

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

Town of Waynesville, North Carolina

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For the Fiscal Year Ended June 30, 2017

TOWN OFFICIALS

MAYOR

Gavin Brown

ALDERMEN

Gary Caldwell
Jon Feichter
Julia Freeman
LeRoy Roberson

ADMINISTRATIVE

Rob Hites, Town Manager
Edward Caldwell, Finance Officer

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FINANCIAL SECTION



**Ray,
Bumgarner,
Kingshill,**

& Assoc., P.A.

Certified Public Accountants

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2017, 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, 2017, 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' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 58 and 59, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 60 and 61, 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 62 and 63 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 October 31, 2017 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, Bumpner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
October 31, 2017

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, 2017. 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 \$47,630,948 (*net position*).
- The government's total change in net position before restatement decreased by (\$198,467), primarily due to decreases in the governmental activities net position. This decrease is mainly due to the amount by which depreciation exceeds capital outlays. The depreciation for the Town's governmental activities and business activities exceeds capital outlays by \$1,555,981 and \$285,366, respectively. As discussed later, a restatement of beginning net position occurred due to the Town's implementation of GASB statement 73 for the Law Enforcement Officers' Special Separation Allowance provided under Article 12 D of Chapter 143 North Carolina General Statutes. GASB 73 represents a significant departure from the requirements of the older GASB statements 25 and 27 and requires the Total Pension Liability be determined utilizing the entry age normal actuarial funding method. As a result, the restatement to record the effects of the new reporting guidance decreased beginning net position by (\$647,548).
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$7,451,758, a decrease of (\$301,706) in comparison with the prior year. The largest part of this decrease is due to the \$247,719 transfer to the Public Works Building Improvement fund used for renovation and expansion of the Public Works Facility. The remaining portion of the decrease is due to the governmental revenues and other financing sources being under the governmental expenditures. Approximately 29.47 percent of this total amount, or \$2,196,095, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,812,843, or 34.85 percent of total General Fund expenditures for the fiscal year.
- Overall the Town of Waynesville's total net debt and notes payable increased by \$3,133,156, or 24.19%. Part of this increase is due to the Town entering into two new debts. The first debt is for \$1,300,000 and is being used for improvements and expansion of the Public Works Facility. The second new debt is for \$543,200. These funds are being used to purchase five (5) police service vehicles, one (1) power broom for the street department, two (2) dump trucks for the water maintenance department and one (1) bucket truck for the electric maintenance department. The \$521,950 notes payable from the prior year has been reclassified as an installment purchase debt after the assets were placed in service and the escrow closed. The other long term debt items such as Total Pension Liability (LEO), Net Pension Liability (LGERS), other post employment benefits and compensated absences increased \$3,377,099. These increases were off set by principal payments on existing debt and balances.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$5,330,503 a decrease of (\$22,311) or (0.42%) 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 has 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 \$5,352,814, a decrease of (\$646,620) or

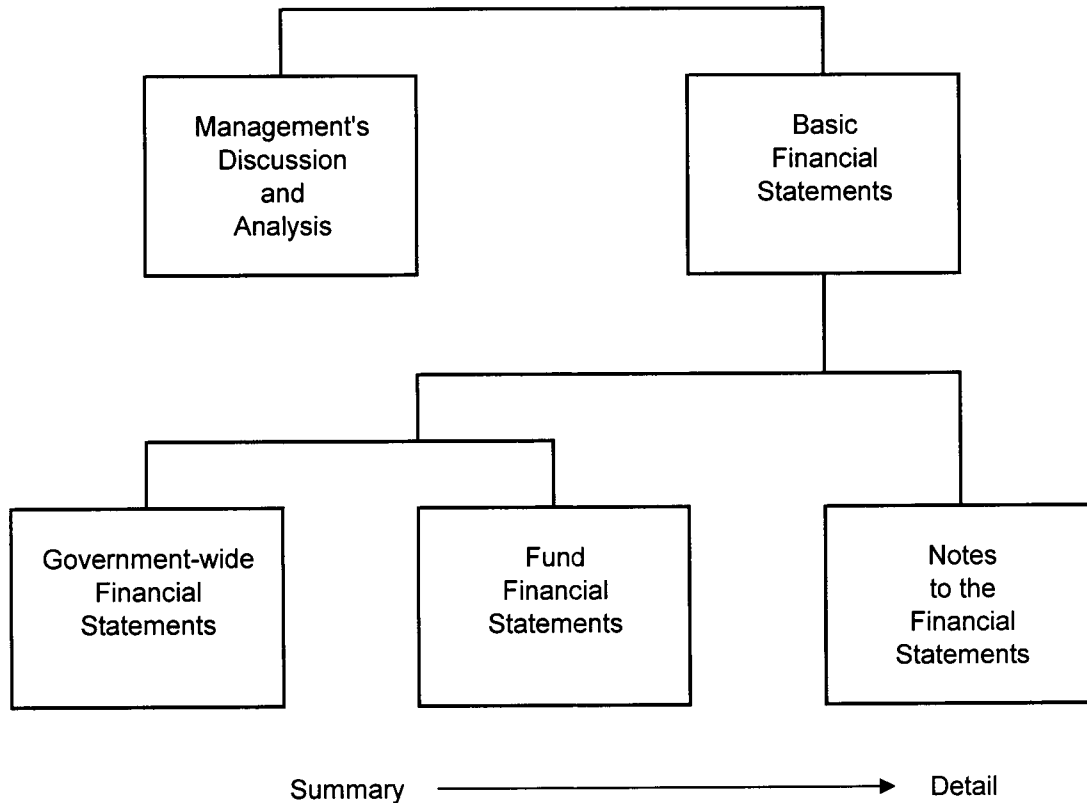
(10.78%) in comparison with the fiscal year ended June 30, 2015. The prior year's decrease was mostly due to the falling fuel costs. The Electric Fund operating revenues for the current fiscal year reported charges for services of \$8,719,787, a decrease of (\$196,908) or (2.21%). The sales are down due to above normal winter temperatures and overall lower power consumption from our customers. The prior fiscal year ending June 30, 2016 reported charges for services of \$8,916,695, a decrease of (\$82,035) or (0.91%) in comparison with the fiscal year ended June 30, 2015.

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 benefits 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 25-56 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 57 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 9,136,926	\$ 9,073,857	\$ 7,194,783	\$ 6,767,933	\$ 16,331,709	\$ 15,841,790
Capital assets	22,667,762	22,269,484	24,270,771	24,556,137	46,938,533	46,825,621
Deferred outflows of resources	1,785,209	419,502	438,786	108,808	2,223,995	528,310
Total assets and deferred outflows of resources	33,589,897	31,762,843	31,904,340	31,432,878	65,494,237	63,195,721
Long-term liabilities outstanding	12,347,947	9,547,133	3,739,807	3,407,465	16,087,754	12,954,598
Other liabilities	780,455	535,738	778,401	814,156	1,558,856	1,349,894
Deferred inflows of resources	198,002	357,438	18,677	56,828	216,679	414,266
Total liabilities and deferred inflows of resources	13,326,404	10,440,309	4,536,885	4,278,449	17,863,289	14,718,758
Net position:						
Net invested in capital assets	15,554,738	15,942,518	21,593,078	21,955,809	37,147,816	37,898,327
Restricted	2,185,468	2,176,267	-	-	2,185,468	2,176,267
Unrestricted	2,523,287	3,203,749	5,774,377	5,198,620	8,297,664	8,402,369
Total net position	\$ 20,263,493	\$ 21,322,534	\$ 27,367,455	\$ 27,154,429	\$ 47,630,948	\$ 48,476,963

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 \$47,630,948 as of June 30, 2017. The Town's net position after restatement decreased (\$846,015) or (1.75%) for the fiscal year ended June 30, 2017. However, the largest portion \$37,147,816 or 77.99% 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 \$2,185,468 or 4.59% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,297,664 is unrestricted. Also as stated earlier, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased (\$647,548).

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 96.32%. This is a decrease of (0.59%) from the prior year's tax collection percentage. For comparison, the statewide average of units with electrical systems for the population grouping 2,500 to 9,999 was

98.13% for the year ended June 30, 2016. Our collection rate was 1.81% lower than the statewide average for our group.

- The local option sales tax revenues (article 39, article 40, article 42 and the hold harmless amount for the article 44) totaled \$2,654,688, an increase of \$94,409 or 3.69% in comparison to the prior year.
- The Town and Municipal Service District total property valuations totaled \$1,229,174,400, an increase of \$16,322,283 or 1.35% in comparison to the prior year.
- Ad valorem tax revenues collected totaled \$5,768,011, an increase of \$616,123 or 11.96% in comparison to the prior year. Most of this increase is due to the .0475 cent tax increase that was used to hire eight additional fire fighters during the year.

Town of Waynesville Changes in Net Position

Figure
3

	Governmental Activities		Business-Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,268,544	\$ 2,272,691	\$14,563,383	\$14,321,932	\$16,831,927	\$16,594,623
Operating grants and contributions	378,233	386,318	-	-	378,233	386,318
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	5,857,532	5,234,680	-	-	5,857,532	5,234,680
Other taxes	2,799,611	2,702,659	-	-	2,799,611	2,702,659
Grants and contributions not restricted to specific programs						
Other	916,912	933,064	-	-	916,912	933,064
Other	95,783	182,160	46,722	34,112	142,505	216,272
Total revenues	<u>12,316,615</u>	<u>11,711,572</u>	<u>14,610,105</u>	<u>14,356,044</u>	<u>26,926,720</u>	<u>26,067,616</u>
Expenses:						
General government	1,706,915	1,753,229	-	-	1,706,915	1,753,229
Public safety	6,289,636	5,609,066	-	-	6,289,636	5,609,066
Transportation	3,691,551	3,746,153	-	-	3,691,551	3,746,153
Economic development	-	-	-	-	-	-
Environmental Protection	181,809	147,349	-	-	181,809	147,349
Culture and recreation	2,282,333	2,115,786	-	-	2,282,333	2,115,786
Interest on long-term debt	211,375	234,158	-	-	211,375	234,158
Electric	-	-	7,354,773	7,475,158	7,354,773	7,475,158
Water	-	-	2,976,951	2,824,543	2,976,951	2,824,543
Sewer	-	-	2,429,844	2,256,675	2,429,844	2,256,675
Total expenses	<u>14,363,619</u>	<u>13,605,741</u>	<u>12,761,568</u>	<u>12,556,376</u>	<u>27,125,187</u>	<u>26,162,117</u>
Increase (decrease) in net position before transfers						
Transfers	(2,047,004)	(1,894,169)	1,848,537	1,799,668	(198,467)	(94,501)
Transfers	1,635,511	1,478,100	(1,635,511)	(1,478,100)	-	-
Increase in net position	<u>(411,493)</u>	<u>(416,069)</u>	<u>213,026</u>	<u>321,568</u>	<u>(198,467)</u>	<u>(94,501)</u>
Net position, July 1, beginning,	21,738,603	21,738,603	27,154,429	26,832,861	48,893,032	48,571,464
Net position, July 1, beg. restated	20,674,986	21,738,603	27,154,429	26,832,861	47,829,415	48,571,464
Net position, June 30	<u>\$20,263,493</u>	<u>\$21,322,534</u>	<u>\$27,367,455</u>	<u>\$27,154,429</u>	<u>\$47,630,948</u>	<u>\$48,476,963</u>

Governmental activities. For the year ended June 30, 2017, Governmental activities before restatement decreased the Town's net position by (\$411,493). Key elements of this decrease are as follows:

- Depreciation exceeding capital outlay will lower net position. Governmental activities' depreciation exceeded capital outlay by \$1,555,981.
- This net position decrease would be an even greater except for the Town's transfer of \$1,635,511 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2016, June 30, 2015 and June 30, 2014, the governmental activities decreased (\$416,069), increased \$467,061 and decreased (\$538,193) respectively after the Town transferred \$1,478,100, \$1,475,440 and \$1,468,620 respectively from business-type activities to the governmental activities.
- Also for comparison, the Town's total General Fund's revenues and asset sales for the year ended June 30, 2017 totaled \$12,237,059, an increase of \$618,791 or 5.33% from the prior year. The total General Fund's expenditures total \$13,809,100, an increase of \$739,991 or 5.66%. As stated earlier the main reason for the increased revenues and expenditures is the .0475 cent tax rate increase used to hire eight additional fire fighters.

