

**TOWN OF WAYNESVILLE
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF WAYNESVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2022

Mayor

Gary Caldwell

Aldermen

Clarence Dickson

Jon Feichter

Julia Freeman

Anthony Sutton

Town Manager

Robert Hites

Prepared by the Town of Waynesville Finance Department

Finance Director

Misty Hagood

TOWN OF WAYNESVILLE, NORTH CAROLINA

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Town of Waynesville ABC Board. Those statements were audited by other auditors 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 the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Waynesville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in the notes to the financial statements, for fiscal year ended June 30, 2022, the Town of Waynesville adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Waynesville's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Waynesville's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Waynesville's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Other Post-Employment Benefits’ Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Governmental Employees’ Retirement System’s Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers’ Special Separation Allowance Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waynesville’s basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 November 7, 2022 on our consideration of the Town of Waynesville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Waynesville's 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 7, 2022

Management's Discussion and Analysis

As management of the Town of Waynesville, we offer readers of the Town of Waynesville's financial statements this narrative overview and analysis of the financial activities of the Town of Waynesville for the fiscal year ended June 30, 2022. 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

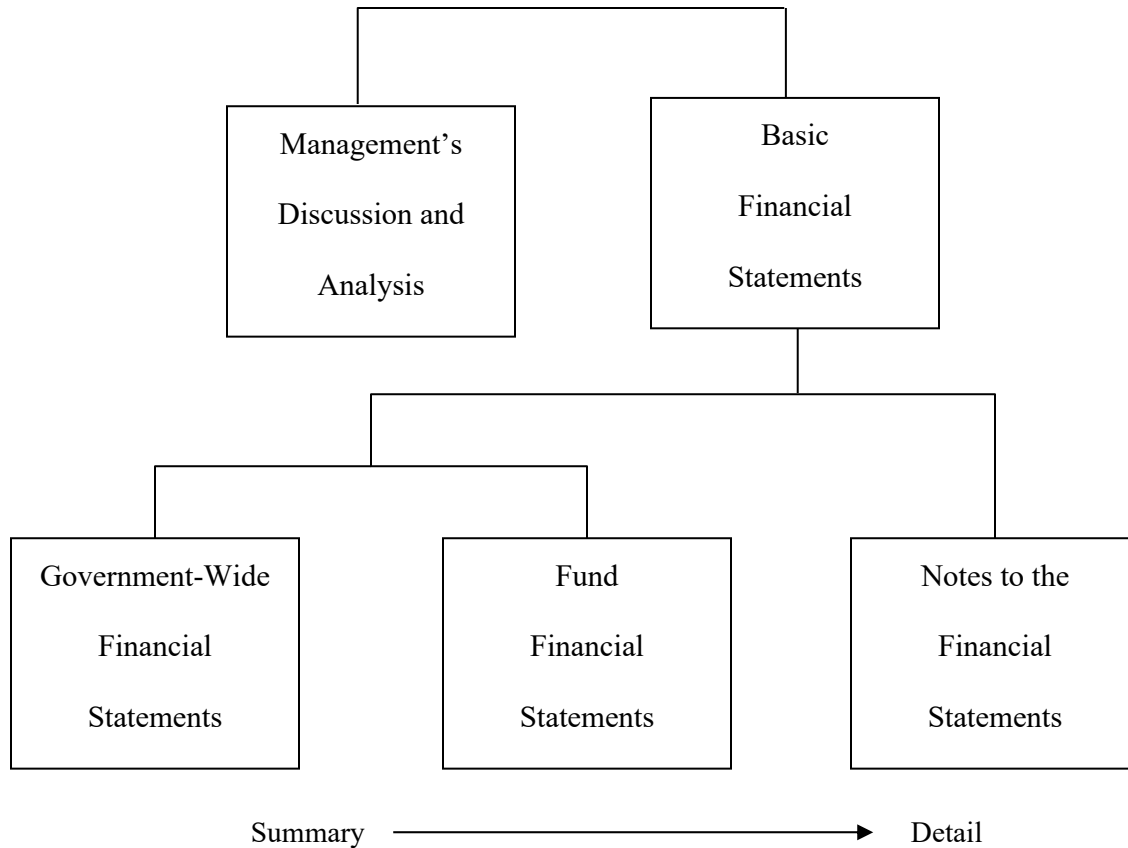
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,620,068 (*net position*).
- The government's total net position increased by \$3,208,528, primarily due to increases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$12,988,632, an increase of \$1,945,507 in comparison with the prior year. Approximately 32% of this total amount, or \$4,165,349, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$9,730,298, or 66%, of total General Fund expenditures adjusted for transfers out and issuances of debt and leases.

Overview of the Financial Statements

This discussion and analysis is 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 A and B) 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 C through I) 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources, the 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 health and safety, economic and physical development, streets and public works, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the electric and the 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 because the Town is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits A and B 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*. This method also has a current financial resources 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 kinds of proprietary fund. *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 the separate activity 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. The Town uses internal service funds to account for two activities – its asset services management operations (formerly public works) and its garage operations. Because these operations benefit predominantly governmental rather than business-type activities, they both have been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I 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 73-81 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 change 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 U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Waynesville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 14,865,755	\$ 13,488,399	\$ 12,947,349	\$ 10,604,802	\$ 27,813,104	\$ 24,093,201
Capital assets, net	22,397,533	20,939,885	22,942,854	22,766,561	45,340,387	43,706,446
Total assets	<u>37,263,288</u>	<u>34,428,284</u>	<u>35,890,203</u>	<u>33,371,363</u>	<u>73,153,491</u>	<u>67,799,647</u>
Deferred Outflows of Resources	<u>5,089,610</u>	<u>4,544,276</u>	<u>1,073,888</u>	<u>969,214</u>	<u>6,163,498</u>	<u>5,513,490</u>
Liabilities:						
Long-term liabilities	15,438,890	17,399,846	2,715,472	2,499,112	18,154,362	19,898,958
Other liabilities	2,182,382	530,908	1,292,379	729,740	3,474,761	1,260,648
Total liabilities	<u>17,621,272</u>	<u>17,930,754</u>	<u>4,007,851</u>	<u>3,228,852</u>	<u>21,629,123</u>	<u>21,159,606</u>
Deferred Inflows of Resources	<u>2,485,844</u>	<u>659,319</u>	<u>581,954</u>	<u>88,072</u>	<u>3,067,798</u>	<u>747,391</u>
Net Position:						
Net investment in capital assets	17,788,052	16,811,673	22,292,517	21,989,753	40,080,569	38,801,426
Restricted	3,668,273	2,475,701	-	-	3,668,273	2,475,701
Unrestricted	<u>789,457</u>	<u>1,095,113</u>	<u>10,081,769</u>	<u>9,033,900</u>	<u>10,871,226</u>	<u>10,129,013</u>
Total net position	<u>\$ 22,245,782</u>	<u>\$ 20,382,487</u>	<u>\$ 32,374,286</u>	<u>\$ 31,023,653</u>	<u>\$ 54,620,068</u>	<u>\$ 51,406,140</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Waynesville exceeded liabilities and deferred inflows of resources by \$54,620,068 as of June 30, 2022. The Town's net position increased by \$3,208,528 (6%) for the fiscal year ended June 30, 2022. The largest portion of net position (73%) reflects the Town's net investment in capital assets (e.g. land, buildings, 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 investment in its 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,871,226 is unrestricted.

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

- It was a revaluation year for property in Haywood County and the Board of Aldermen adopted a tax rate that was a little above revenue neutral which boosted property tax revenue. We are also being diligent with collection of past due property taxes.
- The local option sales tax revenues (Article 39, Article 40, Article 42, and the hold harmless amount for the Article 44) totaled \$4,125,372, an increase of \$469,584, or 12.8%, in comparison to the prior year.
- The Town was able to purchase capital assets with the ARPA funds that were received in August 2021.

Town of Waynesville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,993,042	\$ 1,823,291	\$ 16,368,277	\$ 15,554,731	\$ 18,361,319	\$ 17,378,022
Operating grants and contributions	1,512,684	345,474	5,500	-	1,518,184	345,474
Capital grants and contributions	320,019	-	-	-	320,019	-
General revenues:						
Property taxes	6,862,474	6,419,384	-	-	6,862,474	6,419,384
Other taxes and licenses	4,240,424	3,790,496	-	-	4,240,424	3,790,496
Unrestricted intergovernmental revenues	1,017,771	911,343	-	-	1,017,771	911,343
Other	471,654	159,518	34,509	23,472	506,163	182,990
Total revenues	<u>16,418,068</u>	<u>13,449,506</u>	<u>16,408,286</u>	<u>15,578,203</u>	<u>32,826,354</u>	<u>29,027,709</u>
Expenses:						
General government	2,558,020	1,654,432	-	-	2,558,020	1,654,432
Public safety	7,219,288	7,406,556	-	-	7,219,288	7,406,556
Transportation	2,790,672	2,931,069	-	-	2,790,672	2,931,069
Environmental protection	280,540	200,766	-	-	280,540	200,766
Cultural and recreational	2,343,991	2,270,024	-	-	2,343,991	2,270,024
Interest on long-term debt	95,262	133,647	-	-	95,262	133,647
Electric	-	-	8,065,198	7,136,125	8,065,198	7,136,125
Water	-	-	3,248,384	3,041,235	3,248,384	3,041,235
Sewer	-	-	3,016,471	2,665,944	3,016,471	-
Total expenses	<u>15,287,773</u>	<u>14,596,494</u>	<u>14,330,053</u>	<u>12,843,304</u>	<u>29,617,826</u>	<u>27,439,798</u>
Increase (decrease in net position)						
before transfers	1,130,295	(1,146,988)	2,078,233	2,734,899	3,208,528	1,587,911
Transfers	727,600	1,165,600	(727,600)	(1,165,600)	-	-
Change in net position	<u>1,857,895</u>	<u>18,612</u>	<u>1,350,633</u>	<u>1,569,299</u>	<u>3,208,528</u>	<u>1,587,911</u>
Net Position:						
Beginning of year - July 1	20,382,487	20,363,875	31,023,653	29,454,354	51,406,140	49,818,229
Restatement	5,400	-	-	-	5,400	-
Beginning of year - restated	<u>20,387,887</u>	<u>20,363,875</u>	<u>31,023,653</u>	<u>29,454,354</u>	<u>51,411,540</u>	<u>49,818,229</u>
End of year - June 30	<u>\$ 22,245,782</u>	<u>\$ 20,382,487</u>	<u>\$ 32,374,286</u>	<u>\$ 31,023,653</u>	<u>\$ 54,620,068</u>	<u>\$ 51,406,140</u>

Governmental Activities. Governmental activities' net position increased by \$1,857,895. Key elements of this increase are as follows:

- Revenues were up in property taxes, sales tax, and services, which helped increase the net position.
- The Town had a net transfer of \$727,600 from business-type activities to the governmental activities.
- There were additions to capital assets that the Town purchased using ARPA funds.

Business-Type Activities. Business-type activities increased the Town of Waynesville's net position by \$1,350,633. Key elements of this increase are as follows:

- the Town increased sewer rates 10%.
- there was an increase in revenue due to customers paying on bills that had become delinquent during Covid.
- there were additions to capital assets that the Town purchased using ARPA funds.

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. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, available fund balance of the General Fund was \$9,730,298, while total fund balance reached \$12,466,141. By comparison, the year ended June 30, 2021 fund balance available in the General Fund was \$9,361,494 and total fund balance was \$11,356,049. The Town's current fund balance available is 66% of General Fund expenditures, adjusted for transfers out and issuances of debt and leases, while total fund balance represents 84% of the same amount. By comparison, the year ended June 30, 2021 the fund balance available was 67% of the General Fund adjusted expenditures, while total fund balance represents 84% of the same amount.

At June 30, 2022, the governmental funds of the Town of Waynesville reported a combined fund balance of \$12,988,632, a net increase in fund balance of \$1,945,507. This represents a 16% increase over last year.

General Fund Budgetary Highlights. During the year, the Town revised the budget on several 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) increases 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, 2022 ended on a positive note and added to the overall fund balance. The majority of revenues came in over budget. Ad valorem taxes were up due to a good collection rate and revaluation of property values. Other taxes and licenses are more than budgeted due to higher sales tax collections in Articles 39, 40, 42, and the hold harmless amount for Article 44. Permits and fees are up as building and new developments continued to rise. Recreation revenues, although better than the previous year, continue to be under budget but use of the facility is slowly and steadily increasing. All transfers to the General Fund from business-type activities were made as budgeted and sales of capital assets brought in \$174,837 more than expected. Overall, on the expenditure side, the Town's actual General Fund's expenditures totaled \$17,417,260, and all area came in under budget. The exhibits break out the expenditures on a functional basis. The Town had budgeted to use General Fund balance, but none was needed due to revenues coming in strong and expenditures being under budget. In fact, on a budget basis, the Town added \$1,910,092 to the General Fund balance.

Proprietary Funds. The Town of Waynesville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the electric, water, and sewer funds at the end of the fiscal year totaled \$4,530,602, \$3,018,015, and \$2,424,985, respectively. In comparison to the year ended June 30, 2021, the unrestricted net position of the electric, water and sewer funds totaled \$4,545,179, \$2,635,057, and \$1,696,066, respectively. The electric, water and sewer funds' unrestricted net position increased/(decreased) (\$14,577), \$382,958 and \$728,919, respectively. Total change in net position of the Electric Fund at the end of the fiscal year increased \$25,455 while the total change in net position of the water and sewer funds at the end of the fiscal year increased \$573,028 and \$801,571. 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 capital assets for its governmental and business-type activities as of June 30, 2022 totals \$44,882,170 (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:

- purchase of land for future construction of a new fire station in Hazelwood
- construction of a pedestrian bridge at the recreation center
- purchase of several new police vehicles
- purchase of a new fire vehicle
- replacement of roofs at the police department, armory, and recreation center
- purchase of a John Deere excavator
- Chelsea Road bridge replacement
- water meter change out (water)
- purchase of Ford F750 with dump bed (sewer)
- system additions at the old Bo-Lo site (electric)

Town of Waynesville's Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,545,318	\$ 2,130,616	\$ 1,826,920	\$ 1,826,920	\$ 4,372,238	\$ 3,957,536
Public art	114,547	114,547	-	-	114,547	114,547
Construction in progress	585,277	275,386	1,622,572	1,025,708	2,207,849	1,301,094
Land improvements	631,686	690,205	62,368	69,548	694,054	759,753
Buildings and improvements	12,450,059	12,489,160	1,428,486	1,610,617	13,878,545	14,099,777
Equipment, furniture, and fixtures	451,205	415,393	181,175	143,601	632,380	558,994
Vehicles and motorized equipment	1,808,830	1,533,601	892,434	884,735	2,701,264	2,418,336
Infrastructure	3,352,394	3,290,977	-	-	3,352,394	3,290,977
Substations, lines, and related equipment	-	-	2,273,618	2,331,432	2,273,618	2,331,432
Plant and distribution systems	-	-	14,655,281	14,874,000	14,655,281	14,874,000
Capital assets, net	<u>\$ 21,939,316</u>	<u>\$ 20,939,885</u>	<u>\$ 22,942,854</u>	<u>\$ 22,766,561</u>	<u>\$ 44,882,170</u>	<u>\$ 43,706,446</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2022, the Town of Waynesville had total installment purchases outstanding of \$5,263,095.

