commitments of \$34,127 in its proprietary funds at June 30, 2013. These items will be funded from operating funds.

The Town held cash performance bonds with a balance at June 30, 2013 of \$18,753 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.

The Town has entered into a lease for equipment with a monthly payment of \$4,221. Equipment lease expense was \$16,885 for the year ended June 30, 2013. There was no lease expense for the year ended June 30, 2012.

Future minimum annual equipment lease payments are as follows:

Years ended June 30:	
2014	\$ 50,654
2015	50,654
2016	50,654
2017	50,654
2018	33,769
	<u>\$236,385</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 disaster. The Town participates in self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$2 million per claim with an annual aggregate limit of \$3 million, property coverage up to replacement value, workers' compensation coverage up to \$1 million per occurrence, and employee health coverage with an unlimited maximum.

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, 2013, there was one lawsuit against the Town of Waynesville.

9. Long-Term Obligations

a. Installment Purchases, Interlocal Agreement and Construction Financing

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, 2013 was \$55,875. This debt was reported as a note payable in the prior year because at June 30, 2012

NCDENR had neither closed the loan nor issued a final amortization schedule. This loan is shown under business-type activities and the balance was \$859,503 at June 30, 2013.

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, 2013 totaled \$4,251, with \$1,662 recorded in the governmental activities and \$2,589 recorded in the business-type activities. The portion of the loan for the garbage truck is shown under governmental activities and the balance was \$127,433 at June 30, 2013. The portion representing the Electric Department bucket truck is shown under business-type activities and the balance was \$198,567 at June 30, 2013.

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, 2013 was \$2,752. This loan is shown under governmental activities and the balance was \$441,450 at June 30, 2013.

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 \$208,450 at June 30, 2013.

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, 2013 was \$8,443. This loan is shown under governmental activities and the balance was \$325,323 at June 30, 2013.

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, 2013 was \$2,769. This loan is shown under governmental activities and the balance was \$104,914 at June 30, 2013.

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, 2013 was \$1,250. This loan is shown under governmental activities and the balance was \$40,771 at June 30, 2013.

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, 2013 totaled \$6,962, with \$678 recorded in the governmental activities and \$6,284 recorded in the business-type activities. The portion of the loan for the police cars is shown under governmental activities and 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 \$99,493 at June 30, 2013.

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, 2013 was \$85,872. This loan is shown under governmental activities and the balance was \$1,919,998 at June 30, 2013.

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, 2013 was \$75,289. This loan is shown under business-type activities and the balance was \$2,134,763 at June 30, 2013.

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, 2013 was \$89,847. This loan is shown under governmental activities and the balance was \$2,436,390 at June 30, 2013.

On January 28, 2008, the Town entered into a \$570,000 installment purchase contract to acquire a utility pole truck and two front-loading garbage trucks. The financing contract requires five annual payments of \$124,314 with an interest rate of 3.03 percent. Interest expense for the year ended June 30, 2013 was \$1,809, with \$1,208 recorded in the governmental activities and \$601 recorded in the business-type activities. The portion of the loan for the garbage trucks is shown under governmental activities. The portion representing the pole truck is shown under business-type activities. The loan was paid in full at June 30, 2013.

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, 2013 was \$5,205. This loan is shown under business-type activities and the balance was \$121,075 at June 30, 2013.

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, 2013 was \$23,550. This loan is shown under governmental activities and the balance was \$600,000 at June 30, 2013.

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, 2013 was \$6,365. This loan is shown under business-type activities and the balance was \$89,078 at June 30, 2013.