Business-type activities: For the year ended June 30, 2017, business-type activities increased the Town's net position before restatement increased by \$213,026. Key elements of this increase are as follows:

- The Town implemented water and sewer rate increases of 5% for inside and outside customers.
- Depreciation exceeding capital outlay will lower net position. Business-type activities' depreciation exceeded capital outlay by \$285,366.
- The net position increase would be a greater increase; however, the Town transferred \$1,635,511 from the business-type activities to the governmental activities.
- The Town's Electric Fund reported income before contributions and transfers of \$1,393,968, a decrease of (\$67,594) or (4.62%) from the prior year. This decrease as discussed earlier is mainly due to lower sales due to a warmer winter and overall lower power consumption by the Town's customers.
- By comparison for the year ended June 30, 2016, June 30, 2015 and June 30, 2014, the business-type activities' net position increased by \$321,568, \$154,167 and \$80,342 respectively after the Town transferred \$1,478,100, \$1,475,440 and \$1,468,620 respectively from the business-type activities to the governmental activities.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, the Town of Waynesville's fund balance available in the General Fund was \$5,648,398, while total fund balance was \$7,021,273. By comparison, the year ended June 30, 2016 fund balance available in the General Fund was \$5,575,977 and total fund balance was \$7,110,084. The Town's current fund balance available is 40.90% of General Fund expenditures, while total fund balance represents 50.85% of the same amount. By comparison, the year ended June 30, 2016 the fund balance available was 42.67% of the general fund expenditures, while total fund balance represents 54.40% of the same amount.

At June 30, 2017, the governmental funds of Town of Waynesville reported a combined fund balance of \$7,451,758, with a net decrease in fund balance of (\$301,706). This represents a (3.89%) decrease under last

year. As noted earlier, the decrease is primarily due to the \$247,719 transfer out to the Public Works Building Capital Improvement Fund. The remaining difference is in the expenditures and other financing uses over revenues and other financing sources.

General Fund Budgetary Highlights: During the year the Town revised the budget on six 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, 2017 totaled \$14,821,540. The general breakdown of funding sources: revenues, transfer from business-type activities, sales of capital assets and appropriations from fund balance, were budgeted at \$12,060,790, \$1,483,230, \$7,000 and \$1,270,520 respectively. The actual revenues totaled \$12,227,554 or \$166,764 over budget. For a more detailed comparison of actual and budgeted amounts see Exhibit 5 and Exhibit B-1 in the accompanying financial statements. The main reason for the total revenues having an overall positive variance can be traced to three revenue groupings. The first grouping titled sales and services brought in \$124,957 more revenues than budgeted. In this grouping, rents from cell tower locations, fire protection charges and recreation revenues all came in better than expected. In the second grouping labeled Ad valorem taxes, register motor vehicles' values and collection were the main reasons this grouping came in \$104,050 better than expected. The third grouping named other taxes and licenses realized \$62,131 better than expected revenues mainly because of the local option sales tax revenues. All the transfers to the general fund from business-type activities were made as budgeted and sales of capital assets brought in \$2,505 more than expected. Overall on the expenditure side, the Town's actual General Fund expenditures totaled \$13,809,100 or (\$1,012,440) under budget. As stated in previous years, the uncertainty and the slow growth of revenues surrounding the economic recovery from the great recession has guided the Town to under spend expenditures where possible. Total personal and fringe benefits costs were (\$575,522) under budget. Most of this underspending is tied to employee vacancies, delayed hiring and fringe benefits savings. The second biggest area of savings came in operating costs and they were (\$350,643) under budget. And finally, most of the remaining savings were realized in lower internal service costs. 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 \$1,270,520 from general fund balance, but only needed \$88,811.

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 \$2,181,839, \$1,769,531, and \$1,652,013, respectively. In comparison to the year ended June 30, 2016, the unrestricted net position of the Electric, Water and Sewer funds totaled \$2,022,335, \$1,607,458, and \$1,484,737, respectively. The Electric and Water fund's unrestricted net position increased \$159,504 or 7.89%, \$162,073 or 10.08% and \$167,276 or 11.27%, respectively. Total change in net position of the Electric and the Water Funds at the end of the fiscal year increased \$67,607 or 1.72% and \$128,629 or 0.88% respectively. Total change in net position of the Sewer Fund at the end of the fiscal year decreased (\$70,114) or (0.83%). 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, 2017 totaled \$46,938,533 (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:

- Improvements and additions to the Public Works Facility Building
- (Asset Services Management) (Construction in progress) for \$1,420,172.
- Improvements and repairs to Dam's spillway (Water Treatment) for \$398,647.
- Improvements to parking lot and construction of restrooms (Asset Services Management)
- (Hazelwood parking lot and restrooms) (Construction in progress) for \$204,134.
- Replacement and repairs of filter media (Water Treatment) for \$184,241.
- Purchase (1) Dodge Charger, (2) Chevrolet Tahoe's, (1) Chevrolet Silverado, (1) Dodge Caravan and related equipment (Police) for \$167,176.
- Purchase 2017 Mack dump truck (Water Maintenance) for \$134,372.
- Improvements and additions to the Town's sewer distribution systems for \$107,123.
- Improvements and additions to the Town's sidewalk system for \$88,584.
- Purchase of 9.594 acres for recreation (Recreation) for \$83,931
- Improvements and additions to the Town's water distribution systems for \$81,042.
- Purchase (1) Power Broom (Streets) for \$63,828.
- Purchase (1) Ford 350 Diesel 4x4 (Asset Services Management) for \$45,676.
- Improvements to roof at Armory (Recreation) for \$43,085.
- Purchase and construction of new storage shed (Public Facility) for \$37,481.
- Construction of water storage system (Sewer Treatment) for \$31,817.
- Purchase of air / heating units (Recreation) for \$36,581.
- Purchase (1) Ford F150 super cab four door truck (Sewer Treatment) for \$27,851.
- Purchase (1) Ford Explorer 4x4 (Water Treatment) for \$27,341.
- Purchase and construction of new salt bin storage shed (Streets) for \$26,614.
- Purchase (1) Nissan Leaf (Asset Services Management) for \$23,433.
- Purchase of bulk oil system (Garage) for \$17,886.
- Purchase / construction of foot bridge (Recreation) for \$17,500.
- Purchase and or improvements of additional assets during the year (<\$17,500 each) for \$81,319
- **Summary total of all additions \$3,349,834.**

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

- Disposal of 2001 Ford F350 truck (Water Maintenance) with an original cost of \$31,143.
- Disposal of 2003 Dodge 4x4 Durango (Police) with an original cost of \$26,952.
- Disposal of 2010 Ford Fusion (Police) with an original cost of \$16,550.
- Disposal of 2002 Chevy Malibu (Police) with an original cost of \$15,300.
- **Summary total of all disposals \$89,945.**

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,964,194	\$ 1,880,263	\$ 1,826,920	\$ 1,826,920	\$ 3,791,114	\$ 3,707,183
Public Art	94,547	94,547	-	-	94,547	94,547
Construction in process	1,750,386	96,081	-	75,850	1,750,386	171,931
Buildings and system	12,092,400	12,296,073	21,376,818	21,666,877	33,469,218	33,962,950
Land improvements	272,372	305,723	87,640	94,290	360,012	400,013
Equipment, furniture and fixtures	659,593	726,200	171,703	211,777	831,296	937,977
Infrastructure	3,368,648	4,228,930	-	-	3,368,648	4,228,930
Vehicles and motorized equipment	2,465,622	2,641,668	807,690	680,423	3,273,312	3,322,091
Total	\$ 22,667,762	\$ 22,269,485	\$ 24,270,771	\$ 24,556,137	\$ 46,938,533	\$ 46,825,622

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 including notes payable for the year ending June 30, 2017, June 30, 2016, and June 30, 2015 was \$16,087,754, \$12,954,598, and \$13,069,074, 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 (LEGERS) postemployment benefits and compensated absences for the year ending June 30, 2017, June 30, 2016 and June 30, 2015, make up \$6,082,975, \$3,180,683 and \$2,360,298 of the total debt outstanding respectively. The remaining balances are installment purchase obligations and notes payable.

Town of Waynesville's Outstanding Debt
Installment Purchase Obligations

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchase obligations	\$ 7,327,086	\$ 6,651,637	\$ 2,677,693	\$ 2,600,329	\$ 10,004,779	\$ 9,251,966
Note payable	\$ -	\$ 310,450	-	211,500	-	521,950
Total	\$ 7,327,086	\$ 6,962,087	\$ 2,677,693	\$ 2,811,829	\$ 10,004,779	\$ 9,773,916

- The Town's total installment debt increased \$752,813 or 8.14% during the current fiscal year. As noted earlier and discussed below, the town reclassified the prior year's note payable and entered into two new debts. One of the new debts is for \$1,300,000 and is being used for improvements and expansion of the Public Works Facility. The second new debt is for \$543,200 and is being used to purchase nine (9) vehicles. These increases were off set by principal payments on existing debt.

- The Town’s total notes payable decreased (\$521,950). The \$521,950 note payable at June 30, 2016 was for the purchase of vehicles and their related equipment. During the year ended June 30, 2017, this note was reclassified to installment purchase obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Waynesville is \$82,538,548.

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, 2018

	FY 17-18 Budget	FY 16-17 Budget*	Difference	%
General	14,585,400	14,821,540	(236,140)	-1.59%
Electric	9,415,230	9,405,521	9,709	0.10%
Water	3,256,150	3,723,000	(466,850)	-12.54%
Sewer	2,510,890	2,600,490	(89,600)	-3.45%
Total	29,767,670	30,550,551	(782,881)	-2.56%

*with amendments

- The tax rate remains unchanged at .4857 cents per hundred valuation.
- The current electric rates also remain unchanged. However, a recently completed rate study was presented to the Town’s board on October 10, 2017. This rate study compared the current budgeted rates to the proposed rates needed to maintain the electric system’s capital replacement needs, the electric system’s maintenance needs and the higher power costs associated with the power supply contract that went into effective January 1, 2017. The study has proposed the Town increase rates 6.00% before the end of the year and an additional 6.00% at the beginning of next budget year. The Board is in the process of considering the recommended rate changes. In comparison, Duke Energy Progress has proposed a rate increase to its customers that would be a 14.90% increase if average over all its customers. Overall electric sales before any rate changes are expected to be slightly lower and the planned fund balance appropriation for the Electric Fund is budgeted to be \$114,409 higher than the prior year’s budgeted fund balance appropriation.
- As a result of increased water sales and a drop in capital spending the water rates are not expected to change. The Water Fund’s budget plans to add \$23,170 to its fund balance by year end.
- Sewer rates have increased 5.0%. The Sewer Fund’s budget plans to add \$40,260 to its fund balance by year end.
- All other fees remain unchanged.
- Not reflected in the above table or numbers is a capital project budget of \$1,665,000 for the improvements and renovations of the public works’ facility. The Town is financing \$1,300,000 of this project. The project has been completed.

The General Fund budget decreased (\$236,140) from the prior year. This decrease is almost entirely due to reductions in internal service costs and operating costs.

The Electric Fund budget is \$9,709 higher than the prior year with no major variations standing out.

The Water Fund budget is (\$466,850) lower than the prior year. This budget calls for less spending on capital additions and improvements, reductions in internal service costs and reductions in operating costs.

The Sewer Fund budget is (\$89,600) lower than the prior year. This budget calls for reductions in capital additions and reductions in operating costs.