Town of Waynesville's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Installment purchases	<u>\$ 4,612,758</u>	<u>\$ 4,128,212</u>	<u>\$ 650,337</u>	<u>\$ 776,798</u>	<u>\$ 5,263,095</u>	<u>\$ 4,905,010</u>

The Town refinanced debt for fire station 1 in December 2021 that will save a significant amount in interest over the life of the loan. The public services building was refinanced in May 2022 and the town also financed the land purchase for the future new fire station in Hazelwood and a new fire truck in the borrowing. No new debt was added for business-type activities during the year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Waynesville is approximately \$125,031,259.

Additional information regarding the Town of Waynesville's long-term debt can be found in Notes 1 and 2 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

Town of Waynesville

Budget Comparison For the Year Ending June 30, 2023

	<u>FY 22-23 Budget</u>	<u>FY 21-22 Budget*</u>	<u>Difference</u>	<u>%</u>
General	\$ 17,079,739	\$ 17,135,053	\$ 55,314	0.32%
Electric	4,041,353	3,753,200	(288,153)	-7.68%
Water	3,736,565	3,981,900	245,335	6.16%
Sewer	<u>10,029,179</u>	<u>10,730,854</u>	<u>701,675</u>	<u>6.54%</u>
Total net position	<u>\$ 34,886,836</u>	<u>\$ 35,601,007</u>	<u>\$ 714,171</u>	<u>5.35%</u>

*with amendments

- The tax rate remained at \$0.4392 per hundred valuation.
- Sewer rates increased 10%, water rates increased 3%, and electric rates increased 5%.
- While most all the other fees remain unchanged, some minor increases are seen in other areas.

The General Fund budget decreased slightly from the prior year. The departments held spending down and the use of ARPA funds for capital purchases helped to keep the General Fund close to the prior year.

The Electric Fund budget is \$701,675 lower than the prior year. The main reason for this decrease is due to a capital project that was in the FY22 budget being delayed by a few years. A 5% rate increase was required to fund operations.

The Water Fund budget is \$288,153 more than the prior year. The majority of this increase is due to water line repairs and new radio read meters.

The Sewer Fund budget is \$245,335 lower than the prior year. This is mainly due to lower capital costs.

The Board of Aldermen approved a 2% cost-of-living increase for all full-time employees on July 1, 2022 and they implemented the remaining salary study recommendation to take effect on January 1, 2023.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The Town has continued to have a lot of steady growth and development which will help with revenue growth in future years as more homes, apartments, and industries are added to the tax base. There are several projects that have started construction and more that have been approved and will begin construction soon.

Ad valorem tax collection was strong again this fiscal year, and we will continue to work on improving our collection rate over the next few years. Sales tax once again had growth that has not been seen in recent history.

The addition of ARPA funds assisted the growth of net position by allowing the purchase of capital assets in the General Fund, Water Fund, and Sewer Fund. The funds will allow us to purchase additional capital assets and work on projects over at least the next two fiscal years.

Covid had a negative impact on collection of utility revenues due to the orders that did not allow disconnections for a period of time for non-payment. The Town sent out notices to warn residents that disconnections would resume, which caused an increase in revenue. Disconnections started back in June 2022 so revenues should return to normal levels. There are approximately 300 customers that have a payment plan to pay their past due balances in full within a 6–12-month period.

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.

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TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Waynesville ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 11,544,012	\$ 8,563,477	\$ 20,107,489	\$ 1,019,762
Taxes receivable, net	447,018	-	447,018	-
Accounts receivable, net	116,831	2,724,733	2,841,564	-
Other receivables	94,542	118	94,660	-
Due from other governments	1,823,675	-	1,823,675	-
Internal balances	(835,139)	835,139	-	-
Leases receivable	41,405	-	41,405	-
Inventories	70,981	596,889	667,870	281,303
Prepaid items	13,011	-	13,011	10,966
Cash and cash equivalents, restricted	1,549,419	226,993	1,776,412	-
Total current assets	<u>14,865,755</u>	<u>12,947,349</u>	<u>27,813,104</u>	<u>1,312,031</u>
Non-current assets:				
Leases receivable, net of current portion	45,253	-	45,253	-
Right-to-use assets, net of amortization	<u>412,964</u>	<u>-</u>	<u>412,964</u>	<u>-</u>
Capital assets:				
Land and construction in progress	3,245,142	3,449,492	6,694,634	509,646
Other capital assets, net of depreciation	<u>18,694,174</u>	<u>19,493,362</u>	<u>38,187,536</u>	<u>669,886</u>
Total capital assets	<u>21,939,316</u>	<u>22,942,854</u>	<u>44,882,170</u>	<u>1,179,532</u>
Total non-current assets	<u>22,397,533</u>	<u>22,942,854</u>	<u>45,340,387</u>	<u>1,179,532</u>
Total assets	<u>37,263,288</u>	<u>35,890,203</u>	<u>73,153,491</u>	<u>2,491,563</u>
Deferred Outflows of Resources:				
Pension deferrals	2,689,938	519,862	3,209,800	30,175
OPEB deferrals	<u>2,399,672</u>	<u>554,026</u>	<u>2,953,698</u>	<u>-</u>
Total deferred outflows of resources	<u>5,089,610</u>	<u>1,073,888</u>	<u>6,163,498</u>	<u>30,175</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	540,098	914,089	1,454,187	349,899
Payable from restricted assets	172,372	-	172,372	-
Current portion of long-term debt and leases	997,693	151,297	1,148,990	11,550
Unearned revenue	472,219	-	472,219	-
Customer deposits	-	226,993	226,993	-
Total current liabilities	<u>2,182,382</u>	<u>1,292,379</u>	<u>3,474,761</u>	<u>361,449</u>
Long-term liabilities:				
Net pension liability (LGERS)	1,347,592	338,750	1,686,342	30,519
Total pension liability (LEOSSA)	1,960,969	-	1,960,969	-
Total OPEB liability	7,634,876	1,762,705	9,397,581	-
Due in more than one year	<u>4,495,453</u>	<u>614,017</u>	<u>5,109,470</u>	<u>-</u>
Total long-term liabilities	<u>15,438,890</u>	<u>2,715,472</u>	<u>18,154,362</u>	<u>30,519</u>
Total liabilities	<u>17,621,272</u>	<u>4,007,851</u>	<u>21,629,123</u>	<u>391,968</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Waynesville ABC Board
Deferred Inflows of Resources:				
Lease deferrals	85,517	-	85,517	-
Prepaid taxes	10,627	-	10,627	-
Pension deferrals	2,175,226	532,437	2,707,663	-
OPEB deferrals	214,474	49,517	263,991	-
Total deferred inflows of resources	<u>2,485,844</u>	<u>581,954</u>	<u>3,067,798</u>	<u>-</u>
Net Position:				
Net investment in capital assets	17,788,052	22,292,517	40,080,569	1,179,532
Restricted for:				
Perpetual maintenance	522,483	-	522,483	-
Stabilization by state statute	2,719,069	-	2,719,069	-
Restricted - other	426,721	-	426,721	-
Working capital	-	-	-	130,243
Unrestricted	<u>789,457</u>	<u>10,081,769</u>	<u>10,871,226</u>	<u>819,995</u>
Total net position	<u>\$ 22,245,782</u>	<u>\$ 32,374,286</u>	<u>\$ 54,620,068</u>	<u>\$ 2,129,770</u>

The accompanying notes are an integral part of the financial statements.

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TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,558,020	\$ 106,221	\$ 825,904	\$ 320,019
Public safety	7,219,288	855,518	83,777	-
Transportation	2,790,672	594,759	483,484	-
Environmental protection	280,540	69,700	-	-
Cultural and recreational	2,343,991	366,844	119,519	-
Interest on long-term debt	95,262	-	-	-
Total governmental activities	<u>15,287,773</u>	<u>1,993,042</u>	<u>1,512,684</u>	<u>320,019</u>
Business-Type Activities:				
Electric	8,065,198	9,363,397	5,500	-
Water	3,248,384	3,357,596	-	-
Sewer	3,016,471	3,647,284	-	-
Total business-type activities	<u>14,330,053</u>	<u>16,368,277</u>	<u>5,500</u>	<u>-</u>
Total primary government	<u>\$ 29,617,826</u>	<u>\$ 18,361,319</u>	<u>\$ 1,518,184</u>	<u>\$ 320,019</u>
Component Unit:				
ABC Board	<u>\$ 4,190,774</u>	<u>\$ 4,419,235</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u> Waynesville ABC Board
	<u>Primary Government</u>		<u>Total</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,305,876)	\$ -	\$ (1,305,876)	
Public safety	(6,279,993)	-	(6,279,993)	
Streets and public works	(1,712,429)	-	(1,712,429)	
Sanitation	(210,840)	-	(210,840)	
Cultural and recreation	(1,857,628)	-	(1,857,628)	
Interest on long-term debt	(95,262)	-	(95,262)	
Total governmental activities	<u>(11,462,028)</u>	<u>-</u>	<u>(11,462,028)</u>	
Business-Type Activities:				
Electric	-	1,303,699	1,303,699	
Water	-	109,212	109,212	
Sewer	-	630,813	630,813	
Total business-type activities	<u>-</u>	<u>2,043,724</u>	<u>2,043,724</u>	
Total primary government	<u>(11,462,028)</u>	<u>2,043,724</u>	<u>(9,418,304)</u>	
Component Unit:				
ABC Board				\$ <u>228,461</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	6,862,474	-	6,862,474	-
Local option sales tax	4,125,372	-	4,125,372	-
Other taxes and licenses	115,052	-	115,052	-
Unrestricted intergovernmental revenues	1,017,771	-	1,017,771	-
Gain on sale of capital assets	184,837	24,744	209,581	-
Investment earnings	12,162	9,765	21,927	-
Miscellaneous	274,655	-	274,655	-
Total general revenues, excluding transfers	<u>12,592,323</u>	<u>34,509</u>	<u>12,626,832</u>	-
Transfers	<u>727,600</u>	<u>(727,600)</u>	<u>-</u>	-
Total general revenues	<u>13,319,923</u>	<u>(693,091)</u>	<u>12,626,832</u>	-
Change in net position	<u>1,857,895</u>	<u>1,350,633</u>	<u>3,208,528</u>	<u>228,461</u>
Net Position:				
Beginning of year - July 1	20,382,487	31,023,653	51,406,140	1,901,309
Restatement	<u>5,400</u>	<u>-</u>	<u>5,400</u>	<u>-</u>
Beginning of year - restated	<u>20,387,887</u>	<u>31,023,653</u>	<u>51,411,540</u>	<u>1,901,309</u>
End of year - June 30	<u>\$ 22,245,782</u>	<u>\$ 32,374,286</u>	<u>\$ 54,620,068</u>	<u>\$ 2,129,770</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	ARPA Fund		
Assets:				
Cash and cash equivalents	\$ 10,823,416	\$ -	\$ 522,483	\$ 11,345,899
Taxes receivable, net	447,018	-	-	447,018
Accounts receivable, net	116,823	-	8	116,831
Due from other governments	1,823,675	-	-	1,823,675
Other receivables	156	-	-	156
Inventories	2,630	-	-	2,630
Prepays	13,011	-	-	13,011
Leases receivable	86,658	-	-	86,658
Cash and cash equivalents, restricted	907,015	642,404	-	1,549,419
Total assets	<u>\$ 14,220,402</u>	<u>\$ 642,404</u>	<u>\$ 522,491</u>	<u>\$ 15,385,297</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 481,940	\$ -	\$ -	\$ 481,940
Payable from restricted assets	-	172,372	-	172,372
Advances from other funds	726,972	-	-	726,972
Unearned revenues	2,187	470,032	-	472,219
Total liabilities	<u>1,211,099</u>	<u>642,404</u>	<u>-</u>	<u>1,853,503</u>
Deferred Inflows of Resources:				
Property taxes receivable	447,018	-	-	447,018
Lease deferrals	85,517	-	-	85,517
Prepaid taxes	10,627	-	-	10,627
Total deferred inflow of resources	<u>543,162</u>	<u>-</u>	<u>-</u>	<u>543,162</u>
Fund Balances:				
Non-spendable:				
Perpetual maintenance	-	-	522,483	522,483
Inventories	2,630	-	-	2,630
Prepays	13,011	-	-	13,011
Leases	1,141	-	-	1,141
Restricted:				
Stabilization by state statute	2,719,061	-	8	2,719,069
Public safety	64,669	-	-	64,669
Streets - Powell Bill	183,748	-	-	183,748
Streets - paving	137,563	-	-	137,563
Culture and recreation	40,741	-	-	40,741
Future capital outlay	480,294	-	-	480,294
Assigned:				
Subsequent year's expenditures	955,989	-	-	955,989
Unassigned	7,867,294	-	-	7,867,294
Total fund balances	<u>12,466,141</u>	<u>-</u>	<u>522,491</u>	<u>12,988,632</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,220,402</u>	<u>\$ 642,404</u>	<u>\$ 522,491</u>	<u>\$ 15,385,297</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances - governmental funds	\$ 12,988,632
Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,609,812
Accrued interest on property taxes receivable are not available to pay for current period expenditures and, therefore, is not reported in the funds.	94,377
Deferred outflows of resources related to pensions are not reported in the funds.	2,483,382
Deferred outflows of resources related to OPEB are not reported in the funds.	2,162,934
Net pension liability - LGERS	(1,212,996)
Total pension liability - LEOSSA	(1,960,969)
Total OPEB liability	(6,881,660)
Internal service funds are used by management to charge the cost of asset management and garage services to individual funds. The assets and liabilities of the internal services funds are included in the governmental activities in the Statement of Net Position. The cumulative effect of internal service activities related to enterprise funds are allocated to business-type activities as an internal balance.	1,111,765
Long-term debt and leases, accrued interest and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(4,439,525)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	447,018
Deferred inflows of resources related to pensions are not reported in the funds.	(1,963,673)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(193,315)</u>
Net position of governmental activities	<u>\$ 22,245,782</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	ARPA Fund		
Revenues:				
Ad valorem taxes	\$ 7,072,307	\$ -	\$ -	\$ 7,072,307
Other taxes and licenses	4,240,424	-	-	4,240,424
Unrestricted intergovernmental revenues	1,017,771	-	-	1,017,771
Restricted intergovernmental revenues	1,158,711	1,145,923	-	2,304,634
Permits and fees	286,606	-	-	286,606
Sales and services	1,199,605	-	34,900	1,234,505
Investment earnings	11,647	-	515	12,162
Miscellaneous	274,655	-	-	274,655
Total revenues	<u>15,261,726</u>	<u>1,145,923</u>	<u>35,415</u>	<u>16,443,064</u>
Expenditures:				
Current:				
General government	2,244,182	597,923	-	2,842,105
Public safety	7,643,700	-	-	7,643,700
Transportation	2,982,805	-	-	2,982,805
Environmental protection	267,797	-	-	267,797
Cultural and recreation	2,328,282	-	-	2,328,282
Debt service:				
Principal	2,084,969	-	-	2,084,969
Interest	161,729	-	-	161,729
Total expenditures	<u>17,713,464</u>	<u>597,923</u>	<u>-</u>	<u>18,311,387</u>
Revenues over (under) expenditures	<u>(2,451,738)</u>	<u>548,000</u>	<u>35,415</u>	<u>(1,868,323)</u>
Other Financing Sources (Uses):				
Lease liabilities issued	311,887	-	-	311,887
Issuance of long-term debt	2,589,506	-	-	2,589,506
Sales of assets	184,837	-	-	184,837
Transfers in	1,275,600	-	-	1,275,600
Transfers out	-	(548,000)	-	(548,000)
Total other financing sources (uses)	<u>4,361,830</u>	<u>(548,000)</u>	<u>-</u>	<u>3,813,830</u>
Net change in fund balances	<u>1,910,092</u>	<u>-</u>	<u>35,415</u>	<u>1,945,507</u>
Fund Balances:				
Beginning of year - July 1	11,356,049	-	487,076	11,843,125
Prior period adjustment	(800,000)	-	-	(800,000)
Beginning of year, restated	<u>10,556,049</u>	<u>-</u>	<u>487,076</u>	<u>11,043,125</u>
End of year - June 30	<u>\$ 12,466,141</u>	<u>\$ -</u>	<u>\$ 522,491</u>	<u>\$ 12,988,632</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the Statement of Activities (Exhibit D) are different due to the following items:

Net change in fund balances - total governmental funds	\$ 1,945,507
<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 and amortization expense.</p>	
Capital outlay expenditures which were capitalized	2,078,045
Depreciation expense for governmental assets	(1,012,824)
Loss on disposal of assets	(7,011)
Capital outlay for right-to-use leased assets	311,887
Amortization of right-to-use leased assets	(68,179)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Earned but unavailable property tax revenues	(153,512)
Accrued interest on property taxes	(56,321)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
New long-term debt and leases issued	(2,901,393)
Principal payments on long-term debt and leases	2,084,969
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Claims and judgments	10,000
Compensated absences	60,593
Changes in LGERS pension liability and related deferred outflows and inflows of resources	243,198
Changes in LEOSSA pension liability and related deferred outflows and inflows of resources	(153,728)
Changes in OPEB pension liability and related deferred outflows and inflows of resources	(512,503)
<p>Internal Service Fund activities attributable to governmental funds are reported with governmental activities on the Statement of Activities.</p>	
	(77,300)
	<u>\$ 1,857,895</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,437,457	\$ 6,437,457	\$ 7,072,307	\$ 634,850
Other taxes and licenses	3,784,080	3,824,080	4,240,424	416,344
Unrestricted intergovernmental revenues	993,900	993,900	1,017,771	23,871
Restricted intergovernmental revenues	479,500	1,274,578	1,158,711	(115,867)
Permits and fees	257,850	257,850	286,606	28,756
Sales and services	2,086,450	1,711,450	1,199,605	(511,845)
Investment earnings	1,000	1,000	11,647	10,647
Miscellaneous	80,350	80,350	274,655	194,305
Total revenues	<u>14,120,587</u>	<u>14,580,665</u>	<u>15,261,726</u>	<u>681,061</u>
Expenditures:				
Current:				
General government	2,108,382	2,902,037	1,947,978	954,059
Public safety	8,057,103	8,864,638	7,643,700	1,220,938
Transportation	3,416,702	4,936,765	2,982,805	1,953,960
Environmental protection	291,495	291,495	267,797	23,698
Cultural and recreational	2,678,867	2,727,492	2,328,282	399,210
Debt service:				
Principal retirement	582,504	2,084,969	2,084,969	-
Interest and fees	-	176,644	161,729	14,915
Total expenditures	<u>17,135,053</u>	<u>21,984,040</u>	<u>17,417,260</u>	<u>4,566,780</u>
Revenues over (under) expenditures	<u>(3,014,466)</u>	<u>(7,403,375)</u>	<u>(2,155,534)</u>	<u>5,247,841</u>
Other Financing Sources (Uses):				
Lease liabilities issued	-	-	15,683	15,683
Issuance of long-term debt	495,000	2,589,506	2,589,506	-
Sales of assets	10,000	10,000	184,837	174,837
Transfers in	1,275,600	1,275,600	1,275,600	-
Fund balance appropriated	<u>1,233,866</u>	<u>3,528,269</u>	<u>-</u>	<u>(3,528,269)</u>
Total other financing sources (uses)	<u>3,014,466</u>	<u>7,403,375</u>	<u>4,065,626</u>	<u>(3,337,749)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,910,092</u>	<u>\$ 1,910,092</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of lease standard:				
Lease liabilities issued			296,204	
Capital outlay			(296,204)	
Fund Balance:				
Beginning of year - July 1			11,356,049	
Prior period adjustment			<u>(800,000)</u>	
Beginning of year, restated			<u>10,556,049</u>	
End of year - June 30			<u>\$ 12,466,141</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities			Total	Governmental
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,842,613	\$ 3,242,903	\$ 2,477,961	\$ 8,563,477	\$ 198,113
Accounts receivable, net	1,430,706	551,432	742,595	2,724,733	-
Other receivables	40	45	33	118	9
Inventories	315,443	249,758	31,688	596,889	68,351
Cash and cash equivalents, restricted	161,448	65,545	-	226,993	-
Total current assets	<u>4,750,250</u>	<u>4,109,683</u>	<u>3,252,277</u>	<u>12,112,210</u>	<u>266,473</u>
Non-current assets:					
Advances to other funds	726,972	-	-	726,972	-
Right-to-use assets, net of amortization	-	-	-	-	169,256
Capital assets:					
Land and construction in progress	339,209	1,655,824	1,454,459	3,449,492	126,618
Other capital assets, net of depreciation	2,452,432	11,570,003	5,470,927	19,493,362	2,446,594
Total capital assets	<u>2,791,641</u>	<u>13,225,827</u>	<u>6,925,386</u>	<u>22,942,854</u>	<u>2,573,212</u>
Total non-current assets	<u>3,518,613</u>	<u>13,225,827</u>	<u>6,925,386</u>	<u>23,669,826</u>	<u>2,742,468</u>
Total assets	<u>8,268,863</u>	<u>17,335,510</u>	<u>10,177,663</u>	<u>35,782,036</u>	<u>3,008,941</u>
Deferred Outflows of Resources:					
Pension deferrals	88,536	218,560	212,766	519,862	206,556
OPEB deferrals	93,125	228,365	232,536	554,026	236,738
Total deferred outflows of resources	<u>181,661</u>	<u>446,925</u>	<u>445,302</u>	<u>1,073,888</u>	<u>443,294</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	493,414	303,433	117,242	914,089	58,158
Compensated absences, current	11,965	43,811	33,837	89,613	29,144
Lease liabilities - current	-	-	-	-	34,576
Installment purchases, current	-	61,684	-	61,684	93,709
Payable from restricted assets:					
Customer deposits	161,448	65,545	-	226,993	-
Total current liabilities	<u>666,827</u>	<u>474,473</u>	<u>151,079</u>	<u>1,292,379</u>	<u>215,587</u>
Non-current liabilities:					
Compensated absences	8,473	12,556	4,335	25,364	14,591
Lease liabilities - non-current	-	-	-	-	131,933
Installment purchases	-	588,653	-	588,653	749,668
Net pension liability	57,692	142,417	138,641	338,750	134,596
Total OPEB liability	296,288	726,573	739,844	1,762,705	753,216
Total non-current liabilities	<u>362,453</u>	<u>1,470,199</u>	<u>882,820</u>	<u>2,715,472</u>	<u>1,784,004</u>
Total liabilities	<u>1,029,280</u>	<u>1,944,672</u>	<u>1,033,899</u>	<u>4,007,851</u>	<u>1,999,591</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities			Total	Governmental
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Deferred Inflows of Resources:					
Pension deferrals	90,678	223,847	217,912	532,437	211,553
OPEB deferrals	8,323	20,411	20,783	49,517	21,159
Total deferred inflows of resources	<u>99,001</u>	<u>244,258</u>	<u>238,695</u>	<u>581,954</u>	<u>232,712</u>
Net Position:					
Net investment in capital assets	2,791,641	12,575,490	6,925,386	22,292,517	1,732,582
Unrestricted (deficit)	<u>4,530,602</u>	<u>3,018,015</u>	<u>2,424,985</u>	<u>9,973,602</u>	<u>(512,650)</u>
Total net position	<u>\$ 7,322,243</u>	<u>\$ 15,593,505</u>	<u>\$ 9,350,371</u>	32,266,119	<u>\$ 1,219,932</u>
Adjustment to reflect the cumulative effect of internal service fund activities related to enterprise funds				<u>108,167</u>	
Total net assets of business-type activities				<u>\$ 32,374,286</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities			Total	Governmental
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Operating Revenues:					
Charges for services	\$ 9,347,760	\$ 3,199,845	\$ 3,548,315	\$ 16,095,920	\$ 2,238,707
Other operating revenue	15,637	157,751	98,969	272,357	-
Total operating revenues	<u>9,363,397</u>	<u>3,357,596</u>	<u>3,647,284</u>	<u>16,368,277</u>	<u>2,238,707</u>
Operating Expenses:					
Finance and administration	861,030	515,740	459,740	1,836,510	-
Electric operations	985,832	-	-	985,832	-
Electric power purchases	5,931,460	-	-	5,931,460	-
Water treatment and distribution	-	2,068,371	-	2,068,371	-
Waste collection and treatment	-	-	2,058,077	2,058,077	-
Asset services management	-	-	-	-	1,316,723
Garage operations	-	-	-	-	824,894
Depreciation and amortization	271,846	635,848	481,356	1,389,050	185,478
Total operating expenses	<u>8,050,168</u>	<u>3,219,959</u>	<u>2,999,173</u>	<u>14,269,300</u>	<u>2,327,095</u>
Operating income (loss)	<u>1,313,229</u>	<u>137,637</u>	<u>648,111</u>	<u>2,098,977</u>	<u>(88,388)</u>
Non-Operating Revenues (Expenses):					
Investment earnings	3,116	3,189	3,460	9,765	519
Grant revenue	5,500	-	-	5,500	-
Interest and fees paid	(204)	(11,128)	-	(11,332)	(40,632)
Gain (loss) on disposal of assets	(20,586)	45,330	-	24,744	1,780
Total non-operating revenues (expenses)	<u>(12,174)</u>	<u>37,391</u>	<u>3,460</u>	<u>28,677</u>	<u>(38,333)</u>
Income (loss) before transfers	1,301,055	175,028	651,571	2,127,654	(126,721)
Transfers in	-	398,000	150,000	548,000	-
Transfers out	<u>(1,275,600)</u>	<u>-</u>	<u>-</u>	<u>(1,275,600)</u>	<u>-</u>
Change in net position	<u>25,455</u>	<u>573,028</u>	<u>801,571</u>	<u>1,400,054</u>	<u>(126,721)</u>
Net Position:					
Beginning of year - July 1	7,296,788	15,020,477	8,548,800		1,341,253
Restatement	-	-	-		5,400
Beginning of year, restated	<u>7,296,788</u>	<u>15,020,477</u>	<u>8,548,800</u>		<u>1,346,653</u>
End of year - June 30	<u>\$ 7,322,243</u>	<u>\$ 15,593,505</u>	<u>\$ 9,350,371</u>		<u>\$ 1,219,932</u>
Adjustment to reflect the current year internal service fund activities related to enterprise funds				<u>(49,421)</u>	
Change in net position - business-type activities				<u>\$ 1,350,633</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Cash received from customers	\$ 9,274,298	\$ 3,145,826	\$ 3,333,171	\$ 15,753,295	\$ -
Cash received from interfund charges	-	-	-	-	2,238,707
Cash paid for goods and services	(7,224,234)	(1,311,007)	(1,288,859)	(9,824,100)	(1,158,593)
Cash paid to employees for services	(435,788)	(1,136,504)	(1,094,671)	(2,666,963)	(958,351)
Other operating revenues	15,637	157,751	98,969	272,357	-
Net cash provided (used) by operating activities	<u>1,629,913</u>	<u>856,066</u>	<u>1,048,610</u>	<u>3,534,589</u>	<u>121,763</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets and construction	(304,761)	(730,119)	(554,008)	(1,588,888)	(89,645)
Proceeds from sale of capital assets	2,959	45,330	-	48,289	1,780
Proceeds from issuance of debt	-	-	-	-	843,377
Principal paid on debt	(30,662)	(95,799)	-	(126,461)	(944,401)
Interest and fees paid on installment purchases	(204)	(11,128)	-	(11,332)	(40,632)
Net cash provided (used) by capital and related financing activities	<u>(332,668)</u>	<u>(791,716)</u>	<u>(554,008)</u>	<u>(1,678,392)</u>	<u>(229,521)</u>
Cash Flows From Non-Capital Financing Activities:					
Operating transfers out	(1,275,600)	-	-	(1,275,600)	-
Operating transfers in	-	398,000	150,000	548,000	-
Change in due to/from other funds	73,028	-	-	73,028	-
Grants received	5,500	-	-	5,500	-
Net cash provided (used) by non-capital financing activities	<u>(1,197,072)</u>	<u>398,000</u>	<u>150,000</u>	<u>(649,072)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest on investments	3,116	3,189	3,460	9,765	519
Net increase (decrease) in cash and cash equivalents	103,289	465,539	648,062	1,216,890	(107,239)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>2,900,772</u>	<u>2,842,909</u>	<u>1,829,899</u>	<u>7,573,580</u>	<u>305,352</u>
End of year - June 30	<u>\$ 3,004,061</u>	<u>\$ 3,308,448</u>	<u>\$ 2,477,961</u>	<u>\$ 8,790,470</u>	<u>\$ 198,113</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 1,313,229	\$ 137,637	\$ 648,111	\$ 2,098,977	\$ (88,388)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Amortization	-	-	-	-	37,054
Depreciation	271,846	635,848	481,356	1,389,050	148,424
(Increase) decrease in:					
Accounts receivable	(73,462)	(54,019)	(215,144)	(342,625)	-
Inventory	(11,058)	(86,690)	(7,733)	(105,481)	(15,461)
Deferred outflows of resources - pensions	(11,058)	(27,299)	(26,575)	(64,932)	(25,799)
Deferred outflows of resources - OPEB	(1,157)	(35,745)	(2,840)	(39,742)	(32,852)
Increase (decrease) in:					
Net pension liability	(85,696)	(211,549)	(205,940)	(503,185)	(199,931)
Deferred inflows of resources - pensions	85,188	210,294	204,718	500,200	198,745
Deferred inflows of resources - OPEB	(1,062)	(2,604)	(2,652)	(6,318)	(2,701)
Other post-employment benefits	33,894	83,114	84,633	201,641	86,163
Accounts payable	108,780	211,462	89,230	409,472	23,161
Customer deposits	1,600	270	-	1,870	-
Compensated absences	(1,131)	(4,653)	1,446	(4,338)	(6,652)
Net cash provided (used) by operating activities	<u>\$ 1,629,913</u>	<u>\$ 856,066</u>	<u>\$ 1,048,610</u>	<u>\$ 3,534,589</u>	<u>\$ 121,763</u>
Non-Cash Transactions:					
Right-to-use leased assets/lease obligations issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,910</u>

The accompanying notes are an integral part of the financial statements.