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 requires annual payments of \$227,047 with an interest rate of 4.479 percent. Interest expense for the year ended June 30, 2013 was \$44,994. This loan is shown under governmental activities and the balance was \$997,308 at June 30, 2013. 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, 2013 was \$79,159. This loan is shown under governmental activities and the balance was \$1,815,061 at June 30, 2013.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 899,478	\$ 331,563	\$ 540,502	\$ 107,851
2015	887,838	300,518	463,862	91,335
2016	864,011	267,028	399,046	77,502
2017	894,332	234,246	383,622	66,288
2018	892,659	200,568	341,944	55,231
2019-2023	1,764,669	690,284	1,581,953	167,435
2024-2028	1,149,150	451,037	-	-
2029-2033	236,099	307,401	-	-
2034-2038	294,223	249,277	-	-
2039-2043	366,655	176,845	-	-
2044-2048	456,919	86,581	-	-
2049-2053	102,616	4,618	-	-
Total	<u>\$ 8,808,648</u>	<u>\$ 3,299,966</u>	<u>\$ 3,710,929</u>	<u>\$ 565,642</u>
Less: current portion	(899,478)		(540,502)	
Long-term portion	<u>\$ 7,909,170</u>		<u>\$ 3,170,427</u>	

b. General Obligation Bonds

At June 30, 2013, the Town of Waynesville had a legal debt margin of \$81,333,827.

c. Changes in General Long-Term Debt

	Balance			Balance	Current Portion
	July 1, 2012	Increases	Decreases	June 30, 2013	of Balance
Governmental activities:					
Installment purchases	\$ 9,180,635	\$ 568,883	\$ 940,870	\$ 8,808,648	\$ 899,478
Unfunded pension liabilities	401,857	33,613	-	435,470	-
Legal Claims	10,000	-	-	10,000	-
Other postemployment benefits	576,076	239,028	44,876	770,228	-
Compensated absences-garage	8,107	3,583	3,019	8,671	3,019
Compensated absences	386,404	206,340	205,081	387,663	205,081
Governmental activity long-term liabilities	<u>\$ 10,563,079</u>	<u>\$ 1,051,447</u>	<u>\$ 1,193,846</u>	<u>\$ 10,420,680</u>	<u>\$ 1,107,578</u>
Business-type activities:					
<i>Electric Fund</i>					
Installment purchases	\$ 2,402,643	\$ 198,567	\$ 267,880	\$ 2,333,330	\$ 284,089
Other postemployment benefits	30,908	10,659	-	41,567	-
Compensated absences	20,660	13,954	12,357	22,257	12,357
<i>Total activity Electric Fund</i>	<u>2,454,211</u>	<u>223,180</u>	<u>280,237</u>	<u>2,397,154</u>	<u>296,446</u>
<i>Water Fund</i>					
Installment purchases	630,315	904,740	239,845	1,295,210	215,840
Other postemployment benefits	68,300	39,562	12,152	95,710	-
Compensated absences	46,503	25,803	30,551	41,755	30,551
<i>Total activity Water Fund</i>	<u>745,118</u>	<u>970,105</u>	<u>282,548</u>	<u>1,432,675</u>	<u>246,391</u>
<i>Sewer Fund</i>					
Installment purchases	118,331	-	35,942	82,389	40,573
Other postemployment benefits	61,816	34,086	9,722	86,180	-
Compensated absences	42,857	27,178	29,653	40,382	29,653
<i>Total activity Sewer Fund</i>	<u>223,004</u>	<u>61,264</u>	<u>75,317</u>	<u>208,951</u>	<u>70,226</u>
<i>Public Works Fund</i>					
Installment purchases	-	-	-	-	-
Other postemployment benefits	17,661	11,714	4,861	24,514	-
Compensated absences	10,538	6,868	5,872	11,534	5,872
<i>Total activity Public Works Fund</i>	<u>28,199</u>	<u>18,582</u>	<u>10,733</u>	<u>36,048</u>	<u>5,872</u>
Business-type activity long-term liabilities	<u>\$ 3,450,532</u>	<u>\$ 1,273,131</u>	<u>\$ 648,835</u>	<u>\$ 4,074,828</u>	<u>\$ 618,935</u>

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

B. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to the Town from the component unit, ABC Board	<u>\$ 4,113</u>
Due from the Public Works Fund for its activity allocation to the Governmental Funds	<u>\$ 36,945</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, 2013 consist of the following:

From the Water Fund to the General Fund - payment in lieu of taxes	\$ 103,370
From the Sewer Fund to the General Fund - payment in lieu of taxes	77,400
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	3,955
Total	<u>\$1,460,325</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.

C. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the Town of Waynesville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$9,509 for the thirty-eight 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, 2013 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.

D. 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	\$ 6,899,703
Less:	
Prepaid Items	153,362
Inventories	7,953
Stabilization by State Statute	1,432,257
Streets - Powell Bill	491,503
Appropriated Fund Balance in 2013 budget	1,151,930
Public Safety	108,700
Working capital / Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 3,553,998</u>

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
	\$234,343	\$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

Construction of the ABC Board's new retail store on Dayco Drive was complete and open for business on October 1, 2013. The Walnut Street retail store closed on the same day.

Subsequent events have been evaluated through October 23, 2013, which is the date the audit report was available to be issued.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

**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)
12/31/2007	-	411,935	411,935	0%	1,274,189	32.33%
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%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	44,314	16.93%
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%

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 closed
Remaining amortization period	18 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 June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage 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%

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	26 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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 4,656,209	\$ -
Penalties and interest	-	56,091	-
Total	<u>4,560,500</u>	<u>4,712,300</u>	<u>151,800</u>
Other taxes and licenses:			
Local option sales tax	-	2,167,978	-
Gross receipts tax on short-term rental property	-	18,478	-
Privilege licenses and CATV	-	247,104	-
Total	<u>2,399,220</u>	<u>2,433,560</u>	<u>34,340</u>
Unrestricted intergovernmental:			
Utility franchise tax	-	667,953	-
Beer and wine tax	-	40,060	-
ABC profit distribution	-	3,955	-
Total	<u>752,670</u>	<u>711,968</u>	<u>(40,702)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	349,999	-
Investment earnings	-	791	-
On-behalf of payments - Fire and Rescue	-	10,017	-
ABC Revenue for law enforcement	-	6,327	-
Other grant revenue	-	105,860	-
Total	<u>623,880</u>	<u>472,994</u>	<u>(150,886)</u>
Permits and fees:			
Building permits and inspection fees	-	93,802	-
Reconnect fees	-	86,219	-
Total	<u>173,100</u>	<u>180,021</u>	<u>6,921</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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Recreation department fees	-	690,557	-
Cemetery revenues	-	17,100	-
Solid waste container sales	-	38,064	-
Fire protection	-	254,256	-
Police contract services	-	55,285	-
Sanitation fee	-	994,246	-
Court costs and fees	-	1,867	-
Rents	-	32,640	-
Charges to water fund	-	215,828	-
Charges to sewer fund	-	183,539	-
Charges to electric fund	-	415,030	-
Total	<u>2,891,200</u>	<u>2,898,412</u>	<u>7,212</u>
Miscellaneous	<u>85,600</u>	<u>144,758</u>	<u>59,158</u>
