

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

Town of Waynesville, North Carolina

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For the Fiscal Year Ended June 30, 2021

TOWN OFFICIALS

MAYOR

Gary Caldwell

ALDERMEN

Clarence Dixon
Jon Feichter
Julia Freeman
Anthony Sutton

ADMINISTRATIVE

Robert Hites, Town Manager
Misty Hagood, Finance Officer

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FINANCIAL SECTION



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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, 2021, 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, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2021, and the respective changes in financial position, and cash flows, where appropriate, 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, on pages 4 through 15, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 62, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 58 and 59, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 and 61 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 and the other auditor 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 basic financial statements of the Town of Waynesville, North Carolina. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022 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, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
January 10, 2022

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, 2021. 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

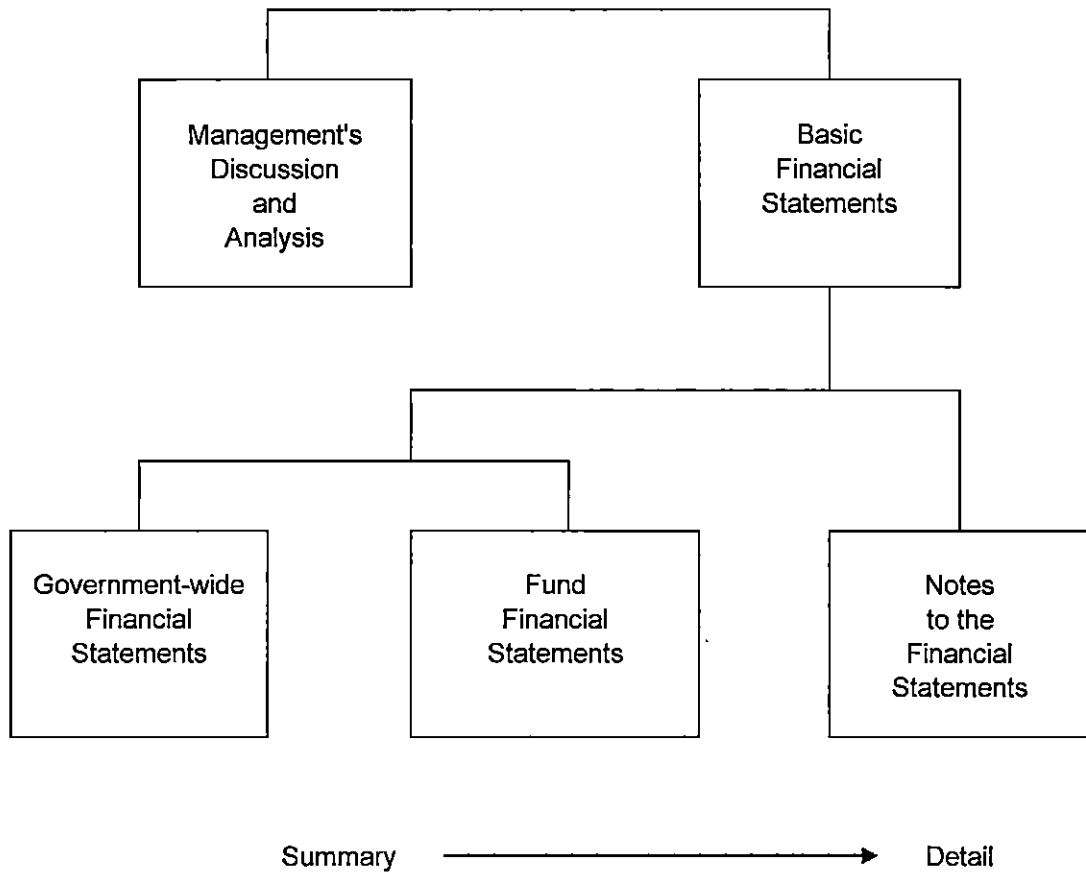
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$51,406,140 (*net position*).
- The government's total change in net position before restatement increased by \$1,587,911, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$11,843,125, an increase of \$666,431 in comparison with the prior year. This increase is due to the governmental revenues and other financing sources being over the governmental expenditures. Approximately 20.95 percent of this total amount, or \$2,481,631, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,268,928, or 58.93 percent of total General Fund expenditures for the fiscal year.
- Overall the Town of Waynesville's total net debt increased by \$2,416,817, or 12.15%. While the Town did not enter into new debt agreements in the current year, the Town did record increases in the other long-term debt items. Individually the other long-term debt items such as Total Pension Liability (LEO) increased \$489,668, Total OPEB liability increased \$2,188,381 and compensated absences decreased \$19,026. Net Pension Liability (LGRS) recorded an increase of \$785,265 and Legal Claims increased by \$5,000. Along with the increase to Net Pension Liability (LGERS), the overall increase was 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 \$5,175,411 an increase of \$42,411 or 0.8% in comparison with the prior year. As stated in previous years, the town has experienced rising and falling fuel costs that have been passed along to the Town by its supplier on a month to month basis. And an additional note to point out, the Town had entered into a new wholesale power supply agreement with a new wholesale supplier effective January 1, 2017. The prior fiscal year reported power purchases of \$5,133,000, a decrease of \$375,920 or 6.8% in comparison with the fiscal year ended June 30, 2019. The Electric Fund operating revenues for the current fiscal year reported charges for services of \$9,361,369, an increase of \$444,367 or 4.75%. The revenues are up due to a 3% rate increase. The Town's electrical rate is comprised of a base rate plus fuel adjustment. The last rate change took effect August 1, 2018 and was a 4% increase. The prior fiscal year ending June 30, 2020 reported charges for services of \$8,917,002, a decrease of \$548,154 or 5.79% in comparison with the fiscal year ended June 30, 2019.

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 ABC Board by appointing its members and because the ABC 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 asset services management operations (formerly public works) and its garage operations. Because these operations benefit predominantly governmental rather than business-type activities, they both have 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 25-57 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 58 through 62 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 13,488,399	\$ 12,808,800	10,604,802	9,331,991	\$ 24,093,201	\$ 22,140,791
Capital assets	\$ 20,939,885	\$ 20,960,232	22,766,561	22,911,116	\$ 43,706,446	\$ 43,871,348
Deferred outflows of resources	\$ 4,544,276	\$ 2,608,627	969,214	658,915	\$ 5,513,490	\$ 3,267,542
Total assets and deferred outflows of resources	<u>38,972,560</u>	<u>36,377,659</u>	<u>34,340,577</u>	<u>32,902,022</u>	<u>73,313,137</u>	<u>69,279,681</u>
Long-term liabilities outstanding	\$ 17,399,846	\$ 14,841,551	2,499,112	2,640,590	19,898,958	17,482,141
Other liabilities	\$ 530,908	\$ 546,002	729,740	715,130	1,260,648	1,261,132
Deferred inflows of resources	\$ 659,319	\$ 626,231	88,072	91,948	747,391	718,179
Total liabilities and deferred inflows of resources	<u>18,590,073</u>	<u>16,013,784</u>	<u>3,316,924</u>	<u>3,447,668</u>	<u>21,906,997</u>	<u>19,461,452</u>
Net position:						
Net invested in capital assets	\$ 16,811,673	\$ 16,286,547	21,989,753	21,647,320	38,801,426	37,933,867
Restricted	\$ 2,475,701	\$ 2,350,464	-	-	2,475,701	2,350,464
Unrestricted	\$ 1,095,113	\$ 1,726,864	9,033,900	7,807,034	10,129,013	9,533,898
Total net position	<u>\$ 20,382,487</u>	<u>\$ 20,363,875</u>	<u>31,023,653</u>	<u>29,454,354</u>	<u>\$ 51,406,140</u>	<u>\$ 49,818,229</u>

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 \$51,406,140 as of June 30, 2021. The Town's net position increased \$1,587,911 or 3.2% for the fiscal year ended June 30, 2021. However, the largest portion of net position \$38,801,426 or 75.48% reflects the Town's net investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The Town of Waynesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Waynesville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Waynesville's net position \$2,475,701 or 4.82% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,129,013 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes resulted in a tax collection percentage of 97.40%. This is an increase of 0.96% from the prior year's tax collection percentage. The statewide average in fiscal year 2021 was 98.96%.
- The local option sales tax revenues (article 39, article 40, article 42 and the hold harmless amount for the article 44) totaled \$3,655,787, an increase of \$533,928 or 17.1% in comparison to the prior year.

Town of Waynesville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,823,291	\$ 2,227,460	\$15,554,731	\$15,200,357	\$17,378,022	\$17,427,817
Operating grants and contributions	345,474	765,141	-	-	345,474	765,141
Capital grants and contributions	-	-	-	180,465	-	180,465
General revenues:						
Property taxes	6,419,384	6,263,638	-	-	6,419,384	6,263,638
Other taxes	3,790,496	3,253,692	-	-	3,790,496	3,253,692
Grants and contributions not restricted to specific programs						
Other	911,343	903,855	-	-	911,343	903,855
Other	159,518	271,160	23,472	79,234	182,990	350,394
Total revenues	13,449,506	13,684,946	15,578,203	15,460,056	29,027,709	29,145,002
Expenses:						
General government	1,654,432	1,412,000	-	-	1,654,432	1,412,000
Public safety	7,406,556	6,916,122	-	-	7,406,556	6,916,122
Transportation	2,931,069	2,700,989	-	-	2,931,069	2,700,989
Economic development	-	-	-	-	-	-
Environmental Protection	200,766	224,421	-	-	200,766	224,421
Culture and recreation	2,270,024	2,359,257	-	-	2,270,024	2,359,257
Interest on long-term debt	133,647	146,112	-	-	133,647	146,112
Electric	-	-	7,136,125	6,935,158	7,136,125	6,935,158
Water	-	-	3,041,235	3,326,932	3,041,235	3,326,932
Sewer	-	-	2,665,944	3,163,161	2,665,944	3,163,161
Total expenses	14,596,494	13,758,901	12,843,304	13,425,251	27,439,798	27,184,152
Increase (decrease) in net position before transfers	(1,146,988)	(73,955)	2,734,899	2,034,805	1,587,911	1,960,850
Transfers	1,165,600	1,275,600	(1,165,600)	(1,275,600)	-	-
Increase in net position	18,612	1,201,645	1,569,299	759,205	1,587,911	1,960,850
Net position, July 1, beginning,	20,363,875	19,162,230	29,454,354	28,695,149	49,818,229	47,857,379
Net position, June 30	\$20,382,487	\$20,363,875	\$31,023,653	\$29,454,354	\$51,406,140	\$49,818,229

Governmental activities. For the year ended June 30, 2021, Governmental activities increased the Town's net position by \$18,612. Key elements of this increase are as follows:

- Depreciation exceeding capital outlay will lower net position. Governmental activities' depreciation exceeded capital outlay by \$7,923.
- This net position increase would have been a decrease except for the Town's net transfer of \$1,165,600 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2020, June 30, 2019 and June 30, 2018, the governmental activities increased \$1,201,645, increased \$523,497, and increased 449,549, respectively, after the Town transferred \$1,275,600, \$1,275,600 and 1,489,610, respectively, from business-type activities to the governmental activities.

- Also for comparison, the Town's total General Fund revenues and asset sales for the year ended June 30, 2021 totaled \$13,492,106, a decrease of \$6,196 or 0.05% from the prior year. The total General Fund expenditures total \$14,030,678, an increase of \$908,573 or 6.92%.