Budget Summary for the Fiscal Year Ending June 30, 2018

Town of Waynesville
Budget Summary
For the Year Ending June 30, 2018

	General Fund	Electric Fund	Water Fund	Sewer Fund
Revenues	\$ (12,447,630)	\$ (9,040,760)	\$ (3,279,320)	\$ (2,551,150)
Transfer from Other Funds	(1,489,610)	-	-	-
Appropriations from Fund Balance (use)/add	(648,160)	(374,470)	23,170	40,260
Total Sources	\$ (14,585,400)	\$ (9,415,230)	\$ (3,256,150)	\$ (2,510,890)
Expenditures:				
Governing Body	\$ 58,870	\$ -	\$ -	\$ -
Administration	256,710	-	-	-
Finance	343,470	-	-	-
Planning and Code Enforcement	601,960	-	-	-
Special Appropriations	262,300	-	-	-
Police	4,501,590	-	-	-
Fire	1,675,820	-	-	-
Streets, Sanitation & Powell Bill	3,151,510	-	-	-
Cemetery	183,720	-	-	-
Parks and Recreation	2,158,130	-	-	-
Maintenance	-	1,230,560	1,356,270	760,600
Treatment	-	-	1,322,720	1,438,400
Finance and Administration	-	803,820	274,450	218,680
Power Purchases	-	5,775,750	-	-
Debt Service	1,354,820	329,500	181,910	-
Transfer to Other Funds	-	1,275,600	120,800	93,210
Miscellaneous	36,500	-	-	-
Total Uses	\$ 14,585,400	\$ 9,415,230	\$ 3,256,150	\$ 2,510,890

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, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,814,337	\$ 4,581,602	\$ 11,395,939	\$ 661,372
Taxes receivables (net)	551,916	-	551,916	-
Accrued interest receivable on taxes	119,500	-	119,500	-
Other receivables	74,345	1,983	76,328	381
Accounts receivable (net)	102,089	1,305,055	1,407,144	-
Due from other governments	1,186,101	-	1,186,101	-
Internal balances	(170,994)	170,994	-	-
Inventories	66,897	508,835	575,732	241,215
Prepaid items	-	-	-	3,074
Restricted cash and cash equivalents	392,735	626,314	1,019,049	-
Total current assets	<u>9,136,926</u>	<u>7,194,783</u>	<u>16,331,709</u>	<u>906,042</u>
Noncurrent assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	3,809,127	1,826,920	5,636,047	509,646
Other capital assets, net of depreciation	18,858,635	22,443,851	41,302,486	796,568
Total capital assets	<u>22,667,762</u>	<u>24,270,771</u>	<u>46,938,533</u>	<u>1,306,214</u>
Total noncurrent assets	<u>22,667,762</u>	<u>24,270,771</u>	<u>46,938,533</u>	<u>1,306,214</u>
Total assets	<u>31,804,688</u>	<u>31,465,554</u>	<u>63,270,242</u>	<u>2,212,256</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,269,841	324,310	1,594,151	35,450
Contributions to pension plan in current fiscal year	515,368	114,476	629,844	13,511
Total deferred outflows of resources	<u>1,785,209</u>	<u>438,786</u>	<u>2,223,995</u>	<u>48,961</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 669,698	\$ 539,037	\$ 1,208,735	\$ 289,961
Accrued interest payable	91,985	30,670	122,655	2,064
Customer deposits	18,772	208,694	227,466	-
Due to primary government	-	-	-	-
Notes payable	-	-	-	-
Current portion of long-term liabilities	1,475,845	533,811	2,009,656	65,640
Total current liabilities	<u>2,256,300</u>	<u>1,312,212</u>	<u>3,568,512</u>	<u>357,665</u>
Long-term liabilities:				
Net pension liability	1,959,707	500,500	2,460,207	34,594
Total pension liability	1,088,441	-	1,088,441	-
Due in more than one year	7,823,954	2,705,496	10,529,450	766,861
Total liabilities	<u>13,128,402</u>	<u>4,518,208</u>	<u>17,646,610</u>	<u>1,159,120</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	12,095	-	12,095	-
Other unearned revenues	91,647	-	91,647	-
Pension deferrals	94,260	18,677	112,937	1,212
Total deferred inflows of resources	<u>198,002</u>	<u>18,677</u>	<u>216,679</u>	<u>1,212</u>
NET POSITION				
Net investment in capital assets	15,554,738	21,593,078	37,147,816	492,418
Restricted for:				
Cemetery Perpetual care	430,485	-	430,485	-
Stabilization by State Statute	1,362,248	-	1,362,248	-
Public Safety	-	-	-	-
Transportation	392,735	-	392,735	-
Working Capital	-	-	-	78,532
Unrestricted	2,523,287	5,774,377	8,297,664	529,935
Total net position	<u>\$ 20,263,493</u>	<u>\$ 27,367,455</u>	<u>\$ 47,630,948</u>	<u>\$ 1,100,885</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, 2017

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 1,706,915	\$ 152,199	\$ -	\$ -	\$ (1,554,716)	-	\$ (1,554,716)	\$ -
Public safety	6,289,636	480,318	37,946	-	(5,771,372)	-	(5,771,372)	-
Transportation	3,691,551	807,094	337,676	-	(2,546,781)	-	(2,546,781)	-
Environmental protection	181,809	58,200	-	-	(123,609)	-	(123,609)	-
Economic and physical development	-	-	-	-	-	-	-	-
Cultural and recreation	2,282,333	770,733	2,611	-	(1,508,989)	-	(1,508,989)	-
Interest on long-term debt	211,375	-	-	-	(211,375)	-	(211,375)	-
Total governmental activities	14,363,619	2,268,544	378,233	-	(11,716,842)	-	(11,716,842)	-
Business-type activities:								
Electric	7,354,773	8,739,250	-	-	-	\$ 1,384,477	1,384,477	-
Water	2,976,951	3,262,930	-	-	-	285,979	285,979	-
Sewer	2,429,844	2,561,203	-	-	-	131,359	131,359	-
Total business-type activities	12,761,568	14,563,383	-	-	-	1,801,815	1,801,815	-
Total primary government	\$ 27,125,187	\$ 16,831,927	\$ 378,233	\$ -	(11,716,842)	\$ 1,801,815	(9,915,027)	\$ -
Component units:								
ABC Board	\$ 2,545,836	\$ 2,656,373	\$ -	\$ -	-	-	-	110,537
Total component units	\$ 2,545,836	\$ 2,656,373	\$ -	\$ -	-	-	-	110,537
General revenues:								
Taxes:								
Property taxes, levied for general purpose					5,857,532	-	5,857,532	-
Other taxes					2,799,611	-	2,799,611	-
Grants and contributions not restricted to specific programs								
Investment earnings					916,912	-	916,912	-
Miscellaneous					16,869	13,129	29,998	-
Total general revenues not including transfers					78,914	33,593	112,507	-
Transfers					9,669,838	46,722	9,716,560	-
Total general revenues and transfers					1,635,511	(1,635,511)	-	-
Change in net position					11,305,349	(1,588,789)	9,716,560	-
Net position-beginning, previously reported					(411,493)	213,026	(198,467)	110,537
Restatement					21,322,534	27,154,429	48,476,963	990,348
Net position-beginning, restated					(647,548)	-	(647,548)	-
Net position-ending					20,674,986	27,154,429	47,829,415	990,348
Net position-ending					\$ 20,263,493	\$ 27,367,455	\$ 47,630,948	\$ 1,100,885

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

**Town of Waynesvills
Balance Sheet
Governmental Funds
June 30, 2017**

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 5,822,468	\$ 430,298	\$ 6,252,766
Receivables, net:			
Taxes	551,916	-	551,916
Accounts	102,089	-	102,089
Prepaid items	-	-	-
Long-term receivable	-	-	-
Due from component unit	-	-	-
Due from other governmental agencies	1,186,101	-	1,186,101
Interest receivable	74,058	187	74,245
Inventories	6,494	-	6,494
Restricted cash and cash equivalents	392,735	-	392,735
Total assets	<u>\$ 8,135,861</u>	<u>\$ 430,485</u>	<u>\$ 8,566,346</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 440,158	\$ -	\$ 440,158
Notes payable	-	-	-
Performance bonds	18,772	-	18,772
Total liabilities	<u>458,930</u>	<u>-</u>	<u>458,930</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	551,916	-	551,916
Prepaid taxes	12,095	-	12,095
Other unearned revenues	91,647	-	91,647
Total deferred inflows of resources	<u>655,658</u>	<u>-</u>	<u>655,658</u>
FUND BALANCES			
Non Spendable			
Inventories	6,492	-	6,492
Prepaid items	-	-	-
Perpetual maintenance	-	430,485	430,485
Restricted			
Stablization by State Statute	1,366,383	-	1,366,383
Streets-Powell bill	392,735	-	392,735
Committed			
General Government	-	-	-
Assigned			
Subsequent year's expenditures	334,120	-	334,120
Public Safety	108,700	-	108,700
Unassigned	4,812,843	-	4,812,843
Total fund balances	<u>7,021,273</u>	<u>430,485</u>	<u>7,451,758</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,135,861</u>	<u>\$ 430,485</u>	<u>\$ 8,566,346</u>

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

Total Fund Balance, Governmental Funds	7,451,758
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,667,762
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	119,500
Deferred outflows - pension deferrals	1,269,841
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	515,368
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.	221,540
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	551,916
Total pension liability	(1,088,441)
Net pension liability	(1,959,707)
Pension related deferrals	(94,260)
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>(9,391,784)</u>
Net position of governmental activities	<u>\$ 20,263,493</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, 2017

	Major Fund		Total
	General	Total Non-Major Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 5,812,800	\$ -	\$ 5,812,800
Other taxes and licenses	2,799,611	-	2,799,611
Unrestricted intergovernmental	916,912	-	916,912
Restricted intergovernmental	355,291	-	355,291
Permits and fees	175,687	-	175,687
Sales and services	2,059,257	33,600	2,092,857
Investment earnings	15,645	-	15,645
Miscellaneous	92,351	1,224	93,575
Total revenues	12,227,554	34,824	12,262,378
EXPENDITURES			
Current:			
General government	1,583,957	-	1,583,957
Public safety	5,745,904	-	5,745,904
Transportation	2,817,227	-	2,817,227
Environmental protection	175,630	-	175,630
Culture and recreation	2,145,337	-	2,145,337
Debt service:			
Principal	1,121,568	-	1,121,568
Interest and other charges	219,477	-	219,477
Total expenditures	13,809,100	-	13,809,100
Excess (deficiency) of revenues over expenditures	(1,581,546)	34,824	(1,546,722)
OTHER FINANCING SOURCES			
Transfers from (to) other funds	1,483,230	(247,719)	1,235,511
Sales of capital assets	9,505	-	9,505
Installment purchase obligations issued	-	-	-
Total other financing sources	1,492,735	(247,719)	1,245,016
Net change in fund balance	(88,811)	(212,895)	(301,706)
Fund balances-beginning	7,110,084	643,380	7,753,464
Fund balances-ending	\$ 7,021,273	\$ 430,485	\$ 7,451,758

(continued)

**Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017**

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

Net changes in fund balances - total governmental funds	\$ (301,706)
<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	305,338
Depreciation expense for governmental assets	(1,861,319)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	398,673
Benefit payments paid for LEOSSA are not included on the Statement of Activities	67,135
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	44,732
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.	1,121,568
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:	
Compensated absences	(37,961)
Claims and judgements	(10,000)
LGERS Pension expense	(492,658)
LEOSSA pension expense	(12,622)
Other postemployment benefits	(186,433)
Accrued interest on installment purchases obligations	8,102
Net book value of assets sold	-
Consolidation adjustment for internal balances between the internal service funds and the governmental funds	(86,904)
Net revenue of internal service funds determined to be governmental-type	<u>632,562</u>
Total changes in net position of governmental activities	<u>\$ (411,493)</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, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,708,750	\$ 5,708,750	\$ 5,812,800	\$ 104,050
Other taxes and licenses	2,737,480	2,737,480	2,799,611	62,131
Unrestricted intergovernmental	951,600	951,600	916,912	(34,688)
Restricted intergovernmental	382,210	382,210	355,291	(26,919)
Permits and fees	188,100	188,100	175,687	(12,413)
Sales and services	1,934,300	1,934,300	2,059,257	124,957
Investment earnings	-	-	15,645	15,645
Miscellaneous	158,350	158,350	92,351	(65,999)
Total revenues	<u>12,060,790</u>	<u>12,060,790</u>	<u>12,227,554</u>	<u>166,764</u>
Expenditures:				
Current:				
General government	1,725,500	1,745,920	1,583,957	161,963
Public safety	6,105,530	6,156,110	5,745,904	410,206
Transportation	2,989,750	3,014,770	2,817,227	197,543
Environmental protection	190,230	192,380	175,630	16,750
Cultural and recreation	2,209,020	2,371,250	2,145,337	225,913
Debt service:				
Principal retirement	1,121,575	1,121,575	1,121,568	7
Interest and other charges	219,535	219,535	219,477	58
Total expenditures	<u>14,561,140</u>	<u>14,821,540</u>	<u>13,809,100</u>	<u>1,012,440</u>
Revenues over (under) expenditures	<u>(2,500,350)</u>	<u>(2,760,750)</u>	<u>(1,581,546)</u>	<u>1,179,204</u>
Other financing sources (uses):				
Transfers from other funds	1,483,230	1,483,230	1,483,230	-
Sales of capital assets	7,000	7,000	9,505	2,505
Appropriations from fund balance	1,010,120	1,270,520	-	(1,270,520)
Total other financing sources (uses)	<u>2,500,350</u>	<u>2,760,750</u>	<u>1,492,735</u>	<u>(1,268,015)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(88,811)</u>	<u>\$ (88,811)</u>
Fund balances, beginning of year			7,110,084	
Fund balances, end of year			<u>\$ 7,021,273</u>	

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

**Town of Waynesville
Statement of Net Position
Proprietary Funds
June 30, 2017**

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,497,269	\$ 1,417,561	\$ 1,666,772	\$ 4,581,602	\$ 508,709	\$ 52,862
Accounts receivable	741,977	299,970	263,108	1,305,055	-	-
Prepaid items	-	-	-	-	-	-
Other receivables	670	605	708	1,983	45	55
Inventories	285,452	190,835	32,548	508,835	7,774	52,629
Restricted cash and cash equivalents	294,525	331,789	-	626,314	-	-
Total current assets	<u>2,819,893</u>	<u>2,240,760</u>	<u>1,963,136</u>	<u>7,023,789</u>	<u>516,528</u>	<u>105,546</u>
Noncurrent assets:						
Net Pension asset	-	-	-	-	-	-
Capital assets:						
Land and Construction in Progress	230,058	1,486,362	110,500	1,826,920	1,825,604	-
Other capital assets, net of depreciation	2,867,912	12,915,964	6,659,975	22,443,851	838,076	77,303
Capital assets (net)	<u>3,097,970</u>	<u>14,402,326</u>	<u>6,770,475</u>	<u>24,270,771</u>	<u>2,663,680</u>	<u>77,303</u>
Total noncurrent assets	<u>3,097,970</u>	<u>14,402,326</u>	<u>6,770,475</u>	<u>24,270,771</u>	<u>2,663,680</u>	<u>77,303</u>
Total assets	<u>\$ 5,917,863</u>	<u>\$ 16,643,086</u>	<u>\$ 8,733,611</u>	<u>\$ 31,294,560</u>	<u>\$ 3,180,208</u>	<u>\$ 182,849</u>
DEFERRED OUTFLOWS OF RESOURCES						
Contributions to pension plan	\$ 18,335	\$ 51,076	\$ 45,065	\$ 114,476	\$ 43,254	\$ 6,305
Pension deferrals	51,942	144,700	127,668	324,310	122,541	17,862
Total deferred outflows of resources	<u>\$ 70,277</u>	<u>\$ 195,776</u>	<u>\$ 172,733</u>	<u>\$ 438,786</u>	<u>\$ 165,795</u>	<u>\$ 24,167</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	377,301	137,273	55,133	569,707	212,274	17,266
Customer deposits	146,180	62,514	-	208,694	-	-
Notes payable	-	-	-	-	-	-
Compensated absences - current	10,303	29,091	30,808	70,202	36,171	5,469
Installment purchases payable-current	302,279	161,330	-	463,609	86,666	-
Total current liabilities	<u>836,063</u>	<u>390,208</u>	<u>85,941</u>	<u>1,312,212</u>	<u>335,111</u>	<u>22,735</u>
Noncurrent liabilities:						
Other postemployment benefits	80,782	186,535	187,732	455,049	90,668	24,791
Compensated absences	10,612	19,946	5,805	36,363	7,562	618
Installment purchases payable	976,747	1,237,337	-	2,214,084	1,170,001	-
Net pension liability	80,161	223,314	197,025	500,500	189,114	27,567
Total noncurrent liabilities	<u>1,148,302</u>	<u>1,667,132</u>	<u>390,562</u>	<u>3,205,996</u>	<u>1,457,345</u>	<u>52,976</u>
Total liabilities	<u>1,984,365</u>	<u>2,057,340</u>	<u>476,503</u>	<u>4,518,208</u>	<u>1,792,456</u>	<u>75,711</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	2,992	8,332	7,353	18,677	7,058	1,029
NET POSITION						
Net investment in capital assets	1,818,944	13,003,659	6,770,475	21,593,078	1,407,013	77,303
Unrestricted	2,181,839	1,769,531	1,652,013	5,603,383	139,476	52,973
Total net position	<u>\$ 4,000,783</u>	<u>\$ 14,773,190</u>	<u>\$ 8,422,488</u>	<u>27,196,461</u>	<u>\$ 1,546,489</u>	<u>\$ 130,276</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>170,994</u>		
Net assets of business-type activities				<u>\$ 27,367,455</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, 2017

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
OPERATING REVENUES						
Charges for services	\$ 8,719,787	\$ 3,262,930	\$ 2,493,762	\$ 14,476,479	\$ 1,996,276	\$ 520,498
Other operating revenue	-	-	-	-	-	-
Total operating revenues	<u>8,719,787</u>	<u>3,262,930</u>	<u>2,493,762</u>	<u>14,476,479</u>	<u>1,996,276</u>	<u>520,498</u>
OPERATING EXPENSES						
Finance and administration	617,217	207,928	148,802	973,947	-	-
Electric operations	1,118,276	-	-	1,118,276	-	-
Electric power purchases	5,330,503	-	-	5,330,503	-	-
Water treatment and distribution	-	2,131,342	-	2,131,342	-	-
Waste collection and treatment	-	-	1,864,511	1,864,511	-	-
Asset Services Management	-	-	-	-	1,705,550	-
Garage operations	-	-	-	-	-	511,884
Depreciation	262,244	617,172	416,531	1,295,947	65,152	14,499
Total operating expenses	<u>7,328,240</u>	<u>2,956,442</u>	<u>2,429,844</u>	<u>12,714,526</u>	<u>1,770,702</u>	<u>526,383</u>
Operating income (loss)	<u>1,391,547</u>	<u>306,488</u>	<u>63,918</u>	<u>1,761,953</u>	<u>225,574</u>	<u>(5,885)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	4,426	4,076	4,627	13,129	390	348
Interest and other charges	(26,533)	(20,509)	-	(47,042)	-	-
Miscellaneous revenues (expenses)	24,528	8,654	411	33,593	348	11,787
Total nonoperating revenue (expenses)	<u>2,421</u>	<u>(7,779)</u>	<u>5,038</u>	<u>(320)</u>	<u>738</u>	<u>12,135</u>
Income (loss) before contributions and transfers	<u>1,393,968</u>	<u>298,709</u>	<u>68,956</u>	<u>1,761,633</u>	<u>226,312</u>	<u>6,250</u>
Capital contributions	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	400,000	-
Transfers to other funds	(1,326,361)	(170,080)	(139,070)	(1,635,511)	-	-
Change in net position	<u>67,607</u>	<u>128,629</u>	<u>(70,114)</u>	<u>126,122</u>	<u>626,312</u>	<u>6,250</u>
Total net position - beginning	<u>3,933,176</u>	<u>14,644,561</u>	<u>8,492,602</u>		<u>920,177</u>	<u>124,026</u>
Total net position - ending	<u>\$ 4,000,783</u>	<u>\$ 14,773,190</u>	<u>\$ 8,422,488</u>		<u>\$ 1,546,489</u>	<u>\$ 130,276</u>

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

86,904

Change in net position - business-type activities

\$ 213,026

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, 2017

	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	\$ 8,746,992	\$ 3,325,658	\$ 2,491,592	\$ 14,564,242	\$ 1,996,333	\$ 520,498
Cash paid for goods and services	(6,768,035)	(1,142,448)	(977,204)	(8,887,687)	(601,332)	(358,372)
Cash paid to or on behalf of employees for services	(390,661)	(1,034,692)	(980,967)	(2,406,320)	(888,799)	(140,135)
Customer deposits received/(returned)	4,650	1,345	-	5,995	-	-
Net cash provided by operating activities	<u>1,592,946</u>	<u>1,149,863</u>	<u>533,421</u>	<u>3,276,230</u>	<u>506,202</u>	<u>21,991</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from miscellaneous sources	8,440	-	45	8,485	-	11,407
Transfers from other funds	-	-	-	-	400,000	-
Transfers to other funds	(1,326,361)	(170,080)	(139,070)	(1,635,511)	-	-
Total cash flows from noncapital financing activities	<u>(1,317,921)</u>	<u>(170,080)</u>	<u>(139,025)</u>	<u>(1,627,026)</u>	<u>400,000</u>	<u>11,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from installment loans	148,300	165,000	-	-	1,300,000	-
Principal and interest paid on long-term debt	(349,987)	(148,155)	-	(498,142)	(43,333)	-
Capital contributions	-	-	-	-	-	-
Proceeds from sale of assets	16,088	8,654	366	25,108	348	380
Acquisition and construction of capital assets	-	(831,440)	(179,141)	(1,010,581)	(1,764,994)	(26,107)
Net cash used by capital and related financing activities	<u>(185,599)</u>	<u>(805,941)</u>	<u>(178,775)</u>	<u>(1,483,615)</u>	<u>(507,979)</u>	<u>(25,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	4,426	4,076	4,627	13,129	390	348
Proceeds from investment maturities	-	-	-	-	-	-
Net cash provided by investing activities	<u>4,426</u>	<u>4,076</u>	<u>4,627</u>	<u>13,129</u>	<u>390</u>	<u>348</u>
Net increase (decrease) in cash and cash equivalents	93,852	177,918	220,248	492,018	398,613	8,019
Balances-beginning of the year	1,697,942	1,571,432	1,446,524	4,715,898	110,096	44,843
Balances-end of the year	<u>\$ 1,791,794</u>	<u>\$ 1,749,350</u>	<u>\$ 1,666,772</u>	<u>\$ 5,207,916</u>	<u>\$ 508,709</u>	<u>\$ 52,862</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,391,547	\$ 306,488	\$ 63,918	\$ 1,761,953	\$ 225,574	\$ (5,885)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	262,244	617,172	416,531	1,295,947	65,153	14,499
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	28,989	60,710	(4,936)	84,763	57	-
(Increase) decrease in allowance for doubtful accounts	(1,839)	2,018	2,766	2,945	-	-
(Increase) decrease in inventory	24,497	39,223	644	64,364	(397)	(4,813)
(Increase) decrease in deferred outflows of resources for pension	(50,718)	(147,733)	(131,527)	(329,978)	(123,460)	(17,880)
Increase (decrease) in net pension liability	60,521	175,070	155,646	391,237	146,601	21,254
Increase (decrease) in deferred inflows of resources for pension	(7,223)	(16,760)	(14,168)	(38,151)	(15,053)	(2,254)
Increase (decrease) in accounts payable and accrued liabilities	(129,405)	80,007	11,313	(38,085)	187,449	13,427
Increase (decrease) in customer deposits	4,650	1,345	-	5,995	-	-
Increase (decrease) in accrued OPEB liability	11,299	26,835	31,072	69,206	19,886	4,237
Increase (decrease) in accrued vacation pay	(1,616)	5,488	2,162	6,034	392	(594)
Total adjustments	<u>201,399</u>	<u>843,375</u>	<u>469,503</u>	<u>1,514,277</u>	<u>280,628</u>	<u>27,876</u>
Net cash provided by operating activities	<u>\$ 1,592,946</u>	<u>\$ 1,149,863</u>	<u>\$ 533,421</u>	<u>\$ 3,276,230</u>	<u>\$ 506,202</u>	<u>\$ 21,991</u>

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

Town of Waynesville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Waynesville ABC Board

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise funds:

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

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

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

The Town reports the following fund type:

Internal Service Funds. Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Town of Waynesville has two Internal Service Funds: the Asset Services Management Fund and the Garage Operations Fund. Both internal service funds predominantly serve governmental activities. The budgetary comparison for the Public Works Building Capital Improvements Fund, a subsidiary fund of the Asset Services Management Fund, has been included in the supplemental information.