Total revenues	<u>11,486,170</u>	<u>11,554,013</u>	<u>67,843</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	79,112	-
Other operating expenditures	-	44,587	-
Total	<u>132,370</u>	<u>123,699</u>	<u>8,671</u>
Administration:			
Salaries and employee benefits	-	658,263	-
Professional services	-	87,810	-
Other operating expenditures	-	131,691	-
Capital outlay	-	-	-
Total	<u>969,210</u>	<u>877,764</u>	<u>91,446</u>
Finance:			
Salaries and employee benefits	-	573,161	-
Professional services	-	76,136	-
Other operating expenditures	-	124,721	-
Capital outlay	-	14,200	-
Total	<u>847,850</u>	<u>788,218</u>	<u>59,632</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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Public buildings:			
Salaries and employee benefits	-	70,211	-
Other operating expenditures	-	217,441	-
Capital outlay	-	5,996	-
Total	<u>366,460</u>	<u>293,648</u>	<u>72,812</u>
Planning and code enforcement:			
Salaries and employee benefits	-	387,968	-
Other operating expenditures	-	87,013	-
Capital Outlay	-	-	-
Total	<u>546,070</u>	<u>474,981</u>	<u>71,089</u>
Special appropriations:			
Contributions	-	263,642	-
Total	<u>279,910</u>	<u>263,642</u>	<u>16,268</u>
Total general government	<u>3,141,870</u>	<u>2,821,952</u>	<u>319,918</u>
Public safety:			
Police:			
Salaries and employee benefits	-	2,760,476	-
Professional services	-	4,763	-
Other operating expenditures	-	443,517	-
Capital outlay	-	125,560	-
Total	<u>3,547,090</u>	<u>3,334,316</u>	<u>212,774</u>
Fire:			
Salaries and employee benefits	-	667,791	-
Professional services	-	7,865	-
Other operating expenditures	-	175,209	-
Building inspection and EMT's	-	3,386	-
Capital outlay	-	37,150	-
Total	<u>970,650</u>	<u>891,401</u>	<u>79,249</u>
Total public safety	<u>4,517,740</u>	<u>4,225,717</u>	<u>292,023</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,047,122	-
Professional services	-	9,468	-
Other operating expenditures	-	1,018,471	-
Contracted services	-	304,311	-
Capital outlay	-	130,185	-
Total transportation	<u>2,925,840</u>	<u>2,509,557</u>	<u>416,283</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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	83,934	-
Other operating expenditures	-	13,906	-
Capital outlay	-	-	-
Total environmental protection	<u>123,720</u>	<u>97,840</u>	<u>25,880</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,133,124	-
Other operating expenditures	-	498,378	-
Capital outlay	-	196,465	-
Total culture and recreation	<u>2,170,530</u>	<u>1,827,967</u>	<u>342,563</u>
Debt service:			
Principal retirement	-	940,870	-
Interest and other charges	-	354,077	-
Total debt service	<u>1,306,710</u>	<u>1,294,947</u>	<u>11,763</u>
Total expenditures	<u>14,186,410</u>	<u>12,777,980</u>	<u>1,408,430</u>
Revenues over (under) expenditures	<u>(2,700,240)</u>	<u>(1,223,967)</u>	<u>1,476,273</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,456,370	1,456,370	
Transfer to other funds:			
Capital Projects Fund	-	-	
Appropriations from fund balance	1,243,870	-	
Total	<u>\$ 2,700,240</u>	<u>1,456,370</u>	<u>\$ (1,243,870)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	232,403	<u>\$ 232,403</u>
Fund balances:			
Beginning of year, July 1		<u>6,667,300</u>	
End of year, June 30		<u>\$ 6,899,703</u>	