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TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Waynesville (the "Town") and its discretely presented component unit conform to accounting principles generally accepted in the United States of America 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, which is governed by an elected Mayor and a four-member Board of Aldermen. 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 the Town of Waynesville ABC Board, 52 Dayco Drive, Waynesville, North Carolina 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 activities* 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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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 funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

ARPA Fund. The ARPA Fund accounts for the American Rescue Plan Act (ARPA) funds awarded to the Town. These funds can only be spent for eligible uses including: (1) to respond to the public health emergency or its negative economic impacts; (2) provide premium pay to eligible employees for essential work up to \$13 per hour; (3) to address revenue reductions; and (4) infrastructure investments in water, sewer or broadband.

The Town has the following nonmajor governmental fund:

Cemetery Fund. This permanent 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 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 Sewer Capital Project Fund has been consolidated into the Sewer Fund for financial reporting purposes.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town reports the following fund type:

Internal Service Funds. Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Town of Waynesville has two internal service funds: the Asset Services Management Fund and the Garage Operations Fund. Both internal service funds predominantly serve governmental activities.

C. **Measurement Focus and Basis of Accounting**

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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, entitlements, 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, entitlements, 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 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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town 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, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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 enterprise capital project funds and the ARPA Special Revenue Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's asset services management and garage operations funds, internal service funds, operate under financial plans that were adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

amendments must be approved by the governing board. During the year, several 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. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciable lives of capital assets.

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

Deposits and Investments

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

State law [G.S. 159-30(c)(8)] 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's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, an SEC registered (2a-7) money market mutual fund is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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 investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds and motor vehicle taxes restricted for paving 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. Federal and state seizure funds and other public

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

safety revenues are also classified as restricted cash because its use is restricted to law enforcement expenditures. Donations received for the purpose of culture and recreation projects are restricted by the donor to be used only on those projects. Unexpended debt proceeds are restricted to the purposes for which the funds were received. Advances from grantors in the American Rescue Plan Fund are classified as restricted because their use is completely restricted for the purpose for which the grant funding was awarded.

The Town's restricted cash at June 30, 2022 is as follows:

Governmental Activities:

General Fund:

Public safety	\$	64,669
Streets - Powell Bill		183,748
Streets - paving		137,563
Culture and recreation		40,741
Unspent debt proceeds		480,294

ARPA Fund:

Unspent grant funds		642,404
Total governmental activities		<u>1,549,419</u>

Business-Type Activities:

Electric Fund:

Customer deposits		161,448
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Water Fund:

Customer deposits		65,545
Total business-type activities		<u>226,993</u>

Total restricted cash	\$	<u>1,776,412</u>
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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 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Leases Receivable

The Town's leases receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Deferred inflows of resources are recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on a straight-line basis over the term of each lease.

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 or sale. 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.

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-50 years
Buildings and system	20-50 years
Substations, lines and related equipment	24 years
Other improvements	20-40 years
Vehicles and motorized equipment	5-25 years
Equipment and furniture	5-20 years
Computer equipment	5 years

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	3-10 years
New facility	40 years

Right-to-Use Assets

The Town has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 assets 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 these criteria – pension deferrals and OPEB deferrals.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

In addition to liabilities, the Statement of Net 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria for this category - prepaid taxes, property taxes receivable, lease deferrals, pension deferrals, and OPEB deferrals.

Long-Term Obligations

In the government-wide financial statements and in the 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 the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 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.

Reimbursement for Pandemic-Related Expenses

During the 2021 fiscal year, the American Rescue Plan Act (ARPA) established the Coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$3,231,911 of fiscal recovery funds to be paid in two installments. The first installment of \$1,615,955 was received in August 2021, and the second installment of \$1,615,956 was received in August 2022. The Board of Aldermen has elected to use the standard allowance of \$3,231,911 for revenue replacement. During the 2022 fiscal year the Town used \$1,145,923 for vehicles, equipment, and various projects. Remaining revenue replacement funds will be transferred to the general fund as determined in Ordinance 47-22 as expenditures are incurred.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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, 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:

Non-Spendable 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.

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

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.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Restricted Fund Balance

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "Restricted by State Statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Public Safety – portion of fund balance that has been restricted by revenue source for certain public safety expenditures.

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

Restricted for Culture and Recreation – portion of fund balance representing unspent donations received that are restricted by revenue source for specific culture and recreation projects.

Restricted for Future Capital Outlay – portion of fund balance restricted by revenue source for future capital outlay. This classification consists of unexpended debt proceeds.

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended debt proceeds of \$480,294 at June 30, 2022.

Committed Fund Balance

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing body 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.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Budget Officer, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is restricted, committed, or assigned to specific purposes within the General Fund.

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.

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

Total fund balance - General Fund	\$ 12,466,141
Less:	
Inventories	2,630
Prepays	13,011
Leases	1,141
Stabilization by state statute	<u>2,719,061</u>
Total available fund balance	<u>\$ 9,730,298</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2022, outstanding encumbrances in the General Fund totaled \$778,407.

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's employer contributions are recognized when due and the Town 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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

2. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the Town 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 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, these deposits are considered to be held by the Town's agents in their name. 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 Town has no formal investment policy. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the Town's deposits had a carrying amount of \$10,040,000 and a bank balance of \$10,293,704. Of the bank balance, \$854,224 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Town's cash on hand totaled \$3,000 at June 30, 2022.

The carrying amount of deposits for the ABC Board was \$1,019,762 and the bank balance was \$1,085,906. 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, 2022, the ABC Board's uninsured cash balance was \$835,906.

Investments

At June 30, 2022, the Town had \$11,840,901 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investor Service. The Town has no policy regarding credit risk.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Receivables - Allowances for Doubtful Accounts

Receivables presented in the balance sheet and the Statement of Net Position as of June 30, 2022 are net of the following allowances for doubtful accounts:

	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes receivable	\$ 157,415	\$ -	\$ -	\$ -	\$ 157,415
Accounts receivable	117,042	424,986	138,135	164,356	844,519
Total	<u>\$ 274,457</u>	<u>\$ 424,986</u>	<u>\$ 138,135</u>	<u>\$ 164,356</u>	<u>\$ 1,001,934</u>

Leases Receivable

The financial statements for the year ended June 30, 2022 include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the Town's leases receivable at June 30, 2022 are as follows:

On the implementation date of July 1, 2021, the Town was the lessor of a 36-month lease for the use of American – Cell Tower. An initial lease receivable was recorded in the amount of \$63,902. As of June 30, 2022, the value of the lease receivable and the deferred inflow of resources was \$43,329 and \$42,758, respectively. The lessee is required to make monthly fixed payments of \$1,749, including interest at a rate of 0.8450%. The Town recognized lease revenue of \$21,144 during the fiscal year. The lessee has five options to extend the lease for 60 months.

On the implementation date of July 1, 2021, the Town was the lessor of a 36-month lease for the use of American – Communication Tower. An initial lease receivable was recorded in the amount of \$63,903. As of June 30, 2022, the value of the lease receivable and the deferred inflow of resources was \$43,329 and \$42,759, respectively. The lessee is required to make monthly fixed payments of \$1,749, including interest at a rate of 0.8453%. The Town recognized lease revenue of \$21,144 during the fiscal year. The lessee has five options to extend the lease for 60 months.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Non-Depreciable Assets:					
Land	\$ 2,130,616	\$ 414,702	\$ -	\$ -	\$ 2,545,318
Public art	114,547	-	-	-	114,547
Construction in progress	275,386	309,891	-	-	585,277
Total non-depreciable assets	<u>2,520,549</u>	<u>724,593</u>	<u>-</u>	<u>-</u>	<u>3,245,142</u>
Depreciable Assets:					
Land improvements	1,757,239	-	-	(118,282)	1,638,957
Buildings and improvements	18,793,232	361,509	-	-	19,154,741
Equipment, furniture, and fixtures	3,736,992	121,855	(9,495)	-	3,849,352
Vehicles and motorized equipment	7,207,652	622,094	(385,191)	-	7,444,555
Infrastructure	30,128,544	337,639	-	118,282	30,584,465
Total depreciable capital assets	<u>61,623,659</u>	<u>1,443,097</u>	<u>(394,686)</u>	<u>-</u>	<u>62,672,070</u>
Less Accumulated Depreciation:					
Land improvements	(1,067,034)	(43,405)	-	103,168	(1,007,271)
Buildings and improvements	(6,304,072)	(400,610)	-	-	(6,704,682)
Equipment, furniture, and fixtures	(3,321,599)	(86,043)	9,495	-	(3,398,147)
Vehicles and motorized equipment	(5,674,051)	(339,854)	378,180	-	(5,635,725)
Infrastructure	(26,837,567)	(291,336)	-	(103,168)	(27,232,071)
Total accumulated depreciation	<u>(43,204,323)</u>	<u>\$(1,161,248)</u>	<u>\$ 387,675</u>	<u>\$ -</u>	<u>(43,977,896)</u>
Total depreciable capital assets, net	<u>18,419,336</u>				<u>18,694,174</u>
Capital assets, net	<u>\$ 20,939,885</u>				<u>\$ 21,939,316</u>

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

Governmental Activities:

General government	\$ 221,272
Public safety	336,707
Transportation	294,032
Environmental protection	3,904
Culture and recreation	<u>305,333</u>
Total	<u>\$ 1,161,248</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Proprietary Capital Assets

The capital assets of the proprietary funds of the Town at June 30, 2022 are as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in progress	23,545	109,151	(23,545)	-	109,151
Total non-depreciable assets	<u>253,603</u>	<u>109,151</u>	<u>(23,545)</u>	<u>-</u>	<u>339,209</u>
Depreciable Assets:					
Buildings and improvements	22,997	-	-	-	22,997
Equipment, furniture, and fixtures	179,417	43,213	(1,700)	-	220,930
Vehicles and motorized equipment	1,009,130	-	-	-	1,009,130
Substations, lines, and related equipment	7,565,750	152,397	-	-	7,718,147
Total depreciable capital assets	<u>8,777,294</u>	<u>195,610</u>	<u>(1,700)</u>	<u>-</u>	<u>8,971,204</u>
Less Accumulated Depreciation:					
Buildings and improvements	(22,997)	-	-	-	(22,997)
Equipment, furniture, and fixtures	(175,810)	(8,876)	1,700	-	(182,986)
Vehicles and motorized equipment	(815,501)	(52,759)	-	-	(868,260)
Substations, lines, and related equipment	(5,234,318)	(210,211)	-	-	(5,444,529)
Total accumulated depreciation	<u>(6,248,626)</u>	<u>\$ (271,846)</u>	<u>\$ 1,700</u>	<u>\$ -</u>	<u>(6,518,772)</u>
Depreciable capital assets, net	<u>2,528,668</u>				<u>2,452,432</u>
Capital assets, net	<u>2,782,271</u>				<u>2,791,641</u>
Water Fund:					
Non-Depreciable Assets:					
Land	1,486,362	\$ -	\$ -	\$ -	1,486,362
Construction in progress	-	169,462	-	-	169,462
Total non-depreciable assets	<u>1,486,362</u>	<u>169,462</u>	<u>-</u>	<u>-</u>	<u>1,655,824</u>
Depreciable Assets:					
Land improvements	83,691	-	-	-	83,691
Buildings and improvements	1,818,427	23,080	-	-	1,841,507
Equipment, furniture, and fixtures	423,127	8,298	-	-	431,425
Vehicles and motorized equipment	1,026,491	76,575	(40,784)	-	1,062,282
Plant and distribution systems	25,297,765	452,704	-	-	25,750,469
Total depreciable capital assets	<u>28,649,501</u>	<u>560,657</u>	<u>(40,784)</u>	<u>-</u>	<u>29,169,374</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Water Fund (continued):					
Less Accumulated Depreciation:					
Land improvements	(51,217)	(3,834)	-	-	(55,051)
Buildings and improvements	(1,252,556)	(26,669)	-	-	(1,279,225)
Equipment, furniture, and fixtures	(369,000)	(12,738)	-	-	(381,738)
Vehicles and motorized equipment	(641,218)	(68,937)	40,784	-	(669,371)
Plant and distribution systems	(14,690,316)	(523,670)	-	-	(15,213,986)
Accumulated depreciation	<u>(17,004,307)</u>	<u>\$ (635,848)</u>	<u>\$ 40,784</u>	<u>\$ -</u>	<u>(17,599,371)</u>
Depreciable capital assets, net	<u>11,645,194</u>				<u>11,570,003</u>
Capital assets, net	<u>13,131,556</u>				<u>13,225,827</u>
Sewer Fund:					
Non-Depreciable Assets:					
Land	110,500	\$ -	\$ -	\$ -	110,500
Construction in progress	1,002,163	341,796	-	-	1,343,959
Total non-depreciable assets	<u>1,112,663</u>	<u>341,796</u>	<u>-</u>	<u>-</u>	<u>1,454,459</u>
Depreciable Assets:					
Land improvements	67,912	-	-	-	67,912
Buildings and improvements	8,703,801	-	-	-	8,703,801
Equipment, furniture, and fixtures	472,861	39,491	-	-	512,352
Vehicles and motorized equipment	818,437	95,941	-	-	914,378
Plant and distribution systems	10,225,659	76,780	-	-	10,302,439
Total depreciable capital assets	<u>20,288,670</u>	<u>212,212</u>	<u>-</u>	<u>-</u>	<u>20,500,882</u>
Less Accumulated Depreciation:					
Land improvements	(30,838)	(3,346)	-	-	(34,184)
Buildings and improvements	(7,659,055)	(178,542)	-	-	(7,837,597)
Equipment, furniture, and fixtures	(386,994)	(31,814)	-	-	(418,808)
Vehicles and motorized equipment	(512,604)	(43,121)	-	-	(555,725)
Plant and distribution systems	(5,959,108)	(224,533)	-	-	(6,183,641)
Accumulated depreciation	<u>(14,548,599)</u>	<u>\$ (481,356)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,029,955)</u>
Depreciable capital assets, net	<u>5,740,071</u>				<u>5,470,927</u>
Capital assets, net	<u>6,852,734</u>				<u>6,925,386</u>
Business-type capital assets, net	<u>\$ 22,766,561</u>				<u>\$ 22,942,854</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Capital assets, net	\$ 21,939,316	\$ 2,791,641	\$ 13,225,827	\$ 6,925,386
Right-to-use assets, net	412,964	-	-	-
Less: long-term debt and leases	(5,044,522)	-	(650,337)	-
Add: unspent debt proceeds	480,294	-	-	-
Net investment in capital assets	<u>\$ 17,788,052</u>	<u>\$ 2,791,641</u>	<u>\$ 12,575,490</u>	<u>\$ 6,925,386</u>

Right-to-Use Assets

The Town is the lessee for non-cancellable leases of land improvements, buildings, and equipment. The Town recognizes lease liabilities and an intangible right-to-use the leased assets (right-to-use assets) in the government-wide and proprietary financial statements. The lease liabilities are discussed in Note 2.B, Long-term Obligations, Lease Liabilities. The right-to-use assets are being amortized on a straight-line basis over the lease terms.