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 Public Buildings Projects Fund. 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, six 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 reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds of \$392,735 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, 2017.

<u>Town of Waynesville Restricted Cash</u>			
Governmental Activities			
General Fund	Streets	\$	392,735
	Public Safety		-
Total Governmental Activities		\$	<u>392,735</u>
Business-type Activities			
Electric Fund	Customer deposits and escrow monies		294,525
Water Fund	Customer deposits, CD and escrow monies		331,789
Total Business-type Activities		\$	<u>626,314</u>
Total Restricted Cash		\$	<u>1,019,049</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, 2017.

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 sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion - contributions made to the pension plan, and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension 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. The

portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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 no violations of non-compliance with State Statutes for the year ended June 30, 2017.

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, 2017, the Town's deposits had a carrying amount of \$6,810,465 and a bank balance of \$7,009,817. Of the bank balance, \$1,500,000 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 \$658,522 and the bank balance was \$634,313. 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, 2017, the ABC Board's uninsured cash balance was \$384,413. For the Town, all amounts exceeding FDIC insurance limits were covered by collateral held by the Pooling Method. At June 30, 2017 the Town's petty cash fund totaled \$3,000.

2. Investments

At June 30, 2017, the Town had \$5,601,523 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. 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, 2017 are net of the following allowances for doubtful accounts:

Fund	6/30/2017
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	16,479
Total	<u>36,479</u>
Enterprise Funds	<u>69,095</u>
Total	<u>\$ 105,574</u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,880,263	\$ 83,931	\$ -	\$ -	\$ 1,964,194
Public art	94,547	-	-	-	94,547
Construction in progress	96,081	1,654,305	-	-	1,750,386
Total capital assets not being depreciated	<u>2,070,891</u>	<u>1,738,236</u>	<u>-</u>	<u>-</u>	<u>3,809,127</u>
Capital assets being depreciated:					
Land improvements	1,057,624	-	-	-	1,057,624
Buildings and building improvements	16,741,473	161,261	-	-	16,902,734
Equipment and furniture and fixtures	3,345,599	105,173	-	-	3,450,772
Vehicles and motorized equipment	6,696,367	270,994	58,802	-	6,908,559
Infrastructure	29,089,959	63,584	-	-	29,153,543
Total capital assets being depreciated	<u>56,931,022</u>	<u>601,012</u>	<u>58,802</u>	<u>-</u>	<u>57,473,232</u>
Less accumulated depreciation for:					
Land improvements	751,901	33,351	-	-	785,252
Buildings and building improvements	4,445,400	364,934	-	-	4,810,334
Equipment and furniture and fixtures	2,619,399	171,780	-	-	2,791,179
Vehicles and motorized equipment	4,054,699	447,040	58,802	-	4,442,937
Infrastructure	24,861,029	923,866	-	-	25,784,895
Total accumulated depreciation	<u>36,732,428</u>	<u>1,940,971</u>	<u>58,802</u>	<u>-</u>	<u>38,614,597</u>
Total capital assets being depreciated, net	<u>20,198,594</u>				<u>18,858,635</u>
Governmental activity capital assets, net	<u>\$ 22,269,485</u>				<u>\$ 22,667,762</u>

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

General government	\$ 98,937
Public safety	472,122
Transportation	998,379
Environmental protection	3,643
Cultural and recreational	288,238
Depreciation on capital assets held in Garage Fund charged to functions based on usage	14,499
Depreciation on capital assets held in Asset Services Management Fund charged to functions based on usage	65,153
Total depreciation expense	<u>\$ 1,940,971</u>

	<u>Beginning</u>				<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances</u>
Business-type activities:					
<i>Electric Fund</i>					
Capital assets not being depreciated:					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	<u>230,058</u>	-	-	-	<u>230,058</u>
Capital assets:					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	179,417	-	-	-	179,417
Vehicles and motorized equipment	767,169	-	-	-	767,169
Substations, lines, and related equipment	7,081,508	-	-	-	7,081,508
Total capital assets being depreciated	<u>8,051,091</u>	-	-	-	<u>8,051,091</u>
Less accumulated depreciation for:					
Buildings and building improvements	21,676	481	-	-	22,157
Equipment and furniture and fixtures	123,254	11,990	-	-	135,244
Vehicles and motorized equipment	601,695	39,432	-	-	641,127
Substations, lines, and related equipment	4,174,310	210,341	-	-	4,384,651
Total accumulated depreciation	<u>4,920,935</u>	<u>262,244</u>	-	-	<u>5,183,179</u>
Total capital assets being depreciated, net	<u>3,130,156</u>				<u>2,867,912</u>
Electric fund capital assets, net	<u>3,360,214</u>				<u>3,097,970</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Water Fund					
Capital assets not being depreciated:					
Land	1,486,362	-	-	-	1,486,362
Construction in process	75,850	-	-	(75,850)	-
Total capital assets not being depreciated	<u>1,562,212</u>	-	-	<u>(75,850)</u>	<u>1,486,362</u>
Capital assets being depreciated:					
Land improvements	83,691	-	-	-	83,691
Buildings and building improvements	1,818,426	-	-	-	1,818,426
Equipment and furniture and fixtures	398,568	-	-	-	398,568
Vehicles and motorized equipment	633,881	167,512	31,143	67,403	837,653
Plant and system distributions	23,702,229	663,928	-	8,447	24,374,604
Total capital assets being depreciated	<u>26,636,795</u>	<u>831,440</u>	<u>31,143</u>	<u>75,850</u>	<u>27,512,942</u>
Total Capital Assets	<u>28,199,007</u>	<u>831,440</u>	<u>31,143</u>	-	<u>28,999,304</u>
Less accumulated depreciation for:					
Land improvements	32,047	3,834	-	-	35,881
Buildings and building improvements	1,118,536	27,216	-	-	1,145,752
Equipment and furniture and fixtures	326,431	14,722	-	-	341,153
Vehicles and motorized equipment	416,172	60,520	31,143	-	445,549
Plant and system distributions	12,117,763	510,880	-	-	12,628,643
Total accumulated depreciation	<u>14,010,949</u>	<u>617,172</u>	<u>31,143</u>	-	<u>14,596,978</u>
Total capital assets being depreciated, net	<u>12,625,846</u>				<u>12,915,964</u>
Water fund capital assets, net	<u>14,188,058</u>				<u>14,402,326</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Sewer Fund					
Capital assets not being depreciated:					
Land	110,500	-	-	-	110,500
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	110,500	-	-	-	110,500
Capital assets being depreciated:					
Land improvements	57,329	-	-	-	57,329
Buildings and building improvements	8,703,801	-	-	-	8,703,801
Equipment and furniture and fixtures	376,994	-	-	-	376,994
Vehicles and motorized equipment	604,011	27,851	-	-	631,862
Plant and system distributions	9,523,510	151,290	-	-	9,674,800
Total capital assets being depreciated	19,265,645	179,141	-	-	19,444,786
Less accumulated depreciation for:					
Land improvements	14,682	2,817	-	-	17,499
Buildings and building improvements	6,766,385	178,501	-	-	6,944,886
Equipment and furniture and fixtures	293,517	13,361	-	-	306,878
Vehicles and motorized equipment	306,771	35,548	-	-	342,319
Plant and system distributions	4,986,925	186,304	-	-	5,173,229
Total accumulated depreciation	12,368,280	416,531	-	-	12,784,811
Total capital assets being depreciated, net	6,897,365				6,659,975
Sewer fund capital assets, net	7,007,865				6,770,475
Business-type activities capital assets, net	\$ 24,556,137				\$ 24,270,771

Construction commitments

The Town has active construction projects as of June 30, 2017. At year-end, the Town's commitments with contractors are as follows:

Project	Spent To-Date	Remaining Commitment
Public Works Facility Construction	\$ -	\$ 35,720

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2017, 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	793,248	-	-	-	793,248
Furniture and equipment	134,331	-	3,631	-	130,700
Total capital assets being depreciated	927,579	-	3,631	-	923,948
Less accumulated depreciation					
New Facility	54,742	20,064	-	-	74,806
Furniture and equipment	45,000	11,205	3,631	-	52,574
Total accumulated depreciation	99,742	31,269	3,631	-	127,380
Total capital assets being depreciated, net	827,837				796,568
ABC capital assets, net	\$1,337,483				\$1,306,214

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2017, were as follows:

	Salaries and			Total
	Vendors	Benefits	Other	
Governmental Activities:				
General	\$ 180,542	\$ 249,684	\$ 9,932	\$ 440,158
Asset Services Management	200,690	11,584	-	212,274
Other Governmental	15,201	2,065	-	17,266
Total Governmental Activities	\$ 396,433	\$ 263,333	\$ 9,932	\$ 669,698
Business-type Activities:				
Water	\$ 116,775	\$ 14,838	\$ -	\$ 131,613
Sewer	16,679	15,454	23,000	55,133
Electric	346,581	5,710	-	352,291
Total Business-type Activities:	\$ 480,035	\$ 36,002	\$ 23,000	\$ 539,037

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2017, was 8.00% of compensation for law enforcement officers and 7.35% 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 \$562,709 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$2,460,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town’s proportion was 0.11592%, which was a decrease of 0.00229% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$679,741. At June 30, 2017, 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	\$ 46,223	\$ 86,209
Changes of assumptions	168,502	-
Net difference between projected and actual earnings on pension plan investments	1,360,187	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	19,239	5,607
Town contributions subsequent to the measurement date	562,709	-
Total	<u>\$ 2,156,860</u>	<u>\$ 91,816</u>

\$562,709 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 231,344
2019	231,532
2020	649,894
2021	389,569
2022	-
Thereafter	-
	<u>\$ 1,502,339</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2015 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, 2016 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 2016 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 5,839,228	\$ 2,460,207	\$ (362,196)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitles to but not yet receiving benefits	0
Active plan members	<u>35</u>
Total	<u><u>41</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The discount rate is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on MP-2015.

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 \$67,135 as benefits came due for the reporting period.

At June 30, 2017, the Town reported a total pension liability of \$1,088,441. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$79,979.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	21,121
Benefit payments made subsequent to the measurement date	<u>67,135</u>	<u>-</u>
Total	<u>\$ 67,135</u>	<u>\$ 21,121</u>

\$67,135 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (4,276)
2019	(4,276)
2020	(4,276)
2021	(4,276)
2022	(4,017)
Thereafter	-
	<u>\$ (21,121)</u>

\$67,135 paid as benefits came due (including administrative expenses) subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	\$ 1,178,969	\$ 1,088,441	\$ 1,006,017

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

	<u>2017</u>
Beginning balance	\$ 1,096,940
Service Cost	46,071
Interest on the total pension liability	37,962
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(25,397)
Benefit payments	(67,135)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,088,441</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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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, 2017 were \$143,270, which consisted of \$92,341 from the Town and \$50,929 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, 2017 were \$412,958, which consisted of \$290,056 from the Town and \$122,902 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2016, the State contributed \$13,900,000 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, 2017, 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 \$15,284. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015 was 0%.