**Town of Waynesville
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013**

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 247,719	\$ 294,599	\$ 7,384	\$ 549,702
Accounts and interest receivable	-	53	1	54
Due from other governments	-	-	-	-
Total assets	\$ 247,719	\$ 294,652	\$ 7,385	\$ 549,756
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable-perpetual maintenance	-	294,652	-	294,652
Restricted-Cultural and Recreation	-	-	7,385	7,385
Committed-General Government	247,719	-	-	247,719
Total fund balances	247,719	294,652	7,385	549,756
Total liabilities and fund balances	\$ 247,719	\$ 294,652	\$ 7,385	\$ 549,756

Town of Waynesville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Sales and services	-	13,450	-	13,450
Miscellaneous revenue	-	-	-	-
Total revenues	-	13,450	-	13,450
Expenditures:				
Cultural and recreation	-	-	-	-
General government	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	13,450	-	13,450
Other financing sources:				
Transfers from other funds:				
General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	13,450	-	13,450
Fund balances:				
Beginning of year, July 1	247,719	281,202	7,385	536,306
End of year, June 30	\$ 247,719	\$ 294,652	\$ 7,385	\$ 549,756

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, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
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	675,390	675,390	-	675,390	-
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			247,719		
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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for service	\$ 9,405,270	\$ 8,697,211	\$ (708,059)
Other operating revenue	-	-	-
Total operating revenues	<u>9,405,270</u>	<u>8,697,211</u>	<u>(708,059)</u>
Nonoperating revenues:			
Miscellaneous	-	18,786	-
Total nonoperating revenues	<u>11,570</u>	<u>18,786</u>	<u>7,216</u>
Total revenues	<u>9,416,840</u>	<u>8,715,997</u>	<u>(700,843)</u>
Expenditures:			
Finance and administration:			
Charge for services	415,030	415,030	-
Electrical operations:			
Salaries and employee benefits	-	365,436	-
Professional services	-	29,482	-
Maintenance	-	187,342	-
Other departmental expenditures	-	178,369	-
Capital outlay	-	14,300	-
Total	<u>931,080</u>	<u>774,929</u>	<u>156,151</u>
Electrical power purchases	<u>6,763,300</u>	<u>5,898,523</u>	<u>864,777</u>
Debt service:			
Principal payments	-	267,880	-
Interest and fees	-	84,376	-
Total	<u>352,300</u>	<u>352,256</u>	<u>44</u>
Total expenditures	<u>8,461,710</u>	<u>7,440,738</u>	<u>1,020,972</u>
Revenues over expenditures	<u>955,130</u>	<u>1,275,259</u>	<u>320,129</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>320,470</u>	-	<u>(320,470)</u>
Total other financing (uses)	<u>(955,130)</u>	<u>(1,275,600)</u>	<u>(320,470)</u>
Net change in fund balance	<u>\$ -</u>	<u>(341)</u>	<u>\$ (341)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		267,880	
Capital outlays		14,300	
Depreciation		(281,277)	
Decrease in long-term debt accrued interest		5,897	
Increase in OPEB liability		(10,659)	
Increase in accrued vacation pay		(1,597)	
Total		<u>(5,456)</u>	
Change in net position		<u>\$ (5,797)</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, 2013

	2013		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 2,465,029	\$ -
Taps and connection fees	-	36,015	-
Total operating revenues	<u>2,495,400</u>	<u>2,501,044</u>	<u>5,644</u>
Nonoperating revenues:			
Miscellaneous	-	15,083	-
Total nonoperating revenues	<u>76,800</u>	<u>15,083</u>	<u>(61,717)</u>
Total revenues	<u>2,572,200</u>	<u>2,516,127</u>	<u>(56,073)</u>
Expenditures:			
Finance and administration:			
Charge for services	215,830	215,828	2
Total	<u>215,830</u>	<u>215,828</u>	<u>2</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	344,405	-
Maintenance	-	215,068	-
Professional services	-	20,000	-
Other departmental expenditures	-	130,315	-
Capital outlay	-	265,503	-
Total	<u>1,102,760</u>	<u>975,291</u>	<u>127,469</u>
Operations department:			
Salaries and employee benefits	-	417,348	-
Professional services	-	9,683	-
Utilities	-	19,710	-
Maintenance	-	132,969	-
Other departmental expenditures	-	89,973	-
Capital outlay	-	396,141	-
Total	<u>1,361,480</u>	<u>1,065,824</u>	<u>295,656</u>
Total water maintenance and distribution	<u>2,464,240</u>	<u>2,041,115</u>	<u>423,125</u>
Debt service:			
Principal payments	-	239,845	-
Interest and fees	-	63,145	-
Total	<u>304,060</u>	<u>302,990</u>	<u>1,070</u>
Total expenditures	<u>2,984,130</u>	<u>2,559,933</u>	<u>424,197</u>
Revenues over expenditures	<u>(411,930)</u>	<u>(43,806)</u>	<u>368,124</u>
Other financing sources (uses):			
Transfers (to)/from other funds:			
Transfer to General Fund	(103,370)	(103,370)	-
Proceeds from capital lease	400,000	-	(400,000)
Fund balance appropriated	115,300	-	(115,300)
Total other financing (uses)	<u>411,930</u>	<u>(103,370)</u>	<u>(115,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>(147,176)</u>	<u>\$ 252,824</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		239,845	
Capital outlays		661,644	
Depreciation		(545,477)	
Increase in long-term debt accrued interest		(1,427)	
Increase in OPEB liability		(27,410)	
Decrease in accrued vacation pay		4,748	
Total		<u>331,923</u>	
Change in net position		<u>\$ 184,747</u>	