Right to use asset activity for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Right-to-use assets:				
Land Improvements	\$ -	\$ 136,856	\$ -	\$ 136,856
Building	-	85,355	-	85,355
Equipment	-	295,986	-	295,986
Total	<u>-</u>	<u>518,197</u>	<u>-</u>	<u>518,197</u>
Accumulated amortization:				
Buildings	-	(11,606)	-	(11,606)
Equipment	-	(24,387)	-	(24,387)
Furniture	-	(69,240)	-	(69,240)
Total	<u>-</u>	<u>\$ (105,233)</u>	<u>\$ -</u>	<u>(105,233)</u>
Right-to-use assets, net	<u>\$ -</u>			<u>\$ 412,964</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Construction Commitments

The Town has active construction projects as of June 30, 2022. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Remaining Commitment</u>
Governmental:		
Recreation pedestrian bridge	\$ 380,000	\$ 124,475
Business-Type:		
Sewer Fund:		
WWTP upgrade design	\$ 1,640,000	\$ 296,041

Discretely Presented Component Unit

Activity for the Town of Waynesville ABC Board for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Non-Depreciable Assets:					
Land	\$ 509,646	\$ -	\$ -	\$ -	\$ 509,646
Depreciable Assets:					
New facility	793,249	-	-	-	793,249
Furniture and equipment	133,190	23,939	-	-	157,129
Total depreciable capital assets	926,439	23,939	-	-	950,378
Less Accumulated Depreciation:					
New facility	(154,997)	(20,062)	-	-	(175,059)
Furniture and equipment	(89,948)	(15,485)	-	-	(105,433)
Total accumulated depreciation	(244,945)	\$ (35,547)	\$ -	\$ -	(280,492)
Total depreciable capital assets, net	681,494				669,886
Capital assets, net	<u>\$ 1,191,140</u>				<u>\$ 1,179,532</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2022 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Performance Bonds</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities	\$ 312,754	\$ 213,660	\$ 13,684	\$ -	\$ 540,098
Business-Type Activities:					
Electric Fund	\$ 487,741	\$ 5,673	\$ -	\$ -	\$ 493,414
Water Fund	285,847	15,931	-	1,655	303,433
Sewer Fund	99,169	18,073	-	-	117,242
Total business-type activities	<u>\$ 872,757</u>	<u>\$ 39,677</u>	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ 914,089</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to 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. The 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's contractually required contribution rate for the year ended June 30, 2022, was 12.100% of compensation for law enforcement officers and 11.350% for general employees, 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 were \$992,009 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$1,686,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the Town's proportion was 0.10996%, which was a decrease of 0.00733% from its proportion measured as of June 30, 2020.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

For the year ended June 30, 2022, the Town recognized pension expense of \$653,910. At June 30, 2022, 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
Differences between expected and actual experience	\$ 536,486	\$ -
Changes of assumptions	1,059,454	-
Net difference between projected and actual earnings on pension plan investments	-	2,409,276
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	241,267
Town contributions subsequent to the measurement date	992,009	-
Total	\$ 2,587,949	\$ 2,650,543

\$992,009 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2023	\$ 55,813
2024	(144,849)
2025	(228,313)
2026	(737,254)
2027	-
Thereafter	-
Total	\$ (1,054,603)

Actuarial Assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The plan currently uses mortality rates 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, 2020, valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 3.05%. Return projections do not include any excess return expenditures over benchmark averages. All rates of return and inflation are annualized.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contribution 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 benefits payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 6,546,240	\$ 1,686,342	\$(2,313,071)

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

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town 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% 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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated program members entitled to, but not yet receiving, benefits	-
Active program members	<u>37</u>
Total	<u><u>45</u></u>

A separate report was not issued for the plan.

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.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	2.25%

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees are used for ages less than 45.

Deaths Prior To Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. 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. The Town paid \$117,550 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$1,960,969. The total pension liability was measured at December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$266,728.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 236,788	\$ -
Changes of assumptions and other inputs	329,883	57,120
Town benefit payments and plan administrative expense made subsequent to the measurement date	55,180	-
Total	<u>\$ 621,851</u>	<u>\$ 57,120</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

\$55,180 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2023	\$ 140,980
2024	126,333
2025	113,111
2026	104,738
2027	22,054
Thereafter	<u>2,335</u>
Total	<u><u>\$ 509,551</u></u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25%, 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1%	Discount	1%
	Decrease	Rate	Increase
	(1.25%)	(2.25%)	(3.25%)
Total pension liability	<u>\$ 2,132,386</u>	<u>\$ 1,960,969</u>	<u>\$ 1,803,882</u>

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

	<u>2022</u>
Beginning balance	\$ 1,834,928
Service cost	90,018
Interest on the total pension liability	34,280
Differences between expected and actual experience in the measurement of the total pension liability	172,557
Changes of assumption or other inputs	(53,264)
Benefit payments	<u>(117,550)</u>
Ending balance of the total pension liability	<u><u>\$ 1,960,969</u></u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 1.93 percent at December 31, 2020 to 2.25 percent at December 31, 2021.

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 tables also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 653,910	\$ 266,728	\$ 920,638
Pension liability	1,686,342	1,960,969	3,647,311
Proportionate share of the net pension liability	0.10996%	NA	NA

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 536,486	\$ 236,788	\$ 773,274
Changes of assumptions	1,059,454	329,883	1,389,337
Benefit payments and administration costs paid subsequent to the measurement date	992,009	55,180	1,047,189
Total deferred outflows of resources	\$ 2,587,949	\$ 621,851	\$ 3,209,800

Deferred Inflows of Resources:

Changes of assumptions	\$ -	\$ 57,120	\$ 57,120
Changes in proportion and differences between contributions and proportionate share of contributions	241,267	-	241,267
Net difference between projected and actual earnings on pension plan investments	2,409,276	-	2,409,276
Total deferred inflows of resources	\$ 2,650,543	\$ 57,120	\$ 2,707,663

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 and employees not engaged in law enforcement. 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 is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$96,208 for the reporting year. No amounts have been forfeited.

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% for all covered employees. Effective January 1, 2005, this percentage increased to 5%.

The Town made contributions of \$326,737 for the reporting year. No amounts have been forfeited.

Other Post-Employment 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:

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	30
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	174
Total	<u>204</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Total OPEB Liability

The Town's total OPEB liability of \$9,397,581 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation:	
General employees	3.25%-8.41%
Firefighters	3.25%-8.15%
Law enforcement officers	3.25%-7.90%
Municipal Bond Index Rate:	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	<u>\$ 8,322,565</u>
Changes for the year:	
Service cost	454,923
Interest	190,437
Differences between expected and actual experience	(40,719)
Changes of assumptions or other inputs	793,024
Benefit payments	<u>(322,649)</u>
Net changes	<u>1,075,016</u>
Balance at June 30, 2022	<u><u>\$ 9,397,581</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.21 to 2.16%.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$ 10,271,811</u>	<u>\$ 9,397,581</u>	<u>\$ 8,610,782</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 10,487,440</u>	<u>\$ 9,397,581</u>	<u>\$ 8,476,663</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,074,151. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 786,452	\$ 186,334
Changes of assumptions	1,885,730	77,657
Benefit payments and plan administrative expense made subsequent to the measurement date	281,516	-
Total	\$ 2,953,698	\$ 263,991

\$281,516 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2023	\$ 428,791
2024	428,791
2025	436,684
2026	441,719
2027	377,758
Thereafter	294,448
Total	\$ 2,408,191

Other Employment Benefits

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 months' 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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial. The Town provides additional death benefits to employees through its group health insurance plan.

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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

	<u>Amount</u>
Contributions to pension plan in the current fiscal year - LGERS	\$ 992,009
Differences between expected and actual experience - LGERS	536,486
Changes of assumptions - LGERS	1,059,454
Differences between expected and actual experience - LEOSSA	236,788
Changes of assumptions - LEOSSA	329,883
Plan administrative expense made subsequent to the measurement date - LEOSSA	55,180
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	281,516
Differences between expected and actual experience - OPEB	786,452
Changes of assumptions - OPEB	1,885,730
Total	<u>\$ 6,163,498</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 447,018
Prepaid taxes (General Fund)	10,627	10,627
Lease deferrals	85,517	85,517
Differences between expected and actual experience - LGERS	2,409,276	-
Differences between expected and actual experience - OPEB	186,334	-
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	241,267	-
Changes of assumptions - LEOSSA	57,120	-
Changes of assumptions - OPEB	77,657	-
Total	<u>\$ 3,067,798</u>	<u>\$ 543,162</u>

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 risk-financing through Tokio Marine/HCC Insurance for property and liability insurance. The Town's obtains workers' compensation coverage up to statutory limits through Bitco Insurance Companies.

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 three 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 \$125,000 and the Tax Collector is individually bonded for \$125,000. 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.

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 \$5,000, for legal claims. At June 30, 2022, there were no active lawsuits against the Town of Waynesville; however, in the opinion of management and the Town attorney, the contingent reserve is left at \$5,000 as the ultimate effect of legal matters is present but will not have a material adverse effect on the Town's financial position.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town is under a Special Order of Consent for the wastewater treatment plant (WWTP) due to being unable to consistently comply with effluent limitations for Total Suspended Solids (TSS) and fecal coliform as set forth in the NCDES Permit NC0025321. The Town has been working for several years on planning, design, and construction of improvements to the current WWTP. Funding for the majority of the project has been secured and the construction contract was awarded in July 2022. Construction will take approximately 18 months. The Town is using ARP funds to reduce I&I as required by the SOC.

Long-Term Obligations

Lease Liabilities

The financial statements for the year ended June 30, 2022 include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information on the right-to-use lease assets refer to Note 2.A., Right-to-Use Lease Assets. Details of the Town's leases liabilities at June 30, 2022 are as follows:

The Town has entered into agreements to lease certain land improvements, buildings, and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On the implementation date of July 1, 2021, the Town was the lessee of a 72-month lease for the use of Blue Ridge Southern Railroad – Parking Lot. An initial lease liability was recorded in the amount of \$13,984. As of June 30, 2022, the value of the lease liability was \$11,892. The Town is required to make monthly fixed payments of \$188, including interest at a rate of 1.3351%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$11,654 at June 30, 2022.

On the implementation date of July 1, 2021, the Town was the lessee of a 119-month lease for the use of Boundary Street – Parking Lot. An initial lease liability was recorded in the amount of \$71,671. As of June 30, 2022, the value of the lease liability was \$65,554. The Town is required to make monthly fixed payments of \$600, including interest at a rate of 1.7222%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$64,444 at June 30, 2022.

On the implementation date of July 1, 2021, the Town was the lessee of a 42-month lease for the use of Chambers – Communication Tower. An initial lease liability was recorded in the amount of \$85,355. As of June 30, 2022, the value of the lease liability was \$82,359. The Town is required to make monthly fixed payments of \$3,500, including interest at a rate of 1.0112%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$60,968 at June 30, 2022.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

On the implementation date of July 1, 2021, the Town was the lessee of a 58-month lease for the use of Digital Copiers – Sharp Electronics. An initial lease liability was recorded in the amount of \$237,175. As of June 30, 2022, the value of the lease liability was \$189,032. The Town is required to make monthly fixed payments of \$4,205, including interest at a rate of 1.1771%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$188,160 at June 30, 2022.

On June 6, 2022, the Town was the lessee of a 60-month lease for the use of Quadient. An initial lease liability was recorded in the amount of \$15,683. As of June 30, 2022, the value of the lease liability was \$14,846. The Town is required to make monthly fixed payments of \$839, including interest at a rate of 2.8680%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$15,465 at June 30, 2022.

On the implementation date of July 1, 2021, the Town was the lessee of a 25-month lease for the use of TAMCO – Mitel Controller. An initial lease liability was recorded in the amount of \$43,128. As of June 30, 2022, the value of the lease liability was \$22,491. The Town is required to make monthly fixed payments of \$1,736, including interest at a rate of 0.5930%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$23,120 at June 30, 2022.

On the implementation date of July 1, 2021, the Town was the lessee of a 300-month lease for the use of Viola N. Forga Living Trust #3245. An initial lease liability was recorded in the amount of \$45,801. As of June 30, 2022, the value of the lease liability was \$45,590. The Town is required to make monthly fixed payments of \$850, including interest at a rate of 25.3313%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$49,153 at June 30, 2022. The Town has four extension options each for 60 months. The Town had a termination period of three months as of the lease commencement. The lessor had a termination period of three months as of the lease commencement.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2023	\$ 100,024	\$ 16,402	\$ 116,426
2024	103,580	14,965	118,545
2025	82,082	13,949	96,031
2026	53,558	13,289	66,847
2027	11,710	13,067	24,777
2028-2032	28,813	65,119	93,932
2033-2037	1,112	65,628	66,740
2038-2042	14,899	57,092	71,991
2043-2046	35,986	21,606	57,592
	<u>\$ 431,764</u>	<u>\$ 281,117</u>	<u>\$ 712,881</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Notes Payable

Notes payable at June 30, 2022 are comprised of the following individual agreements:

Business-Type Activities:

\$329,868 installment purchase contract with North Carolina Department of Environmental Quality (NCDEQ) dated March 14, 2014, payable in annual installments of \$16,493 at 0% interest until 2034. \$ 197,967

\$904,740 installment purchase contract with the North Carolina Department of Environmental Quality (NCDEQ) dated November 1, 2010, payable in 20 annual principal installments of \$45,237 beginning May 1, 2013 and 40 semi-annual interest payments at 2.22%. The Drinking Water State Revolving Fund (DWSRF) project replaced water lines in the Dayton Drive community. 452,370

Total business-type activities long-term debt \$ 650,337

Annual debt service requirements to maturity for the Town's business-type activities direct borrowing installment purchases are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 61,684	\$ 10,043	\$ 71,727
2024	61,684	9,038	70,722
2025	61,684	8,034	69,718
2026	61,684	7,030	68,714
2027	61,684	6,026	67,710
2028-2032	308,420	15,064	323,484
2033-2034	<u>33,497</u>	<u>-</u>	<u>33,497</u>
Total	<u><u>\$ 650,337</u></u>	<u><u>\$ 55,235</u></u>	<u><u>\$ 705,572</u></u>

The Town's outstanding notes payable to NCDEQ are not secured by a pledge of faith and credit of the State of North Carolina or of the Town but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Town from the state may be withheld by the state and applied to the payment of the outstanding note.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Governmental Activities:

<p>\$1,300,000 installment purchase contract dated October 4, 2016 with a balance of \$843,344 refinanced on May 10, 2022, payable in semi-annual installments of \$93,709 principal plus interest at 2.00% until April 2031. Secured by the public works facility.</p>	\$ 843,377
<p>\$441,450 installment purchase contract dated February 26, 2013, payable in annual installments of \$48,722 including interest at 1.835% until February 2023. Secured by fire truck and related equipment.</p>	47,843
<p>\$2,000,000 USDA rural development loan dated September 26, 2008 with a balance of \$1,694,510 was refinanced on December 21, 2021, payable in annual installments of \$141,209 principal plus interest at 1.99% until December 2033. Secured by fire station building.</p>	1,694,510
<p>\$3,000,000 installment purchase contract dated May 13, 2008, payable in 40 semi-annual installments of \$105,669 including interest at 3.58%. Secured by police station building.</p>	1,132,032
<p>\$894,996 installment purchase contract dated May 10, 2022, payable in annual installments of \$59,667 including interest at 2.01% until April 2037. Secured by fire tanker and related equipment.</p>	<u>894,996</u>
<p>Total governmental activities long-term debt</p>	<u><u>\$ 4,612,758</u></u>

Annual debt service requirements to maturity for the Town’s governmental activities direct borrowing installment purchases are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 514,768	\$ 104,678	\$ 619,446
2024	473,150	95,468	568,618
2025	479,599	83,134	562,733
2026	486,282	70,569	556,851
2027	493,206	57,759	550,965
2028-2032	1,585,012	142,504	1,727,516
2033	<u>580,741</u>	<u>26,420</u>	<u>607,161</u>
Total governmental funds	<u><u>\$ 4,612,758</u></u>	<u><u>\$ 580,532</u></u>	<u><u>\$ 5,193,290</u></u>

The Town had installment purchases of \$4,612,758 as of June 30, 2022. In the event of default, the lender, at its sole discretion, may declare the outstanding indebtedness immediately due and payable. The lender can also enforce its security interest in the mortgaged property. This debt also requires a reserve amount equal to one year’s debt payment for each loan.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

A summary of changes in long-term obligations is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental Activities:					
Direct borrowing					
installment purchases	\$ 4,128,212	\$ 3,432,883	\$ 2,948,337	\$ 4,612,758	\$ 514,768
Lease liabilities	-	512,797	81,033	431,764	100,024
Total pension liability (LEOSSA)	1,834,928	126,041	-	1,960,969	-
Legal claims	15,000	-	10,000	5,000	-
Net pension liability (LGERS)	3,349,336	-	2,001,744	1,347,592	-
Total OPEB Liability	6,761,501	1,135,505	262,130	7,634,876	-
Compensated absences	510,869	315,656	382,901	443,624	382,901
Total governmental activities	<u>\$ 16,599,846</u>	<u>\$ 5,522,882</u>	<u>\$ 5,686,145</u>	<u>\$ 16,436,583</u>	<u>\$ 997,693</u>
Electric Fund:					
Direct borrowing					
installment purchases	\$ 30,662	\$ -	\$ 30,662	\$ -	\$ -
Net pension liability (LGERS)	143,388	-	85,696	57,692	-
Total OPEB Liability	262,394	44,066	10,172	296,288	-
Compensated absences	21,569	10,834	11,965	20,438	11,965
Total Electric Fund	<u>458,013</u>	<u>54,900</u>	<u>138,495</u>	<u>374,418</u>	<u>11,965</u>
Water Fund:					
Direct borrowing					
installment purchases	746,136	-	95,799	650,337	61,684
Net pension liability (LGERS)	353,966	-	211,549	142,417	-
Total OPEB Liability	643,459	108,060	24,946	726,573	-
Compensated absences	61,020	39,158	43,811	56,367	43,811
Total Water and Sewer Fund	<u>1,804,581</u>	<u>147,218</u>	<u>376,105</u>	<u>1,575,694</u>	<u>105,495</u>
Sewer Fund:					
Net pension liability (LGERS)	344,581	-	205,940	138,641	-
Total OPEB Liability	655,211	110,034	25,401	739,844	-
Compensated absences	36,726	35,283	33,837	38,172	33,837
Total Water and Sewer Fund	<u>1,036,518</u>	<u>145,317</u>	<u>265,178</u>	<u>916,657</u>	<u>33,837</u>
Total Business-Type Activities:					
Direct borrowing					
installment purchases	776,798	-	126,461	650,337	61,684
Net pension liability (LGERS)	841,935	-	503,185	338,750	-
Total OPEB Liability	1,561,064	262,160	60,519	1,762,705	-
Compensated absences	119,315	85,275	89,613	114,977	89,613
Total business-type activities	<u>\$ 3,299,112</u>	<u>\$ 347,435</u>	<u>\$ 779,778</u>	<u>\$ 2,866,769</u>	<u>\$ 151,297</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Compensated absences and other post-employment benefits typically have been liquidated in the General Fund.

At June 30, 2022, the Town had a legal debt margin of \$125,031,259.

C. Interfund Balances and Activity

Advances between funds consist of a loan to the General Fund from the Electric Fund of \$800,000 on February 11, 2020, with a balance of \$726,972 at June 30, 2022. The purpose of the interfund loan was for recreation center improvements. Terms of the interfund loan are 2% interest payable semiannually starting July 1, 2021 for a period of 10 years.

The following interfund transfers were made during the year ended June 30, 2022:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
ARPA Fund	Water Fund	\$ 398,000	Grant expenditures
	Sewer Fund	<u>150,000</u>	Grant expenditures
		<u>\$ 548,000</u>	
Electric Fund	General Fund	<u>\$ 1,275,600</u>	Payment in lieu of taxes

3. Jointly Governed Organization

The nine-member Board of the Waynesville Housing Authority is appointed by the Mayor of the Town of Waynesville. The Housing Authority acts as a municipal corporation and is governed through Article 1 of Chapter 157 of the NC General Statutes. 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.

The Town is member of Electri-Cities of North Carolina and is categorized as a “non-agency member”. The Town negotiates and purchases its wholesale power through direct contract with the generating entity. The Town is represented a Town official appointed by the Board of Alderman. The “non-agency” electric distributors are represented on the Electric-Cities Board by a members elected among the “non-agency” entities. The Town currently purchases its power from Santee Cooper Power Corporation through a ten-year contract that extends through 2026.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

4. Related Party Transactions

The Town and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2022:

Town of Waynesville ABC Board:

Payments to the Town for profit distributions	\$	194,559
Payments to the Town for law enforcement		43,984
Payments to the Town for education and rehabilitation		<u>34,210</u>
Total	\$	<u><u>272,753</u></u>

At June 30, 2022, the ABC Board owed the Town \$186,354 related to the above transactions.

5. Summary Disclosures of Significant Commitments and 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 agreement. Such audits could result in the refund of grant monies 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 monies.

6. Subsequent Events

In July 2022, the Town updated the waste water treatment plant improvements funds with a project authorization of \$29,631,150. At June 30, 2022, the Town has incurred costs of \$1,343,959 related to engineering fees. In July 2022, the NC Local Government Commission formally approved a \$5,000,000 addition to the previously approved loan for a total amount of \$24,545,900 over a term of 26 years, at 0% interest and \$500,000 principal forgiven. Subsequent to year end, the Town awarded a tentative award of contract to Harper Corporation-General Contractors of Greenville SC and the award of contract was approved at the July 26, 2022 Board of Aldermen meeting. Construction should begin in November and will take approximately 18 months.

On August 3, 2022, the Town received \$1,615,955 in funding from the American Rescue Plan Act. This federal funding is intended to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The Town plans to use these funds in various ways to offset lost revenue due to the pandemic.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

7. **Change in Accounting Principle**

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a result of implementation, net position in the Asset Services Management Internal Service Fund was increased by \$5,400 due to direct costs of the right-to-use asset incurred in a prior year.

8. **Prior Period Adjustment**

During the year ended June 30, 2022, the Town discovered that an interfund loan in a prior year was recorded as a loan from an external source, which increased fund balance in the General Fund instead of reporting the loan on the balance sheet. As a result of correcting the accounting treatment of the interfund loan, fund balance of the General Fund decreased by \$800,000 as of June 30, 2021. There was no effect on net position of governmental activities. Also, as a result of implementation of GASB 87, a prior period adjustment of \$5,400 was required in the Asset Services Management Internal Service Fund.

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TOWN OF WAYNESVILLE, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST FIVE FISCAL YEARS**

	Other Post-Employment Benefits				
	2022	2021	2020	2019	2018
Service cost	\$ 454,923	\$ 300,145	\$ 279,620	\$ 228,792	\$ 244,994
Interest	190,437	220,693	215,255	169,843	144,991
Differences between expected and actual experience	(40,719)	1,042,060	24,503	(307,109)	(5,983)
Changes of assumptions or other inputs	793,024	885,366	194,225	883,376	(219,892)
Benefit payments	<u>(322,649)</u>	<u>(259,883)</u>	<u>(223,823)</u>	<u>(200,977)</u>	<u>(219,593)</u>
Net change in total OPEB liability	1,075,016	2,188,381	489,780	773,925	(55,483)
Total OPEB liability - beginning	<u>8,322,565</u>	<u>6,134,184</u>	<u>5,644,404</u>	<u>4,870,479</u>	<u>4,925,962</u>
Total OPEB liability - ending	<u>\$ 9,397,581</u>	<u>\$ 8,322,565</u>	<u>\$ 6,134,184</u>	<u>\$ 5,644,404</u>	<u>\$ 4,870,479</u>
Covered-employee payroll	\$ 7,079,757	\$ 7,079,757	\$ 7,044,416	\$ 7,044,416	\$ 6,544,442
Total OPEB liability as a percentage of covered-employee payroll	132.74%	117.55%	87.08%	80.13%	74.42%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available. There are no assets accumulated in a trust that meet the criteria for GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB Fund.

TOWN OF WAYNESVILLE, NORTH CAROLINA**TOWN OF WAYNESVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2022	2021	2020	2019	2018
Town's proportion of the net pension liability (asset) (%)	0.10996%	0.11729%	0.12472%	0.12620%	0.12672%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,686,342	\$ 4,191,271	\$ 3,406,006	\$ 2,993,896	\$ 1,935,931
Town's covered payroll	\$ 7,749,833	\$ 7,704,282	\$ 7,998,194	\$ 7,673,190	\$ 7,998,194
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.76%	54.40%	42.58%	39.02%	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

* 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.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**TOWN OF WAYNESVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS***

	Local Governmental Employees' Retirement System			
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.11592%	0.11821%	0.11235%	0.11320%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,460,207	\$ 530,519	\$ (620,080)	\$ 1,364,495
Town's covered payroll	\$ 7,197,159	\$ 6,490,657	\$ 6,367,343	\$ 6,283,149
Town's proportionate share of the net pension liability (asset) as a percentage of its covered 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%

TOWN OF WAYNESVILLE, NORTH CAROLINA

**TOWN OF WAYNESVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS**

Local Governmental Employees' Retirement System					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 992,009	\$ 804,092	\$ 707,272	\$ 636,799	\$ 593,861
Contributions in relation to the contractually required contribution	<u>992,009</u>	<u>804,092</u>	<u>707,272</u>	<u>636,799</u>	<u>593,861</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 8,578,644	\$ 7,749,833	\$ 7,704,282	\$ 7,998,194	\$ 7,673,190
Contributions as a percentage of covered payroll	11.56%	10.38%	9.18%	7.96%	7.74%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WAYNESVILLE, NORTH CAROLINA

TOWN OF WAYNESVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST NINE FISCAL YEARS

<u>Local Governmental Employees' Retirement System</u>				
	<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>
Town's covered payroll	\$ 7,510,818	\$ 7,197,159	\$ 6,490,657	\$ 6,367,343
Contributions as a percentage of covered payroll	7.51%	6.74%	7.14%	7.12%

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2022	2021	2020
Beginning balance	\$ 1,834,928	\$ 1,345,260	\$ 1,256,230
Service cost	90,018	48,646	50,038
Interest on the total pension liability	34,280	41,981	43,929
Differences between expected and actual experience in the measurement of the total pension liability	172,557	58,469	55,612
Changes of assumption or other inputs	(53,264)	455,562	38,221
Benefit payments	(117,550)	(114,990)	(98,770)
Ending balance of the total pension liability	<u>\$ 1,960,969</u>	<u>\$ 1,834,928</u>	<u>\$ 1,345,260</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 1,189,141	\$ 1,088,441	\$ 1,096,940
Service cost	54,748	46,268	46,071
Interest on the total pension liability	36,319	40,718	37,962
Differences between expected and actual experience in the measurement of the total pension liability	103,109	7,590	-
Changes of assumption or other inputs	(47,451)	73,259	(25,397)
Benefit payments	(79,636)	(67,135)	(67,135)
Ending balance of the total pension liability	<u>\$ 1,256,230</u>	<u>\$ 1,189,141</u>	<u>\$ 1,088,441</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2022	2021	2020
Total pension liability	\$ 1,960,969	\$ 1,834,928	\$ 1,345,260
Covered-employee payroll	1,982,932	1,774,744	1,993,820
Total pension liability as a percentage of covered-employee payroll	98.89%	103.39%	67.47%

Notes to the Schedules:

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.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 1,256,230	\$ 1,189,141	\$ 1,088,441
Covered-employee payroll	2,050,493	1,939,905	1,716,584
Total pension liability as a percentage of covered-employee payroll	61.26%	61.30%	63.41%

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 6,396,457	\$ 7,004,023	\$ 607,566
Penalties and interest	41,000	68,284	27,284
Total	<u>6,437,457</u>	<u>7,072,307</u>	<u>634,850</u>
Other Taxes and Licenses:			
Privilege licenses	-	260	260
Cable TV franchise tax	105,000	102,335	(2,665)
Gross receipts tax on vehicle rentals	27,700	12,457	(15,243)
Local option sales tax	3,691,380	4,125,372	433,992
Total	<u>3,824,080</u>	<u>4,240,424</u>	<u>416,344</u>
Unrestricted Intergovernmental Revenues:			
Franchise tax	836,400	748,743	(87,657)
Beer and wine tax	45,600	40,259	(5,341)
ABC Board profit distribution	111,900	228,769	116,869
Total	<u>993,900</u>	<u>1,017,771</u>	<u>23,871</u>
Restricted Intergovernmental Revenues:			
Powell Bill allocation	290,000	359,850	69,850
ABC revenue for law enforcement	19,500	43,984	24,484
Federal and state grants	590,078	278,462	(311,616)
Fire district taxes	375,000	471,931	96,931
Forfeiture funds	-	4,484	4,484
Total	<u>1,274,578</u>	<u>1,158,711</u>	<u>(115,867)</u>
Permits and Fees:			
Building permits and inspection fees	182,850	261,939	79,089
Reconnect fees	75,000	24,667	(50,333)
Total	<u>257,850</u>	<u>286,606</u>	<u>28,756</u>
Sales and Services:			
Recreation department fees	713,200	366,844	(346,356)
Cemetery revenues	26,100	34,800	8,700
Sanitation fees	757,100	594,023	(163,077)
Solid waste container sales	24,000	736	(23,264)
Fire protection	-	1,710	1,710
Police contract services	120,000	118,500	(1,500)
Court costs and fees	2,250	1,438	(812)
Rents	68,800	81,554	12,754
Total	<u>1,711,450</u>	<u>1,199,605</u>	<u>(511,845)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Investment Earnings	1,000	11,647	10,647
Miscellaneous	80,350	274,655	194,305
Total revenues	<u>14,580,665</u>	<u>15,261,726</u>	<u>681,061</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	114,831	113,075	1,756
Operating expenses	112,499	91,294	21,205
Allocated to other funds	(131,190)	(152,520)	21,330
Total	<u>96,140</u>	<u>51,849</u>	<u>44,291</u>
Administration:			
Salaries and employee benefits	496,644	470,503	26,141
Professional services	118,780	128,522	(9,742)
Operating expenses	487,489	402,939	84,550
Capital outlay	27,000	-	27,000
Allocated to other funds	(686,470)	(750,520)	64,050
Total	<u>443,443</u>	<u>251,444</u>	<u>191,999</u>
Finance:			
Salaries and employee benefits	842,329	780,867	61,462
Professional services	126,500	135,474	(8,974)
Operating expenses	279,328	199,702	79,626
Capital outlay	-	15,683	(15,683)
Allocated to other funds	(941,150)	(933,470)	(7,680)
Total	<u>307,007</u>	<u>198,256</u>	<u>108,751</u>
Planning and Code Enforcement:			
Salaries and employee benefits	680,233	667,769	12,464
Professional services	293,240	197,089	96,151
Operating expenses	379,269	280,315	98,954
Total	<u>1,352,742</u>	<u>1,145,173</u>	<u>207,569</u>
Downtown:			
Salaries and employee benefits	49,645	47,246	2,399
Operating expenses	72,924	19,037	53,887
Total	<u>122,569</u>	<u>66,283</u>	<u>56,286</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Special Appropriations:			
Contributions	580,136	234,973	345,163
Total general government	<u>2,902,037</u>	<u>1,947,978</u>	<u>954,059</u>
Public Safety:			
Police:			
Salaries and employee benefits	4,605,298	4,101,953	503,345
Professional services	16,000	17,816	(1,816)
Operating expenses	926,251	826,293	99,958
Capital outlay	283,981	282,270	1,711
Total	<u>5,831,530</u>	<u>5,228,332</u>	<u>603,198</u>
Fire:			
Salaries and employee benefits	1,648,069	1,581,113	66,956
Professional services	62,763	47,080	15,683
Operating expenses	1,322,276	787,175	535,101
Total	<u>3,033,108</u>	<u>2,415,368</u>	<u>617,740</u>
Total public safety	<u>8,864,638</u>	<u>7,643,700</u>	<u>1,220,938</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	1,415,689	1,183,046	232,643
Professional services	60,000	49,423	10,577
Operating expenses	1,491,949	1,233,264	258,685
Contracted services	147,452	132,224	15,228
Capital outlay	1,821,675	384,848	1,436,827
Total	<u>4,936,765</u>	<u>2,982,805</u>	<u>1,953,960</u>
Environmental Protection:			
Cemetery:			
Salaries and employee benefits	176,314	174,668	1,646
Operating expenses	107,181	93,129	14,052
Capital outlay	8,000	-	8,000
Total	<u>291,495</u>	<u>267,797</u>	<u>23,698</u>
Culture and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	1,604,318	1,406,013	198,305
Operating expenses	758,549	575,193	183,356
Capital outlay	364,625	347,076	17,549
Total	<u>2,727,492</u>	<u>2,328,282</u>	<u>399,210</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Debt Service:			
Principal repayment	2,084,969	2,084,969	-
Interest and fees	176,644	161,729	14,915
Total	<u>2,261,613</u>	<u>2,246,698</u>	<u>14,915</u>
Total expenditures	<u>21,984,040</u>	<u>17,417,260</u>	<u>4,566,780</u>
Revenues over (under) expenditures	<u>(7,403,375)</u>	<u>(2,155,534)</u>	<u>5,247,841</u>
 Other Financing Sources (Uses):			
Lease liabilities issued	-	15,683	15,683
Issuance of long-term debt	2,589,506	2,589,506	-
Sales of assets	10,000	184,837	174,837
Transfers in	1,275,600	1,275,600	-
Fund balance appropriated	3,528,269	-	(3,528,269)
Total other financing sources (uses)	<u>7,403,375</u>	<u>4,065,626</u>	<u>(3,337,749)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,910,092</u>	<u>\$ 1,910,092</u>

**Reconciliation from Budgetary Basis to
Modified Accrual Basis:**

Initial implementation of lease standard:

Lease liabilities issued	296,204
Capital outlay	(296,204)

Fund Balance:

Beginning of year - July 1	11,356,049
Prior period adjustment	<u>(800,000)</u>
Beginning of year, restated	<u>10,556,049</u>
End of year - June 30	<u>\$ 12,466,141</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - ARPA GRANT PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive/ (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental revenues:					
American Rescue Plan grant	\$ 1,581,802	\$ -	\$ 1,145,923	\$ 1,145,923	\$ (435,879)
Expenditures:					
Grant expenditures	701,052	-	277,904	277,904	423,148
Capital outlay	332,250	-	320,019	320,019	12,231
Total expenditures	1,033,302	-	597,923	597,923	435,379
Revenues over (under) expenditures	548,500	-	548,000	548,000	(500)
Other Financing Sources (Uses):					
Transfers out	(548,500)	-	(548,000)	(548,000)	500
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NONMAJOR CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Actual</u>
Revenues:	
Sales and services	\$ 34,900
Investment earnings	<u>515</u>
Total revenues	<u>35,415</u>
 Net change in fund balance	 35,415
 Fund Balance:	
Beginning of year - July 1	<u>487,076</u>
End of year - June 30	<u>\$ 522,491</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 9,918,150	\$ 9,347,760	\$ (570,390)
Other operating revenue	3,000	15,637	12,637
Total operating revenues	<u>9,921,150</u>	<u>9,363,397</u>	<u>(557,753)</u>
Non-operating revenues:			
Proceeds from sale of assets	-	2,959	2,959
Grant revenue	700,000	5,500	(694,500)
Investment earnings	14,040	3,116	(10,924)
Total non-operating revenues	<u>714,040</u>	<u>11,575</u>	<u>(702,465)</u>
Total revenues	<u>10,635,190</u>	<u>9,374,972</u>	<u>(1,260,218)</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>825,090</u>	<u>861,030</u>	<u>(35,940)</u>
Electrical operations:			
Salaries and employee benefits	503,336	454,766	48,570
Professional services	55,000	14,199	40,801
Maintenance	128,464	114,773	13,691
Other departmental expenditures	576,864	383,116	193,748
Capital outlay	<u>1,471,000</u>	<u>304,761</u>	<u>1,166,239</u>
Total	<u>2,734,664</u>	<u>1,271,615</u>	<u>1,463,049</u>
Electrical power purchases	<u>5,863,500</u>	<u>5,931,460</u>	<u>(67,960)</u>
Debt service:			
Principal repayment	30,662	30,662	-
Interest and fees	<u>1,338</u>	<u>204</u>	<u>1,134</u>
Total	<u>32,000</u>	<u>30,866</u>	<u>1,134</u>
Total expenditures	<u>9,455,254</u>	<u>8,094,971</u>	<u>1,360,283</u>
Revenues over (under) expenditures	<u>1,179,936</u>	<u>1,280,001</u>	<u>100,065</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Appropriated fund balance	95,664	-	(95,664)
Transfers out	<u>(1,275,600)</u>	<u>(1,275,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,179,936)</u>	<u>(1,275,600)</u>	<u>(95,664)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	4,401	<u>\$ 4,401</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Book value of disposed/sold assets		(23,545)	
Capital outlay		304,761	
Depreciation		(271,846)	
Increase (decrease) in deferred outflows of resources - OPEB		1,157	
(Increase) decrease in deferred inflows of resources - OPEB		1,062	
(Increase) decrease in total OPEB liability		(33,894)	
Increase (decrease) in deferred outflows of resources - pension		11,058	
(Increase) decrease in deferred inflows of resources - pension		(85,188)	
(Increase) decrease in net pension liability		85,696	
(Increase) decrease in compensated absences		1,131	
Principal repayment		<u>30,662</u>	
Change in net position		<u>\$ 25,455</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,300,000	\$ 3,199,845	\$ (100,155)
Tap and connection fees	60,000	157,751	97,751
Other operating revenue	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total operating revenues	<u>3,361,000</u>	<u>3,357,596</u>	<u>(3,404)</u>
Non-operating revenues:			
Proceeds from sale of assets	-	45,330	45,330
Grant revenue	398,000	-	(398,000)
Investment earnings	<u>-</u>	<u>3,189</u>	<u>3,189</u>
Total non-operating revenues	<u>398,000</u>	<u>48,519</u>	<u>(349,481)</u>
Total revenues	<u>3,759,000</u>	<u>3,406,115</u>	<u>(352,885)</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>474,490</u>	<u>515,740</u>	<u>(41,250)</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	659,595	568,507	91,088
Professional services	84,963	75,490	9,473
Maintenance	245,000	117,172	127,828
Other departmental expenditures	312,159	252,118	60,041
Capital outlay	<u>1,298,600</u>	<u>707,039</u>	<u>591,561</u>
Total	<u>2,600,317</u>	<u>1,720,326</u>	<u>879,991</u>
Operations department:			
Salaries and employee benefits	614,607	594,572	20,035
Professional services	40,000	36,364	3,636
Utilities	26,200	25,663	537
Maintenance	178,786	186,370	(7,584)
Other departmental expenditures	271,892	200,557	71,335
Capital outlay	<u>80,000</u>	<u>23,080</u>	<u>56,920</u>
Total	<u>1,211,485</u>	<u>1,066,606</u>	<u>144,879</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt service:			
Principal repayment	95,799	95,799	-
Interest and fees	11,672	11,128	544
Total debt service	<u>107,471</u>	<u>106,927</u>	<u>544</u>
Total expenditures	<u>4,393,763</u>	<u>3,409,599</u>	<u>984,164</u>
Revenues over (under) expenditures	<u>(634,763)</u>	<u>(3,484)</u>	<u>631,279</u>
Other Financing Sources (Uses):			
Appropriated fund balance	634,763	-	(634,763)
Transfers in	-	398,000	398,000
Total other financing sources (uses)	<u>634,763</u>	<u>398,000</u>	<u>(236,763)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	394,516	<u>\$ 394,516</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		730,119	
Depreciation		(635,848)	
Increase (decrease) in deferred outflows of resources - OPEB		35,745	
(Increase) decrease in deferred inflows of resources - OPEB		2,604	
(Increase) decrease in total OPEB liability		(83,114)	
Increase (decrease) in deferred outflows of resources - pension		27,299	
(Increase) decrease in deferred inflows of resources - pension		(210,294)	
(Increase) decrease in net pension liability		211,549	
(Increase) decrease in compensated absences		4,653	
Principal repayment		<u>95,799</u>	
Change in net position		<u>\$ 573,028</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,509,000	\$ 3,548,315	\$ 39,315
Tap and connection fees	45,000	98,969	53,969
Other operating revenue	2,900	-	(2,900)
Total operating revenues	<u>3,556,900</u>	<u>3,647,284</u>	<u>90,384</u>
Non-operating revenues:			
Grant revenue	150,000	-	(150,000)
Investment earnings	5,000	3,460	(1,540)
Total non-operating revenues	<u>155,000</u>	<u>3,460</u>	<u>(151,540)</u>
Total revenues	<u>3,711,900</u>	<u>3,650,744</u>	<u>(61,156)</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>459,230</u>	<u>459,740</u>	<u>(510)</u>
Water collection and treatment:			
Salaries and employee benefits	581,474	495,095	86,379
Professional services	80,000	657	79,343
Maintenance	80,000	56,097	23,903
Other departmental expenditures	281,393	208,315	73,078
Total	<u>1,022,867</u>	<u>760,164</u>	<u>262,703</u>
Operations department:			
Salaries and employee benefits	812,379	652,366	160,013
Professional services	100,000	68,521	31,479
Utilities	176,900	147,002	29,898
Maintenance	271,543	63,562	207,981
Other departmental expenditures	773,981	313,672	460,309
Capital outlay	800,786	212,212	588,574
Total	<u>2,935,589</u>	<u>1,457,335</u>	<u>1,478,254</u>
Total expenditures	<u>4,417,686</u>	<u>2,677,239</u>	<u>1,740,447</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(705,786)	973,505	1,679,291
Other Financing Sources (Uses):			
Appropriated fund balance	705,786	-	(705,786)
Transfers in	-	150,000	150,000
Total other financing sources (uses)	<u>705,786</u>	<u>150,000</u>	<u>(555,786)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	1,123,505	<u>\$ 1,123,505</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		212,212	
Depreciation		(481,356)	
Increase (decrease) in deferred outflows of resources - OPEB		2,840	
(Increase) decrease in deferred inflows of resources - OPEB		2,652	
(Increase) decrease in total OPEB liability		(84,633)	
Increase (decrease) in deferred outflows of resources - pension		26,575	
(Increase) decrease in deferred inflows of resources - pension		(204,718)	
(Increase) decrease in net pension liability		205,940	
(Increase) decrease in compensated absences		<u>(1,446)</u>	
Change in net position		<u>\$ 801,571</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND -
WASTE WATER TREATMENT PLANT IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive/ (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Engineering and professional fees	\$ 1,978,900	\$ 1,002,163	\$ 341,796	\$ 1,343,959	\$ 634,941
Construction cost	26,366,000	-	-	-	26,366,000
Contingency	<u>1,286,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,286,250</u>
Total expenditures	<u>29,631,150</u>	<u>1,002,163</u>	<u>341,796</u>	<u>1,343,959</u>	<u>28,287,191</u>
Revenues over (under) expenditures	(29,631,150)	(1,002,163)	(341,796)	(1,343,959)	28,287,191
Other Financing Sources (Uses):					
CWSRF loan issued	<u>29,631,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,631,150)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,002,163)</u>	<u>\$ (341,796)</u>	<u>\$ (1,343,959)</u>	<u>\$ (1,343,959)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2022

	Asset Services Management Fund	Garage Operations Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 187,510	\$ 10,603	\$ 198,113
Other receivables	7	2	9
Inventories	9,460	58,891	68,351
Total current assets	<u>196,977</u>	<u>69,496</u>	<u>266,473</u>
Non-current assets:			
Right-to-use assets, net of amortization	<u>169,256</u>	<u>-</u>	<u>169,256</u>
Capital assets:			
Land and construction in progress	126,618	-	126,618
Other capital assets, net of depreciation	2,346,419	100,175	2,446,594
Total capital assets	<u>2,473,037</u>	<u>100,175</u>	<u>2,573,212</u>
Total non-current assets	<u>2,642,293</u>	<u>100,175</u>	<u>2,742,468</u>
Total assets	<u>2,839,270</u>	<u>169,671</u>	<u>3,008,941</u>
Deferred Outflows of Resources:			
Pension deferrals	163,865	42,691	206,556
OPEB deferrals	191,653	45,085	236,738
Total deferred outflows of resources	<u>355,518</u>	<u>87,776</u>	<u>443,294</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	40,496	17,662	58,158
Compensated absences, current	26,010	3,134	29,144
Lease liabilities - current	34,576	-	34,576
Installment purchases, current	93,709	-	93,709
Total current liabilities	<u>194,791</u>	<u>20,796</u>	<u>215,587</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2022