At June 30, 2017, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary Increases	Not applicable
Investment rate of return	7.25 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 7.25%. 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 Comprehensive Annual Financial Report (CAFR) 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, 2016, the date of the latest actuarial valuation:

	General	Law
	<u>Employees</u>	<u>Enforcement Officers</u>
Retirees and dependents receiving benefits	17	6
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>131</u>	<u>33</u>
Total	<u><u>148</u></u>	<u><u>39</u></u>

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town's Board of Aldermen. The Town's retirees may elect to pay for dependent coverage: \$263.91 for a child, \$556.73 for a spouse, or \$847.82 for a family. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 7.42 percent of annual covered payroll. For the current year, the Town contributed \$208,602 or 3.19 percent of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required OPEB contributions, under a Town resolution, for employees not engaged in

law enforcement and for law enforcement officers represented 2.43 percent and .76 percent of covered payroll, respectively. The Town's contributions totaled \$208,602 in fiscal year 2017. There were no contributions made by retired employees in the current year. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town's Board of Aldermen.

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

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

Annual required contribution	\$ 485,354
Interest on net OPEB obligation	67,343
Adjustment to annual required contribution	<u>(64,333)</u>
Annual OPEB cost (expense)	\$ 488,364
Contributions made	<u>(208,602)</u>
Increase (decrease) in net OPEB obligation	279,762
Net OPEB obligation, beginning of year	<u>1,683,571</u>
Net OPEB obligation, end of year	<u><u>\$ 1,963,333</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

<u>3 Year Trend Information</u>			
For Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 368,373	44.6%	\$ 1,412,475
2016	\$ 473,742	42.8%	\$ 1,683,571
2017	\$ 488,364	41.5%	\$ 1,963,333

Funded Status and Funding Progress. As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$4,170,558. The covered payroll (annual payroll of active employees covered by the plan) was \$6,544,442, and the ratio of the UAAL to the covered payroll was 63.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a pre-Medicare trend rate of 7.75 to 5.0 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

3. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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 is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 562,709
Benefit payments made and administrative expenses for LEOSSA	67,135
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,594,151</u>
Total	<u>\$ 2,223,995</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes not yet earned (General Fund)	\$ 12,095	\$ 12,095
Taxes receivable, net (General Fund)	-	551,916
Unearned distributions (General Fund)	12,374	12,374
Other unearned revenue (General Fund)	79,273	79,273
Differences between expected and actual experience	86,209	-
Changes in assumptions and other inputs	21,121	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>5,607</u>	<u>-</u>
	<u>\$ 216,679</u>	<u>\$ 655,658</u>

6. Commitments

The Town had commitments of \$428,734 in its proprietary funds and \$4,135 in its general funds at June 30, 2017. These items will be funded from operating funds.

The Town held cash performance bonds with a balance at June 30, 2017 of \$18,772 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 2013-2014, the Town entered into an IT Services contract that includes IT support and computer equipment rental for a five-year period, January 2014 through December 2018, with a monthly payment of approximately \$25,000. The monthly payment varies based on the number of employees using the service. Additionally, the Town pays for hosting, licenses, and faxing capabilities. The expense for the year ended June 30, 2017 was \$306,405.

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

Years ended June 30:	
2018	298,224
2019	<u>149,112</u>
	<u>\$447,336</u>

The Town has entered into a lease for equipment with a monthly payment of \$4,221. Equipment lease expense for the year ended June 30, 2017 was \$50,654.

Future minimum annual equipment lease payments are as follows:

Years ended June 30:	
2018	78,733
2019	44,964
2020	44,964
2021	44,964
2022	41,217
	<u>\$254,842</u>

7. Risk Management

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

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

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

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

8. Claims, Judgments and Contingent Liabilities

Periodically, the Town has been a defendant to various lawsuits. The town has set up a contingent liability, in the amount of \$20,000, for legal claims. At June 30, 2017, there were four lawsuits against the Town of Waynesville.

The North Carolina Supreme Court decision on August 19, 2016 invalidated water and sewer impact fees assessed on new connections by the Town of Carthage, holding that a municipality lacks the authority under

general law to assess such fees (Quality Built Homes Inc. v. Town of Carthage). This case could have implications for other municipalities who charge similar type of fees in a similar way. The Town has been charging capacity fees for new connections to the water and waste water systems. The Town's management has compared Waynesville's capacity use fee formula with the details set forth in the Carthage case. The Town did not use "future cost estimates" in the formula for their capacity use fees, but instead based fees on the cost of the system and debt service of improvements. Thus, Town management has determined that the Town would not be liable for the return of capacity use fees. The Town has hired its outside engineering consultant to calculate new fees based on the stipulations set forth in North Carolina House Bill 436, passed by the North Carolina General Assembly. Soon after the court ruled on the Carthage case, the Town stopped collecting capacity use fees and will begin to charge them again only when new fees are calculated and adopted.

9. Long-Term Obligations

a. Installment Purchases, Interlocal Agreement and Construction Financing

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, 2017 totaled \$6,311, with \$3,387 recorded in the governmental activities and \$2,924 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 \$250,267 at June 30, 2017. The portion of the note for the water maintenance trucks is being shown under business-type activities and the balance was \$170,499 at June 30, 2017.

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, 2017 totaled \$4,367, with \$991 recorded in the governmental activities and \$3,376 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 \$229,900 at June 30, 2017. The portion of the note for the water maintenance and electric trucks is being shown under business-type activities and the balance was \$313,300 at June 30, 2017.

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, 2017 was \$19,828. This loan is shown under governmental activities and the balance was \$1,256,667 at June 30, 2017.

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 \$280,389 at June 30, 2017.

On February 20, 2014, the Town entered into an agreement with a local bank for \$825,650 to purchase fifteen police service vehicles and equipment, two fire service vehicles and equipment and two administrative service vehicles and equipment. The installment contract agreement requires five annual payments of \$172,084 with an interest rate of at 1.40 percent. Interest expense for the year ended June 30, 2017 was \$6,258. This note is being shown under governmental activities and the balance was \$337,072 at June 30, 2017.

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, 2017 was \$5,541. This loan is shown under governmental activities and the balance was \$274,438 at June 30, 2017.

On September 18, 2012, the Town entered into a \$326,000 installment purchase contract to fund the purchase of a garbage truck and a bucket truck. The financing contract requires four annual payments of \$84,931 with an interest rate of 1.67 percent. Interest expense for the year ended June 30, 2017 totaled \$352, with \$118 recorded in the governmental activities and \$234 recorded in the business-type activities. The portion of the loan for the garbage truck is shown under governmental activities and the balance was paid in full at June 30, 2017. The portion representing the Electric Department bucket truck is shown under business-type activities and the balance was paid in full at June 30, 2017.

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 \$104,225 at June 30, 2017.

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, 2017 was \$15,904. This loan is shown under business-type activities and the balance was \$678,555 at June 30, 2017.

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, 2017 was \$4,514. This loan is shown under governmental activities and the balance was \$170,878 at June 30, 2017.

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, 2016 was \$82,155. This loan is shown under governmental activities and the balance was \$1,824,594 at June 30, 2017.

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, 2017 was \$24,838. This loan is shown under business-type activities and the balance was \$1,130,725 at June 30, 2017.

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, 2017 was \$71,396. This loan is shown under governmental activities and the balance was \$1,907,690 at June 30, 2017.

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, 2017 was \$8,505. This loan is shown under governmental activities and the balance was \$333,333 at June 30, 2017.

In January 2003, the Town entered into an interlocal agreement with Haywood County to assist the County with its payment for the construction of a new parking facility. The agreement, as refinanced, requires annual payments of \$217,573 with an interest rate of 1.64 percent. Interest expense for the year ended June 30, 2017 was \$3,633. This loan is shown under governmental activities and the balance was \$214,062 at June 30, 2017. The Town of Waynesville does not hold title to this asset.

In October 1998, the Town entered into an installment purchase contract to build a new recreation facility center. The contract, as refinanced, requires semi-annual payments of \$181,563 at an interest rate of 3.1 percent. Interest expense for the year ended June 30, 2017 was \$22,568. This loan is shown under governmental activities and the balance was \$528,185 at June 30, 2017.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2017, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	1,245,464	221,607	463,609	47,669
2019	873,013	191,473	471,246	39,026
2020	534,872	172,625	479,042	30,227
2021	545,470	158,625	486,997	21,266
2022	445,891	144,293	126,507	12,142
2023-2027	1,588,711	559,190	308,652	40,170
2028-2032	821,735	343,486	308,652	15,064
2033-2037	281,553	261,946	32,988	-
2038-2042	350,865	192,635	-	-
2043-2047	437,244	106,258	-	-
2048-2052	202,268	13,718	-	-
2053-2057	-	-	-	-
Total	<u>\$ 7,327,086</u>	<u>\$ 2,365,856</u>	<u>\$ 2,677,693</u>	<u>\$ 205,564</u>
Less: current portion	<u>(1,245,464)</u>		<u>(463,609)</u>	
Long-term portion	<u>\$ 6,081,622</u>		<u>\$ 2,214,084</u>	

b. General Obligation Bonds

At June 30, 2017, the Town of Waynesville had a legal debt margin of \$82,538,548.

c. Changes in Long-Term Liabilities

	Balance			Balance	Current Portion
	June 30, 2016	Increases	Decreases	June 30, 2017	of Balance
Governmental activities:					
Installment purchases	\$ 6,651,637	\$ 1,840,350	\$ 1,164,901	\$ 7,327,086	\$ 1,245,464
Total Pension Liability (LEO)	449,392	706,184	67,135	1,088,441	-
Legal Claims	10,000	10,000	-	20,000	-
Net Pension Liability (LGERS)	421,256	1,538,451	-	1,959,707	-
Other postemployment benefits	1,297,728	309,898	99,342	1,508,284	-
Compensated absences	406,670	268,140	230,381	444,429	230,381
Governmental activity long-term liabilities	\$ 9,236,683	\$ 4,673,023	\$ 1,561,759	\$ 12,347,947	\$ 1,475,845

	Balance			Balance	Current Portion
	June 30, 2016	Increases	Decreases	June 30, 2017	of Balance
Business-type activities:					
<i>Electric Fund</i>					
Installment purchases	\$ 1,449,374	\$ 148,300	\$ 318,648	\$ 1,279,026	\$ 302,279
Other postemployment benefits	69,483	18,353	7,054	80,782	-
Net Pension Liability (LGERS)	19,640	60,521	-	80,161	-
Compensated absences	22,531	8,687	10,303	20,915	10,303
<i>Total activity Electric Fund</i>	\$ 1,561,028	\$ 235,861	\$ 336,005	\$ 1,460,884	\$ 312,582
<i>Water Fund</i>					
Installment purchases	\$ 1,150,955	\$ 376,500	\$ 128,788	\$ 1,398,667	\$ 161,330
Other postemployment benefits	159,700	33,890	7,055	186,535	-
Net Pension Liability (LGERS)	48,244	175,070	-	223,314	-
Compensated absences	43,549	34,579	29,091	49,037	29,091
<i>Total activity Water Fund</i>	\$ 1,402,448	\$ 620,039	\$ 164,934	\$ 1,857,553	\$ 190,421
<i>Sewer Fund</i>					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Other postemployment benefits	156,660	66,350	35,278	187,732	-
Net Pension Liability (LGERS)	41,379	155,646	-	197,025	-
Compensated absences	34,451	32,970	30,808	36,613	30,808
<i>Total activity Sewer Fund</i>	232,490	254,966	66,086	421,370	30,808
Business-type activity long-term liabilities	\$ 3,195,966	\$ 1,110,866	\$ 567,025	\$ 3,739,807	\$ 533,811

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, 2017, consist of the following:

Due to the Town from the component unit, ABC Board	<u>\$ 34,679</u>
Due from the Governmental Funds to the Asset Services Management Fund for its activity allocation	<u>\$170,994</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, 2017 consist of the following:

From the Water Fund to the General Fund - payment in lieu of taxes	\$ 119,320
From the Water Fund to the Public Works Capital Fund - per budget	\$ 50,760
From the Sewer Fund to the General Fund - payment in lieu of taxes	88,310
From the Sewer Fund to the Public Works Capital Fund - per budget	50,760
From the Electric Fund to the General Fund - payment in lieu of taxes	1,275,600
From the Electric Fund to the Public Works Capital Fund - per budget	50,761
From the Public Buildings Project Fund to the Public Works Capital Fund-per budget	247,719
From the component unit, ABC Board, to the Town	58,345
Total	<u>\$1,941,575</u>