Town of Waynesville, North Carolina
Water Line Replacement Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
State Grant revenue	\$ 213,000	\$ 213,333	\$ -	\$ 213,333	\$ (333)
Total revenues	<u>213,000</u>	<u>213,333</u>	<u>-</u>	<u>213,333</u>	<u>(333)</u>
Expenditures:					
Engineering fees	76,000	73,250	-	73,250	2,750
Administrative costs	-	19,455	302	19,757	(19,757)
Closing costs	17,740	-	-	-	17,740
Construction costs	986,000	1,025,066	-	1,025,066	(39,066)
Contingency	38,000	-	-	-	38,000
Total Expenditures	<u>1,117,740</u>	<u>1,117,771</u>	<u>302</u>	<u>1,118,073</u>	<u>(333)</u>
Revenues over (under) expenditures	<u>(904,740)</u>	<u>(904,438)</u>	<u>(302)</u>	<u>(904,740)</u>	<u>-</u>
Other financing sources:					
Loan proceeds	904,740	771,655	133,085	904,740	-
Total other financing sources	<u>904,740</u>	<u>771,655</u>	<u>133,085</u>	<u>904,740</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (132,783)</u>	132,783	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>(132,783)</u>		
End of year, June 30			<u>\$ -</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, 2013

	2013		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 1,980,110	\$ -
Taps and connection fees	-	16,500	-
Impact fees	-	-	-
Industrial discharge permits	-	-	-
Total operating revenues	<u>1,961,950</u>	<u>1,996,610</u>	<u>34,660</u>
Nonoperating revenues:			
Miscellaneous	-	320	320
Total nonoperating revenues	<u>940</u>	<u>320</u>	<u>(620)</u>
Total revenues	<u>1,962,890</u>	<u>1,996,930</u>	<u>34,040</u>
Expenditures:			
Finance and administration:			
Charges by general fund	<u>183,540</u>	<u>183,539</u>	<u>1</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	202,312	-
Professional services	-	20,788	-
Maintenance	-	48,506	-
Other departmental expenditures	-	40,167	-
Capital outlay	-	204,029	-
Total	<u>755,500</u>	<u>515,802</u>	<u>239,698</u>
Operations department:			
Salaries and employee benefits	-	547,217	-
Professional services	-	8,557	-
Utilities	-	180,476	-
Maintenance	-	71,300	-
Other departmental expenditures	-	75,697	-
Capital outlay	-	27,505	-
Total	<u>1,113,100</u>	<u>910,752</u>	<u>202,348</u>
Total waste collection and treatment	<u>1,868,600</u>	<u>1,426,554</u>	<u>442,046</u>
Debt service:			
Principal payments	-	35,942	-
Interest and fees	-	7,156	-
Total	<u>43,100</u>	<u>43,098</u>	<u>2</u>
Total expenditures	<u>2,095,240</u>	<u>1,653,191</u>	<u>442,049</u>
Revenues over expenditures	<u>(132,350)</u>	<u>343,739</u>	<u>476,089</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers to general fund:	(77,400)	(77,400)	-
Fund balance appropriated	209,750	-	(209,750)
Total other financing sources	<u>132,350</u>	<u>(77,400)</u>	<u>(209,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 266,339</u>	<u>\$ 266,339</u>

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

Reconciling items:		
Principal payments	35,942	
Capital outlays	231,534	
Depreciation	(435,483)	
Decrease in long-term debt accrued interest	1,422	
Increase in OPEB liability	(24,364)	
Decrease in accrued vacation pay	2,475	
Total	<u>(188,474)</u>	
Change in net position	<u>\$ 77,865</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, 2013

	2013		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 259,890	\$ 248,456	\$ (11,434)
Total operating revenues	259,890	248,456	(11,434)
Nonoperating revenues:			
Miscellaneous	-	3,132	3,132
Total nonoperating revenues	40	3,132	3,092
Total revenues	259,930	251,588	(8,342)
Expenditures:			
Salaries and employee benefits	-	183,095	
Occupancy costs	-	11,903	-
Maintenance and repairs	-	13,924	-
Materials and supplies	-	11,486	-
Other departmental expenses	-	9,125	-
Capital outlays	-	14,206	-
Total expenditures	259,930	243,739	16,191
Revenues over expenditures	-	7,849	(24,533)
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	7,849	\$ 7,849
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(18,415)	
Capital outlays		14,206	
Increase in OPEB liability		(6,852)	
Increase in accrued vacation pay		(996)	
Total reconciling items		(12,057)	
Change in net position		\$ (4,208)	

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, 2013

	2013		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 754,800	\$ 590,092	\$ (164,708)
Total operating revenues	754,800	590,092	(164,708)
Nonoperating revenues:			
Miscellaneous	-	10,728	10,728
Total nonoperating revenues	-	10,728	10,728
Total revenues	754,800	600,820	(153,980)
Expenditures:			
Salaries and employee benefits	-	98,562	-
Occupancy costs	-	59,639	-
Maintenance and repairs	-	3,600	-
Materials and supplies	-	88,056	-
Other departmental expenses	-	347,353	-
Capital outlay	-	-	-
Total expenditures	754,800	597,210	157,590
Net change in fund balance	\$ -	3,610	\$ 3,610
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(13,028)	
Capital outlay		-	
Increase in OPEB liability		(3,045)	
Increase in accrued vacation pay		(564)	
Total reconciling items		(16,637)	
Change in net position		\$ (13,027)	

Town of Waynesville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

<u>Fiscal Year</u>	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2012 - 2013	-	4,688,333	\$ 4,478,054	\$ 210,279
2011 - 2012	182,067	-	99,729	82,338
2010 - 2011	104,653	-	37,151	67,502
2009 - 2010	81,172	-	20,532	60,640
2008 - 2009	58,160	-	9,609	48,551
2007 - 2008	43,788	-	4,447	39,341
2006 - 2007	30,854	-	4,081	26,773
2005 - 2006	29,585	-	1,547	28,038
2004 - 2005	24,245	-	2,960	21,285
2003 - 2004	22,666	-	1,799	20,867
2002 - 2003	27,525	-	27,525	-
	<u>\$ 604,715</u>	<u>\$ 4,688,333</u>	<u>\$ 4,687,434</u>	<u>605,614</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(20,000)</u>
Ad valorem taxes receivable - net				<u><u>585,614</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				4,712,300
Reconciling items:				
	Interest, penalties and advertising collected			(56,091)
	Taxes written off			31,225
	Subtotal			<u>(24,866)</u>
Total collections and credits				<u><u>\$ 4,687,434</u></u>

Town of Waynesville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2013

	Town - Wide		Total Levy				
			Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:							
Property taxed at current year's rate	\$1,123,276,393	0.4082	\$4,585,214	\$4,311,643	\$ 273,571		
Municipal service district	49,891,157	0.2000	99,782	99,782	-		
Penalties	-		6,357	6,357	-		
Total	<u>1,173,167,550</u>		<u>4,691,353</u>	<u>4,417,782</u>	<u>273,571</u>		
Discoveries:							
Current year taxes	1,150,661	0.4082	4,697	4,697	-		
Penalties	-		699	699	-		
Total	<u>1,150,661</u>		<u>5,396</u>	<u>5,396</u>	<u>-</u>		
Refund of overpayments			-	-			
Abatements	<u>(2,104,000)</u>		<u>(8,416)</u>	<u>(5,618)</u>	<u>(2,798)</u>		
Total property valuation	<u>\$ 1,172,214,211</u>						
Net levy			4,688,333	4,417,560	270,773		
Uncollected taxes at June 30, 2013			<u>(210,279)</u>	<u>(168,361)</u>	<u>(41,918)</u>		
Current year's taxes collected			<u>\$4,478,054</u>	<u>\$4,249,199</u>	<u>\$ 228,855</u>		
Current levy collection percentage			<u>95.51%</u>	<u>96.19%</u>	<u>84.52%</u>		

COMPLIANCE SECTION



Ray,
Bumgarner,
Kingshill,

& Assoc., P.A.

Certified Public Accountants

(828) 452-4734
Fax (828) 452-4733

385 N. Haywood St., Suite 3
Waynesville, NC 28786

**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, 2013, 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 23, 2013. 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, Bannister, Kingshill & Assoc., P.A.

Waynesville, North Carolina

October 23, 2013

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Waynesville, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Waynesville's major federal programs for the year ended June 30, 2013. The Town of Waynesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Waynesville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waynesville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Waynesville's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Waynesville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Waynesville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Waynesville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ray, Bergerman, Kinghill & Asawa, P.A.

Waynesville, North Carolina
October 23, 2013



**Ray,
Bumgarner,
Kingshill,**

& Assoc., P.A.

Certified Public Accountants

(828) 452-4734
Fax (828) 452-4733

385 N. Haywood St., Suite 3
Waynesville, NC 28786

**Report on Compliance for Each Major State Program; Report on Internal Control over
Compliance; in Accordance with OMB Circular A-133; and the State Single Audit
Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Waynesville, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Waynesville's major state programs for the year ended June 30, 2013. The Town of Waynesville's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Waynesville's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Waynesville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Waynesville's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Waynesville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Waynesville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Waynesville's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Waynesville, North Carolina
October 23, 2013

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133 _____yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund

Dollar Threshold used to distinguish Between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? _____X_____yes _____no

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

Section II. - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

Town of Waynesville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2013

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

Town of Waynesville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2013

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

Town of Waynesville, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2013

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal: Direct & Pass-Through Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Dept. of Justice</u>				
ARRA - COPS Hiring Recovery Program	16.710		\$ 14,904	\$ -
<u>U.S. Dept. of Commerce</u>				
Passed-Through NC Dept. of Commerce-State Energy Office:				
ARRA - Smart Grid Program	81.122		1,885	-
<u>U.S. Dept. of Transportation</u>				
Passed-Through French Broad River MPO				
Unified Planning Work Program	20.205	12-061	11,860	-
<u>U.S. Dept. of the Interior</u>				
Passed-Through NC State Historic Preservation Office				
Historical Guidelines Program	15.904		4,000	-
Noncash Programs:				
<u>U.S. Environmental Protection Agency</u>				
Passed Through NC Department of Environment and Natural Resources				
Drinking Water State Revolving Fund	66.468	DEH-1311	904,740	-
State Grants:				
Cash Programs:				
<u>N.C. Dept. of Transportation:</u>				
Powell Bill		WBS 32570	-	501,838
<u>N.C. General Assembly</u>				
Passed through NC Rural Economic Development Center:				
The Strand Theatre Renovations		2012-212-60501-107	-	50,000
Town of Waynesville & Lake Junaluska Assembly				
Consolidation Feasibility Study and Asset Management Plan Update		2013-075-40101-102	-	30,000
Total Federal and State Assistance			\$ 937,389	\$ 581,838

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Waynesville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2 Loan Outstanding

Town of Waynesville has been approved for a Drinking Water State Revolving Fund (DWSRF) Revolving Loan for up to \$904,740. The Town of Waynesville had the following loan outstanding at June 30, 2013. This loan balance outstanding is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Approved Loan Amount</u>
Drinking Water State Revolving Fund	66.468	DEH-1311	\$ 904,740

**Attachment A
 Water Line Replacement Project
 Project Number DEH - 1311
 Town of Waynesville, North Carolina
 From Project Inception to June 30, 2013**

Statement of Revenues

Source of Funds:	<u>DEH - 1311</u>
Federal Funds - CFDA # 66.468 DWSRF Revolving Loan	904,740
Total source of funds	<u>\$ 904,740</u>

Statement of Expenditures

Construction Costs	\$ 821,483
Engineering Fees	63,500
Administrative Expense	19,757
Land and Right of Way	-
Land	<u>-</u>
Total Expenditures	<u>\$ 904,740</u>

Notes to the Attachment A:

The accompanying Attachment A for the Water Line Replacement Project of the Town of Waynesville, North Carolina is presented on the modified accrual basis of accounting.