Business-type activities: For the year ended June 30, 2021, business-type activities increased the Town's net position by \$1,569,299. Key elements of this increase are as follows:

- The Town increased sewer rates 10%, increased water rates 5% and increased the electric base rates 3% in the current year.
- Depreciation exceeding capital outlay will lower net position. Business-type activities' depreciation exceeded capital outlay by \$1,015,432.
- The net position increase would be a greater increase; however, the Town transferred \$1,165,600 from the business-type activities to the governmental activities.
- The Town's Electric Fund reported income before contributions and transfers of \$2,226,544, an increase of \$210,381 or 10.43% from the prior year. This increase is mainly due to an increase in the base rate by 3%.
- By comparison for the year ended June 30, 2020, June 30, 2019 and June 30, 2018, the business-type activities' net position increased by \$759,205, \$879,336, and \$1,117,085, respectively, after the Town transferred \$1,275,600, \$1,489,610, and \$1,635,511, respectively, from the business-type activities to the governmental activities.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, the Town of Waynesville's fund balance available in the General Fund was \$9,361,494, while total fund balance was \$11,356,049. By comparison, the year ended June 30, 2020 fund balance available in the General Fund was \$8,495,577 and total fund balance was \$11,843,125. The Town's current fund balance available is 66.72% of General Fund expenditures, while total fund balance represents 84.40% of the same amount. By comparison, the year ended June 30, 2020 the fund balance available was 64.78% of the general fund expenditures, while total fund balance represents 81.76% of the same amount.

At June 30, 2021, the governmental funds of Town of Waynesville reported a combined fund balance of \$11,843,125, a net increase in fund balance of \$666,431. This represents a 5.96% increase over last year.

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

- The Town's total budget for the general fund including transfers to other funds for the year ended June 30, 2021 totaled \$16,892,508. The general breakdown of funding sources: revenues, transfer from business-type activities, sales of capital assets, and appropriations from fund balance, were

budgeted at \$13,049,333, \$1,165,600, \$10,000, and \$2,667,575, respectively. The actual revenues totaled \$13,431,917 or \$417,577 over budget. For a more detailed comparison of actual and budgeted amounts see Exhibit 5 and Exhibit B-1 in the accompanying financial statements. In these Exhibits, total revenues are broken down into eight revenue groupings. Five of the revenue groupings, unrestricted intergovernmental, restricted intergovernmental, sales and services, investment earnings and miscellaneous revenues, came in (\$82,557), (\$157,086), (\$531,680), (\$45,897) and (\$72,322) under budget respectively. These groupings were under budget due to utility franchise taxes being lower than anticipated, receiving less grant money than was budgeted, low investment earnings and the recreation department revenues below expectations due to COVID-19 and the temporary closure of the recreation center. Three of the revenue groupings, Ad valorem taxes, other taxes and licenses, permits and fees, and came in \$381,509, \$869,146 and \$21,471 over budget respectively. The prime reason Ad valorem taxes are higher is due to higher collections over the prior year. Other taxes and licenses are more than budgeted due to higher sales tax collections in article 39, 40, 42 and the hold harmless amount for article 44. Permits and fees are up as building and new developments are on the rise. Overall revenues came better than expected with the COVID-19 uncertainty. All the transfers to the general fund from business-type activities were made as budgeted and sales of capital assets brought in \$50,189 or more than expected. Overall on the expenditure side, the Town's actual General Fund's expenditures totaled \$14,030,678 or \$2,861,830 under budget. The exhibits referenced above, Exhibit 5 and Exhibit B-1, breaks out the expenditures and budget on a functional basis. The following will break out the major difference by category. In summary, as in previous years, the Town has made an extra effort to under spend expenditures to limit the use of its fund balance. The Town had budgeted to use (\$2,667,575 from general fund balance, but none was needed. In fact, on a budget basis, the Town added \$627,028 to the General Fund's 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 \$4,545,179, \$2,635,057, and \$1,696,066, respectively. In comparison to the year ended June 30, 2020, the unrestricted net position of the Electric, Water and Sewer funds totaled \$3,770,303, \$2,095,630, and \$1,724,665, respectively. The Electric, Water and Sewer fund's unrestricted net position increased/(decreased) \$774,876 or 20.55%, \$539,427 or 25.74% and (\$28,599) or (1.66%), respectively. Total change in net position of the Electric Fund at the end of the fiscal year increased \$950,944 or 16.98% while the total change in net position of the Water and Sewer Funds at the end of the fiscal year increased \$530,635 or 3.66% and \$506,568 or 6.30%. 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, 2021 totaled \$43,706,446 (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:

- Renovation of the Municipal Administration building for \$350,084.
- Construction of restrooms at the West Marshall Street park for \$150,599.
- Purchase of (1) 2021 Dodge Charger (Police) for \$25,612.
- Purchase of (1) 2020 Dodge Durango (Police) for \$35,918.
- Purchase of (1) 2021 Dodge Durango (Police) for \$34,147.
- Construction of a pedestrian bridge at the Recreation Center for \$39,325.
- Construction of sidewalks at the new Brookmont Lofts location for \$155,406.

- Purchase of a Dextron dehumidification system for at the Recreation Center for \$742,960.
- Purchase of a 2020 Ford F-150 Truck (Water) for \$38,230.
- Renovation of a digester and sludge tank improvements (Sewer) for \$128,289.
- System additions and road construction (Electric) for \$111,866.
- **Summary total of all additions \$2,482,626.**
- **Summary total of all disposals \$21,945.**

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,130,616	\$ 2,109,674	\$ 1,826,920	\$ 1,826,920	\$ 3,957,536	\$ 3,936,594
Public Art	114,547	114,547	-	-	114,547	114,547
Construction in process	275,386	685,006	1,025,708	331,152	1,301,094	1,016,158
Buildings and system	12,489,160	12,329,045	18,816,049	19,495,299	31,305,209	31,824,344
Land improvements	690,205	732,659	69,548	76,728	759,753	809,387
Equipment, furniture and fixtures	415,393	480,608	143,601	156,759	558,994	637,367
Infrastructure	3,290,977	2,668,209	-	-	3,290,977	2,668,209
Vehicles and motorized equipment	1,533,601	1,840,484	884,735	1,024,258	2,418,336	2,864,742
Total	\$ 20,939,885	\$ 20,960,232	\$ 22,766,561	\$ 22,911,116	\$ 43,706,446	\$ 43,871,348

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.

Long-term Debt. The Town's total debt outstanding for the years ending June 30, 2021, June 30, 2020, and June 30, 2019 was \$19,898,958, \$17,482,141, and \$17,403,151, respectively. All debt is backed by the full faith and credit of the Town of Waynesville. Total pension liabilities (LEO), legal claims, net pension liability (LGRS), other postemployment benefits (OPEB) and compensated absences for the year ending June 30, 2021, June 30, 2020 and June 30, 2019, make up \$15,120,373, \$11,544,660, and \$10,451,757, respectively, of the total debt outstanding respectively. The remaining balances are installment purchase obligations and notes payable.

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

Figure 5

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2019
Installment purchase obligations	\$ 4,128,212	\$ 4,673,685	\$ 776,798	\$ 1,263,796	\$ 4,905,010	\$ 5,937,481
Interfund borrowing/(receivable)	\$ 800,000	\$ 800,000	(800,000)	(800,000)	-	-
Total	\$ 4,928,212	\$ 5,473,685	\$ (23,202)	\$ 463,796	\$ 4,905,010	\$ 5,937,481

- As noted earlier, the Town did not enter into new debt agreements. The Town’s total installment debt decreased (\$1,032,472) or (17.39%) during the current fiscal year. This decrease was the result of principal payments on existing debt.
- In lieu of entering into new debt with an outside lender in the previous year, the Town Board approved an interfund borrowing whereby the Electric Fund loaned the General Fund \$800,000 for repairs to the Dextron unit at the recreation center building. The terms of repayment have not yet been established.

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 \$98,023,540.

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

Town of Waynesville
Budget Comparison
For the Year Ending June 30, 2022

	FY 21-22 Budget	FY 20-21 Budget*	Difference	%
General	17,135,053	15,750,580	1,384,473	8.79%
Electric	10,730,854	10,097,795	633,059	6.27%
Water	3,753,200	3,644,830	108,370	2.97%
Sewer	3,981,900	3,523,815	458,085	13.00%
Total	35,601,007	33,017,020	2,583,987	7.83%

*with amendments

- The tax rate changed to \$0.4392 per hundred valuation.
- Sewer rates increased 10%.
- While most all the other fees remain unchanged, some minor increases are seen in other areas.

The General Fund budget increased \$1,384,473 from the prior year. There were several reasons for the increase including increased insurance and retirement costs, funding for the Career Track program and capital items.

The Electric Fund budget is \$633,059 higher than the prior year. The main reason for this increase is due to capital outlay but a rate increase was not required due to economic growth.

The Water Fund budget is \$108,370 more than the prior year. The majority of this increase is due to water line repairs and new radio read meters.

The Sewer Fund budget is \$458,085 higher than the prior year. This is mainly due to inflow and infiltration projects and the purchase of a new dump truck.

Budget Summary for the Fiscal Year Ending June 30, 2022

Town of Waynesville
Budget Summary
For the Year Ending June 30, 2022

	General Fund	Electric Fund	Water Fund	Sewer Fund
Revenues	\$ (14,625,587)	\$ (10,635,190)	\$ (3,541,000)	\$ (3,711,900)
Transfer from Other Funds	(1,275,600)	-	-	-
Appropriations from Fund Balance (use)/add	(1,233,866)	(95,664)	(212,200)	(270,000)
Total Sources	\$ (17,135,053)	\$ (10,730,854)	\$ (3,753,200)	\$ (3,981,900)
Expenditures:				
Governing Body	\$ 42,640	\$ -	\$ -	\$ -
Administration	343,443	-	-	-
Finance	245,199	-	-	-
Planning and Code Enforcement	926,098	-	-	-
Special Appropriations	553,502	-	-	-
Police	5,511,290	-	-	-
Fire	2,629,732	-	-	-
Streets, Sanitation & Powell Bill	3,431,702	-	-	-
Cemetery	288,995	-	-	-
Parks and Recreation	2,774,467	-	-	-
Maintenance	-	2,728,264	2,127,225	1,227,867
Treatment	-	-	1,135,485	1,894,803
Finance and Administration	-	863,490	490,490	479,230
Power Purchases	-	5,863,500	-	-
Debt Service	387,985	-	-	380,000
Transfer to Other Funds	-	1,275,600	-	-
Miscellaneous	-	-	-	-
Total Uses	\$ 17,135,053	\$ 10,730,854	\$ 3,753,200	\$ 3,981,900

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,049,487	\$ 7,348,457	\$ 18,397,944	\$ 904,378
Taxes receivables (net)	600,530	-	600,530	-
Accrued interest receivable on taxes	150,698	-	150,698	-
Other receivables	23,069	118	23,187	-
Accounts receivable (net)	103,811	2,382,108	2,485,919	-
Due from other governments	1,467,089	-	1,467,089	-
Internal balances	(157,588)	157,588	-	-
Inventories	58,820	491,408	550,228	249,922
Prepaid items	-	-	-	7,974
Restricted cash and cash equivalents	192,483	225,123	417,606	-
Total current assets	<u>13,488,399</u>	<u>10,604,802</u>	<u>24,093,201</u>	<u>1,162,274</u>
Noncurrent assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,520,549	2,852,628	5,373,177	509,646
Other capital assets, net of depreciation	18,419,336	19,913,933	38,333,269	681,494
Total capital assets	<u>20,939,885</u>	<u>22,766,561</u>	<u>43,706,446</u>	<u>1,191,140</u>
Total noncurrent assets	<u>20,939,885</u>	<u>22,766,561</u>	<u>43,706,446</u>	<u>1,191,140</u>
Total assets	<u>34,428,284</u>	<u>33,371,363</u>	<u>67,799,647</u>	<u>2,353,414</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	2,427,497	454,930	2,882,427	53,060
OPEB deferrals	2,116,779	514,284	2,631,063	-
Total deferred outflows of resources	<u>4,544,276</u>	<u>969,214</u>	<u>5,513,490</u>	<u>53,060</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 450,780	\$ 502,153	\$ 952,933	\$ 360,390
Accrued interest payable	66,467	2,464	68,931	-
Customer deposits	13,661	225,123	238,784	-
Current portion of long-term liabilities	714,995	197,107	912,102	59,509
Total current liabilities	<u>1,245,903</u>	<u>926,847</u>	<u>2,172,750</u>	<u>419,899</u>
Long-term liabilities:				
Net pension liability	3,349,336	841,935	4,191,271	58,606
Total pension liability	1,834,928	-	1,834,928	-
Total OPEB liability	6,761,501	1,561,064	8,322,565	-
Long-term interfund borrowing	800,000	(800,000)	-	-
Due in more than one year	3,939,086	699,006	4,638,092	26,660
Total liabilities	<u>17,930,754</u>	<u>3,228,852</u>	<u>21,159,606</u>	<u>505,165</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	9,576	-	9,576	-
Other unearned revenues	254,363	-	254,363	-
Pension deferrals	153,537	32,237	185,774	-
OPEB deferrals	241,843	55,835	297,678	-
Total deferred inflows of resources	<u>659,319</u>	<u>88,072</u>	<u>747,391</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	16,811,673	21,989,753	38,801,426	1,119,859
Restricted for:				
Cemetery Perpetual care	487,076	-	487,076	-
Stabilization by State Statute	1,796,142	-	1,796,142	-
Transportation	192,483	-	192,483	-
Working Capital	-	-	-	119,850
Unrestricted	1,095,113	9,033,900	10,129,013	661,600
Total net position	<u>\$ 20,382,487</u>	<u>\$ 31,023,653</u>	<u>\$ 51,406,140</u>	<u>\$ 1,901,309</u>