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

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 22,667,762	\$ 24,270,771
less: long-term debt	7,113,024	2,677,693
add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 15,554,738</u>	<u>\$ 21,593,078</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>	\$ 7,021,273
Less:	
Prepaid Items	-
Inventories	6,492
Stabilization by State Statute	1,366,383
Streets - Powell Bill	392,735
Appropriated Fund Balance in 2017 budget	334,120
Public Safety	108,700
Working capital / Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 4,812,843</u>

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

Encumbrances	General Fund	Non-Major Funds
	\$4,135	\$0

IV. Related Organization

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

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through October 31, 2017, which is the date the audit report was available to be issued.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$647,548.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2008	-	2,569,013	2,569,013	0%	5,357,074	48.0%
12/31/2010	-	3,819,419	3,819,419	0%	6,038,837	63.2%
12/31/2012	-	3,813,656	3,813,656	0%	5,881,430	64.8%
12/31/2014	-	5,341,577	5,341,577	0%	6,160,735	86.70%
6/30/2016	-	4,170,558	4,170,558	0%	6,544,442	63.70%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	248,312	4.63%
2010	248,312	4.63%
2011	258,260	4.28%
2012	372,325	6.17%
2013	383,495	6.52%
2014	355,547	6.08%
2015	366,213	6.27%
2016	471,217	7.22%
2017	485,354	7.42%

Notes to the Required Schedules:

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

Valuation date	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of Pay, closed
Remaining amortization period	30 Years
Amortization factor	26.1695
Asset valuation method	Market Value of Assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical Cost Trend Rate	7.50% - 5.00%
Medicare Trend Rate	
Year of Ultimate Trend Rate	2022

*Includes inflation at 3.00%

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Waynesville's proportion of the net pension liability (asset) (%)	0.11592%	0.11821%	0.11235%	0.11320%
Waynesville's proportion of the net pension liability (asset) (\$)	\$ 2,460,207	\$ 530,519	\$ (620,080)	\$ 1,364,495
Waynesville's covered-employee payroll	\$ 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	34.18%	8.17%	(9.74%)	21.72%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	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 Four Fiscal Years

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 564,103	\$ 485,425	\$ 463,628	\$ 453,440
Contributions in relation to the contractually required contribution	<u>564,103</u>	<u>485,425</u>	<u>463,628</u>	<u>453,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Waynesville's covered-employee payroll	\$7,510,818	\$7,197,159	\$6,490,657	\$6,367,343
Contributions as a percentage of covered-employee payroll	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, 2017

	<u>2017</u>
Beginning balance	\$ 1,096,940
Service Cost	46,071
Interest on the Total Pension Liability	37,962
Change in benefit terms	-
Difference between expected and actuarial experience	-
Changes of assumptions and other inputs	(25,397)
Benefit payments	(67,135)
Other changes	-
Ending balance	<u>\$ 1,088,441</u>

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

Town of Waynesville
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Total Pension Liability	\$ 1,088,441
Covered payroll	\$ 1,716,584
Total pension liability as a percentage of covered payroll	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, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 5,768,011	\$ -
Penalties and interest	-	44,789	-
Total	<u>5,708,750</u>	<u>5,812,800</u>	<u>104,050</u>
Other taxes and licenses:			
Local option sales tax	-	2,654,688	-
Gross receipts tax on short-term rental property	-	24,554	-
Privilege licenses and CATV	-	120,369	-
Total	<u>2,737,480</u>	<u>2,799,611</u>	<u>62,131</u>
Unrestricted intergovernmental:			
Utility sales tax	-	813,686	-
Beer and wine tax	-	44,881	-
ABC profit distribution	-	58,345	-
Total	<u>951,600</u>	<u>916,912</u>	<u>(34,688)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	336,023	-
Investment earnings	-	1,653	-
ABC Revenue for law enforcement	-	15,004	-
Other grant revenue	-	2,611	-
Total	<u>382,210</u>	<u>355,291</u>	<u>(26,919)</u>
Permits and fees:			
Building permits and inspection fees	-	90,910	-
Reconnect fees	-	84,777	-
Total	<u>188,100</u>	<u>175,687</u>	<u>(12,413)</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, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Recreation department fees	-	770,733	-
Cemetery revenues	-	24,600	-
Solid waste container sales	-	25,223	-
Fire protection	-	322,465	-
Police contract services	-	64,697	-
Sanitation fee	-	781,871	-
Court costs and fees	-	2,246	-
Rents	-	67,422	-
Total	<u>1,934,300</u>	<u>2,059,257</u>	<u>124,957</u>
Investment earnings	-	15,645	15,645
Miscellaneous	<u>158,350</u>	<u>92,351</u>	<u>(65,999)</u>
Total revenues	<u>12,060,790</u>	<u>12,227,554</u>	<u>166,764</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	91,663	-
Other operating expenditures	-	60,393	-
Reimbursement - proprietary funds	-	(67,750)	-
Total	<u>93,400</u>	<u>84,306</u>	<u>9,094</u>
Administration:			
Salaries and employee benefits	-	409,175	-
Professional services	-	98,946	-
Other operating expenditures	-	181,105	-
Capital outlay	-	5,982	-
Reimbursement - proprietary funds	-	(367,290)	-
Total	<u>386,250</u>	<u>327,918</u>	<u>58,332</u>
Finance:			
Salaries and employee benefits	-	596,893	-
Professional services	-	68,645	-
Other operating expenditures	-	193,813	-
Capital outlay	-	-	-
Reimbursement - proprietary funds	-	(538,907)	-
Total	<u>359,550</u>	<u>320,444</u>	<u>39,106</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, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Planning and code enforcement:			
Salaries and employee benefits	-	444,166	-
Other operating expenditures	-	146,218	-
Capital Outlay	-	-	-
Total	<u>603,930</u>	<u>590,384</u>	<u>13,546</u>
Special appropriations:			
Contributions	-	260,905	-
Total	<u>302,790</u>	<u>260,905</u>	<u>41,885</u>
Total general government	<u>1,745,920</u>	<u>1,583,957</u>	<u>161,963</u>
Public safety:			
Police:			
Salaries and employee benefits	-	3,361,975	-
Professional services	-	19,579	-
Other operating expenditures	-	904,648	-
Capital outlay	-	-	-
Total	<u>4,491,070</u>	<u>4,286,202</u>	<u>204,868</u>
Fire:			
Salaries and employee benefits	-	1,097,312	-
Professional services	-	9,731	-
Other operating expenditures	-	346,614	-
Building inspection and EMT's	-	6,045	-
Capital outlay	-	-	-
Total	<u>1,665,040</u>	<u>1,459,702</u>	<u>205,338</u>
Total public safety	<u>6,156,110</u>	<u>5,745,904</u>	<u>410,206</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,203,449	-
Professional services	-	155,660	-
Other operating expenditures	-	1,032,468	-
Contracted services	-	289,891	-
Capital outlay	-	135,759	-
Total transportation	<u>3,014,770</u>	<u>2,817,227</u>	<u>197,543</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, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	117,322	-
Other operating expenditures	-	58,308	-
Capital outlay	-	-	-
Total environmental protection	<u>192,380</u>	<u>175,630</u>	<u>16,750</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,188,190	-
Other operating expenditures	-	793,550	-
Capital outlay	-	163,597	-
Total culture and recreation	<u>2,371,250</u>	<u>2,145,337</u>	<u>225,913</u>
Debt service:			
Principal payments	-	1,121,568	-
Interest and other charges	-	219,477	-
Total debt service	<u>1,341,110</u>	<u>1,341,045</u>	<u>65</u>
Total expenditures	<u>14,821,540</u>	<u>13,809,100</u>	<u>1,012,440</u>
Revenues over (under) expenditures	<u>(2,760,750)</u>	<u>(1,581,546)</u>	<u>1,179,204</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,483,230	1,483,230	
Sales of capital assets	7,000	9,505	
Appropriations from fund balance	<u>1,270,520</u>	<u>-</u>	
Total	<u>\$ 2,760,750</u>	<u>1,492,735</u>	<u>\$ (1,268,015)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(88,811)</u>	<u>\$ (88,811)</u>
Fund balances:			
Beginning of year, July 1		<u>7,110,084</u>	
End of year, June 30		<u>\$ 7,021,273</u>	

**Town of Waynesville
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017**

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 430,298	\$ 430,298
Accounts and interest receivable	-	187	187
Due from other governments	-	-	-
Total assets	\$ -	\$ 430,485	\$ 430,485
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Nonspendable-perpetual maintenance	-	430,485	430,485
Restricted-Cultural and Recreation	-	-	-
Committed-General Government	-	-	-
Total fund balances	-	430,485	430,485
Total liabilities and fund balances	\$ -	\$ 430,485	\$ 430,485

Town of Waynesville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Public Buildings Project Fund	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Sales and services	-	33,600	33,600
Miscellaneous revenue	-	1,224	1,224
Total revenues	-	34,824	34,824
Expenditures:			
Cultural and recreation	-	-	-
General government	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	34,824	34,824
Other financing sources:			
Transfers (to) from other funds:			
Public Works Building Improvement Fund	(247,719)	-	(247,719)
Total other financing sources	(247,719)	-	(247,719)
Net change in fund balance	(247,719)	34,824	(212,895)
Fund balances:			
Beginning of year, July 1	247,719	395,661	643,380
End of year, June 30	<u>\$ -</u>	<u>\$ 430,485</u>	<u>\$ 430,485</u>

Town of Waynesville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for service	\$ 9,110,460	\$ 8,719,787	\$ (390,673)
Other operating revenue	-	-	-
Total operating revenues	<u>9,110,460</u>	<u>8,719,787</u>	<u>(390,673)</u>
Nonoperating revenues:			
Miscellaneous	-	28,954	-
Total nonoperating revenues	<u>3,000</u>	<u>28,954</u>	<u>25,954</u>
Total revenues	<u>9,113,460</u>	<u>8,748,741</u>	<u>(364,719)</u>
Expenditures:			
Finance and administration:			
Charge for services	727,540	617,217	110,323
Electrical operations:			
Salaries and employee benefits	-	391,095	-
Professional services	-	306,533	-
Maintenance	-	133,075	-
Other departmental expenditures	-	275,310	-
Capital outlay	-	-	-
Total	<u>1,121,970</u>	<u>1,106,013</u>	<u>15,957</u>
Electrical power purchases	<u>5,847,650</u>	<u>5,330,503</u>	<u>517,147</u>
Debt service:			
Principal payments	-	318,647	-
Interest and fees	-	31,340	-
Total	<u>350,000</u>	<u>349,987</u>	<u>13</u>
Total expenditures	<u>8,047,160</u>	<u>7,403,720</u>	<u>643,440</u>
Revenues over expenditures	<u>1,066,300</u>	<u>1,345,021</u>	<u>278,721</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfer to General Fund	(1,326,361)	(1,326,361)	-
Fund balance appropriated	260,061	-	(260,061)
Total other financing (uses)	<u>(1,066,300)</u>	<u>(1,326,361)</u>	<u>(260,061)</u>
Net change in fund balance	<u>\$ -</u>	<u>18,660</u>	<u>\$ 18,660</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		318,647	
Capital outlays		-	
Depreciation		(262,244)	
Decrease in long-term debt accrued interest		4,807	
Increase in deferred outflows of resources-pensions		50,718	
Increase in net pension liability		(60,521)	
Decrease in deferred inflows of resources-pensions		7,223	
Increase in OPEB liability		(11,299)	
Decrease in accrued vacation pay		1,616	
Total		<u>48,947</u>	
Change in net position		<u>\$ 67,607</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, 2017