	Asset Services Management Fund	Garage Operations Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities:			
Compensated absences	7,317	7,274	14,591
Lease liabilities - noncurrent	131,933	-	131,933
Installment purchases	749,668	-	749,668
Net pension liability	106,778	27,818	134,596
Total OPEB liability	<u>609,771</u>	<u>143,445</u>	<u>753,216</u>
Total non-current liabilities	<u>1,605,467</u>	<u>178,537</u>	<u>1,784,004</u>
Total liabilities	<u>1,800,258</u>	<u>199,333</u>	<u>1,999,591</u>
Deferred Inflows of Resources:			
Pension deferrals	167,830	43,723	211,553
OPEB deferrals	<u>17,129</u>	<u>4,030</u>	<u>21,159</u>
Total deferred inflows of resources	<u>184,959</u>	<u>47,753</u>	<u>232,712</u>
Net Position:			
Net investment in capital assets	1,632,407	100,175	1,732,582
Unrestricted (deficit)	<u>(422,836)</u>	<u>(89,814)</u>	<u>(512,650)</u>
Total net position	<u>\$ 1,209,571</u>	<u>\$ 10,361</u>	<u>\$ 1,219,932</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Asset Services Management Fund	Garage Operations Fund	Total
Operating Revenues:			
Charges for services	\$ 1,418,500	\$ 820,207	\$ 2,238,707
Operating Expenses:			
Asset services management	1,316,723	-	1,316,723
Garage operations	-	824,894	824,894
Depreciation and amortization	166,446	19,032	185,478
Total operating expenses	<u>1,483,169</u>	<u>843,926</u>	<u>2,327,095</u>
Operating income (loss)	<u>(64,669)</u>	<u>(23,719)</u>	<u>(88,388)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	493	26	519
Interest and fees paid	(40,632)	-	(40,632)
Gain (loss) on sale of assets	-	1,780	1,780
Total non-operating revenues (expenses)	<u>(40,139)</u>	<u>1,806</u>	<u>(38,333)</u>
Change in net position	<u>(104,808)</u>	<u>(21,913)</u>	<u>(126,721)</u>
Net Position:			
Beginning of year - July 1	1,308,979	32,274	1,341,253
Restatement	5,400	-	5,400
Beginning of year, restated	<u>1,314,379</u>	<u>32,274</u>	<u>1,346,653</u>
End of year - June 30	<u>\$ 1,209,571</u>	<u>\$ 10,361</u>	<u>\$ 1,219,932</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Asset Services Management Fund	Garage Operations Fund	Total
Cash Flows from Operating Activities:			
Cash received from interfund charges	\$ 1,418,500	\$ 820,207	\$ 2,238,707
Cash paid for goods and services	(545,520)	(613,073)	(1,158,593)
Cash paid to employees for services	(742,751)	(215,600)	(958,351)
Net cash provided (used) by operating activities	<u>130,229</u>	<u>(8,466)</u>	<u>121,763</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets and construction	(50,193)	(39,452)	(89,645)
Proceeds from sale of capital assets	-	1,780	1,780
Proceeds from issuance of debt	843,377	-	843,377
Principal paid on debt	(944,401)	-	(944,401)
Interest and fees paid on installment purchases	(40,632)	-	(40,632)
Net cash provided (used) by capital and related financing activities	<u>(191,849)</u>	<u>(37,672)</u>	<u>(229,521)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>493</u>	<u>26</u>	<u>519</u>
Net increase (decrease) in cash and cash equivalents	(61,127)	(46,112)	(107,239)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>248,637</u>	<u>56,715</u>	<u>305,352</u>
End of year - June 30	<u>\$ 187,510</u>	<u>\$ 10,603</u>	<u>\$ 198,113</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (64,669)	\$ (23,719)	\$ (88,388)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Amortization	37,054	-	37,054
Depreciation	129,392	19,032	148,424
(Increase) decrease in:			
Inventory	(1,199)	(14,262)	(15,461)
Deferred outflows of resources - pensions	(20,467)	(5,332)	(25,799)
Deferred outflows of resources - OPEB	(24,131)	(8,721)	(32,852)
Increase (decrease) in:			
Net pension liability	(158,610)	(41,321)	(199,931)
Deferred inflows of resources - pensions	157,669	41,076	198,745
Deferred inflows of resources - OPEB	(2,187)	(514)	(2,701)
Other post-employment benefits	69,754	16,409	86,163
Accounts payable	14,961	8,200	23,161
Compensated absences	(7,338)	686	(6,652)
Net cash provided (used) by operating activities	<u>\$ 130,229</u>	<u>\$ (8,466)</u>	<u>\$ 121,763</u>
Non-Cash Transactions:			
Right-to-use leased assets/lease obligations issued	<u>\$ 200,910</u>	<u>\$ -</u>	<u>\$ 200,910</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 YEAR ENDED JUNE 30, 2022**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 1,772,429	\$ 1,418,500	\$ (353,929)
Non-operating revenues:			
Investment earnings	-	493	493
Total revenues	<u>1,772,429</u>	<u>1,418,993</u>	<u>(353,436)</u>
Expenditures:			
Operating expenses:			
Public services administration:			
Salaries and employee benefits	429,777	367,216	62,561
Occupancy costs	4,500	5,046	(546)
Maintenance and repairs	1,320	6,940	(5,620)
Materials and supplies	8,500	6,888	1,612
Other departmental expenses	57,314	14,845	42,469
Total	<u>501,411</u>	<u>400,935</u>	<u>100,476</u>
Public facilities:			
Salaries and employee benefits	237,491	174,639	62,852
Occupancy costs	67,100	60,034	7,066
Maintenance and repairs	49,806	56,864	(7,058)
Materials and supplies	81,350	58,570	22,780
Other departmental expenses	331,396	314,482	16,914
Total	<u>767,143</u>	<u>664,589</u>	<u>102,554</u>
Purchasing:			
Salaries and employee benefits	210,785	200,667	10,118
Occupancy costs	26,450	16,663	9,787
Maintenance and repairs	11,200	4,639	6,561
Materials and supplies	15,100	10,678	4,422
Other departmental expenses	7,320	3,861	3,459
Total	<u>270,855</u>	<u>236,509</u>	<u>34,346</u>
Total operating expenses	<u>1,539,409</u>	<u>1,302,033</u>	<u>237,376</u>
Capital outlay	<u>85,000</u>	<u>50,193</u>	<u>34,807</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 YEAR ENDED JUNE 30, 2022**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Debt service:			
Principal repayment	944,401	944,401	-
Interest and fees	46,996	40,632	6,364
Total debt service	<u>991,397</u>	<u>985,033</u>	<u>6,364</u>
 Total expenditures	 <u>2,615,806</u>	 <u>2,337,259</u>	 <u>278,547</u>
 Revenues over (under) expenditures	 <u>(843,377)</u>	 <u>(918,266)</u>	 <u>(74,889)</u>
 Other Financing Sources (Uses):			
Proceeds from issuance of debt	<u>843,377</u>	<u>843,377</u>	<u>-</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>(74,889)</u>	 <u>\$ (74,889)</u>
 Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Initial implementation of lease standard:			
Lease liabilities issued		200,910	
Capital outlay		(206,310)	
 Reconciliation from Modified Accrual Basis To Full Accrual Basis:			
Capital outlay		50,193	
Depreciation		(129,392)	
Increase (decrease) in deferred outflows of resources - OPEB		24,131	
(Increase) decrease in deferred inflows of resources - OPEB		2,187	
(Increase) decrease in total OPEB liability		(69,754)	
Increase (decrease) in deferred outflows of resources - pension		20,467	
(Increase) decrease in deferred inflows of resources - pension		(157,669)	
(Increase) decrease in net pension liability		158,610	
(Increase) decrease in compensated absences		7,338	
Proceeds from issuance of debt		(843,377)	
Principal repayment		910,000	
Lease principal repayment		34,401	
Lease liabilities issued		(200,910)	
Capital outlay - Leases		206,310	
Amortization		<u>(37,054)</u>	
 Change in net position		 <u>\$ (104,808)</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

**GARAGE OPERATIONS INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 877,689	\$ 820,207	\$ (57,482)
Other operating revenue	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total operating revenues	<u>887,689</u>	<u>820,207</u>	<u>(67,482)</u>
Non-operating revenues:			
Proceeds from sale of assets	-	1,780	1,780
Investment earnings	<u>360</u>	<u>26</u>	<u>(334)</u>
Total non-operating revenues	<u>360</u>	<u>1,806</u>	<u>1,446</u>
Total revenues	<u>888,049</u>	<u>822,013</u>	<u>(66,036)</u>
Expenditures:			
Operating expenses:			
Salaries and employee benefits	214,347	217,883	(3,536)
Maintenance and repairs	22,000	20,134	1,866
Materials and supplies	193,669	186,483	7,186
Other departmental expenses	<u>458,033</u>	<u>398,993</u>	<u>59,040</u>
Total operating expenses	<u>888,049</u>	<u>823,493</u>	<u>64,556</u>
Capital outlay	<u>-</u>	<u>39,452</u>	<u>(39,452)</u>
Total expenditures	<u>888,049</u>	<u>862,945</u>	<u>25,104</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(40,932)</u>	<u>\$ (40,932)</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		39,452	
Depreciation		(19,032)	
Increase (decrease) in deferred outflows of resources - OPEB		8,721	
(Increase) decrease in deferred inflows of resources - OPEB		514	
(Increase) decrease in total OPEB liability		(16,409)	
Increase (decrease) in deferred outflows of resources - pension		5,332	
(Increase) decrease in deferred inflows of resources - pension		41,076	
(Increase) decrease in net pension liability		(41,321)	
(Increase) decrease in compensated absences		<u>686</u>	
Change in net position		<u>\$ (21,913)</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 6,969,134	\$ 6,783,150	\$ 185,984
2020-2021	161,973	-	72,825	89,148
2019-2020	119,629	75	45,067	74,637
2018-2019	92,826	363	22,098	71,091
2017-2018	65,231	-	14,895	50,336
2016-2017	42,747	-	10,137	32,610
2015-2016	29,327	104	3,807	25,624
2014-2015	27,262	1,138	4,456	23,944
2013-2014	29,207	-	3,021	26,186
2012-2013	27,575	-	2,702	24,873
2011-2012	24,753	-	24,753	-
Total	<u>\$ 620,530</u>	<u>\$ 6,970,814</u>	<u>\$ 6,986,911</u>	604,433
Less: Allowance for uncollectible accounts				<u>(157,415)</u>
Ad valorem taxes receivable, net				<u>\$ 447,018</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund			\$	7,072,307
Reconciling items:				
Penalties and interest collected				(68,284)
Special motor vehicle tax				(28,066)
Taxes written off				24,753
Miscellaneous adjustments				<u>(13,799)</u>
Total collections and credits			\$	<u>6,986,911</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2022

			<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 1,561,030,738	\$ 0.4392	\$ 6,856,047	\$ 6,343,022	\$ 513,025
Municipal service district	<u>59,519,474</u>	0.1900	<u>113,087</u>	<u>113,087</u>	<u>-</u>
Total original levy	<u>1,620,550,211</u>		<u>6,969,134</u>	<u>6,456,109</u>	<u>513,025</u>
Total property valuation	<u>\$ 1,620,550,211</u>				
Net Levy			6,969,134	6,456,109	513,025
Uncollected taxes at June 30, 2022			<u>(185,984)</u>	<u>(185,984)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 6,783,150</u>	<u>\$ 6,270,125</u>	<u>\$ 513,025</u>
Current Levy Collection Percentage			<u>97.33%</u>	<u>97.12%</u>	<u>100.00%</u>

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 7, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-001 that we consider to be a material weakness.

Report on 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, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Waynesville's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Waynesville's response to the finding identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 7, 2022

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Waynesville, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the Town of Waynesville's major federal programs for the year ended June 30, 2022. The Town of Waynesville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Waynesville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Waynesville and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Waynesville's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Waynesville's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Waynesville's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Waynesville's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Waynesville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Waynesville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waynesville's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in*

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 7, 2022

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Program Name or Cluster

Coronavirus State and Local Fiscal Recovery Funds AL #
21.027

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

2. Financial Statements Findings

Material Weakness

Finding 2022-001: Prior Period Adjustment

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the year ended June 30, 2022, it was discovered that the Town had an interfund loan that was being reported as an external fund loan.

Effect: The proceeds of this loan caused fund balance of the General Fund to be overstated by \$800,000 as of June 30, 2021.

Cause: The underlying transaction occurred through an accounting error of recording an internal loan as an external loan.

Recommendation: There should be a procedure in place to identify and record all internal fund loans to ensure that internal activity is accounted for in accordance with GAAP.

Name of Contact Person: Misty Hagood, Finance Director

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the findings and will implement adequate internal controls to ensure that future interfund loans are properly recorded in the financial records when they occur. Please refer to the Corrective Action Plan following this section.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.



Gary Caldwell, Mayor
Julia Freeman, Mayor Pro Tem
Clarence "Chuck" Dickson, Alderman
Jon Feichter, Alderman
Anthony Sutton, Alderman

Robert W. Hites, Jr. Town Manager
Martha Bradley, Town Attorney

**TOWN OF WAYNESVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Material Weakness

Finding 2022-001: Prior Period Adjustment

Name of Contact Person: Misty Hagood, Finance Director

Corrective Action: Fiscal years 2021 and 2022 had turnover in the Finance Director position when the interfund loan was approved and the terms of the loan were established and recorded. The reporting error was found in late June of 2022, once a new audit firm and Finance Director were in place. A prior period adjustment was made to correct the General Fund to show the interfund loan as a liability instead of an external loan and adjust the fund balance. All loans are now recorded by the Finance Director to ensure proper entries are made depending on the type of loan.

Proposed Completion Date: The completion date was July 28, 2022.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

No prior year findings.

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed.(Direct & Pass-through) Expenditures</u>	<u>2022 State Drawdown</u>	<u>2022 Local Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Grants:						
U.S. Department of Treasury:						
Direct Program						
Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0498	\$ 1,145,923	\$ -	\$ -	\$ -
Department of the Interior:						
Passed through NC Department of Natural and Cultural Resources:						
Historic Preservation Fund Grants-In-Aid						
2020 CLG Grant Project: Waynesville Architectural Survey Update	15.904	2020HPF	12,000	-	8,000	-
Total assistance - Federal programs			1,157,923	-	8,000	-
State Grants:						
NC Department of Natural and Cultural Resources:						
NC Parks & Recreation Trust Fund (PARTF)						
Richland Creek Park and Greenway		2022-993		127,762	127,763	-
N.C. Department of Transportation:						
Powell Bill allocation		38570		245,246	-	-
Total assistance - State programs				373,008	127,763	-
Total Federal and State awards			\$ 1,157,923	\$ 373,008	\$ 135,763	\$ -

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Waynesville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Waynesville, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Waynesville.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Waynesville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.