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

Town of Waynesville, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

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			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 1,654,432	\$ 106,798	\$ -	\$ -	\$ (1,547,634)	-	\$ (1,547,634)	\$ -
Public safety	7,406,556	681,387	40,011	-	(6,685,158)	-	(6,685,158)	-
Transportation	2,931,069	771,181	305,463	-	(1,854,425)	-	(1,854,425)	-
Environmental protection	200,766	72,400	-	-	(128,366)	-	(128,366)	-
Economic and physical development	-	-	-	-	-	-	-	-
Cultural and recreation	2,270,024	191,525	-	-	(2,078,499)	-	(2,078,499)	-
Interest on long-term debt	133,647	-	-	-	(133,647)	-	(133,647)	-
Total governmental activities	14,596,494	1,823,291	345,474	-	(12,427,729)	-	(12,427,729)	-
Business-type activities:								
Electric	7,136,125	9,346,145	-	-	-	\$ 2,210,020	2,210,020	-
Water	3,041,235	3,190,529	-	-	-	149,294	149,294	-
Sewer	2,665,944	3,018,057	-	-	-	352,113	352,113	-
Total business-type activities	12,843,304	15,554,731	-	-	-	2,711,427	2,711,427	-
Total primary government	\$ 27,439,798	\$ 17,378,022	\$ 345,474	\$ -	(12,427,729)	2,711,427	(9,716,302)	-
Component units:								
ABC Board	\$ 3,038,708	\$ 3,110,089	\$ -	\$ -	-	-	-	314,008
Total component units	\$ 3,038,708	\$ 3,110,089	\$ -	\$ -	-	-	-	314,008
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,419,384	-	6,419,384	-
Other taxes					3,790,496	-	3,790,496	-
Grants and contributions not restricted to specific programs					911,343	-	911,343	-
Investment earnings					4,306	2,973	7,279	-
Miscellaneous					155,212	20,499	175,711	-
Total general revenues not including transfers					11,280,741	23,472	11,304,213	-
Transfers, net					1,165,600	(1,165,600)	-	-
Total general revenues and transfers					12,446,341	(1,142,128)	11,304,213	-
Change in net position					18,612	1,569,299	1,587,911	314,008
Net position-beginning of year					20,363,875	29,454,354	49,818,229	1,587,301
Net position-end of year					\$ 20,382,487	\$ 31,023,653	\$ 51,406,140	\$ 1,901,309

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

**Town of Waynesvills
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Fund		Total Governmental Funds
	General	Total Non- Major Funds	
ASSETS			
Cash and cash equivalents	\$ 10,257,067	\$ 487,068	\$ 10,744,135
Receivables, net:			
Taxes	600,530	-	600,530
Accounts	103,811	-	103,811
Due from other governmental agencies	1,467,089	-	1,467,089
Other receivable	23,052	8	23,060
Inventories	5,930	-	5,930
Prepays	-	-	-
Restricted cash and cash equivalents	192,483	-	192,483
Total assets	<u>\$ 12,649,962</u>	<u>\$ 487,076</u>	<u>\$ 13,137,038</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 415,783	\$ -	\$ 415,783
Performance bonds	13,661	-	13,661
Total liabilities	<u>429,444</u>	<u>-</u>	<u>429,444</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	600,530	-	600,530
Prepaid taxes	9,576	-	9,576
Other unearned revenues	254,363	-	254,363
Total deferred inflows of resources	<u>864,469</u>	<u>-</u>	<u>864,469</u>
FUND BALANCES			
Non Spendable			
Inventories	5,930	-	5,930
Prepays	-	-	-
Perpetual maintenance	-	487,076	487,076
Restricted			
Stabilization by State Statute	1,796,142	-	1,796,142
Streets-Powell bill	68,953	-	68,953
Streets-paving	123,530	-	123,530
Committed			
General Government	-	-	-
Assigned			
Subsequent year's expenditures	983,866	-	983,866
Public Safety	108,700	-	108,700
Unassigned	8,268,928	-	8,268,928
Total fund balances	<u>11,356,049</u>	<u>487,076</u>	<u>11,843,125</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,649,962</u>	<u>\$ 487,076</u>	<u>\$ 13,137,038</u>

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

Total Fund Balance, Governmental Funds	11,843,125
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,939,885
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	150,698
Deferred outflows of resources related to pensions are not reported in the funds	2,427,497
Deferred outflows of resources related to OPEB are not reported in the funds	2,116,779
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.	165,666
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	600,530
Net pension liability	(3,349,336)
Total pension liability	(1,834,928)
OPEB liability	(6,761,501)
Interfund borrowing	(800,000)
Deferred inflows of resources related to pensions are not reported in the funds	(153,537)
Deferred inflows of resources related to OPEB are not reported in the funds	(241,843)
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>(4,720,548)</u>
Net position of governmental activities	<u>\$ 20,382,487</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, 2021

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 6,473,119	\$ -	\$ 6,473,119
Other taxes and licenses	3,790,496	-	3,790,496
Unrestricted intergovernmental	911,343	-	911,343
Restricted intergovernmental	345,474	-	345,474
Permits and fees	229,321	-	229,321
Sales and services	1,554,770	39,200	1,593,970
Investment earnings	4,103	-	4,103
Miscellaneous	123,291	203	123,494
Total revenues	13,431,917	39,403	13,471,320
EXPENDITURES			
Current:			
General government	1,639,341	-	1,639,341
Public safety	6,488,082	-	6,488,082
Transportation	2,561,336	-	2,561,336
Environmental protection	183,284	-	183,284
Culture and recreation	2,561,581	-	2,561,581
Debt service:			
Principal	458,806	-	458,806
Interest and other charges	138,248	-	138,248
Total expenditures	14,030,678	-	14,030,678
Excess (deficiency) of revenues over expenditures	(598,761)	39,403	(559,358)
OTHER FINANCING SOURCES			
Transfers from other funds	1,275,600	-	1,275,600
Transfers to other funds	(110,000)	-	(110,000)
Sales of capital assets	60,189	-	60,189
Total other financing sources	1,225,789	-	1,225,789
Net change in fund balance	627,028	39,403	666,431
Fund balances-beginning	10,729,021	447,673	11,176,694
Fund balances-ending	\$ 11,356,049	\$ 487,076	\$ 11,843,125

(continued)

Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 666,431
<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	1,149,173
Depreciation expense for governmental assets	(1,083,525)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	590,503
<p>Benefit payments paid for LEOSSA are not included on the Statement of Activities</p>	
	119,020
<p>OPEB benefit payments made in the current fiscal year are not included on the Statement of Activities</p>	
	186,934
<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	(53,735)
<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>	
Principal payments on long-term debt	458,806
Accrued interest on installment purchases obligations	4,601
<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	28,163
Claims and judgements	(5,000)
LGERS Pension expense	(1,009,311)
LEOSSA pension expense	(213,305)
OPEB plan expense	(729,893)
<p>Consolidation adjustment for internal balances between the internal service funds and the governmental funds</p>	
	58,848
Net revenue of internal service funds determined to be governmental-type	<u>(149,098)</u>
Total changes in net position of governmental activities	<u>\$ 18,612</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, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 6,091,610	\$ 6,091,610	\$ 6,473,119	\$ 381,509
Other taxes and licenses	2,921,350	2,921,350	3,790,496	869,146
Unrestricted intergovernmental	993,900	993,900	911,343	(82,557)
Restricted intergovernmental	467,297	502,560	345,474	(157,086)
Permits and fees	207,850	207,850	229,321	21,471
Sales and services	2,086,450	2,086,450	1,554,770	(531,680)
Investment earnings	50,000	50,000	4,103	(45,897)
Miscellaneous	195,613	195,613	123,291	(72,322)
Total revenues	13,014,070	13,049,333	13,431,917	382,584
Expenditures:				
Current:				
General government	1,778,735	2,207,762	1,639,341	568,421
Public safety	6,890,085	7,262,356	6,488,082	774,274
Transportation	3,137,715	3,392,645	2,561,336	831,309
Environmental protection	242,620	244,651	183,284	61,367
Cultural and recreation	3,100,995	3,184,664	2,561,581	623,083
Debt service:				
Principal retirement	458,880	458,880	458,806	74
Interest and other charges	141,550	141,550	138,248	3,302
Contingency	-	-	-	-
Total expenditures	15,750,580	16,892,508	14,030,678	2,861,830
Revenues over (under) expenditures	(2,736,510)	(3,843,175)	(598,761)	3,244,414
Other financing sources (uses):				
Transfers from other funds	1,275,600	1,275,600	1,275,600	-
Transfers to other funds	-	(110,000)	(110,000)	-
Sales of capital assets	10,000	10,000	60,189	50,189
Appropriations from fund balance	1,450,910	2,667,575	-	(2,667,575)
Total other financing sources (uses)	2,736,510	3,843,175	1,225,789	(2,617,386)
Net change in fund balance	\$ -	\$ -	627,028	\$ 627,028
Fund balances, beginning of year			10,729,021	
Fund balances, end of year			<u>11,356,049</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, 2021

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,740,924	\$ 2,777,634	\$ 1,829,899	\$ 7,348,457	\$ 248,637	\$ 56,715
Accounts receivable	1,357,244	497,413	527,451	2,382,108	-	-
Other receivables	40	45	33	118	7	2
Inventories	304,385	163,068	23,955	491,408	8,261	44,629
Restricted cash and cash equivalents	159,848	65,275	-	225,123	-	-
Total current assets	<u>4,562,441</u>	<u>3,503,435</u>	<u>2,381,338</u>	<u>10,447,214</u>	<u>256,905</u>	<u>101,346</u>
Non Current assets:						
Interfund receivable	800,000	-	-	800,000	-	-
Capital assets:						
Land and Construction in Progress	230,058	1,486,362	1,112,663	2,829,083	126,618	15,822
Other capital assets, net of depreciation	2,552,213	11,645,194	5,740,071	19,937,478	2,425,618	63,933
Capital assets (net)	<u>2,782,271</u>	<u>13,131,556</u>	<u>6,852,734</u>	<u>22,766,561</u>	<u>2,552,236</u>	<u>79,755</u>
Total noncurrent assets	<u>3,582,271</u>	<u>13,131,556</u>	<u>6,852,734</u>	<u>23,566,561</u>	<u>2,552,236</u>	<u>79,755</u>
Total assets	<u>\$ 8,144,712</u>	<u>\$ 16,634,991</u>	<u>\$ 9,234,072</u>	<u>\$ 34,013,775</u>	<u>\$ 2,809,141</u>	<u>\$ 181,101</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	\$ 77,478	\$ 191,261	\$ 186,191	\$ 454,930	\$ 143,398	\$ 37,359
OPEB deferrals	91,968	192,620	229,696	514,284	167,522	36,364
Total deferred outflows of resources	<u>\$ 169,446</u>	<u>\$ 383,881</u>	<u>\$ 415,887</u>	<u>\$ 969,214</u>	<u>\$ 310,920</u>	<u>\$ 73,723</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	384,634	91,971	28,012	504,617	25,535	9,462
Customer deposits	159,848	65,275	-	225,123	-	-
Compensated absences - current	8,132	30,006	32,462	70,600	30,420	3,398
Installment purchases payable-current	30,662	95,845	-	126,507	86,667	-
Total current liabilities	<u>583,276</u>	<u>283,097</u>	<u>60,474</u>	<u>926,847</u>	<u>142,622</u>	<u>12,860</u>
Noncurrent liabilities:						
Installment purchases payable	-	650,291	-	650,291	823,333	-
Compensated absences	13,437	31,014	4,264	48,715	10,245	6,324
Net pension liability	143,388	353,966	344,581	841,935	265,388	69,139
Total OPEB liability	262,394	643,459	655,211	1,561,064	540,017	127,036
Total noncurrent liabilities	<u>419,219</u>	<u>1,678,730</u>	<u>1,004,056</u>	<u>3,102,005</u>	<u>1,638,983</u>	<u>202,499</u>
Total liabilities	<u>1,002,495</u>	<u>1,961,827</u>	<u>1,064,530</u>	<u>4,028,852</u>	<u>1,781,605</u>	<u>215,359</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	5,490	13,553	13,194	32,237	10,161	2,647
OPEB deferrals	9,385	23,015	23,435	55,835	19,316	4,544
Total deferred inflows of resources	<u>\$ 14,875</u>	<u>\$ 36,568</u>	<u>\$ 36,629</u>	<u>\$ 88,072</u>	<u>\$ 29,477</u>	<u>\$ 7,191</u>
NET POSITION						
Net investment in capital assets	2,751,609	12,385,420	6,852,734	21,989,763	1,642,536	79,755
Unrestricted	4,545,179	2,635,057	1,696,066	8,876,302	(333,557)	(47,481)
Total net position	<u>\$ 7,296,788</u>	<u>\$ 15,020,477</u>	<u>\$ 8,548,800</u>	<u>30,866,065</u>	<u>\$ 1,308,979</u>	<u>\$ 32,274</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>157,588</u>		
Net assets of business-type activities				<u>\$ 31,023,653</u>		

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, 2021

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
OPERATING REVENUES						
Charges for services	\$ 9,361,369	\$ 3,190,529	\$ 3,061,681	\$ 15,613,579	\$ 1,483,833	\$ 678,445
Other operating revenue	-	-	-	-	-	-
Total operating revenues	9,361,369	3,190,529	3,061,681	15,613,579	1,483,833	678,445
OPERATING EXPENSES						
Finance and administration	698,750	410,780	364,080	1,473,610	-	-
Electric operations	979,580	-	-	979,580	-	-
Electric power purchases	5,175,411	-	-	5,175,411	-	-
Water treatment and distribution	-	1,976,686	-	1,976,686	-	-
Waste collection and treatment	-	-	1,828,163	1,828,163	-	-
Asset Services Management	-	-	-	-	1,484,780	-
Garage operations	-	-	-	-	-	702,453
Depreciation	281,386	640,836	473,701	1,395,923	127,153	12,668
Total operating expenses	7,135,127	3,028,302	2,665,944	12,829,373	1,611,933	715,121
Operating income (loss)	2,226,242	162,227	395,737	2,784,206	(128,100)	(36,676)
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	1,015	1,127	831	2,973	171	46
Interest and other charges	(998)	(12,933)	-	(13,931)	-	-
Miscellaneous revenues (expenses)	285	20,214	-	20,499	-	15,461
Total nonoperating revenue (expenses)	302	8,408	831	9,541	171	15,507
Income (loss) before contributions and transfers	2,226,544	170,635	396,568	2,793,747	(127,929)	(21,169)
Capital contributions	-	-	-	-	-	-
Transfers (to)/from other funds	(1,275,600)	-	110,000	(1,165,600)	-	-
Change in net position	950,944	170,635	506,568	1,628,147	(127,929)	(21,169)
Total net position - beginning	6,345,844	14,849,842	8,042,232		1,436,908	53,443
Total net position - ending	\$ 7,296,788	\$ 15,020,477	\$ 8,548,800		\$ 1,308,979	\$ 32,274
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(58,848)		
Change in net position - business-type activities				\$ 1,569,299		

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, 2021

	Business-Type Activities				Governmental Activities	
	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Totals	Asset Services Management	Garage Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 9,195,122	\$ 3,102,306	\$ 2,902,679	\$ 15,200,107	\$ 1,483,845	\$ 678,446
Cash paid for goods and services	(6,366,511)	(1,421,465)	(1,133,436)	(8,921,412)	(563,983)	(480,087)
Cash paid to or on behalf of employees for services	(416,440)	(1,015,825)	(1,027,218)	(2,459,483)	(771,505)	(192,186)
Customer deposits received/(returned)	4,427	1,764	-	6,191	-	-
Net cash provided by operating activities	<u>2,416,598</u>	<u>666,780</u>	<u>742,025</u>	<u>3,825,403</u>	<u>148,357</u>	<u>6,173</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from miscellaneous sources	-	20,214	-	20,214	-	15,461
Transfers (to)/from other funds	(1,275,600)	-	110,000	(1,165,600)	-	-
Total cash flows from noncapital financing activities	<u>(1,275,600)</u>	<u>20,214</u>	<u>110,000</u>	<u>(1,145,386)</u>	<u>-</u>	<u>15,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions - state reimbursement	-	-	-	-	-	-
Principal and interest paid on long-term debt	(329,434)	(178,784)	-	(508,218)	(87,070)	-
Proceeds from sale of assets	285	-	-	285	-	-
Acquisition and construction of capital assets	(135,411)	(107,089)	(1,008,868)	(1,251,368)	(68,710)	(13,384)
Net cash used by capital and related financing activities	<u>(464,560)</u>	<u>(285,873)</u>	<u>(1,008,868)</u>	<u>(1,759,301)</u>	<u>(155,780)</u>	<u>(13,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	1,015	1,127	831	2,973	171	46
Intrafund borrowing to other fund	-	-	-	-	-	-
Net cash provided by investing activities	<u>1,015</u>	<u>1,127</u>	<u>831</u>	<u>2,973</u>	<u>171</u>	<u>46</u>
Net increase (decrease) in cash and cash equivalents	677,453	402,248	(156,012)	923,689	(7,252)	8,296
Balances-beginning of the year	2,223,319	2,440,661	1,985,911	6,649,891	255,889	48,419
Balances-end of the year	<u>\$ 2,900,772</u>	<u>\$ 2,842,909</u>	<u>\$ 1,829,899</u>	<u>\$ 7,573,580</u>	<u>\$ 248,637</u>	<u>\$ 56,715</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 2,226,242	\$ 162,227	\$ 395,737	\$ 2,784,206	\$ (128,100)	\$ (36,676)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	281,386	640,836	473,701	1,395,923	127,153	12,668
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(420,060)	(200,994)	(308,068)	(929,122)	12	1
(Increase) decrease in allowance for doubtful accounts	253,813	112,771	149,066	515,650	-	-
(Increase) decrease in inventory	(6,614)	12,977	(861)	5,502	1,256	1,352
(Increase) decrease in deferred outflows of resources for pension	(17,466)	(6,238)	(19,921)	(43,625)	(27,959)	(30,707)
(Increase) decrease in deferred outflows of resources for OPEB	(49,490)	(105,923)	(111,261)	(266,674)	(100,362)	(794)
Increase (decrease) in net pension liability	38,991	32,098	55,336	126,425	64,570	17,865
Increase (decrease) in deferred inflows of resources for pension	3,752	8,195	8,380	20,327	6,818	1,794
Increase (decrease) in accounts payable and accrued liabilities	24,856	(18,160)	9,012	15,708	(17,348)	4,751
Increase (decrease) in customer deposits	4,427	1,764	-	6,191	-	-
Increase (decrease) in deferred inflows of resources for OPEB	(1,773)	(12,682)	(9,748)	(24,203)	(175)	(971)
Increase (decrease) in OPEB liability	75,571	45,781	99,625	220,977	213,665	34,698
Increase (decrease) in accrued vacation pay	2,963	(5,872)	1,027	(1,882)	8,827	2,192
Total adjustments	<u>190,356</u>	<u>504,553</u>	<u>346,288</u>	<u>1,041,197</u>	<u>276,457</u>	<u>42,849</u>
Net cash provided by operating activities	<u>\$ 2,416,598</u>	<u>\$ 666,780</u>	<u>\$ 742,025</u>	<u>\$ 3,825,403</u>	<u>\$ 148,357</u>	<u>\$ 6,173</u>

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Waynesville ABC Board

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. 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 fund:

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

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 budgetary comparison for the Waste Water Treatment Plant Improvements Fund, a subsidiary fund of the Sewer Fund, has been included in the supplemental information.

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 Asset Services Management Fund and the Garage Operations Fund. Both internal service funds predominantly serve governmental activities.

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds

are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Waynesville because the tax is levied by Haywood County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position balances available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Waste Water Treatment Plant Improvements Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's Asset Services Management 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 project 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, fourteen 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 is 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 generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT, which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 and Motor Vehicle taxes restricted for paving total \$192,483 and are also classified as restricted cash because they 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. Any unexpended loan proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the loan was originally issued. No unexpended loan proceeds exist as of June 30, 2021.

Town of Waynesville Restricted Cash

Governmental Activities

General Fund	Streets	\$ 192,483
Total Governmental Activities		<u>\$ 192,483</u>

Business-type Activities

Electric Fund	Customer deposits	159,848
Water Fund	Customer deposits, Certificate of deposit	65,275
Total Business-type Activities		<u>\$ 225,123</u>
Total Restricted Cash		<u>\$ 417,606</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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
New Facility	40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will 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 two items that meet this criterion - pension and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

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 and views compensated absences 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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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). The governing board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Waynesville's employer contributions are recognized when due and the Town of Waynesville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

The Town had two violations of State Statutes for the year ended June 30, 2021. First, The Town spent Powell Bill funds totaling \$16,356 for the completion of a thoroughfare study, which is a disallowed expenditure per G.S. 136-41.3. The individual allocating the funds was unaware the spending was disallowed and no longer works for the Town. The new Finance Director plans to make a correction on the next year's Powell Bill report as the Town has other qualified expenditures. Second, the Town did not deposit several checks, where amounts were in excess of \$500, in a timely manner. Per State Statute 159-32, these checks should have been deposited within the same day. The new Finance Director is ensuring that cash collections are deposited daily.

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, 2021, the Town's deposits had a carrying amount of \$4,397,111 and a bank balance of \$5,041,043. Of the bank balance, \$1,209,630 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 \$904,378 and the bank balance was \$881,947. The ABC Board maintains a cash balance at a financial institution which exceeds the Federal Deposit Insurance Corporation coverage of \$250,000. At June 30, 2021, the ABC Board's uninsured cash balance was \$631,947. For the Town, all amounts exceeding FDIC insurance limits were covered by collateral held by the Pooling Method. At June 30, 2021 the Town's petty cash fund totaled \$3,000.

2. Investments

At June 30, 2021, the Town had \$14,415,439 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investor Service. This investment is measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The town has no policy regarding credit risk.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least 80 percent of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management 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.

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, 2021 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2021</u>
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	<u>56,530</u>
Total	76,530
Enterprise Funds	<u>714,234</u>
Total	<u>\$ 790,764</u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,109,674	\$ 20,942	\$ -	\$ -	\$ 2,130,616
Public art	114,547	-	-	-	114,547
Construction in progress	685,006	83,503	493,123	-	275,386
Total capital assets not being depreciated	2,909,227	104,445	493,123	-	2,520,549
Capital assets being depreciated:					
Land improvements	1,741,801	15,438	-	-	1,757,239
Buildings and building improvements	18,255,016	256,343	46,152	328,025	18,793,232
Equipment and furniture and fixtures	3,710,896	26,096	-	-	3,736,992
Vehicles and motorized equipment	7,274,048	95,677	162,073	-	7,207,652
Infrastructure	29,230,178	733,269	-	165,097	30,128,544
Total capital assets being depreciated	60,211,939	1,126,823	208,225	493,122	61,623,659
Less accumulated depreciation for:					
Land improvements	1,009,142	57,892	-	-	1,067,034
Buildings and building improvements	5,925,971	395,984	17,883	-	6,304,072
Equipment and furniture and fixtures	3,230,288	91,311	-	-	3,321,599
Vehicles and motorized equipment	5,433,564	402,560	162,073	-	5,674,051
Infrastructure	26,561,969	275,598	-	-	26,837,567
Total accumulated depreciation	42,160,934	1,223,345	179,956	-	43,204,323
Total capital assets being depreciated, net	18,051,005				18,419,336
Governmental activity capital assets, net	\$ 20,960,232				\$ 20,939,885

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

General government	\$ 74,840
Public safety	398,793
Transportation	301,067
Environmental protection	5,003
Cultural and recreational	303,820
Depreciation on capital assets held in Garage Fund charged to functions based on usage	12,669
Depreciation on capital assets held in Asset Services Management Fund charged to functions based on usage	127,153
Total depreciation expense	<u>\$ 1,223,345</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
<i>Electric Fund</i>					
Capital assets not being depreciated:					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in process	-	23,545	-	-	23,545
Total capital assets not being depreciated	230,058	23,545	-	-	253,603
Capital assets:					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	179,417	-	-	-	179,417
Vehicles and motorized equipment	1,009,130	-	-	-	1,009,130
Substations, lines, and related equipment	7,453,884	111,866	-	-	7,565,750
Total capital assets being depreciated	8,665,428	111,866	-	-	8,777,294
Less accumulated depreciation for:					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	168,156	7,654	-	-	175,810
Vehicles and motorized equipment	762,742	52,759	-	-	815,501
Substations, lines, and related equipment	5,013,345	220,973	-	-	5,234,318
Total accumulated depreciation	5,967,240	281,386	-	-	6,248,626
Total capital assets being depreciated, net	2,698,188				2,528,668
Electric fund capital assets, net	2,928,246				2,782,271
	Beginning				Ending
	Balances	Increases	Decreases	Transfers	Balances
<i>Water Fund</i>					
Capital assets not being depreciated:					
Land	1,486,362	-	-	-	1,486,362
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	1,486,362	-	-	-	1,486,362
Capital assets being depreciated:					
Land improvements	83,691	-	-	-	83,691
Buildings and building improvements	1,818,427	-	-	-	1,818,427
Equipment and furniture and fixtures	423,127	-	-	-	423,127
Vehicles and motorized equipment	1,010,206	38,230	21,945	-	1,026,491
Plant and system distributions	25,228,906	68,859	-	-	25,297,765
Total capital assets being depreciated	28,564,357	107,089	21,945	-	28,649,501
Total Capital Assets	30,050,719	107,089	21,945	-	30,135,863
Less accumulated depreciation for:					
Land improvements	47,383	3,834	-	-	51,217
Buildings and building improvements	1,225,885	26,671	-	-	1,252,556
Equipment and furniture and fixtures	356,971	12,029	-	-	369,000
Vehicles and motorized equipment	586,153	77,010	21,945	-	641,218
Plant and system distributions	14,169,024	521,292	-	-	14,690,316
Total accumulated depreciation	16,385,416	640,836	21,945	-	17,004,307
Total capital assets being depreciated, net	12,178,941				11,645,194
Water fund capital assets, net	13,665,303				13,131,556

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Sewer Fund					
Capital assets not being depreciated:					
Land	110,500	-	-	-	110,500
Construction in process	331,152	847,332	-	(176,321)	1,002,163
Total capital assets not being depreciated	441,652	847,332	-	(176,321)	1,112,663
Capital assets being depreciated:					
Land improvements	67,912	-	-	-	67,912
Buildings and building improvements	8,703,801	-	-	-	8,703,801
Equipment and furniture and fixtures	439,614	33,247	-	-	472,861
Vehicles and motorized equipment	818,437	-	-	-	818,437
Plant and system distributions	9,921,049	128,289	-	176,321	10,225,659
Total capital assets being depreciated	19,950,813	161,536	-	176,321	20,288,670
Less accumulated depreciation for:					
Land improvements	27,492	3,346	-	-	30,838
Buildings and building improvements	7,480,513	178,542	-	-	7,659,055
Equipment and furniture and fixtures	360,272	26,722	-	-	386,994
Vehicles and motorized equipment	464,621	47,983	-	-	512,604
Plant and system distributions	5,742,000	217,108	-	-	5,959,108
Total accumulated depreciation	14,074,898	473,701	-	-	14,548,599
Total capital assets being depreciated, net	5,875,915				5,740,071
Sewer fund capital assets, net	6,317,567				6,852,734
Business-type activities capital assets, net	\$ 22,911,116				\$ 22,766,561

Construction commitments

The Town has started the design phase of the Waste Water Treatment Plant and has commitments with the engineering firm for \$637,837 as of June 30, 2021.

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 509,646		\$ -	\$ -	\$ 509,646
Capital assets being depreciated:					
New Facility	793,249	-	-	-	793,249
Furniture and equipment	132,748	442	-	-	133,190
Total capital assets being depreciated	925,997	442	-	-	926,439
Less accumulated depreciation					
New Facility	134,996	20,001	-	-	154,997
Furniture and equipment	76,922	13,026	-	-	89,948
Total accumulated depreciation	211,918	33,027	-	-	244,945
Total capital assets being depreciated, net	714,079				681,494
ABC capital assets, net	\$1,223,725				\$1,191,140

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 110,556	\$ 236,305	\$ 68,922	\$ 415,783
Asset Services Management	9,011	11,976	4,548	25,535
Other Governmental	5,986	3,476	-	9,462
Total Governmental Activities	\$ 125,553	\$ 251,757	\$ 73,470	\$ 450,780
Business-type Activities:				
Water	\$ 72,755	\$ 17,066	\$ -	\$ 89,821
Sewer	7,812	20,200	-	28,012
Electric	376,710	7,610	-	384,320
Total Business-type Activities:	\$ 457,277	\$ 44,876	\$ -	\$ 502,153

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Waynesville and the ABC Board are participating employers in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed

by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Waynesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Waynesville's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Waynesville were \$820,932 for the year ended June 30, 2021.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$4,191,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to

calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town’s proportion was 0.11729%, which was a decrease of 0.00743% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,403,187. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 529,284	
Changes of assumptions	311,913	-
Net difference between projected and actual earnings on pension plan investments	589,809	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,772	160,475
Town contributions subsequent to the measurement date	820,932	-
Total	\$ 2,264,710	\$ 160,475

\$820,932 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 360,582
2023	481,344
2024	266,823
2025	174,554
2026	-
Thereafter	-
	\$ 1,283,303

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on

published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.00%	1.4%
Global Equity	42.00%	5.3%
Real Estate	8.00%	4.3%
Alternatives	8.00%	8.9%
Credit	7.00%	6.0%
Inflation Protection	6.00%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$8,503,633	\$4,191,271	\$ 607,396

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Annual Financial Report for the State of North Carolina.

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2019, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>33</u>
Total	<u><u>41</u></u>

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73:

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$111,401 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$1,834,928. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$213,305.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,558	\$ -
Changes of assumptions	425,429	25,299
Benefit payments made subsequent to the measurement date	59,730	-
Total	\$ 617,717	\$ 25,299

\$59,730 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflows	Deferred Inflows
2022	\$ 135,677	\$ 12,740
2023	130,210	8,723
2024	110,676	3,836
2025	93,618	-
2026	85,245	-
Thereafter	2,561	-
Totals	<u>\$ 557,987</u>	<u>\$ 25,299</u>

Sensitivity of the Town’s total pension liability to changes in the discount rate. The following presents the Town’s total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,992,685	\$ 1,834,928	\$ 1,690,410

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2021
Beginning balance	\$ 1,345,260
Service Cost	48,646
Interest on the total pension liability	41,981
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	58,469
Changes of assumptions or other inputs	455,562
Benefit payments	(114,990)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,834,928</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGRS	LEOSSA	Total
Pension Expense	\$ 1,403,187	\$ 213,305	\$ 1,616,492
Pension Liability	4,191,271	1,834,928	6,026,199
Proportionate share of the net pension liability	0.11729%	n/a	

Deferred of Outflows of Resources

Differences between expected and actual experience	529,284	132,558	661,842
Changes of assumptions	311,913	425,429	737,342
Net difference between projected and actual earnings on plan investments	589,809	-	589,809
Changes in proportion and differences between contributions and proportionate share of contributions	12,772	-	12,772
Benefit payments and administrative costs paid subsequent to the measurement date	820,932	59,730	880,662

Deferred of Inflows of Resources

Differences between expected and actual experience	-	-	-
Changes of assumptions	-	25,299	25,299
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	160,475	-	160,475

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State’s Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

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, 2021 were \$173,876, which consisted of \$90,760 from the Town and \$83,116 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

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.

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, 2021 were \$454,457, which consisted of \$296,270 from the Town and \$158,187 from the general employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Waynesville, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The FRSWPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Annual Financial Report for the State of North Carolina. The State's Annual Comprehensive Annual Financial Report 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.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. 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 of Waynesville pays the expense for each plan member. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,302,000 to the plan. The Town's proportionate share of the State's contribution and the liabilities and expenses related to the FRSWPF are considered immaterial to the Town.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total

portion of the net pension liability that was associated with the Town and supported by the State was \$8,283. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

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 Insurance for Retirees (Amended 02-10-2015)

Retirees must meet the NC Local Governmental Employees Retirement System (NCLGERS) or the NC Law Enforcement Officers Retirement System's (NCLEORS) eligibility guidelines for retirement.

1. A Retiree who has achieved at least ten (10) or more consecutive 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 Medicare eligibility through age or disability.
2. A Retiree of any age, who has achieved thirty (30) or more years of creditable service under the NCLGERS or the NCLEORS, with at least half of that time (15 or more years) having been in active service with the Town of Waynesville, will receive health insurance coverage, at no cost to the retiree, from the date of separation from the Town of Waynesville, regardless of age at the time of separation, until the retiree becomes Medicare eligible through age or disability.

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, 2020, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Officers</u>
Retirees and dependents receiving benefits	23	7
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>141</u>	<u>33</u>
Total	<u><u>164</u></u>	<u><u>40</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$8,322,565 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Medical – 7.00%

The discount rate is based on the June Average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2020	\$ 6,134,184
Changes for the year	
Service cost	300,145
Interest	220,693
Changes of benefit terms	-
Differences between expected and actual experience	1,042,060
Changes in assumptions or other inputs	885,366
Benefit payments	(259,883)
Net changes	<u>2,188,381</u>
Balance at 6/30/2021	<u>\$ 8,322,565</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 9,053,632	\$ 8,322,565	\$ 7,656,728

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease Medical - 6.00%</u>	<u>Discount Rate Medical - 7.00%</u>	<u>1% Increase Medical - 8.00%</u>
Total OPEB liability	\$ 7,572,580	\$ 8,322,565	\$ 9,205,305

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$844,116. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 924,933	\$ 191,574
Changes of assumptions	1,457,692	106,104
Benefit payments and administrative costs made subsequent to the measurement date	248,438	-
Total	\$ 2,631,063	\$ 297,678

\$248,438 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 323,278
2023	323,278
2024	323,278
2025	331,171
2026	336,206
Thereafter	447,466
Total	\$ 2,084,677

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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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 and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year-end is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 820,932
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	59,730
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	248,438
Differences between expected and actual experience-LGERS	529,284
Differences between expected and actual experience-LEOSSA	132,558
Differences between expected and actual experience-OPEB	924,933
Changes of assumptions-LGERS	311,913
Changes of assumptions-LEOSSA	425,429
Changes of assumptions-OPEB	1,457,692
Net difference between projected and actual-LGERS	589,809
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	<u>12,772</u>
Total	<u>\$ 5,513,490</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes not yet earned (General Fund)	\$ 9,576	\$ 9,576
Taxes receivable, net (General Fund)	-	600,530
Other unearned revenue (General Fund)	254,363	254,363
Differences between expected and actual experience-LGERS	-	-
Differences between expected and actual experience-OPEB	191,574	-
Changes in assumptions and other inputs-LEOSSA	25,299	-
Changes in assumptions and other inputs-OPEB	106,104	-
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	160,475	-
	<u>\$ 747,391</u>	<u>\$ 864,469</u>

6. Commitments

The Town had commitments of \$214,560 in its proprietary funds and \$202,190 in its general funds at June 30, 2021. These items will be funded from operating funds.

The Town held cash performance bonds with a balance at June 30, 2021 of \$13,661 from real estate developers for improvements to be made within the developments. In the Town’s opinion, the bond money will be more than sufficient to cover all costs that the Town will incur.

During the fiscal year 2018-2019, the Town entered into an IT Services contract that includes IT support and computer equipment rental for a 63-month period, April 2019 through June 2024, with a monthly payment of approximately \$14,224. The monthly payment varies based on additional services or products purchased. Additionally, the Town pays for hosting, licenses, and faxing capabilities. The total IT and related expenses for the year ended June 30, 2021 was \$170,683.

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

Years ended June 30:	
2022	170,690
2023	170,690
2024	85,385
2025	-
	-
	<u>\$426,765</u>

The Town has entered into a lease for equipment with a monthly payment of \$5,213. The town has also entered into a lease for phone equipment with a monthly payment of \$1,736, starting in September, 2018. Equipment lease expense for the year ended June 30, 2021 was \$84,091.

Future minimum annual equipment lease payments are as follows:

2022	79,936
2023	20,833
2024	-
2025	-
2026	-
	\$ 100,769

7. Risk Management

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

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

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

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

8. Claims, Judgments and Contingent Liabilities

Periodically, the Town has been a defendant to various lawsuits. The town has set up a contingent liability, in the amount of \$15,000, for legal claims. At June 30, 2021, there were no active lawsuits against the Town of Waynesville; however in the opinion of management and the Town attorney, the contingent reserve is left at \$15,000 as the ultimate effect of legal matters is present but will not have a material adverse effect on the Town’s financial position.

9. Long-Term Obligations

a. Installment Purchases, Interlocal Agreement and Construction Financing

On November 22, 2016, the Town entered into an agreement with a local bank for \$543,200 to purchase five police vehicles, one street truck, one water maintenance truck, and one electric truck. The installment contract agreement requires five annual payments of \$114,210 at 1.69% annual rate of interest. Interest expense for the year ended June 30, 2021 totaled \$3,765, with \$1,113 recorded in the governmental activities and \$2,652 recorded in the business-type activities. The portion of the note for the police cars and street truck is being shown under governmental activities and the balance was \$47,534 at June 30, 2021. The portion of the note for the water maintenance and electric trucks is being shown under business-type activities and the balance was \$64,777 at June 30, 2021.

On October 4, 2016, the Town entered into an installment purchase contract to provide improvements to the Public Works Facility. The contract requires semi-annual payments of decreasing amounts that pay \$43,333 of principal each payment at an interest rate of 2.09 percent. Interest expense for the year ended June 30, 2021 was \$19,974 This loan is shown under governmental activities and the balance was \$910,000 at June 30, 2021.

On December 3, 2015, the Town entered into an agreement with a local bank for \$521,950 to purchase five police vehicles, two street trucks, and two water maintenance trucks. The installment contract agreement requires five annual payments of \$109,326 at 1.56% annual rate of interest. Interest expense for the year ended June 30, 2021 totaled \$1,679, with \$422 recorded in the governmental activities and \$1,257 recorded in the business-type activities. The portion of the note for the police cars and street trucks is being shown under governmental activities and the balance was \$0 at June 30, 2021. The portion of the note for the water maintenance trucks is being shown under business-type activities and the balance was \$0 at June 30, 2021.

On March 14, 2014, the Town entered into an installment purchase contract for \$329,868 to fund the purchase of radio read water meters. The financing agreement requires twenty annual payments of \$16,493 at a zero percent interest rate. The loan is shown under business-type activities and the balance was \$214,414 at June 30, 2021.

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, 2021 was \$2,297. This loan is shown under governmental activities and the balance was \$94,825 at June 30, 2021.

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 \$0 at June 30, 2021.

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, 2021 was \$12,051. This loan is shown under business-type activities and the balance was \$497,607 at June 30, 2021.

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, 2021 was \$168. This loan is shown under governmental activities and the balance was \$0 at June 30, 2021.

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, 2021 was \$77,313. This loan is shown under governmental activities and the balance was \$1,710,823 at June 30, 2021.

On July 17, 2008, the Town entered into an installment purchase contract to fund the construction of a second electric substation. The contract, as refinanced, requires annual payments of \$298,254 at an interest rate of 2.18 percent. Interest expense for the year ended June 30, 2021 was \$0. This loan is shown under business-type activities and was paid off in full in the current year. The balance was \$0 at June 30, 2021.

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, 2021 was \$50,149. This loan is shown under governmental activities and the balance was \$1,298,363 at June 30, 2021.

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 contract, as refinanced, requires fifteen semi-annual fixed principal payments of \$33,333 plus interest at the rate of 2.38 percent. Interest expense for the year ended June 30, 2021 was \$2,187. This loan is shown under governmental activities and the balance was \$66,667 at June 30, 2021.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2021, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	445,894	144,383	126,507	13,146
2023	339,989	132,191	61,730	11,047
2024	299,862	121,785	61,730	10,043
2025	307,871	111,833	61,730	10,043
2026	316,182	101,789	61,730	10,043
2027-2031	1,053,957	370,232	263,415	39,166
2032-2036	312,759	274,938	139,956	-
2037-2041	335,756	207,744	-	-
2042-2046	418,414	125,086	-	-
2047-2051	297,528	22,489	-	-
2052-2056	-	-	-	-
Total	\$ 4,128,212	\$ 1,612,470	\$ 776,798	\$ 93,488
Less: current portion	(445,894)		(126,507)	
Long-term portion	\$ 3,682,318		\$ 650,291	
<u>General Obligation Bonds</u>				

At June 30, 2021, the Town of Waynesville had a legal debt margin of \$98,023,540.

b. Changes in Long-Term Liabilities

	Balance			Balance	
	June 30, 2020	Increases	Decreases	June 30, 2021	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 4,673,685	\$ -	\$ 545,473	\$ 4,128,212	\$ 445,894
Total Pension Liability (LEO)	1,345,260	604,658	114,990	1,834,928	-
Legal Claims	10,000	5,000	-	15,000	-
Net Pension Liability (LGERS)	2,690,496	658,840	-	3,349,336	-
Total OPEB liability	4,794,097	2,148,416	181,012	6,761,501	-
Compensated absences	528,013	251,957	269,101	510,869	269,101
Governmental activity long-term liabilities	<u>\$ 14,041,551</u>	<u>\$ 3,668,871</u>	<u>\$ 1,110,576</u>	<u>\$ 16,599,846</u>	<u>\$ 714,995</u>
Business-type activities:					
Electric Fund					
Installment purchases	\$ 352,706	\$ -	\$ 322,044	\$ 30,662	\$ 30,662
Total OPEB liability	186,823	92,428	16,857	262,394	-
Net Pension Liability (LGERS)	104,397	38,991	-	143,388	-
Compensated absences	18,606	11,095	8,132	21,569	8,132
Total activity Electric Fund	<u>\$ 662,531</u>	<u>\$ 142,514</u>	<u>\$ 347,033</u>	<u>\$ 458,013</u>	<u>\$ 38,794</u>
Water Fund					
Installment purchases	\$ 911,091	\$ -	\$ 164,955	\$ 746,136	\$ 95,845
Total OPEB liability	597,678	54,209	8,428	643,459	-
Net Pension Liability (LGERS)	321,868	32,098	-	353,966	-
Compensated absences	66,892	24,134	30,006	61,020	30,006
Total activity Water Fund	<u>\$ 1,897,529</u>	<u>\$ 110,441</u>	<u>\$ 203,389</u>	<u>\$ 1,804,581</u>	<u>\$ 125,851</u>
Sewer Fund					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability	555,586	141,766	42,141	655,211	-
Net Pension Liability (LGERS)	289,245	55,336	-	344,581	-
Compensated absences	35,699	33,489	32,462	36,726	32,462
Total activity Sewer Fund	<u>880,530</u>	<u>230,591</u>	<u>74,603</u>	<u>1,036,518</u>	<u>32,462</u>
Business-type activity long-term liabilities	<u>\$ 3,440,590</u>	<u>\$ 483,546</u>	<u>\$ 625,025</u>	<u>\$ 3,299,112</u>	<u>\$ 197,107</u>

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to the Town from the component unit, ABC Board	<u>\$ 26,227</u>
Due from the Governmental Funds to the Asset Services Management Fund for internal balances	<u>\$157,588</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 at June 30, 2021 consist of the following:

From the General Fund to the Sewer Fund - to fund board approved match	\$ 110,000
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	<u>104,140</u>
Total	<u>\$1,379,740</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.

Long-term interfund borrowing – On February 11, 2020 the Town Board approved General Fund borrowing of \$800,000 from the Electric Fund. The proceeds from the borrowing are being used to replace a Dextron unit at the recreation center, which was completed by June 30, 2021 Management is working to establish terms of the loan repayment. The borrowing is presented as Interfund borrowing in the government-wide financial statements. In the General fund the borrowing is shown as proceeds from interfund borrowing. In the Electric Fund the amount is shown as Interfund receivable.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 20,939,885	\$ 22,766,561
less: long-term debt	<u>4,128,212</u>	<u>776,798</u>
Net Investment in Capital Assets	<u>\$ 16,811,673</u>	<u>\$ 21,989,763</u>

E. Fund Balance

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

<i>Total fund balance - General Fund</i>	<i>\$ 11,356,049</i>
Less:	
Prepaid Items	-
Inventories	5,930
Stabilization by State Statute	1,796,142
Streets - Powell Bill & Motor Vehicle	192,483
Appropriated Fund Balance in 2019 budget	983,866
Public Safety	108,700
Working capital / Fund Balance Policy	-
Remaining Fund Balance	\$ 8,268,928

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
	\$202,190	\$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

The Town has established a Waste Water Treatment Plant Improvements funds with a project authorization of \$19,400,000. At June 30, 2021, the Town has incurred costs of \$1,002,163 related to engineering fees. During the year, the NC Local Government Commission formally approved the loan for the amount of \$19,545,900 over a term of 20 years, at a rate not to exceed 4%. Subsequent to year end, the Town began the bidding process but had not yet selected a firm to complete the work.

Subsequent to year end, the Town purchased a piece of land with the intent to build an additional Fire Station in Hazelwood. The Town paid cash of \$399,824 and closed on December 10, 2021.

The Town refinanced the USDA Loan for Fire Station #1 to purchase a fire tanker truck and to reimburse the Town for the cash used to purchase the land for the future new Fire Station. The refinancing involves a twelve year term at a 1.99% interest rate. The Town closed on this loan on December 21, 2021.

On August 6, 2021 the Town received \$1,615,955 in funding from the American Rescue Plan Act. This Federal funding is intended to speed up the United States’ recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The Town plans to use these funds in various ways to offset lost revenue due to the pandemic. The Town will receive approximately \$1.3 million more in American Rescue Plan funding during the 2022 fiscal year.

Subsequent events have been evaluated through January 10, 2022, which is the date the audit report was available to be issued.

Town of Waynesville
 Schedule of Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Waynesville's proportion of the net pension liability (asset) (%)	0.11729%	0.12472%	0.12620%	0.12672%	0.11592%	0.11821%	0.11235%	0.11320%
Waynesville's proportion of the net pension liability (asset) (\$)	\$ 4,191,271	\$ 3,406,006	\$ 2,993,896	\$ 1,935,931	\$ 2,460,207	\$ 530,519	\$ (620,080)	\$ 1,364,495
Waynesville's covered-employee payroll *	\$ 7,704,282	\$ 7,998,194	\$ 7,673,190	\$ 7,510,818	\$ 7,197,159	\$ 6,490,657	\$ 6,367,343	\$ 6,283,149
Waynesville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.40%	42.58%	39.02%	25.78%	34.18%	8.17%	(9.74%)	21.72%
Plan fiduciary net position as a percentage of the total pension liability**	96.45%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Waynesville
Schedule of Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 804,092	\$ 707,272	\$ 636,799	\$ 593,861	\$ 564,103	\$ 485,425	\$ 463,628	\$ 453,440
Contributions in relation to the contractually required contribution	804,092	707,272	636,799	593,861	564,103	485,425	463,628	453,440
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Waynesville's covered-employee payroll	\$7,749,833	\$7,704,282	\$7,998,194	\$7,673,190	\$7,510,818	\$7,197,159	\$6,490,657	\$ 6,367,343
Contributions as a percentage of covered-employee payroll	10.38%	9.18%	7.96%	7.74%	7.51%	6.74%	7.14%	7.12%

Town of Waynesville
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 1,345,260	\$ 1,256,230	\$ 1,189,141	\$ 1,088,441	\$ 1,096,940
Service Cost	48,646	50,038	54,748	46,268	46,071
Interest on the Total Pension Liability	41,981	43,929	36,319	40,718	37,962
Change in benefit terms	-	-	-	-	-
Difference between expected and actuarial experience	58,469	55,612	103,109	7,590	-
Changes of assumptions and other inputs	455,562	38,221	(47,451)	73,259	(25,397)
Benefit payments	(114,990)	(98,770)	(79,636)	(67,135)	(67,135)
Other changes	-	-	-	-	-
Ending balance	<u>\$ 1,834,928</u>	<u>\$ 1,345,260</u>	<u>\$ 1,256,230</u>	<u>\$ 1,189,141</u>	<u>\$ 1,088,441</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Waynesville
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total Pension Liability	\$ 1,834,928	\$ 1,345,260	\$ 1,256,230	\$ 1,189,141	\$ 1,088,441
Covered payroll	\$ 1,774,744	\$ 1,993,820	\$ 2,050,493	\$ 1,939,905	\$ 1,716,584
Total pension liability as a percentage of covered payroll	103.39%	67.47%	61.26%	61.30%	63.41%

Note to the schedule:

The Town of Waynesville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Waynesville
Schedule of Changes in Total OPEB Liability & Related Ratios
June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	300,145	279,620	228,792	244,994
Interest on the Total OPEB Liability and Cash Flows	220,693	215,255	169,843	144,991
Change in benefit terms	-	-	-	-
Difference between expected and actuarial experience	1,042,060	24,503	(307,109)	(5,983)
Changes of assumptions and other inputs	885,366	194,225	883,376	(219,892)
Benefit payments and implicit subsidy credit	(259,883)	(223,823)	(200,977)	(219,593)
Other changes	-	-	-	-
Net Change in total OPEB liability	2,188,381	489,780	773,925	(55,483)
Total OPEB Liability - beginning	6,134,184	5,644,404	4,870,479	4,925,962
Total OPEB Liability - ending	\$ 8,322,565	\$ 6,134,184	\$ 5,644,404	\$ 4,870,479
Covered Payroll	7,079,757	7,044,416	7,044,416	6,544,442
Total OPEB Liability as a percentage of covered payroll	117.55%	87.08%	80.13%	74.42%

Note to the schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2021	2.21
2020	3.50
2019	3.89
2018	3.56

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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 6,407,606	\$ -
Penalties and interest	-	65,513	-
Total	<u>6,091,610</u>	<u>6,473,119</u>	<u>381,509</u>
Other taxes and licenses:			
Local option sales tax	-	3,655,787	-
Gross receipts tax on short-term rental property	-	30,964	-
Privilege licenses and CATV	-	103,745	-
Total	<u>2,921,350</u>	<u>3,790,496</u>	<u>869,146</u>
Unrestricted intergovernmental:			
Utility sales tax	-	764,890	-
Beer and wine tax	-	42,313	-
ABC profit distribution	-	104,140	-
Total	<u>993,900</u>	<u>911,343</u>	<u>(82,557)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	305,384	-
Investment earnings	-	79	-
ABC Revenue for law enforcement	-	40,011	-
Other grant revenue	-	-	-
Total	<u>502,560</u>	<u>345,474</u>	<u>(157,086)</u>
Permits and fees:			
Building permits and inspection fees	-	202,888	-
Reconnect fees	-	26,433	-
Total	<u>207,850</u>	<u>229,321</u>	<u>21,471</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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Recreation department fees	-	191,525	-
Cemetery revenues	-	33,200	-
Solid waste container sales	-	22,774	-
Fire protection	-	369,437	-
Police contract services	-	107,703	-
Sanitation fee	-	748,407	-
Court costs and fees	-	1,359	-
Rents	-	80,365	-
Total	<u>2,086,450</u>	<u>1,554,770</u>	<u>(531,680)</u>
Investment earnings	50,000	4,103	(45,897)
Miscellaneous	<u>195,613</u>	<u>123,291</u>	<u>(72,322)</u>
Total revenues	<u>13,049,333</u>	<u>13,431,917</u>	<u>382,584</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	106,885	-
Other operating expenditures	-	37,190	-
Reimbursement - proprietary funds	-	(108,060)	-
Total	<u>95,990</u>	<u>36,015</u>	<u>59,975</u>
Administration:			
Salaries and employee benefits	-	464,571	-
Professional services	-	85,891	-
Other operating expenditures	-	176,039	-
Capital outlay	-	56,211	-
Reimbursement - proprietary funds	-	(587,050)	-
Total	<u>407,500</u>	<u>195,662</u>	<u>211,838</u>
Finance:			
Salaries and employee benefits	-	670,922	-
Professional services	-	78,681	-
Other operating expenditures	-	241,993	-
Capital outlay	-	-	-
Reimbursement - proprietary funds	-	(778,500)	-
Total	<u>275,846</u>	<u>213,096</u>	<u>62,750</u>

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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Planning and code enforcement:			
Salaries and employee benefits	-	549,272	-
Other operating expenditures	-	225,463	-
Capital Outlay	-	45,215	-
Total	<u>881,010</u>	<u>819,950</u>	<u>61,060</u>
cont.			
Special appropriations:			
Contributions	-	219,212	-
Capital Outlay	-	155,406	-
Total	<u>547,416</u>	<u>374,618</u>	<u>172,798</u>
Total general government	<u>2,207,762</u>	<u>1,639,341</u>	<u>568,421</u>
Public safety:			
Police:			
Salaries and employee benefits	-	3,915,447	-
Professional services	-	20,637	-
Other operating expenditures	-	782,852	-
Capital outlay	-	102,499	-
Total	<u>5,416,769</u>	<u>4,821,435</u>	<u>595,334</u>
Fire:			
Salaries and employee benefits	-	1,328,099	-
Professional services	-	10,321	-
Other operating expenditures	-	328,227	-
Capital outlay	-	-	-
Total	<u>1,845,587</u>	<u>1,666,647</u>	<u>178,940</u>
Total public safety	<u>7,262,356</u>	<u>6,488,082</u>	<u>774,274</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,019,204	-
Professional services	-	64,208	-
Other operating expenditures	-	1,077,614	-
Contracted services	-	351,122	-
Capital outlay	-	49,188	-
Total transportation	<u>3,392,645</u>	<u>2,561,336</u>	<u>831,309</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, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	124,444	-
Other operating expenditures	-	58,840	-
Capital outlay	-	-	-
Total environmental protection	<u>244,651</u>	<u>183,284</u>	<u>61,367</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,302,734	-
Other operating expenditures	-	518,193	-
Capital outlay	-	740,654	-
Total culture and recreation	<u>3,184,664</u>	<u>2,561,581</u>	<u>623,083</u>
Debt service:			
Principal payments	-	458,806	-
Interest and other charges	-	138,248	-
Total debt service	<u>600,430</u>	<u>597,054</u>	<u>3,376</u>
Contingency	-	-	-
Total expenditures	<u>16,892,508</u>	<u>14,030,678</u>	<u>2,861,830</u>
Revenues over (under) expenditures	<u>(3,843,175)</u>	<u>(598,761)</u>	<u>3,244,414</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Electric Fund	1,275,600	1,275,600	
Sewer Fund	(110,000)	(110,000)	
Sales of capital assets	10,000	60,189	
Appropriations from fund balance	2,667,575	-	
Total	<u>\$ 3,843,175</u>	<u>1,225,789</u>	<u>\$ (2,617,386)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>627,028</u>	<u>\$ 627,028</u>
Fund balances:			
Beginning of year, July 1		<u>10,729,021</u>	
End of year, June 30		<u>\$ 11,356,049</u>	

**Town of Waynesville
Combining Balance Sheet
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2021**

	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$ 487,068	\$ 487,068
Accounts and interest receivable	8	8
Due from other governments	-	-
	-	-
Total assets	\$ 487,076	\$ 487,076
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Total liabilities	-	-
 Fund balances:		
Nonspendable-perpetual maintenance	487,076	487,076
Restricted-Cultural and Recreation	-	-
Committed-General Government	-	-
Total fund balances	487,076	487,076
Total liabilities and fund balances	\$ 487,076	\$ 487,076

Town of Waynesville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2021

	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:		
Restricted intergovernmental	\$ -	\$ -
Sales and services	39,200	39,200
Miscellaneous revenue	203	203
Total revenues	39,403	39,403
Expenditures:		
Cultural and recreation	-	-
General government	-	-
Total expenditures	-	-
Revenues over (under) expenditures	39,403	39,403
Other financing sources:		
Transfers (to) from other funds:		
Public Works Building Improvement Fund	-	-
Total other financing sources	-	-
Net change in fund balance	39,403	39,403
Fund balances:		
Beginning of year, July 1	447,673	447,673
End of year, June 30	\$ 487,076	\$ 487,076

Town of Waynesville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for service	\$ 9,829,750	\$ 9,361,369	\$ (468,381)
Other operating revenue	-	-	-
Total operating revenues	<u>9,829,750</u>	<u>9,361,369</u>	<u>(468,381)</u>
Nonoperating revenues:			
Miscellaneous	-	1,300	-
Total nonoperating revenues	<u>17,040</u>	<u>1,300</u>	<u>(15,740)</u>
Total revenues	<u>9,846,790</u>	<u>9,362,669</u>	<u>(484,121)</u>
Expenditures:			
Finance and administration:			
Charge for services	825,230	698,750	126,480
Electrical operations:			
Salaries and employee benefits	-	418,083	-
Professional services	-	21,876	-
Maintenance	-	126,510	-
Other departmental expenditures	-	360,563	-
Capital outlay	-	135,411	-
Total	<u>1,765,565</u>	<u>1,062,443</u>	<u>703,122</u>
Electrical power purchases	<u>5,863,500</u>	<u>5,175,411</u>	<u>688,089</u>
Debt service:			
Principal payments	-	322,043	-
Interest and fees	-	7,391	-
Total	<u>329,500</u>	<u>329,434</u>	<u>66</u>
Total expenditures	<u>8,783,795</u>	<u>7,266,038</u>	<u>1,517,757</u>
Revenues over expenditures	<u>1,062,995</u>	<u>2,096,631</u>	<u>1,033,636</u>
Other financing sources (uses):			
Capital contributions	0	-	-
Transfers to other funds:			
Transfer to General Fund	(1,275,600)	(1,275,600)	-
Fund balance appropriated	212,605	-	(212,605)
Total other financing (uses)	<u>(1,062,995)</u>	<u>(1,275,600)</u>	<u>(212,605)</u>
Net change in fund balance	<u>\$ -</u>	<u>821,031</u>	<u>\$ 821,031</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		322,043	
Capital outlays		135,411	
Depreciation		(281,386)	
Decrease in long-term debt accrued interest		6,393	
Increase in deferred outflows of resources-pensions		17,466	
Increase in net pension liability		(38,991)	
Increase in deferred inflows of resources-pensions		(3,752)	
Increase in total OPEB liability		(75,571)	
Increase in deferred outflows of resources-OPEB		49,490	
Decrease in deferred inflows of resources-OPEB		1,773	
Increase in accrued vacation pay		(2,963)	
Total		<u>129,913</u>	
Change in net position		<u>\$ 950,944</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, 2021

	2021		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 3,057,941	\$ -
Taps and connection fees	-	132,588	-
Total operating revenues	<u>3,391,100</u>	<u>3,190,529</u>	<u>(200,571)</u>
Nonoperating revenues:			
Miscellaneous	-	21,341	-
Total nonoperating revenues	<u>33,800</u>	<u>21,341</u>	<u>(12,459)</u>
Total revenues	<u>3,424,900</u>	<u>3,211,870</u>	<u>(213,030)</u>
Expenditures:			
Finance and administration:			
Charge for services	471,090	410,780	60,310
Total	<u>471,090</u>	<u>410,780</u>	<u>60,310</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	503,340	-
Maintenance	-	274,911	-
Professional services	-	16,994	-
Other departmental expenditures	-	278,305	-
Capital outlay	-	29,401	-
Total	<u>1,733,140</u>	<u>1,102,951</u>	<u>630,189</u>
Operations department:			
Salaries and employee benefits	-	514,673	-
Professional services	-	41,562	-
Utilities	-	22,241	-
Maintenance	-	163,534	-
Other departmental expenditures	-	205,767	-
Capital outlay	-	77,688	-
Total	<u>1,284,310</u>	<u>1,025,465</u>	<u>258,845</u>
Total water maintenance and distribution	<u>3,017,450</u>	<u>2,128,416</u>	<u>889,034</u>
Debt service:			
Principal payments	-	164,955	-
Interest and fees	-	13,829	-
Total	<u>178,890</u>	<u>178,784</u>	<u>106</u>
Total expenditures	<u>3,667,430</u>	<u>2,717,980</u>	<u>949,450</u>
Revenues over (under) expenditures	<u>(242,530)</u>	<u>493,890</u>	<u>736,420</u>
Other financing sources (uses):			
Transfers (to)/from other funds:			
Transfer to General Fund	-	-	-
Fund balance appropriated	242,530	-	(242,530)
Total other financing (uses)	<u>242,530</u>	<u>-</u>	<u>(242,530)</u>
Net change in fund balance	<u>\$ -</u>	<u>493,890</u>	<u>\$ 493,890</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		164,955	
Capital outlays		107,089	
Depreciation		(640,836)	
Decrease in long-term debt accrued interest		896	
Increase in deferred outflows of resources-pensions		6,238	
Increase in net pension liability		(32,098)	
Increase in deferred inflows of resources-pensions		(8,195)	
Increase in total OPEB liability		(45,781)	
Increase in deferred outflows of resources-OPEB		105,923	
Decrease in deferred inflows of resources-OPEB		12,682	
Decrease in accrued vacation pay		5,872	
Total		<u>(323,255)</u>	
Change in net position		<u>\$ 170,635</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, 2021

	2021		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 2,960,305	\$ -
Taps and connection fees	-	101,376	-
Total operating revenues	<u>3,293,880</u>	<u>3,061,681</u>	<u>(232,199)</u>
Nonoperating revenues:			
Miscellaneous	-	831	831
Total nonoperating revenues	<u>16,900</u>	<u>831</u>	<u>(16,069)</u>
Total revenues	<u>3,310,780</u>	<u>3,062,512</u>	<u>(248,268)</u>
Expenditures:			
Finance and administration:			
Charges by general fund	<u>420,360</u>	<u>364,080</u>	<u>56,280</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	406,236	-
Professional services	-	10,558	-
Maintenance	-	57,058	-
Other departmental expenditures	-	155,179	-
Capital outlay	-	-	-
Total	<u>1,169,435</u>	<u>629,031</u>	<u>540,404</u>
Operations department:			
Salaries and employee benefits	-	624,944	-
Professional services	-	8,170	-
Utilities	-	134,777	-
Maintenance	-	75,483	-
Other departmental expenditures	-	332,320	-
Capital outlay	-	161,536	-
Total	<u>2,026,800</u>	<u>1,337,230</u>	<u>689,570</u>
Total waste collection and treatment	<u>3,196,235</u>	<u>1,966,261</u>	<u>1,229,974</u>
Debt service:			
Principal payments	-	-	-
Interest and fees	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,616,595</u>	<u>2,330,341</u>	<u>1,286,254</u>
Revenues over (under) expenditures	<u>(305,815)</u>	<u>732,171</u>	<u>1,037,986</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers from general fund:	110,000	110,000	-
Fund balance appropriated	195,815	-	(195,815)
Total other financing sources	<u>305,815</u>	<u>110,000</u>	<u>(195,815)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 842,171</u>	<u>\$ 842,171</u>

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

Reconciling items:	
Capital outlays	161,536
Depreciation	(473,701)
Increase in deferred outflows of resources-pensions	19,921
Increase in net pension liability	(55,336)
Increase in deferred inflows of resources-pensions	(8,380)
Increase in total OPEB liability	(99,625)
Increase in deferred outflows of resources-OPEB	111,261
Decrease in deferred inflows of resources-OPEB	9,748
Increase in accrued vacation pay	(1,027)
Total	<u>(335,603)</u>
Change in net position	<u>\$ 506,568</u>

Town of Waynesville, North Carolina
Waste Water Treatment Plant Improvements 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, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Engineering and professional fees	1,640,000	154,831	847,332	1,002,163	637,837
Equipment	500,000	-	-	-	500,000
Land Purchase	500,000	-	-	-	500,000
Construction costs	15,760,000	-	-	-	15,760,000
Contingency	1,000,000	-	-	-	1,000,000
Total Expenditures	<u>19,400,000</u>	<u>154,831</u>	<u>847,332</u>	<u>1,002,163</u>	<u>18,397,837</u>
Revenues over (under) expenditures	<u>(19,400,000)</u>	<u>(154,831)</u>	<u>(847,332)</u>	<u>(1,002,163)</u>	<u>(18,397,837)</u>
Other financing sources:					
Transfers in from other funds	-	-	-	-	-
Loan proceeds	19,400,000	-	-	-	19,400,000
Total other financing sources	<u>19,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,400,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (154,831)</u>	<u>(847,332)</u>	<u>\$ (1,002,163)</u>	<u>\$ 1,002,163</u>
Fund balances:					
Beginning of year, July 1			<u>(154,831)</u>		
End of year, June 30			<u>\$ (1,002,163)</u>		

Town of Waynesville, North Carolina
 Asset Services Management Internal Service Fund
 Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 1,698,570	\$ 1,483,833	\$ (214,737)
Total operating revenues	1,698,570	1,483,833	(214,737)
Nonoperating revenues:			
Miscellaneous	-	171	171
Total nonoperating revenues	-	171	171
Total revenues	1,698,570	1,484,004	(214,566)
Expenditures:			
Public Services Administration:			
Salaries and employee benefits	-	394,952	-
Occupancy costs	-	8,853	-
Maintenance and repairs	-	3,823	-
Materials and supplies	-	7,873	-
Other departmental expenses	-	14,856	-
Capital outlays	-	-	-
Total expenditures	445,265	430,357	14,908
Public Facilities:			
Salaries and employee benefits	-	185,749	-
Occupancy costs	-	56,726	-
Maintenance and repairs	-	34,121	-
Materials and supplies	-	40,140	-
Other departmental expenses	-	319,303	-
Capital outlays	-	68,710	-
Total expenditures	890,485	704,749	185,736
Purchasing:			
Salaries and employee benefits	-	190,565	-
Occupancy costs	-	21,072	-
Maintenance and repairs	-	2,571	-
Materials and supplies	-	14,330	-
Other departmental expenses	-	4,488	-
Capital outlays	-	-	-
Total expenditures	253,920	233,026	20,894
Debt service:			
Principal payments	-	86,667	-
Interest and fees	-	20,377	-
Total debt service	108,900	107,044	1,856
Revenues over expenditures	-	8,828	8,828
Other financing sources (uses):			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources	-	-	-
Net change in fund balance	\$ -	\$ 8,828	\$ 8,828
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(127,153)	
Principal payments		86,667	
Capital outlays		68,710	
Decrease in accrued interest payable		403	
Increase in deferred outflows of resources-pensions		27,959	
Increase in net pension liability		(64,570)	
Increase in deferred inflows of resources-pensions		(6,818)	
Increase in total OPEB liability		(213,665)	
Increase in deferred outflows of resources-OPEB		100,362	
Decrease in deferred inflows of resources-OPEB		175	
Increase in accrued vacation pay		(8,827)	
Total reconciling items		(136,757)	
Change in net position		\$ (127,929)	

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, 2021

	2021		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 727,875	\$ 678,445	\$ (49,430)
Total operating revenues	727,875	678,445	(49,430)
Nonoperating revenues:			
Miscellaneous	-	15,507	15,507
Total nonoperating revenues	10,360	15,507	5,147
Total revenues	738,235	693,952	(44,283)
Expenditures:			
Salaries and employee benefits	-	192,764	-
Maintenance and repairs	-	15,214	-
Materials and supplies	-	207,283	-
Other departmental expenses	-	263,115	-
Capital outlay	-	13,384	-
Total expenditures	738,235	691,760	46,475
Net change in fund balance	\$ -	2,192	\$ 2,192
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(12,668)	
Capital outlay		13,384	
Increase in deferred outflows of resources-pensions		30,707	
Increase in net pension liability		(17,865)	
Increase in deferred inflows of resources-pensions		(1,794)	
Increase in total OPEB liability		(34,698)	
Increase in deferred outflows of resources-OPEB		794	
Increase in deferred inflows of resources-OPEB		971	
Decrease in accrued vacation pay		(2,192)	
Total reconciling items		(23,361)	
Change in net position		\$ (21,169)	

Town of Waynesville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
 June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020 - 2021	-	6,234,263	\$ 6,072,290	\$ 161,973
2019 - 2020	217,303	-	97,674	119,629
2018 - 2019	151,996	-	59,170	92,826
2017 - 2018	86,042	-	20,811	65,231
2016 - 2017	54,362	-	11,615	42,747
2015 - 2016	34,027	-	4,700	29,327
2014 - 2015	28,126	-	864	27,262
2013 - 2014	31,947	-	2,740	29,207
2012 - 2013	27,787	-	212	27,575
2011 - 2012	25,470	-	717	24,753
2010 - 2011	23,395	-	23,395	-
	<u>\$ 680,455</u>	<u>\$ 6,234,263</u>	<u>\$ 6,294,188</u>	<u>620,530</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(20,000)</u>
Ad valorem taxes receivable - net				<u><u>600,530</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				6,473,119
Reconciling items:				
	Interest, penalties and advertising collected			(65,512)
	Special Motor Vehicle Tax			(137,115)
	Taxes written off			23,696
	Subtotal			<u>(178,931)</u>
Total collections and credits				<u><u>\$ 6,294,188</u></u>

Town of Waynesville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	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	\$ 1,235,995,505	0.4957	\$6,126,830	\$5,628,626	\$ 498,204
Municipal service district	50,845,582	0.2000	101,691	101,691	-
Penalties	-		6,903	6,903	-
Total	<u>1,286,841,087</u>		<u>6,235,424</u>	<u>5,737,220</u>	<u>498,204</u>
Discoveries:					
Current year taxes	-	0.4957	-	-	-
Penalties	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements	<u>(234,214)</u>	0.4957	<u>(1,161)</u>	<u>(1,161)</u>	<u>-</u>
Total property valuation	<u>\$ 1,286,606,873</u>				
Net levy			6,234,263	5,736,059	498,204
Uncollected taxes at June 30, 2021			<u>(161,973)</u>	<u>(161,973)</u>	<u>-</u>
Current year's taxes collected			<u>\$6,072,290</u>	<u>\$5,574,086</u>	<u>\$ 498,204</u>
Current levy collection percentage			<u>97.40%</u>	<u>97.18%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Ray,
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& Assoc., P.A.

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**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, 2021, 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 January 10, 2022. 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) as a basis for designing 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Waynesville, North Carolina
January 10, 2022

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021

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

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021

Section II. - Financial Statement Findings

None reported

Town of Waynesville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2021

Section II - Financial Statements Findings

None reported

Town of Waynesville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2021

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

N/A – No Federal Awards tested thus no findings

Section IV - State Award Findings and Questioned Costs

None reported