	2017		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 3,222,124	\$ -
Taps and connection fees	-	40,806	-
Total operating revenues	<u>3,187,100</u>	<u>3,262,930</u>	<u>75,830</u>
Nonoperating revenues:			
Miscellaneous	-	12,730	-
Total nonoperating revenues	<u>1,500</u>	<u>12,730</u>	<u>11,230</u>
Total revenues	<u>3,188,600</u>	<u>3,275,660</u>	<u>87,060</u>
Expenditures:			
Finance and administration:			
Charge for services	237,230	207,928	29,302
Total	<u>237,230</u>	<u>207,928</u>	<u>29,302</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	412,501	-
Maintenance	-	183,022	-
Professional services	-	61,787	-
Other departmental expenditures	-	304,267	-
Capital outlay	-	167,513	-
Total	<u>1,413,930</u>	<u>1,129,090</u>	<u>284,840</u>
Operations department:			
Salaries and employee benefits	-	329,441	-
Professional services	-	49,249	-
Utilities	-	17,500	-
Maintenance	-	166,785	-
Other departmental expenditures	-	268,424	-
Capital outlay	-	663,927	-
Total	<u>1,741,570</u>	<u>1,495,326</u>	<u>246,244</u>
Total water maintenance and distribution	<u>3,155,500</u>	<u>2,624,416</u>	<u>531,084</u>
Debt service:			
Principal payments	-	128,788	-
Interest and fees	-	19,367	-
Total	<u>148,190</u>	<u>148,155</u>	<u>35</u>
Total expenditures	<u>3,540,920</u>	<u>2,980,499</u>	<u>560,421</u>
Revenues over (under) expenditures	<u>(352,320)</u>	<u>295,161</u>	<u>647,481</u>
Other financing sources (uses):			
Transfers (to)/from other funds:			
Transfer to General Fund	(170,080)	(170,080)	-
Capital contribution	-	-	-
Fund balance appropriated	522,400	-	(522,400)
Total other financing (uses)	<u>352,320</u>	<u>(170,080)</u>	<u>(522,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>125,081</u>	<u>\$ 125,081</u>

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

Reconciling items:	
Principal payments	128,788
Capital outlays	831,440
Depreciation	(617,172)
Increase in long-term debt accrued interest	(1,142)
Increase in deferred outflows of resources-pensions	(147,733)
Increase in net pension liability	(175,070)
Decrease in deferred inflows of resources-pensions	16,760
Increase in OPEB liability	(26,835)
Increase in accrued vacation pay	(5,488)
Total	<u>3,548</u>
Change in net position	<u>\$ 128,629</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, 2017

	2017		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 2,463,362	\$ -
Taps and connection fees	-	30,400	-
Total operating revenues	<u>2,370,850</u>	<u>2,493,762</u>	<u>122,912</u>
Nonoperating revenues:			
Miscellaneous	-	5,038	5,038
Total nonoperating revenues	<u>400</u>	<u>5,038</u>	<u>4,638</u>
Total revenues	<u>2,371,250</u>	<u>2,498,800</u>	<u>127,550</u>
Expenditures:			
Finance and administration:			
Charges by general fund	169,660	148,802	20,858
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	317,904	
Professional services	-	75,661	
Maintenance	-	11,862	
Other departmental expenditures	-	132,544	
Capital outlay	-	27,851	
Total	<u>761,810</u>	<u>565,822</u>	<u>195,988</u>
Operations department:			
Salaries and employee benefits	-	402,824	-
Professional services	-	127,430	-
Utilities	-	175,628	-
Maintenance	-	58,445	-
Other departmental expenditures	-	255,974	-
Capital outlay	-	151,290	-
Total	<u>1,515,600</u>	<u>1,171,591</u>	<u>344,009</u>
Total waste collection and treatment	<u>2,277,410</u>	<u>1,737,413</u>	<u>539,997</u>
Debt service:			
Principal payments	-	-	-
Interest and fees	-	-	-
Total	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>2,447,070</u>	<u>1,886,215</u>	<u>560,855</u>
Revenues over (under) expenditures	<u>(75,820)</u>	<u>612,585</u>	<u>688,405</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers to general fund:	(139,070)	(139,070)	-
Contributed capital	-	-	-
Fund balance appropriated	214,890	-	(214,890)
Total other financing sources	<u>75,820</u>	<u>(139,070)</u>	<u>(214,890)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 473,515</u>	<u>\$ 473,515</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		179,141	
Depreciation		(416,531)	
Increase in deferred outflows of resources-pensions		(131,527)	
Increase in net pension liability		(155,646)	
Decrease in deferred inflows of resources-pensions		14,168	
Increase in OPEB liability		(31,072)	
Increase in accrued vacation pay		(2,162)	
Total		<u>(543,629)</u>	
Change in net position		<u>\$ (70,114)</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, 2017

	2017		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 2,334,060	\$ 1,996,276	\$ (337,784)
Total operating revenues	2,334,060	1,996,276	(337,784)
Nonoperating revenues:			
Miscellaneous	-	738	738
Total nonoperating revenues	-	738	738
Total revenues	2,334,060	1,997,014	(337,046)
Expenditures:			
Public Services Administration:			
Salaries and employee benefits	-	269,330	-
Occupancy costs	-	4,765	-
Maintenance and repairs	-	2,881	-
Materials and supplies	-	7,502	-
Other departmental expenses	-	45,353	-
Capital outlays	-	-	-
Total expenditures	439,620	329,831	109,789
Public Facilities:			
Salaries and employee benefits	-	273,591	-
Occupancy costs	-	51,301	-
Maintenance and repairs	-	52,249	-
Materials and supplies	-	91,231	-
Other departmental expenses	-	486,387	-
Capital outlays	-	1,764,994	-
Total expenditures	3,257,930	2,719,753	538,177
Purchasing:			
Salaries and employee benefits	-	90,937	-
Occupancy costs	-	22,676	-
Maintenance and repairs	-	9,991	-
Materials and supplies	-	15,409	-
Other departmental expenses	-	6,660	-
Capital outlays	-	-	-
Total expenditures	244,560	145,673	98,887
Debt service:			
Principal payments		43,333	
Interest and fees		-	
Total debt service	56,950	43,333	13,617
Revenues over expenditures	(1,665,000)	(1,241,576)	(435,933)
Other financing sources (uses):			
Loan proceeds	1,265,000	1,300,000	
Transfers from other funds	400,000	400,000	
Fund balance appropriated	-	-	-
Total other financing sources	1,665,000	1,700,000	(35,000)
Net change in fund balance	\$ -	\$ 458,424	\$ 458,424
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(65,153)	
Loan proceeds		(1,300,000)	
Principal payments		43,333	
Capital outlays		1,764,994	
Increase in deferred outflows of resources-pensions		(123,460)	
Increase in net pension liability		(146,601)	
Decrease in deferred inflows of resources-pensions		15,053	
Increase in OPEB liability		(19,886)	
Increase in accrued vacation pay		(392)	
Total reconciling items		167,888	
Change in net position		\$ 626,312	

Town of Waynesville, North Carolina
Public Works Building Capital 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, 2017

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Interest income	\$ -	\$ -	\$ 96	\$ 96	\$ (96)
Total revenues	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>	<u>(96)</u>
Expenditures:					
Engineering and professional fees	124,750	-	78,098	78,098	46,652
Furniture & equipment	130,000	-	115,234	115,234	14,766
Construction costs	1,268,080	-	1,207,011	1,207,011	61,069
Loan payments	56,950	-	63,161	63,161	(6,211)
Contingency	85,220	-	-	-	85,220
Total Expenditures	<u>1,665,000</u>	<u>-</u>	<u>1,463,504</u>	<u>1,463,504</u>	<u>201,496</u>
Revenues over (under) expenditures	<u>(1,665,000)</u>	<u>-</u>	<u>(1,463,408)</u>	<u>(1,463,408)</u>	<u>(201,592)</u>
Other financing sources:					
Transfers in from other funds	400,000	-	400,000	400,000	-
Loan proceeds	1,265,000	-	1,300,000	1,300,000	(35,000)
Total other financing sources	<u>1,665,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,300,000</u>	<u>(35,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>236,592</u>	<u>\$ (163,408)</u>	<u>\$ (236,592)</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 236,592</u>		

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, 2017

	2017		Variance Positive (Negative)
	Financial Plan	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 627,730	\$ 520,498	\$ (107,232)
Total operating revenues	<u>627,730</u>	<u>520,498</u>	<u>(107,232)</u>
Nonoperating revenues:			
Miscellaneous	-	12,135	12,135
Total nonoperating revenues	<u>10,000</u>	<u>12,135</u>	<u>2,135</u>
Total revenues	<u>637,730</u>	<u>532,633</u>	<u>(105,097)</u>
Expenditures:			
Salaries and employee benefits	-	104,713	-
Occupancy costs	-	-	-
Maintenance and repairs	-	9,820	-
Materials and supplies	-	130,441	-
Other departmental expenses	-	226,387	-
Capital outlay	-	26,107	-
Total expenditures	<u>637,730</u>	<u>497,468</u>	<u>140,262</u>
Net change in fund balance	<u>\$ -</u>	<u>35,165</u>	<u>\$ 35,165</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(14,499)	
Capital outlay		26,107	
Increase in deferred outflows of resources-pensions		(17,880)	
Increase in net pension liability		(21,254)	
Decrease in deferred inflows of resources-pensions		2,254	
Increase in OPEB liability		(4,237)	
Decrease in accrued vacation pay		594	
Total reconciling items		<u>(28,915)</u>	
Change in net position		<u>\$ 6,250</u>	

Town of Waynesville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
 June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016 - 2017	-	5,830,583	\$ 5,615,840	\$ 214,743
2015 - 2016	160,745	-	78,668	82,077
2014 - 2015	89,941	-	44,729	45,212
2013 - 2014	53,726	-	14,070	39,656
2012 - 2013	42,552	-	4,927	37,625
2011 - 2012	36,904	-	2,572	34,332
2010 - 2011	36,182	-	6,006	30,176
2009 - 2010	31,529	-	3,095	28,434
2008 - 2009	28,770	-	515	28,255
2007 - 2008	31,833	-	427	31,406
2006 - 2007	20,663	-	20,663	-
	<u>\$ 532,845</u>	<u>\$ 5,830,583</u>	<u>\$ 5,791,512</u>	<u>571,916</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(20,000)</u>
Ad valorem taxes receivable - net				<u><u>551,916</u></u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				5,812,800
Reconciling items:				
Interest, penalties and advertising collected				(44,789)
Taxes written off				23,501
Subtotal				<u>(21,288)</u>
Total collections and credits				<u><u>\$ 5,791,512</u></u>

Town of Waynesville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2017

	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	\$ 1,177,652,616	0.4857	\$ 5,719,740	\$ 5,294,700	\$ 425,040
Municipal service district	50,963,621	0.2000	101,927	101,927	-
Penalties	-		5,611	5,611	-
Total	<u>1,228,616,237</u>		<u>5,827,278</u>	<u>5,402,238</u>	<u>425,040</u>
Discoveries:					
Current year taxes	1,377,393	0.4857	6,690	6,690	-
Penalties	-		594	594	-
Total	<u>1,377,393</u>		<u>7,284</u>	<u>7,284</u>	<u>-</u>
Refund of overpayments			-	-	
Abatements	<u>(819,230)</u>		<u>(3,979)</u>	<u>(3,979)</u>	<u>-</u>
Total property valuation	<u>\$ 1,229,174,400</u>				
Net levy			5,830,583	5,405,543	425,040
Uncollected taxes at June 30, 2017			<u>(214,743)</u>	<u>(214,743)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,615,840</u>	<u>\$ 5,190,800</u>	<u>\$ 425,040</u>
Current levy collection percentage			<u>96.32%</u>	<u>96.03%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Ray,
Bumgarner,
Kingshill,

& Assoc., P.A.

Certified Public Accountants

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Waynesville's basic financial statements, and have issued our report thereon dated October 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the Town of Waynesville ABC Board, as described in our report on the Town of Waynesville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of 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
October 31, 2017

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017

Section II. - Financial Statement Findings

None reported

Town of Waynesville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2017

Section II - Financial Statements Findings

None reported

Town of Waynesville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2017

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported