

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2020**

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2020**

**TOWN OFFICIALS**

**MAYOR**

Gary Caldwell

**ALDERMEN**

Clarence Dixon  
Jon Feichter  
Julia Freeman  
Anthony Sutton

**ADMINISTRATIVE**

Robert Hites, Town Manager  
Autumn Lyvers, Finance Officer

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**FINANCIAL SECTION**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Waynesville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Waynesville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 15, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 62, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 58 and 59, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 and 61 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the Town of Waynesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waynesville's internal control over financial reporting and compliance.

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

Waynesville, North Carolina  
December 11, 2020

## 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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

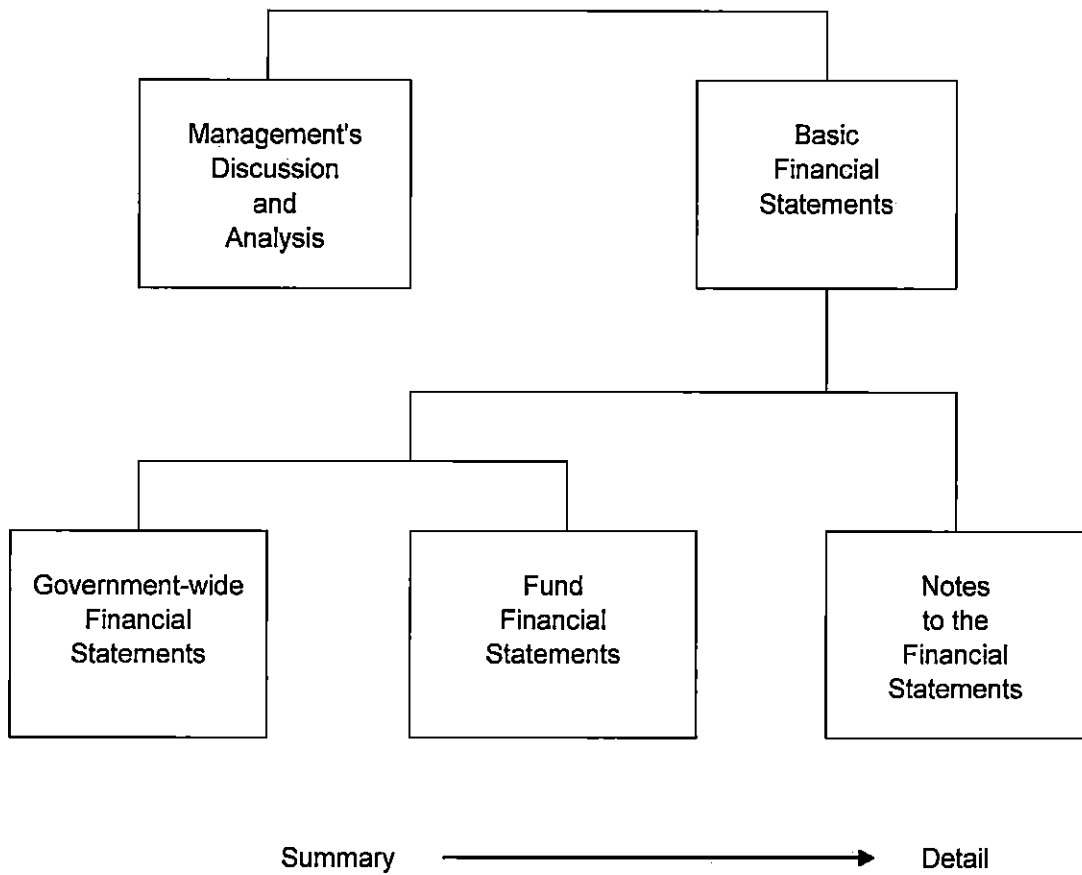
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,818,229 (*net position*).
- The government's total change in net position before restatement increased by \$1,960,850, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$11,176,694, an increase of \$2,490,513 in comparison with the prior year. This increase is due to the governmental revenues and other financing sources being over the governmental expenditures. Approximately 23.95 percent of this total amount, or \$2,676,595, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,940,489, or 52.89 percent of total General Fund expenditures for the fiscal year.
- Overall the Town of Waynesville's total net debt increased by \$78,990, or 0.45%. While the Town did not enter into new debt agreements in the current year, the Town did record increases in the other long-term debt items. Individually the other long-term debt items such as Total Pension Liability (LEO) increased \$89,030, Total OPEB liability increased \$489,780 and compensated absences increased \$351,171. Net Pension Liability (LGRS) recorded an increase of \$412,110 and Legal Claims remained the same. Along with the increase to Net Pension Liability (LGRS), the overall increase was off set by principal payments on existing debt and balances.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$5,133,000 a decrease of \$375,920 or 6.8% in comparison with the prior year. As stated in previous years, the town has experienced rising and falling fuel costs that have been passed along to the Town by its supplier on a month to month basis. And an additional note to point out, the Town had entered into a new wholesale power supply agreement with a new wholesale supplier effective January 1, 2017. The prior fiscal year reported power purchases of \$5,508,920, a decrease of \$93,749 or 1.7% in comparison with the fiscal year ended June 30, 2018. The Electric Fund operating revenues for the current fiscal year reported charges for services of \$8,917,002, a decrease of \$584,154 or 5.79%. The revenues are down due to a warmer winter. The Town's electrical rate is comprised of a base rate plus fuel adjustment. The last rate change took effect August 1, 2018 and was a 4% increase. The prior fiscal year ending June 30, 2019 reported charges for services of \$9,465,156, an increase of \$270,792 or 2.9% in comparison with the fiscal year ended June 30, 2018.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

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

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending

focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. The Town of Waynesville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-57 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Waynesville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 58 through 62 of this report.

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

**Government-Wide Financial Analysis**

**The Town of Waynesville’s Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 12,808,800	\$ 10,084,555	9,331,991	9,598,755	\$ 22,140,791	\$ 19,683,310
Capital assets	\$ 20,960,232	\$ 21,262,488	22,911,116	22,787,903	\$ 43,871,348	\$ 44,050,391
Deferred outflows of resources	\$ 2,608,627	\$ 2,775,389	658,915	682,441	\$ 3,267,542	\$ 3,457,830
Total assets and deferred outflows of resources	<u>36,377,659</u>	<u>34,122,432</u>	<u>32,902,022</u>	<u>33,069,099</u>	<u>69,279,681</u>	<u>67,191,531</u>
Long-term liabilities outstanding	\$ 14,841,551	\$ 13,807,566	2,640,590	3,595,585	17,482,141	17,403,151
Other liabilities	\$ 546,002	\$ 466,417	715,130	680,332	1,261,132	1,146,749
Deferred inflows of resources	\$ 626,231	\$ 686,219	91,948	98,033	718,179	784,252
Total liabilities and deferred inflows of resources	<u>16,013,784</u>	<u>14,960,202</u>	<u>3,447,668</u>	<u>4,373,950</u>	<u>19,461,452</u>	<u>19,334,152</u>
Net position:						
Net invested in capital assets	\$ 16,286,547	\$ 16,053,933	21,647,320	21,045,064	37,933,867	37,098,997
Restricted	\$ 2,471,867	\$ 2,022,056	-	-	2,471,867	2,022,056
Unrestricted	\$ 1,605,461	\$ 1,086,241	7,807,034	7,650,085	9,412,495	8,736,326
Total net position	<u>\$ 20,363,875</u>	<u>\$ 19,162,230</u>	<u>29,454,354</u>	<u>28,695,149</u>	<u>\$ 49,818,229</u>	<u>\$ 47,857,379</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Waynesville exceeded liabilities and deferred inflows by \$49,818,229 as of June 30, 2020. The Town’s net position increased \$1,960,850 or 4.1% for the fiscal year ended June 30, 2020. However, the largest portion of net position \$37,933,867 or 76.14% reflects the Town’s net investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The Town of Waynesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Waynesville’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Waynesville’s net position \$2,471,867 or 4.96% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,412,495 is unrestricted.

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

- Continued diligence in the collection of property taxes resulted in a tax collection percentage of 96.44%. This is a slight decrease of 0.48% from the prior year’s tax collection percentage. For comparison, the statewide average of units with electrical systems for the population grouping 10,000 to 49,999 was 98.55% for the year ended June 30, 2019.
- The local option sales tax revenues (article 39, article 40, article 42 and the hold harmless amount for the article 44) totaled \$3,121,859, an increase of \$149,989 or 5.05% in comparison to the prior year.

## Town of Waynesville Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,227,460	\$ 2,427,462	\$15,200,357	\$15,507,437	\$17,427,817	\$17,934,899
Operating grants and contributions	765,141	407,276	-	-	765,141	407,276
Capital grants and contributions	-	35,326	180,465	-	180,465	35,326
General revenues:						
Property taxes	6,263,638	6,232,566	-	-	6,263,638	6,232,566
Other taxes	3,253,692	3,112,972	-	-	3,253,692	3,112,972
Grants and contributions not restricted to specific programs						
Other	903,855	1,039,457	-	-	903,855	1,039,457
Other	271,160	196,100	79,234	142,369	350,394	338,469
Total revenues	13,684,946	13,451,159	15,460,056	15,649,806	29,145,002	29,100,965
<b>Expenses:</b>						
General government	1,412,000	1,490,110	-	-	1,412,000	1,490,110
Public safety	6,916,122	6,816,808	-	-	6,916,122	6,816,808
Transportation	2,700,989	3,173,962	-	-	2,700,989	3,173,962
Economic development	-	-	-	-	-	-
Environmental Protection	224,421	181,926	-	-	224,421	181,926
Culture and recreation	2,359,257	2,379,541	-	-	2,359,257	2,379,541
Interest on long-term debt	146,112	160,915	-	-	146,112	160,915
Electric	-	-	6,935,158	7,330,134	6,935,158	7,330,134
Water	-	-	3,326,932	3,207,484	3,326,932	3,207,484
Sewer	-	-	3,163,161	2,957,252	3,163,161	2,957,252
Total expenses	13,758,901	14,203,262	13,425,251	13,494,870	27,184,152	27,698,132
Increase (decrease) in net position before transfers						
Transfers	(73,955)	(752,103)	2,034,805	2,154,936	1,960,850	1,402,833
Transfers	1,275,600	1,275,600	(1,275,600)	(1,275,600)	-	-
Increase in net position	1,201,645	523,497	759,205	879,336	1,960,850	1,402,833
Net position, July 1, beginning,	19,162,230	18,638,733	28,695,149	27,815,813	47,857,379	46,454,546
Net position, June 30	\$20,363,875	\$19,162,230	\$29,454,354	\$28,695,149	\$49,818,229	\$47,857,379

**Governmental activities.** For the year ended June 30, 2020, Governmental activities increased the Town's net position by \$1,201,645. Key elements of this increase are as follows:

- Depreciation exceeding capital outlay will lower net position. Governmental activities' depreciation exceeded capital outlay by \$302,256.
- This net position increase would have been a decrease except for the Town's transfer of \$1,275,600 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2019, June 30, 2018 and June 30, 2017, the governmental activities increased \$523,497, increased \$449,549, and decreased (\$411,493), respectively, after the Town transferred \$1,275,600, \$1,489,610 and 1,635,511, respectively, from business-type activities to the governmental activities.

- Also for comparison, the Town's total General Fund's revenues and asset sales for the year ended June 30, 2020 totaled \$13,498,302, an increase of \$15,090 or 0.11% from the prior year. The total General Fund's expenditures total \$13,122,105, a decrease of \$835,730 or 5.99%.

**Business-type activities:** For the year ended June 30, 2020, business-type activities increased the Town's net position by \$759,205. Key elements of this increase are as follows:

- The Town increased sewer rates 10% on August 1, 2019. There was no change in water rates or the electric base rates.
- Depreciation exceeding capital outlay will lower net position. Business-type activities' depreciation exceeded capital outlay by \$50,334.
- The net position increase would be a greater increase; however, the Town transferred \$1,275,600 from the business-type activities to the governmental activities. The transfer was the same amount as the prior year.
- The Town's Electric Fund reported income before contributions and transfers of \$2,016,163, a decrease of \$150,389 or 6.94% from the prior year. This decrease is mainly due to decreasing revenues from a warmer winter.
- By comparison for the year ended June 30, 2019, June 30, 2018 and June 30, 2017, the business-type activities' net position increased by \$879,336, \$1,117,085, and \$213,026, respectively, after the Town transferred \$1,275,600, \$1,489,610, and \$1,635,511, respectively, from the business-type activities to the governmental activities.

### Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, the Town of Waynesville's fund balance available in the General Fund was \$8,495,577, while total fund balance was \$10,729,021. By comparison, the year ended June 30, 2019 fund balance available in the General Fund was \$6,545,356 and total fund balance was \$8,277,224. The Town's current fund balance available is 64.74% of General Fund expenditures, while total fund balance represents 81.76% of the same amount. By comparison, the year ended June 30, 2019 the fund balance available was 46.89% of the general fund expenditures, while total fund balance represents 59.30% of the same amount.

At June 30, 2020, the governmental funds of Town of Waynesville reported a combined fund balance of \$11,176,694, a net increase in fund balance of \$2,490,513. This represents a 28.67% increase over last year.

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

- The Town's total budget for the general fund including transfers to other funds for the year ended June 30, 2020 totaled \$16,557,432. The general breakdown of funding sources: revenues, transfer



from business-type activities, sales of capital assets, proceeds from interfund borrowing and appropriations from fund balance, were budgeted at \$13,485,807, \$1,275,600, \$7,000, \$800,000 and \$989,025, respectively. The actual revenues totaled \$13,474,931 or \$10,876 under budget. For a more detailed comparison of actual and budgeted amounts see Exhibit 5 and Exhibit B-1 in the accompanying financial statements. In these Exhibits, total revenues are broken down into eight revenue groupings. Three of the revenue groupings, unrestricted intergovernmental, sales and services and miscellaneous revenues, came in (\$89,985), (\$219,455) and (\$140,987) under budget respectively. These three groupings were under budget due to some of the anticipated utility sales taxes not received, lower than expected recreation department revenues due to COVID-19 and the temporary closing of the recreation center, and a delay in anticipated insurance recoveries. Five of the revenue groupings, Ad valorem taxes, other taxes and licenses, restricted intergovernmental, permits and fees, and investment earnings, came in \$16,010, \$123,162, \$183,116, \$99,585, and \$17,678 over budget respectively. Ad valorem taxes are slightly higher due to a steady collection rate. Other taxes and licenses are more than budgeted due to higher sales tax collections in article 39, 40, 42 and the hold harmless amount for article 44. Restricted intergovernmental are higher as a result of a FEMA grant received during the COVID-19 crisis to pay police salaries. Permits and fees are up as building and new developments are on the rise. Investment earnings are up due to higher than expected interest for most of the year. Overall revenues came in as expected. All the transfers to the general fund from business-type activities were made as budgeted and sales of capital assets brought in \$23,371 or more than expected. Overall, on the expenditure side, the Town's actual General Fund's expenditures totaled \$13,122,105 or \$3,435,327 under budget. The exhibits referenced above, Exhibit 5 and Exhibit B-1, breaks out the expenditures and budget on a functional basis. The following will break out the major difference by category. Total personal and fringe benefits costs were (\$1,320,238) under budget. Most of this underspending is tied to employee vacancies, delayed hiring and fringe benefits savings. The second biggest area of savings came in operating and internal service costs and they were (\$1,598,134) under budget. Total capital came in (\$516,960) under budget. In summary, as in previous years, the Town has made an effort to under spend expenditures to limit the use of its fund balance. Due to the COVID-19 pandemic and uncertain economic impact, the Town also implemented spending and hiring freezes in the last quarter of the fiscal year. The Town had budgeted to use (\$989,025) from general fund balance, but none was needed. In fact, on a budget basis, the Town added \$2,451,797 to the General Fund's fund balance.

**Proprietary Funds.** The Town of Waynesville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric, Water, and Sewer Funds at the end of the fiscal year totaled \$3,770,303, \$2,095,630, and \$1,724,665, respectively. In comparison to the year ended June 30, 2019, the unrestricted net position of the Electric, Water and Sewer funds totaled \$3,261,054, \$2,279,623, and \$1,902,912, respectively. The Electric, Water and Sewer fund's unrestricted net position increased/(decreased) \$509,249 or 15.62%, (\$183,993) or (8.07%) and (\$178,247) or (9.37%), respectively. Total change in net position of the Electric Fund at the end of the fiscal year increased \$921,028 or 16.98% while the total change in net position of the Water and Sewer Funds at the end of the fiscal year decreased (\$42,881) or (0.28%) and (\$128,882) or (1.58%). Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Waynesville's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Waynesville's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$43,871,348 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreation facilities, vehicles, and infrastructure.

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

- Municipal Administration Building – Renovation for \$304,301.
- New Sidewalk Construction – Hazelwood School for \$70,473.
- Chelsea Road Bridge – Construction in Progress for \$21,250.
- Recreation Center – Renovation – Dehumidification System for \$165,097.
- Purchase (1) 2020 International Garbage Truck for \$153,871.
- Purchase (1) 2020 Ford F-450 S-Duty Truck for \$65,058.
- Big Cover Water Tank – Renovation for \$512,772.
- Chestnut Walk Water Tank – Renovation for \$147,290.
- Purchase (1) 2020 Chevrolet Silverado Truck for \$28,023.
- Purchase (1) Sewer Camera - Alliance Technologies for \$39,814.
- Digester WWTP – Renovation CIP for \$176,321.
- New Construction – Electric Substation Regulators for \$148,309.
- New Construction – Roundabout Project N. Main Street CIP for \$224,067.
- **Summary total of all additions \$2,398,401.**
  
- **Summary total of all disposals \$35,050.**

**Town of Waynesville’s Capital Assets (net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,109,674	\$ 2,109,674	\$ 1,826,920	\$ 1,826,920	\$ 3,936,594	\$ 3,936,594
Public Art	114,547	114,547	-	-	114,547	114,547
Construction in process	685,006	25,000	331,152	160,879	1,016,158	185,879
Buildings and system	12,329,045	12,836,118	19,495,299	19,502,624	31,824,344	32,338,742
Land improvements	732,659	666,653	76,728	83,908	809,387	750,561
Equipment, furniture and fixtures	480,608	503,938	156,759	122,044	637,367	625,982
Infrastructure	2,668,209	2,921,489	-	-	2,668,209	2,921,489
Vehicles and motorized equipment	1,840,484	2,085,069	1,024,258	1,091,528	2,864,742	3,176,597
<b>Total</b>	<b>\$ 20,960,232</b>	<b>\$ 21,262,488</b>	<b>\$ 22,911,116</b>	<b>\$ 22,787,903</b>	<b>\$ 43,871,348</b>	<b>\$ 44,050,391</b>

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

**Long-term Debt.** The Town’s total debt outstanding for the years ending June 30, 2020, June 30, 2019, and June 30, 2018 was \$17,482,141, \$17,403,151, and \$16,857,338, respectively. All debt is backed by the full faith and credit of the Town of Waynesville. Total pension liabilities (LEO), legal claims, net pension liability (LGERS), other postemployment benefits (OPEB) and compensated absences for the year ending June 30, 2020, June 30, 2019 and June 30, 2018, make up \$11,544,660, \$10,451,757, and \$8,561,632, respectively, of the total debt outstanding respectively. The remaining balances are installment purchase obligations and notes payable.

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

**Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Installment purchase obligations	\$ 4,673,685	\$ 5,208,555	\$ 1,263,796	\$ 1,742,839	\$ 5,937,481	\$ 6,951,394
Interfund borrowing/(receivable)	\$ 800,000	\$ -	(800,000)	-	-	-
<b>Total</b>	<b>\$ 5,473,685</b>	<b>\$ 5,208,555</b>	<b>\$ 463,796</b>	<b>\$ 1,742,839</b>	<b>\$ 5,937,481</b>	<b>\$ 6,951,394</b>

- As noted earlier, the Town did not enter into new debt agreements. The Town’s total installment debt decreased (\$1,013,913) or (14.59%) during the current fiscal year. This decrease was the result of principal payments on existing debt.
- In lieu of entering into new debt with an outside lender, the Town Board approved an interfund borrowing whereby the Electric Fund loaned the General Fund \$800,000 for repairs to the dextron unit at the recreation center building. The terms of repayment have not yet been established since the project has not been completed.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Waynesville is \$94,832,004.

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

**Economic Factors and Next Year’s Budgets and Rates**

Town of Waynesville				
Budget Comparison				
For the Year Ending June 30, 2021				
	FY 20-21	FY 19-20		
	Budget	Budget*	Difference	%
General	15,750,580	16,557,431	(806,851)	-4.87%
Electric	10,097,795	9,766,865	330,930	3.39%
Water	3,644,830	3,866,175	(221,345)	-5.73%
Sewer	3,523,815	3,358,849	164,966	4.91%
<b>Total</b>	<b>33,017,020</b>	<b>33,549,320</b>	<b>(532,300)</b>	<b>-1.59%</b>
		*with amendments		

- The tax rate remains the same, .4957 cents per hundred valuation.
- Water rates increase 3%.
- Sewer rates increase 10%.
- Electric rates increase 5%.

The General Fund budget decreased (\$806,851) from the prior year. The main reason for the over all decrease is found in operating costs and capital expenditures. These expenditures were reduced as the Town is anticipating a 3% loss in overall revenue due to economic impacts of the COVID-19 pandemic. Despite the overall budget decrease, the budget includes a 3% increase in health insurance, a mandatory 1.2% increase in employer retirement contributions, and 1.5% for career track salary adjustments.

The Electric Fund budget is \$330,930 more than the prior year. The main reason for this increase is additional capital outlay spending.

The Water Fund budget is (\$221,345) less than the prior year. Much of this decrease is due to less spending on capital additions and improvements.

The Sewer Fund budget is \$164,966 more than the prior year. This is mainly due to increased capital spending and internal service costs. Capital costs are anticipated to increase in the coming years for the Sewer Plant project. Major repairs in collection lines are needed prior to moving forward with renovations of the wastewater treatment plant.

**Budget Summary for the Fiscal Year Ending June 30, 2021**

Town of Waynesville Budget Summary For the Year Ending June 30, 2021				
	<b>General Fund</b>	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>
Revenues	\$ (13,024,070)	\$ (9,885,190)	\$ (3,421,500)	\$ (3,328,000)
Transfer from Other Funds	(1,275,600)	-	-	-
Appropriations from Fund Balance (use)/add	(1,450,910)	(212,605)	(223,330)	(195,815)
<b>Total Sources</b>	<b>\$ (15,750,580)</b>	<b>\$ (10,097,795)</b>	<b>\$ (3,644,830)</b>	<b>\$ (3,523,815)</b>
<b>Expenditures:</b>				
Governing Body	\$ 42,490	\$ -	\$ -	\$ -
Administration	329,250	-	-	-
Finance	267,110	-	-	-
Planning and Code Enforcement	876,135	-	-	-
Special Appropriations	263,750	-	-	-
Police	5,138,275	-	-	-
Fire	1,924,940	-	-	-
Streets, Sanitation & Powell Bill	3,172,315	-	-	-
Cemetery	242,620	-	-	-
Parks and Recreation	3,100,995	-	-	-
Maintenance	-	1,765,565	1,733,140	1,059,435
Treatment	-	-	1,247,310	2,026,800
Finance and Administration	-	863,630	485,490	437,580
Power Purchases	-	5,863,500	-	-
Debt Service	392,700	329,500	178,890	-
Transfer to Other Funds	-	1,275,600	-	-
Miscellaneous	-	-	-	-
<b>Total Uses</b>	<b>\$ 15,750,580</b>	<b>\$ 10,097,795</b>	<b>\$ 3,644,830</b>	<b>\$ 3,523,815</b>

**Requests for Information**

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

**Town of Waynesville, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,931,287	\$ 6,404,903	\$ 16,336,190	\$ 753,505
Taxes receivables (net)	660,455	-	660,455	-
Accrued interest receivable on taxes	144,508	-	144,508	-
Other receivables	20,552	363	20,915	53
Accounts receivable (net)	105,021	1,968,391	2,073,412	-
Due from other governments	1,656,494	-	1,656,494	-
Internal balances	(216,436)	216,436	-	-
Inventories	60,775	496,910	557,685	261,965
Prepaid items	203,973	-	203,973	6,222
Restricted cash and cash equivalents	242,171	244,988	487,159	-
Total current assets	<u>12,808,800</u>	<u>9,331,991</u>	<u>22,140,791</u>	<u>1,021,745</u>
Noncurrent assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,909,227	2,158,072	5,067,299	509,646
Other capital assets, net of depreciation	18,051,005	20,753,044	38,804,049	714,079
Total capital assets	<u>20,960,232</u>	<u>22,911,116</u>	<u>43,871,348</u>	<u>1,223,725</u>
Total noncurrent assets	<u>20,960,232</u>	<u>22,911,116</u>	<u>43,871,348</u>	<u>1,223,725</u>
Total assets	<u>33,769,032</u>	<u>32,243,107</u>	<u>66,012,139</u>	<u>2,245,470</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	1,781,947	411,305	2,193,252	49,349
OPEB deferrals	826,680	247,610	1,074,290	-
Total deferred outflows of resources	<u>2,608,627</u>	<u>658,915</u>	<u>3,267,542</u>	<u>49,349</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 461,295	\$ 486,445	\$ 947,740	\$ 335,754
Accrued interest payable	71,068	9,753	80,821	496
Customer deposits	13,639	218,932	232,571	-
Current portion of long-term liabilities	774,100	554,895	1,328,995	55,424
Total current liabilities	<u>1,320,102</u>	<u>1,270,025</u>	<u>2,590,127</u>	<u>391,674</u>
Long-term liabilities:				
Net pension liability	2,690,496	715,510	3,406,006	46,427
Total pension liability	1,345,260	-	1,345,260	-
Total OPEB liability	4,794,097	1,340,087	6,134,184	-
Long-term interfund borrowing	800,000	(800,000)	-	-
Due in more than one year	4,437,598	830,098	5,267,696	269,417
Total liabilities	<u>15,387,553</u>	<u>3,355,720</u>	<u>18,743,273</u>	<u>707,518</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	11,552	-	11,552	-
Other unearned revenues	245,262	-	245,262	-
Pension deferrals	83,082	11,910	94,992	-
OPEB deferrals	286,335	80,038	366,373	-
Total deferred inflows of resources	<u>626,231</u>	<u>91,948</u>	<u>718,179</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,286,547	21,647,320	37,933,867	921,042
Restricted for:				
Cemetery Perpetual care	447,673	-	447,673	-
Stabilization by State Statute	1,782,023	-	1,782,023	-
Transportation	242,171	-	242,171	-
Working Capital	-	-	-	100,661
Unrestricted	1,605,461	7,807,034	9,412,495	565,598
Total net position	<u>\$ 20,363,875</u>	<u>\$ 29,454,354</u>	<u>\$ 49,818,229</u>	<u>\$ 1,587,301</u>

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

Town of Waynesville, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 1,412,000	\$ 135,407	\$ 38,729	\$ -	\$ (1,237,864)	-	\$ (1,237,864)	\$ -
Public safety	6,916,122	737,333	398,362	-	(5,780,427)	-	(5,780,427)	-
Transportation	2,700,989	824,922	328,050	-	(1,548,017)	-	(1,548,017)	-
Environmental protection	224,421	60,000	-	-	(164,421)	-	(164,421)	-
Economic and physical development	-	-	-	-	-	-	-	-
Cultural and recreation	2,359,257	469,798	-	-	(1,889,459)	-	(1,889,459)	-
Interest on long-term debt	146,112	-	-	-	(146,112)	-	(146,112)	-
<b>Total governmental activities</b>	<b>13,758,901</b>	<b>2,227,460</b>	<b>765,141</b>	<b>-</b>	<b>(10,766,300)</b>	<b>-</b>	<b>(10,766,300)</b>	<b>-</b>
<b>Business-type activities:</b>								
Electric	6,935,158	8,919,228	-	180,465	-	\$ 2,164,535	2,164,535	-
Water	3,326,932	3,260,088	-	-	-	(66,844)	(66,844)	-
Sewer	3,163,161	3,021,041	-	-	-	(142,120)	(142,120)	-
<b>Total business-type activities</b>	<b>13,425,251</b>	<b>15,200,357</b>	<b>-</b>	<b>180,465</b>	<b>-</b>	<b>1,955,571</b>	<b>1,955,571</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 27,184,152</b>	<b>\$ 17,427,817</b>	<b>\$ 765,141</b>	<b>\$ 180,465</b>	<b>(10,766,300)</b>	<b>1,955,571</b>	<b>(8,810,729)</b>	<b>-</b>
<b>Component units:</b>								
ABC Board	\$ 3,038,708	\$ 3,110,089	\$ -	\$ -	-	-	-	239,575
<b>Total component units</b>	<b>\$ 3,038,708</b>	<b>\$ 3,110,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,575</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purpose					6,263,638	-	6,263,638	-
Other taxes					3,253,692	-	3,253,692	-
Grants and contributions not restricted to specific programs					903,855	-	903,855	-
Investment earnings					80,644	67,438	148,082	-
Miscellaneous					190,516	11,796	202,312	-
<b>Total general revenues not including transfers</b>					<b>10,692,345</b>	<b>79,234</b>	<b>10,771,579</b>	<b>-</b>
Transfers					1,275,600	(1,275,600)	-	-
<b>Total general revenues and transfers</b>					<b>11,967,945</b>	<b>(1,196,366)</b>	<b>10,771,579</b>	<b>-</b>
Change in net position					1,201,645	759,205	1,960,850	239,575
Net position-beginning of year					19,162,230	28,695,149	47,857,379	1,347,726
<b>Net position-end of year</b>					<b>\$ 20,363,875</b>	<b>\$ 29,454,354</b>	<b>\$ 49,818,229</b>	<b>\$ 1,587,301</b>

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

**Town of Waynesvills  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,179,328	\$ 447,651	\$ 9,626,979
Receivables, net:			
Taxes	660,455	-	660,455
Accounts	105,021	-	105,021
Due from other governmental agencies	1,656,494	-	1,656,494
Other receivable	20,508	22	20,530
Inventories	5,277	-	5,277
Prepays	203,973	-	203,973
Restricted cash and cash equivalents	242,171	-	242,171
Total assets	<u>\$ 12,073,227</u>	<u>\$ 447,673</u>	<u>\$ 12,520,900</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 413,298	\$ -	\$ 413,298
Performance bonds	13,639	-	13,639
Total liabilities	<u>426,937</u>	<u>-</u>	<u>426,937</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	660,455	-	660,455
Prepaid taxes	11,552	-	11,552
Other unearned revenues	245,262	-	245,262
Total deferred inflows of resources	<u>917,269</u>	<u>-</u>	<u>917,269</u>
<b>FUND BALANCES</b>			
Non Spendable			
Inventories	5,277	-	5,277
Prepays	203,973	-	203,973
Perpetual maintenance	-	447,673	447,673
Restricted			
Stabilization by State Statute	1,782,023	-	1,782,023
Streets-Powell bill	164,346	-	164,346
Streets-paving	77,825	-	77,825
Committed			
General Government	-	-	-
Assigned			
Subsequent year's expenditures	1,450,910	-	1,450,910
Public Safety	108,700	-	108,700
Unassigned	6,935,967	-	6,935,967
Total fund balances	<u>10,729,021</u>	<u>447,673</u>	<u>11,176,694</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,073,227</u>	<u>\$ 447,673</u>	<u>\$ 12,520,900</u>

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

Total Fund Balance, Governmental Funds	11,176,694
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,960,232
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	144,508
Deferred outflows of resources related to pensions are not reported in the funds	1,781,947
Deferred outflows of resources related to OPEB are not reported in the funds	826,680
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	95,395
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	660,455
Net pension liability	(2,690,496)
Total pension liability	(1,345,260)
OPEB liability	(4,794,097)
Interfund borrowing	(800,000)
Deferred inflows of resources related to pensions are not reported in the funds	(83,082)
Deferred inflows of resources related to OPEB are not reported in the funds	(286,335)
Some liabilities, including installment purchases payable and accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,282,766)</u>
Net position of governmental activities	<u>\$ 20,363,875</u>

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



**Town of Waynesville**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 6,115,710	\$ -	\$ 6,115,710
Other taxes and licenses	3,253,692	-	3,253,692
Unrestricted intergovernmental	903,855	-	903,855
Restricted intergovernmental	765,141	-	765,141
Permits and fees	306,685	-	306,685
Sales and services	1,886,175	34,600	1,920,775
Investment earnings	76,528	-	76,528
Miscellaneous	167,145	4,116	171,261
Total revenues	13,474,931	38,716	13,513,647
<b>EXPENDITURES</b>			
Current:			
General government	1,490,329	-	1,490,329
Public safety	6,031,793	-	6,031,793
Transportation	2,584,010	-	2,584,010
Environmental protection	209,177	-	209,177
Culture and recreation	2,208,156	-	2,208,156
Debt service:			
Principal	448,202	-	448,202
Interest and other charges	150,438	-	150,438
Total expenditures	13,122,105	-	13,122,105
Excess (deficiency) of revenues over expenditures	352,826	38,716	391,542
<b>OTHER FINANCING SOURCES</b>			
Transfers from (to) other funds	1,275,600	-	1,275,600
Sales of capital assets	23,371	-	23,371
Intrafund borrowing	800,000	-	800,000
Total other financing sources	2,098,971	-	2,098,971
Net change in fund balance	2,451,797	38,716	2,490,513
Fund balances-beginning	8,277,224	408,957	8,686,181
Fund balances-ending	\$ 10,729,021	\$ 447,673	\$ 11,176,694

(continued)

**Town of Waynesville**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ 2,490,513
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period</p>	
Capital outlay expenditures which were capitalized	881,637
Depreciation expense for governmental assets	(1,068,723)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	509,000
<p>Benefit payments paid for LEOSSA are not included on the Statement of Activities</p>	
	113,510
<p>OPEB benefit payments made in the current fiscal year are not included on the Statement of Activities</p>	
	150,664
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Change in unavailable revenue for tax revenues	147,928
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Intrafund debt issued	(800,000)
Principal payments on long-term debt	448,202
Accrued interest on installment purchases obligations	4,326
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Compensated absences	(78,454)
Claims and judgements	-
LGERS Pension expense	(1,016,374)
LEOSSA pension expense	(131,400)
OPEB plan expense	(406,519)
<p>Consolidation adjustment for internal balances between the internal service funds and the governmental funds</p>	
	(9,940)
Net revenue of internal service funds determined to be governmental-type	(32,725)
Total changes in net position of governmental activities	\$ 1,201,645

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

**Town of Waynesville**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,099,700	\$ 6,099,700	\$ 6,115,710	\$ 16,010
Other taxes and licenses	3,130,530	3,130,530	3,253,692	123,162
Unrestricted intergovernmental	853,190	993,840	903,855	(89,985)
Restricted intergovernmental	489,828	582,025	765,141	183,116
Permits and fees	207,100	207,100	306,685	99,585
Sales and services	2,105,630	2,105,630	1,886,175	(219,455)
Investment earnings	58,850	58,850	76,528	17,678
Miscellaneous	308,132	308,132	167,145	(140,987)
Total revenues	<u>13,252,960</u>	<u>13,485,807</u>	<u>13,474,931</u>	<u>(10,876)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,547,730	2,077,680	1,490,329	587,351
Public safety	6,735,260	6,786,717	6,031,793	754,924
Transportation	3,341,640	3,348,550	2,584,010	764,540
Environmental protection	236,280	236,785	209,177	27,608
Cultural and recreation	2,687,500	3,508,840	2,208,156	1,300,684
<b>Debt service:</b>				
Principal retirement	448,210	448,210	448,202	8
Interest and other charges	150,650	150,650	150,438	212
Contingency	-	-	-	-
Total expenditures	<u>15,147,270</u>	<u>16,557,432</u>	<u>13,122,105</u>	<u>3,435,327</u>
Revenues over (under) expenditures	<u>(1,894,310)</u>	<u>(3,071,625)</u>	<u>352,826</u>	<u>3,424,451</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	1,275,600	1,275,600	1,275,600	-
Sales of capital assets	7,000	7,000	23,371	16,371
Proceeds from interfund borrowing	-	800,000	800,000	-
Appropriations from fund balance	611,710	989,025	-	(989,025)
Total other financing sources (uses)	<u>1,894,310</u>	<u>3,071,625</u>	<u>2,098,971</u>	<u>(972,654)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,451,797</u>	<u>\$ 2,451,797</u>
Fund balances, beginning of year			<u>8,277,224</u>	
Fund balances, end of year			<u>\$ 10,729,021</u>	

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

Town of Waynesville  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2020

	Enterprise Funds			Internal Service Funds		
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,067,898	\$ 2,351,094	\$ 1,985,911	\$ 6,404,903	\$ 255,889	\$ 48,419
Accounts receivable	1,190,912	409,110	368,369	1,968,391	-	-
Other receivables	125	125	113	363	19	3
Inventories	297,771	176,045	23,094	496,910	9,517	45,981
Restricted cash and cash equivalents	155,421	89,567	-	244,988	-	-
Total current assets	<u>3,712,127</u>	<u>3,025,941</u>	<u>2,377,487</u>	<u>9,115,555</u>	<u>265,425</u>	<u>94,403</u>
Non Current assets:						
Interfund receivable	800,000	-	-	800,000	-	-
Capital assets:						
Land and Construction in Progress	230,058	1,486,362	441,652	2,158,072	126,618	15,822
Other capital assets, net of depreciation	2,698,188	12,178,941	5,875,915	20,753,044	2,484,061	63,217
Capital assets (net)	<u>2,928,246</u>	<u>13,665,303</u>	<u>6,317,567</u>	<u>22,911,116</u>	<u>2,610,679</u>	<u>79,039</u>
Total noncurrent assets	<u>3,728,246</u>	<u>13,665,303</u>	<u>6,317,567</u>	<u>23,711,116</u>	<u>2,610,679</u>	<u>79,039</u>
Total assets	<u>\$ 7,440,373</u>	<u>\$ 16,691,244</u>	<u>\$ 8,695,054</u>	<u>\$ 32,826,671</u>	<u>\$ 2,876,104</u>	<u>\$ 173,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension deferrals	\$ 60,012	\$ 185,023	\$ 166,270	\$ 411,305	\$ 115,439	\$ 29,474
OPEB deferrals	42,478	86,697	118,435	247,610	67,160	12,748
Total deferred outflows of resources	<u>\$ 102,490</u>	<u>\$ 271,720</u>	<u>\$ 284,705</u>	<u>\$ 658,915</u>	<u>\$ 182,599</u>	<u>\$ 42,222</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	366,171	111,027	19,000	496,198	43,286	4,711
Customer deposits	155,421	63,511	-	218,932	-	-
Compensated absences - current	7,339	33,857	26,701	67,897	29,647	2,062
Installment purchases payable-current	322,043	164,955	-	486,998	86,667	-
Total current liabilities	<u>850,974</u>	<u>373,350</u>	<u>45,701</u>	<u>1,270,025</u>	<u>159,600</u>	<u>6,773</u>
Noncurrent liabilities:						
Installment purchases payable	30,662	746,136	-	776,798	910,000	-
Compensated absences	11,267	33,035	8,998	53,300	2,191	5,468
Net pension liability	104,397	321,868	289,245	715,510	200,818	51,274
Total OPEB liability	186,823	597,678	555,586	1,340,087	326,352	92,338
Total noncurrent liabilities	<u>333,149</u>	<u>1,698,717</u>	<u>853,829</u>	<u>2,885,695</u>	<u>1,439,361</u>	<u>149,080</u>
Total liabilities	<u>1,184,123</u>	<u>2,072,067</u>	<u>899,530</u>	<u>4,155,720</u>	<u>1,598,961</u>	<u>155,853</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferrals	1,738	5,358	4,814	11,910	3,343	853
OPEB deferrals	11,158	35,697	33,183	80,038	19,491	5,515
Total deferred inflows of resources	<u>\$ 12,896</u>	<u>\$ 41,055</u>	<u>\$ 37,997</u>	<u>\$ 91,948</u>	<u>\$ 22,834</u>	<u>\$ 6,368</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,575,541	12,754,212	6,317,567	21,647,320	1,614,012	79,039
Unrestricted	3,770,303	2,095,630	1,724,665	7,590,598	(177,104)	(25,596)
Total net position	<u>\$ 6,345,844</u>	<u>\$ 14,849,842</u>	<u>\$ 8,042,232</u>	<u>29,237,918</u>	<u>\$ 1,436,908</u>	<u>\$ 53,443</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>216,436</u>		
Net assets of business-type activities				<u>\$ 29,454,354</u>		

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

**Town of Waynesville**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Asset Services Management	Garage Fund
<b>OPERATING REVENUES</b>						
Charges for services	\$ 8,917,002	\$ 3,260,088	\$ 3,013,327	\$ 15,190,417	\$ 1,388,959	\$ 598,717
Other operating revenue	-	-	-	-	-	-
<b>Total operating revenues</b>	<u>8,917,002</u>	<u>3,260,088</u>	<u>3,013,327</u>	<u>15,190,417</u>	<u>1,388,959</u>	<u>598,717</u>
<b>OPERATING EXPENSES</b>						
Finance and administration	762,040	434,270	381,110	1,577,420	-	-
Electric operations	759,579	-	-	759,579	-	-
Electric power purchases	5,133,000	-	-	5,133,000	-	-
Water treatment and distribution	-	2,249,133	-	2,249,133	-	-
Waste collection and treatment	-	-	2,326,095	2,326,095	-	-
Asset Services Management	-	-	-	-	1,238,458	-
Garage operations	-	-	-	-	-	647,947
Depreciation	272,639	633,955	455,956	1,362,550	128,093	12,031
<b>Total operating expenses</b>	<u>6,927,258</u>	<u>3,317,358</u>	<u>3,163,161</u>	<u>13,407,777</u>	<u>1,366,551</u>	<u>659,978</u>
<b>Operating income (loss)</b>	<u>1,989,744</u>	<u>(57,270)</u>	<u>(149,834)</u>	<u>1,782,640</u>	<u>22,408</u>	<u>(61,261)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	23,204	23,282	20,952	67,438	3,479	590
Interest and other charges	(7,900)	(9,574)	-	(17,474)	-	-
Miscellaneous revenues (expenses)	11,115	681	-	11,796	-	2,057
<b>Total nonoperating revenue (expenses)</b>	<u>26,419</u>	<u>14,389</u>	<u>20,952</u>	<u>61,760</u>	<u>3,479</u>	<u>2,647</u>
<b>Income (loss) before contributions and transfers</b>	<u>2,016,163</u>	<u>(42,881)</u>	<u>(128,882)</u>	<u>1,844,400</u>	<u>25,887</u>	<u>(58,614)</u>
Capital contributions	180,465	-	-	180,465	-	-
Transfers to other funds	(1,275,600)	-	-	(1,275,600)	-	-
<b>Change in net position</b>	<u>921,028</u>	<u>(42,881)</u>	<u>(128,882)</u>	<u>749,265</u>	<u>25,887</u>	<u>(58,614)</u>
<b>Total net position - beginning</b>	<u>5,424,816</u>	<u>14,892,723</u>	<u>8,171,114</u>		<u>1,411,021</u>	<u>112,057</u>
<b>Total net position - ending</b>	<u>\$ 6,345,844</u>	<u>\$ 14,849,842</u>	<u>\$ 8,042,232</u>		<u>\$ 1,436,908</u>	<u>\$ 53,443</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>9,940</u>		
Change in net position - business-type activities				<u>\$ 759,205</u>		

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

**Town of Waynesville**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

	Business-Type Activities				Governmental Activities	
	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Totals	Asset Services Management	Garage Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 8,592,000	\$ 3,171,755	\$ 2,920,915	\$ 14,684,670	\$ 1,389,355	\$ 598,822
Cash paid for goods and services	(6,276,489)	(1,337,543)	(1,467,725)	(9,081,757)	(688,720)	(435,435)
Cash paid to or on behalf of employees for services	(385,987)	(1,162,944)	(1,077,171)	(2,626,102)	(578,965)	(180,873)
Customer deposits received/(returned)	3,786	1,692	-	5,478	-	-
Net cash provided by operating activities	<u>1,933,310</u>	<u>672,960</u>	<u>376,019</u>	<u>2,982,289</u>	<u>121,670</u>	<u>(17,486)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Cash received from miscellaneous sources	7,990	-	-	7,990	-	2,057
Transfers to other funds	(1,275,600)	-	-	(1,275,600)	-	-
Total cash flows from noncapital financing activities	<u>(1,267,610)</u>	<u>-</u>	<u>-</u>	<u>(1,267,610)</u>	<u>-</u>	<u>2,057</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital contributions - state reimbursement	180,465	-	-	-	-	-
Principal and interest paid on long-term debt	(329,435)	(179,834)	-	(509,269)	(87,098)	-
Proceeds from sale of assets	3,125	681	-	3,806	-	-
Acquisition and construction of capital assets	(369,102)	(611,340)	(505,321)	(1,485,763)	(24,955)	-
Net cash used by capital and related financing activities	<u>(514,947)</u>	<u>(790,493)</u>	<u>(505,321)</u>	<u>(1,991,226)</u>	<u>(112,053)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment income	23,204	23,282	20,952	67,438	3,479	590
Intrafund borrowing to other fund	(800,000)	-	-	(800,000)	-	-
Net cash provided by investing activities	<u>(776,796)</u>	<u>23,282</u>	<u>20,952</u>	<u>(732,562)</u>	<u>3,479</u>	<u>590</u>
Net increase (decrease) in cash and cash equivalents	(626,043)	(94,251)	(108,350)	(828,644)	13,096	(14,839)
Balances-beginning of the year	2,849,362	2,534,912	2,094,261	7,478,535	242,793	63,258
Balances-end of the year	<u>\$ 2,223,319</u>	<u>\$ 2,440,661</u>	<u>\$ 1,985,911</u>	<u>\$ 6,649,891</u>	<u>\$ 255,889</u>	<u>\$ 48,419</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 1,989,744	\$ (57,270)	\$ (149,834)	\$ 1,782,640	\$ 22,408	\$ (61,261)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	272,639	633,955	455,956	1,362,550	128,093	12,031
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(387,907)	(107,280)	(113,046)	(608,233)	396	105
(Increase) decrease in allowance for doubtful accounts	62,905	18,947	20,634	102,486	-	-
(Increase) decrease in inventory	(47,611)	(555)	1,973	(46,193)	(901)	(1,765)
(Increase) decrease in deferred outflows of resources for pension	3,867	32,991	23,918	60,776	56,477	(486)
(Increase) decrease in deferred outflows of resources for OPEB	(8,056)	(11,686)	(17,508)	(37,250)	(10,663)	2,482
Increase (decrease) in net pension liability	23,131	44,511	47,287	114,929	(17,891)	14,395
Increase (decrease) in deferred inflows of resources for pension	459	991	1,005	2,455	(101)	272
Increase (decrease) in accounts payable and accrued liabilities	10,263	35,767	(3,958)	42,072	12,504	(17,390)
Increase (decrease) in customer deposits	3,786	1,692	-	5,478	-	-
Increase (decrease) in deferred inflows of resources for OPEB	(2,668)	(4,183)	(1,689)	(8,540)	(10,250)	654
Increase (decrease) in OPEB liability	7,444	80,278	103,176	190,898	(59,500)	29,267
Increase (decrease) in accrued vacation pay	5,314	4,802	8,105	18,221	1,098	4,210
Total adjustments	<u>(56,434)</u>	<u>730,230</u>	<u>525,853</u>	<u>1,199,649</u>	<u>99,262</u>	<u>43,775</u>
Net cash provided by operating activities	<u>\$ 1,933,310</u>	<u>\$ 672,960</u>	<u>\$ 376,019</u>	<u>\$ 2,982,289</u>	<u>\$ 121,670</u>	<u>\$ (17,486)</u>

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

**Town of Waynesville, North Carolina**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**Town of Waynesville ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise funds:

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

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

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

The Town reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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



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

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

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

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

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Public Buildings Projects Fund. The Town's Asset Services Management and Garage Operations Funds, internal service funds, operate under financial plans that were adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, eleven amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Fund is not required to be budgeted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds and Motor Vehicle taxes restricted for paving total \$242,171 and are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Any unexpended loan proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the loan was originally issued. No unexpended loan proceeds exist as of June 30, 2020.

**Town of Waynesville Restricted Cash**

**Governmental Activities**

General Fund	Streets	\$ 242,171
Total Governmental Activities		\$ 242,171

**Business-type Activities**

Electric Fund	Customer deposits	155,421
Water Fund	Customer deposits, Certificate of deposit	89,567
Total Business-type Activities		\$ 244,988
Total Restricted Cash		\$ 487,159

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

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

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

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land and land improvements, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$8,500; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

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

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

Asset Class	Estimated Useful Lives
Furniture and equipment	3-10
New Facility	40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion - pension and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Waynesville's governing body (highest level of decision-making authority). The governing board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

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

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

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

#### 12. Defined Benefit Cost-Sharing Plans

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

## II. Stewardship, Compliance, and Accountability

The Town had no violations of non-compliance with State Statutes for the year ended June 30, 2020.

## III. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this

risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,937,834 and a bank balance of \$4,490,563. Of the bank balance, \$1,209,609 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$750,780 and the bank balance was \$730,588. 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, 2020, the ABC Board's uninsured cash balance was \$480,588. For the Town, all amounts exceeding FDIC insurance limits were covered by collateral held by the Pooling Method. At June 30, 2020 the Town's petty cash fund totaled \$3,000.

2. Investments

At June 30, 2020, the Town had \$12,882,514 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. This investment is measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The town has no policy regarding credit risk.

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

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2020</u>
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	30,146
Total	<u>50,146</u>
Enterprise Funds	198,584
Total	<u><u>\$ 248,730</u></u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,109,674		\$ -	\$ -	\$ 2,109,674
Public art	114,547	-	-	-	114,547
Construction in progress	25,000	660,006	-	-	685,006
Total capital assets not being depreciated	2,249,221	660,006	-	-	2,909,227
<b>Capital assets being depreciated:</b>					
Land improvements	1,741,801	-	-	-	1,741,801
Buildings and building improvements	18,245,036	9,980	-	-	18,255,016
Equipment and furniture and fixtures	3,628,162	82,734	-	-	3,710,896
Vehicles and motorized equipment	7,136,726	153,872	16,550	-	7,274,048
Infrastructure	29,230,178	-	-	-	29,230,178
Total capital assets being depreciated	59,981,903	246,586	16,550	-	60,211,939
<b>Less accumulated depreciation for:</b>					
Land improvements	949,517	59,625	-	-	1,009,142
Buildings and building improvements	5,534,549	391,422	-	-	5,925,971
Equipment and furniture and fixtures	3,124,224	106,064	-	-	3,230,288
Vehicles and motorized equipment	5,051,657	398,457	16,550	-	5,433,564
Infrastructure	26,308,689	253,280	-	-	26,561,969
Total accumulated depreciation	40,968,636	1,208,848	16,550	-	42,160,934
Total capital assets being depreciated, net	19,013,267				18,051,005
<b>Governmental activity capital assets, net</b>	<b>\$ 21,262,488</b>				<b>\$ 20,960,232</b>

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

General government	\$ 74,935
Public safety	408,933
Transportation	292,558
Environmental protection	4,502
Cultural and recreational	287,796
Depreciation on capital assets held in Garage Fund charged to functions based on usage	12,031
Depreciation on capital assets held in Asset Services Management Fund charged to functions based on usage	128,093
Total depreciation expense	<u>\$ 1,208,848</u>



	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-type activities:</b>					
<i>Electric Fund</i>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in process	3,274	-	-	(3,274)	-
Total capital assets not being depreciated	233,332	-	-	(3,274)	230,058
<b>Capital assets:</b>					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	179,417	-	-	-	179,417
Vehicles and motorized equipment	1,009,130	-	-	-	1,009,130
Substations, lines, and related equipment	7,081,508	369,102	-	3,274	7,453,884
Total capital assets being depreciated	8,293,052	369,102	-	3,274	8,665,428
<b>Less accumulated depreciation for:</b>					
Buildings and building improvements	22,997	-	-	-	22,997
Equipment and furniture and fixtures	158,506	9,650	-	-	168,156
Vehicles and motorized equipment	709,269	53,473	-	-	762,742
Substations, lines, and related equipment	4,803,829	209,516	-	-	5,013,345
Total accumulated depreciation	5,694,601	272,639	-	-	5,967,240
Total capital assets being depreciated, net	2,598,451				2,698,188
<b>Electric fund capital assets, net</b>	<b>2,831,783</b>				<b>2,928,246</b>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<i>Water Fund</i>					
<b>Capital assets not being depreciated:</b>					
Land	1,486,362	-	-	-	1,486,362
Construction in process	157,605	-	-	(157,605)	-
Total capital assets not being depreciated	1,643,967	-	-	(157,605)	1,486,362
<b>Capital assets being depreciated:</b>					
Land improvements	83,691	-	-	-	83,691
Buildings and building improvements	1,818,427	-	-	-	1,818,427
Equipment and furniture and fixtures	404,697	36,930	18,500	-	423,127
Vehicles and motorized equipment	938,253	71,953	-	-	1,010,206
Plant and system distributions	24,568,844	660,062	-	-	25,228,906
Total capital assets being depreciated	27,813,912	768,945	18,500	-	28,564,357
Total Capital Assets	29,457,879	768,945	18,500	(157,605)	30,050,719
<b>Less accumulated depreciation for:</b>					
Land improvements	43,549	3,834	-	-	47,383
Buildings and building improvements	1,199,173	26,712	-	-	1,225,885
Equipment and furniture and fixtures	365,315	10,156	18,500	-	356,971
Vehicles and motorized equipment	508,983	77,170	-	-	586,153
Plant and system distributions	13,652,941	516,083	-	-	14,169,024
Total accumulated depreciation	15,769,961	633,955	18,500	-	16,385,416
Total capital assets being depreciated, net	12,043,951				12,178,941
<b>Water fund capital assets, net</b>	<b>13,687,918</b>				<b>13,665,303</b>

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balances</b>
<b><i>Sewer Fund</i></b>					
<b>Capital assets not being depreciated:</b>					
Land	110,500	-	-	-	110,500
Construction in process	-	331,152	-	-	331,152
Total capital assets not being depreciated	110,500	331,152	-	-	441,652
<b>Capital assets being depreciated:</b>					
Land improvements	67,912	-	-	-	67,912
Buildings and building improvements	8,703,801	-	-	-	8,703,801
Equipment and furniture and fixtures	399,801	39,814	-	-	439,615
Vehicles and motorized equipment	790,415	28,023	-	-	818,438
Plant and system distributions	9,814,716	106,332	-	-	9,921,048
Total capital assets being depreciated	19,776,645	174,169	-	-	19,950,814
<b>Less accumulated depreciation for:</b>					
Land improvements	24,146	3,346	-	-	27,492
Buildings and building improvements	7,301,970	178,542	-	-	7,480,512
Equipment and furniture and fixtures	338,051	22,222	-	-	360,273
Vehicles and motorized equipment	409,818	54,803	-	-	464,621
Plant and system distributions	5,544,958	197,043	-	-	5,742,001
Total accumulated depreciation	13,618,943	455,956	-	-	14,074,899
Total capital assets being depreciated, net	6,157,702				5,875,915
<b>Sewer fund capital assets, net</b>	<b>6,268,202</b>				<b>6,317,567</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 22,787,903</b>				<b>\$ 22,911,116</b>

**Construction commitments**

The Town had no active construction projects as of June 30, 2020.

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 509,646		\$ -	\$ -	\$ 509,646
Capital assets being depreciated:					
New Facility	793,249	-	-	-	793,249
Furniture and equipment	132,063	10,958	10,273	-	132,748
Total capital assets being depreciated	925,312	10,958	10,273	-	925,997
Less accumulated depreciation					
New Facility	114,933	20,063	-	-	134,996
Furniture and equipment	74,882	12,313	10,273	-	76,922
Total accumulated depreciation	189,815	32,376	10,273	-	211,918
Total capital assets being depreciated, net	735,497				714,079
ABC capital assets, net	\$ 1,245,143				\$ 1,223,725

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 142,311	\$ 242,327	\$ 28,660	\$ 413,298
Asset Services Management	26,774	11,561	4,951	43,286
Other Governmental	1,869	2,842	-	4,711
Total Governmental Activities	\$ 170,954	\$ 256,730	\$ 33,611	\$ 461,295
Business-type Activities:				
Water	\$ 92,169	\$ 15,812	\$ -	\$ 107,981
Sewer	2,289	16,711	-	19,000
Electric	353,694	5,770		359,464
Total Business-type Activities:	\$ 448,152	\$ 38,293	\$ -	\$ 486,445

**2. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Waynesville and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Waynesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Waynesville's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.03% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Waynesville were \$710,979 for the year ended June 30, 2020.

*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, 2020, the Town reported a liability of \$3,406,006 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town’s proportion was 0.12472%, which was a decrease of 0.00148% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,528,047. At June 30, 2020, 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
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 583,194	
Changes of assumptions	555,122	-
Net difference between projected and actual earnings on pension plan investments	83,078	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,546	56,694
Town contributions subsequent to the measurement date	710,979	-
Total	<u>\$ 1,957,919</u>	<u>\$ 56,694</u>

\$710,979 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 604,518
2022	185,284
2023	314,507
2024	85,937
2025	-
Thereafter	-
	<u>\$ 1,190,246</u>

***Actuarial Assumptions.*** The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 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%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LRS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension

liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$7,790,158	\$3,406,006	\$ (238,113)

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

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

The Town of Waynesville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitles to but not yet receiving benefits	0
Active plan members	38
Total	<u>46</u>

*2. Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

*3. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

Mortality rates are based on the RP-2014 employee base rates projected to 2015 using MP-2015, projected forward generally from 2015 using MP-2015.

4. Contributions

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

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

At June 30, 2020, the Town reported a total pension liability of \$1,345,260. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$131,400.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 114,220	\$ -
Changes of assumptions	65,413	38,298
Benefit payments made subsequent to the measurement date	55,700	-
Total	<u>\$ 235,333</u>	<u>\$ 38,298</u>

\$55,700 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2021	\$ 50,432	\$ 12,999
2022	50,432	12,740
2023	44,965	8,723
2024	25,431	3,836
2025	8,373	-
Thereafter	-	-
Totals	<u>\$ 179,633</u>	<u>\$ 38,298</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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 1,452,183	\$ 1,345,260	\$ 1,247,434

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

	<u>2020</u>
Beginning balance	\$ 1,256,230
Service Cost	50,038
Interest on the total pension liability	43,929
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	55,612
Changes of assumptions or other inputs	38,221
Benefit payments	(98,770)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,345,260</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,528,047	\$ 131,400	\$ 1,659,447
Pension Liability	3,406,006	1,345,260	4,751,266
Proportionate share of the net pension liability	0.12472%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	583,194	114,220	697,414
Changes of assumptions	555,122	65,413	620,535
Net difference between projected and actual earnings on plan investments	83,078	-	83,078
Changes in proportion and differences between contributions and proportionate share of contributions	25,546	-	25,546
Benefit payments and administrative costs paid subsequent to the measurement date	710,979	55,700	766,679
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	38,298	38,298
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	56,694	-	56,694

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$157,648, which consisted of \$84,425 from the Town and \$73,223 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

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

*Funding Policy.* Effective January 1, 2004, the Town commenced contributions of 3 percent for all covered employees. Effective January 1, 2005, this percentage increased to 5 percent. Contributions for

the year ended June 30, 2020 were \$483,757, which consisted of \$309,814 from the Town and \$173,943 from the general employees.

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

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Waynesville, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

*Contributions.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town of Waynesville pays the expense for each plan member. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The Town's proportionate share of the State's contribution and the liabilities and expenses related to the FRSWPF are considered immaterial to the Town.

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

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

At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$21,264. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the

projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

**f. Other Postemployment Benefits**

**Healthcare Benefits**

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

**Health Insurance for Retirees (Amended 02-10-2015)**

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

1. A Retiree who has achieved at least ten (10) or more consecutive years of service with the Town, not including any accumulated sick or vacation time, and has reached 55 years of age, will receive health

insurance coverage, at no cost to the retiree, until the retiree reaches Medicare eligibility through age or disability.

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

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

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	12	7
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	139	33
Total	151	40

**Total OPEB Liability**

The Town's total OPEB liability of \$6,134,184 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical – 7.25%

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

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1/2019</b>	\$ 5,644,404
<b>Changes for the year</b>	
Service cost	279,620
Interest	215,255
Changes of benefit terms	-
Differences between expected and actual experience	24,503
Changes in assumptions or other inputs	194,225
Benefit payments	(223,823)
<b>Net changes</b>	<u>489,780</u>
<b>Balance at 6/30/2020</b>	<u>\$ 6,134,184</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 6,665,476	\$ 6,134,184	\$ 5,650,243

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

	<u>1% Decrease Medical - 6.25%</u>	<u>Discount Rate Medical - 7.25%</u>	<u>1% Increase Medical - 8.25%</u>
Total OPEB liability	\$ 5,562,545	\$ 6,134,184	\$ 6,796,129

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$567,838. At June 30, 2020, 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	\$ 21,354	\$ 231,822
Changes of assumptions	825,548	134,551
Benefit payments and administrative costs made subsequent to the measurement date	227,388	-
Total	<u>\$ 1,074,290</u>	<u>\$ 366,373</u>

\$227,388 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 72,963
2022	72,963
2023	72,963
2024	72,963
2025	80,856
Thereafter	<u>107,821</u>

**3. Other Employment Benefit**

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

**4. Deferred Compensation Plan**

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

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

under the plan are equal to those of the general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

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

5. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 710,979
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	55,700
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	227,388
Differences between expected and actual experience-LGERS	583,194
Differences between expected and actual experience-LEOSSA	114,220
Differences between expected and actual experience-OPEB	21,354
Changes of assumptions-LGERS	555,122
Changes of assumptions-LEOSSA	65,413
Changes of assumptions-OPEB	825,548
Net difference between projected and actual-LGERS	83,078
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	<u>25,546</u>
Total	<u>\$ 3,267,542</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes not yet earned (General Fund)	\$ 11,552	\$ 11,552
Taxes receivable, net (General Fund)	-	660,455
Other unearned revenue (General Fund)	245,262	245,262
Differences between expected and actual experience-LGERS	-	-
Differences between expected and actual experience-OPEB	231,822	-
Changes in assumptions and other inputs-LEOSSA	38,298	-
Changes in assumptions and other inputs-OPEB.	134,551	-
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	<u>56,694</u>	<u>-</u>
	<u>\$ 718,179</u>	<u>\$ 917,269</u>



**6. Commitments**

The Town had commitments of \$260,155 in its proprietary funds and \$39,056 in its general funds at June 30, 2020. These items will be funded from operating funds.

The Town held cash performance bonds with a balance at June 30, 2020 of \$13,639 from real estate developers for improvements to be made within the developments. In the Town’s opinion, the bond money will be more than sufficient to cover all costs that the Town will incur.

During the fiscal year 2018-2019, the Town entered into an IT Services contract that includes IT support and computer equipment rental for a 63-month period, April 2019 through June 2024, with a monthly payment of approximately \$9,975. The monthly payment varies based on additional services or products purchased. Additionally, the Town pays for hosting, licenses, and faxing capabilities. The total IT and related expenses for the year ended June 30, 2020 was \$144,223.

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

Years ended June 30:	
2021	119,700
2022	119,700
2023	119,700
2024	119,700
2025	-
	\$ 478,800

The Town has entered into a lease for equipment with a monthly payment of \$4,452. The town has also entered into a lease for phone equipment with a monthly payment of \$1,736, starting in September, 2018. Equipment lease expense for the year ended June 30, 2020 was \$78,003.

Future minimum annual equipment lease payments are as follows:

Years ended June 30:	
2021	85,309
2022	79,936
2023	20,833
2024	-
2025	-
	\$ 186,078

**7. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers’ compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for

claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

#### 8. Claims, Judgments and Contingent Liabilities

Periodically, the Town has been a defendant to various lawsuits. The town has set up a contingent liability, in the amount of \$10,000, for legal claims. At June 30, 2020, 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 \$10,000 as the ultimate effect of legal matters is present but will not have a material adverse effect on the Town's financial position.

#### 9. Long-Term Obligations

##### a. Installment Purchases, Interlocal Agreement and Construction Financing

On November 22, 2016, the Town entered into an agreement with a local bank for \$543,200 to purchase five police vehicles, one street truck, one water maintenance truck, and one electric truck. The installment contract agreement requires five annual payments of \$114,210 at 1.69% annual rate of interest. Interest expense for the year ended June 30, 2020 totaled \$5,139, with \$1,909 recorded in the governmental activities and \$3,230 recorded in the business-type activities. The portion of the note for the police cars and street truck is being shown under governmental activities and the balance was \$94,281 at June 30, 2020. The portion of the note for the water maintenance and electric trucks is being shown under business-type activities and the balance was \$128,478 at June 30, 2020.

On October 4, 2016, the Town entered into an installment purchase contract to provide improvements to the Public Works Facility. The contract requires semi-annual payments of decreasing amounts that pay \$43,333 of principal each payment at an interest rate of 2.09 percent. Interest expense for the year ended June 30, 2020 was \$21,758. This loan is shown under governmental activities and the balance was \$910,000 at June 30, 2020.

On December 3, 2015, the Town entered into an agreement with a local bank for \$521,950 to purchase five police vehicles, two street trucks, and two water maintenance trucks. The installment contract agreement requires five annual payments of \$109,326 at 1.56% annual rate of interest. Interest expense for the year ended June 30, 2020 totaled \$2,775, with \$1,424 recorded in the governmental activities and \$1,351 recorded in the business-type activities. The portion of the note for the police cars and street trucks is being shown under governmental activities and the balance was \$64,027 at June 30, 2020. The portion of the note for the water maintenance trucks is being shown under business-type activities and the balance was \$43,620 at June 30, 2020.

On March 14, 2014, the Town entered into an installment purchase contract for \$329,868 to fund the purchase of radio read water meters. The financing agreement requires twenty annual payments of \$16,493 at a zero percent interest rate. The loan is shown under business-type activities and the balance was \$230,908 at June 30, 2020.

On February 26, 2013, the Town entered into an installment purchase contract for \$441,450 to fund the purchase of a fire truck and related equipment. The financing agreement requires ten annual payments of \$48,722 at an interest rate of 1.835 percent. Interest expense for the year ended June 30, 2020 was \$3,143. This loan is shown under governmental activities and the balance was \$140,961 at June 30, 2020.

On October 31, 2011, the Town entered into an installment purchase contract with North Carolina Department of Environmental and Natural Resources for \$260,563 to fund the construction of water lines and improved water service to the Eagles Nest community. The financing agreement requires ten annual payments of \$26,056 at zero percent interest. This loan is shown under business-type activities and the balance was \$26,056 at June 30, 2020.

Effective November 1, 2010, the Town entered into an installment purchase contract with North Carolina Department of Environmental and Natural Resources (NCDENR) in the amount of \$904,740 to replace water lines in the Dayton Drive community. The principal sum is to be repaid in twenty annual installments of \$45,237 each, beginning May 1, 2013. The interest rate is 2.22 % and is to be paid in forty semi-annual payments beginning November 1, 2012. The initial interest payment was calculated to include the period September 15, 2010 through November 1, 2012. Interest expense for the year ended June 30, 2020 was \$14,060. This loan is shown under business-type activities and the balance was \$542,844 at June 30, 2020.

On September 24, 2010, the Town entered into an installment purchase contract for \$397,600 to fund the purchase of a fire truck and related equipment. The financing agreement requires ten annual payments of \$45,488 at an interest rate of 2.56 percent. Interest expense for the year ended June 30, 2020 was \$1,304. This loan is shown under governmental activities and the balance was \$44,352 at June 30, 2020.

On September 26, 2008, the Town entered into an installment purchase contract with USDA Rural Development for \$2,000,000 to refinance the construction loan on the new fire station. The financing contract requires forty annual payments of \$108,700 at an interest rate of 4.5 percent. Interest expense for the year ended June 30, 2020 was \$78,882. This loan is shown under governmental activities and the balance was \$1,741,169 at June 30, 2020.

On July 17, 2008, the Town entered into an installment purchase contract to fund the construction of a second electric substation. The contract, as refinanced, requires annual payments of \$298,254 at an interest rate of 2.18 percent. Interest expense for the year ended June 30, 2020 was \$12,591. This loan is shown under business-type activities and the balance was \$291,890 at June 30, 2020.

On May 13, 2008, the Town entered into an installment purchase contract for \$3,000,000 to fund the construction of a new Police Station. The financing requires forty semi-annual payments of \$105,669 with

an interest rate of 3.58 percent. Interest expense for the year ended June 30, 2020 was \$55,677. This loan is shown under governmental activities and the balance was \$1,458,895 at June 30, 2020.

On February 15, 2007, the Town entered into a second installment purchase contract for \$1,000,000 to finance the construction of a new Fire Station. The contract, as refinanced, requires fifteen semi-annual fixed principal payments of \$33,333 plus interest at the rate of 2.38 percent. Interest expense for the year ended June 30, 2020 was \$3,771. This loan is shown under governmental activities and the balance was \$200,000 at June 30, 2020.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2020, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	534,871	172,625	479,042	31,232
2021	545,471	158,625	486,999	22,270
2022	445,894	144,383	126,508	13,146
2023	339,989	132,191	61,730	11,047
2024	299,861	121,785	61,730	10,043
2025-2029	1,412,442	452,757	308,652	35,149
2030-2034	463,397	303,568	218,178	10,043
2035-2039	307,463	236,037	-	-
2040-2044	383,154	160,346	-	-
2045-2049	476,013	61,403	-	-
Total	<u>\$ 5,208,555</u>	<u>\$ 1,943,720</u>	<u>\$ 1,742,839</u>	<u>\$ 132,930</u>
Less: current portion	<u>(534,871)</u>		<u>(479,042)</u>	
Long-term portion	<u>\$ 4,673,684</u>		<u>\$ 1,263,797</u>	

b. General Obligation Bonds

At June 30, 2020, the Town of Waynesville had a legal debt margin of \$94,832,004.

c. Changes in Long-Term Liabilities

	Balance			Balance June 30, 2020	Current Portion of Balance
	June 30, 2019	Increases	Decreases		
<b>Governmental activities:</b>					
Installment purchases	\$ 5,208,555	\$ -	\$ 534,870	\$ 4,673,685	\$ 545,473
Total Pension Liability (LEO)	1,256,230	187,800	98,770	1,345,260	-
Legal Claims	10,000	-	-	10,000	-
Net Pension Liability (LGERS)	2,393,315	315,072	17,891	2,690,496	-
Total OPEB liability	4,495,215	501,073	202,191	4,794,097	-
Compensated absences	444,251	312,389	228,627	528,013	228,627
Governmental activity long-term liabilities	<u>\$ 13,807,566</u>	<u>\$ 1,316,334</u>	<u>\$ 1,082,349</u>	<u>\$ 14,041,551</u>	<u>\$ 774,100</u>

Business-type activities:	Balance			Balance June 30, 2020	Current Portion of Balance
	June 30, 2019	Increases	Decreases		
<b>Electric Fund</b>					
Installment purchases	\$ 668,021	\$ -	\$ 315,316	\$ 352,705	\$ 322,043
Total OPEB liability	179,379	24,294	16,850	186,823	-
Net Pension Liability (LGERS)	81,266	23,131	-	104,397	-
Compensated absences	13,292	12,653	7,339	18,606	7,339
<b>Total activity Electric Fund</b>	<b>\$ 941,958</b>	<b>\$ 60,078</b>	<b>\$ 339,505</b>	<b>\$ 662,531</b>	<b>\$ 329,382</b>
<b>Water Fund</b>					
Installment purchases	\$ 1,074,818	\$ -	\$ 163,727	\$ 911,091	\$ 164,955
Total OPEB liability	517,400	84,458	4,180	597,678	-
Net Pension Liability (LGERS)	277,357	44,511	-	321,868	-
Compensated absences	62,090	38,659	33,857	66,892	33,857
<b>Total activity Water Fund</b>	<b>\$ 1,931,665</b>	<b>\$ 167,628</b>	<b>\$ 201,764</b>	<b>\$ 1,897,529</b>	<b>\$ 198,812</b>
<b>Sewer Fund</b>					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability	452,410	144,905	41,729	555,586	-
Net Pension Liability (LGERS)	241,958	47,287	-	289,245	-
Compensated absences	27,594	34,806	26,701	35,699	26,701
<b>Total activity Sewer Fund</b>	<b>721,962</b>	<b>226,998</b>	<b>68,430</b>	<b>880,530</b>	<b>26,701</b>
Business-type activity long-term liabilities	\$ 3,595,585	\$ 454,704	\$ 609,699	\$ 3,440,590	\$ 554,895

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the Town from the component unit, ABC Board	<u>\$ 24,834</u>
Due from the Governmental Funds to the Asset Services Management Fund for internal balances	<u>\$216,436</u>

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

Transfers to/from other funds at June 30, 2020 consist of the following:

From the Electric Fund to the General Fund - payment in lieu of taxes	\$1,275,600
From the component unit, ABC Board, to the Town	<u>81,049</u>
Total	<u>\$1,356,649</u>

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

Long-term interfund borrowing – On February 11, 2020 the Town Board approved General Fund borrowing of \$800,000 from the Electric Fund. The proceeds from the borrowing are being used to replace a Dextron unit at the recreation center, which was not complete at June 30, 2020. The terms of the loan repayment will be established once the project is complete. The borrowing is presented as Interfund borrowing in the government-wide financial statements. In the General fund the borrowing is shown as proceeds from interfund borrowing. In the Electric Fund the amount is shown as Interfund receivable.

**D. Net Investment in Capital Assets**

Capital assets	\$ 20,960,232	\$ 22,911,116
less: long-term debt	<u>4,673,685</u>	<u>1,263,796</u>
Net Investment in Capital Assets	<u>\$ 16,286,547</u>	<u>\$ 21,647,320</u>

**E. Fund Balance**

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

<i>Total fund balance - General Fund</i>	<i>\$ 10,729,021</i>
Less:	
Prepaid Items	203,973
Inventories	5,277
Stabilization by State Statute	1,782,023
Streets - Powell Bill & Motor Vehicle	242,171
Appropriated Fund Balance in 2019 budget	1,450,910
Public Safety	108,700
Working capital / Fund Balance Policy	-
<b>Remaining Fund Balance</b>	<b>\$ 6,935,967</b>

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

Encumbrances	General Fund	Non-Major Funds
	\$39,056	\$0

**IV. Related Organization**

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

**V. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**VI. Significant Effects of Subsequent Events**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. At year-end, the Town had not been negatively impacted by the virus. And, as the pandemic and its impact appears to continue well after year-end, the future effects of these issues are unknown.

The Town has established a Waste Water Treatment Plant Improvements funds with a project authorization of \$19,400,000. At June 30, 2020, the Town has incurred costs of \$154,831 related to engineering fees. Subsequent to year-end the Town has been working on obtaining financing for the project through the State Revolving Loan fund. At the time of this report, a loan has not been approved.

Subsequent events have been evaluated through December 11, 2020, which is the date the audit report was available to be issued.

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

Local Government Employees' Retirement System

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

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

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



**Town of Waynesville**  
**Schedule of Contributions**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

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

**Town of Waynesville**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

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

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

**Town of Waynesville**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

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

**Note to the schedule:**

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

**Town of Waynesville**  
**Schedule of Changes in Total OPEB Liability & Related Ratios**  
**June 30, 2020**

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

**Note to the schedule:**

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

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.89
2019	3.89

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 6,081,790	\$ -
Penalties and interest	-	33,920	-
Total	<u>6,099,700</u>	<u>6,115,710</u>	<u>16,010</u>
Other taxes and licenses:			
Local option sales tax	-	3,121,859	-
Gross receipts tax on short-term rental property	-	26,058	-
Privilege licenses and CATV	-	105,775	-
Total	<u>3,130,530</u>	<u>3,253,692</u>	<u>123,162</u>
Unrestricted intergovernmental:			
Utility sales tax	-	779,318	-
Beer and wine tax	-	43,488	-
ABC profit distribution	-	81,049	-
Total	<u>993,840</u>	<u>903,855</u>	<u>(89,985)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	324,886	-
Investment earnings	-	3,164	-
ABC Revenue for law enforcement	-	24,992	-
Other grant revenue	-	412,099	-
Total	<u>582,025</u>	<u>765,141</u>	<u>183,116</u>
Permits and fees:			
Building permits and inspection fees	-	249,221	-
Reconnect fees	-	57,464	-
Total	<u>207,100</u>	<u>306,685</u>	<u>99,585</u>

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Sales and services:</b>			
Recreation department fees	-	469,798	-
Cemetery revenues	-	25,400	-
Solid waste container sales	-	25,073	-
Fire protection	-	372,147	-
Police contract services	-	114,303	-
Sanitation fee	-	799,849	-
Court costs and fees	-	1,662	-
Rents	-	77,943	-
Total	2,105,630	1,886,175	(219,455)
Investment earnings	58,850	76,528	17,678
Miscellaneous	308,132	167,145	(140,987)
Total revenues	13,485,807	13,474,931	(10,876)
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Governing body:</b>			
Salaries and employee benefits	-	108,907	-
Other operating expenditures	-	56,168	-
Reimbursement - proprietary funds	-	(135,090)	-
Total	45,355	29,985	15,370
<b>Administration:</b>			
Salaries and employee benefits	-	463,097	-
Professional services	-	92,630	-
Other operating expenditures	-	134,373	-
Capital outlay	-	304,301	-
Reimbursement - proprietary funds	-	(556,210)	-
Total	562,670	438,191	124,479
<b>Finance:</b>			
Salaries and employee benefits	-	677,217	-
Professional services	-	81,991	-
Other operating expenditures	-	225,183	-
Capital outlay	-	19,021	-
Reimbursement - proprietary funds	-	(886,120)	-
Total	309,505	117,292	192,213

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Planning and code enforcement:</b>			
Salaries and employee benefits	-	537,848	-
Other operating expenditures	-	121,637	-
Capital Outlay	-	13,620	-
Total	<u>886,400</u>	<u>673,105</u>	<u>213,295</u>
<b>Special appropriations:</b>			
Contributions	-	231,756	-
Total	<u>273,750</u>	<u>231,756</u>	<u>41,994</u>
Total general government	<u>2,077,680</u>	<u>1,490,329</u>	<u>587,351</u>
<b>Public safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	-	3,656,300	-
Professional services	-	50,157	-
Other operating expenditures	-	662,970	-
Capital outlay	-	10,000	-
Total	<u>4,955,347</u>	<u>4,379,427</u>	<u>575,920</u>
<b>Fire:</b>			
Salaries and employee benefits	-	1,281,181	-
Professional services	-	14,808	-
Other operating expenditures	-	345,649	-
Capital outlay	-	10,728	-
Total	<u>1,831,370</u>	<u>1,652,366</u>	<u>179,004</u>
Total public safety	<u>6,786,717</u>	<u>6,031,793</u>	<u>754,924</u>
<b>Transportation:</b>			
<b>Streets and highways:</b>			
Salaries and employee benefits	-	1,072,015	-
Professional services	-	66,191	-
Other operating expenditures	-	986,705	-
Contracted services	-	189,293	-
Capital outlay	-	269,806	-
Total transportation	<u>3,348,550</u>	<u>2,584,010</u>	<u>764,540</u>

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	138,178	-
Other operating expenditures	-	65,846	-
Capital outlay	-	5,153	-
Total environmental protection	<u>236,785</u>	<u>209,177</u>	<u>27,608</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,388,583	-
Other operating expenditures	-	570,565	-
Capital outlay	-	249,008	-
Total culture and recreation	<u>3,508,840</u>	<u>2,208,156</u>	<u>1,300,684</u>
Debt service:			
Principal payments	-	448,202	-
Interest and other charges	-	150,438	-
Total debt service	<u>598,860</u>	<u>598,640</u>	<u>220</u>
Contingency	-	-	-
Total expenditures	<u>16,557,432</u>	<u>13,122,105</u>	<u>3,435,327</u>
Revenues over (under) expenditures	<u>(3,071,625)</u>	<u>352,826</u>	<u>3,424,451</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,275,600	1,275,600	
Sales of capital assets	7,000	23,371	
Proceeds from interfund borrowing	800,000	800,000	
Appropriations from fund balance	989,025	-	
Total	<u>\$ 3,071,625</u>	<u>2,098,971</u>	<u>\$ (972,654)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>2,451,797</u>	<u>\$ 2,451,797</u>
Fund balances:			
Beginning of year, July 1		<u>8,277,224</u>	
End of year, June 30		<u>\$ 10,729,021</u>	



**Town of Waynesville  
Combining Balance Sheet  
Nonmajor Governmental Fund  
For the Fiscal Year Ended June 30, 2020**

	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 447,651	\$ 447,651
Accounts and interest receivable	22	22
Due from other governments	-	-
	\$ 447,673	\$ 447,673
<b>Total assets</b>	<b>\$ 447,673</b>	<b>\$ 447,673</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ -
<b>Total liabilities</b>	-	-
 <b>Fund balances:</b>		
Nonspendable-perpetual maintenance	447,673	447,673
Restricted-Cultural and Recreation	-	-
Committed-General Government	-	-
<b>Total fund balances</b>	447,673	447,673
<b>Total liabilities and fund balances</b>	<b>\$ 447,673</b>	<b>\$ 447,673</b>

**Town of Waynesville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Fund**  
**For the Fiscal Year Ended June 30, 2020**

	Perpetual Care/ Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:		
Restricted intergovernmental	\$ -	\$ -
Sales and services	34,600	34,600
Miscellaneous revenue	4,116	4,116
	38,716	38,716
Total revenues	38,716	38,716
Expenditures:		
Cultural and recreation	-	-
General government	-	-
	-	-
Total expenditures	-	-
Revenues over (under) expenditures	38,716	38,716
Other financing sources:		
Transfers (to) from other funds:		
Public Works Building Improvement Fund	-	-
	-	-
Total other financing sources	-	-
Net change in fund balance	38,716	38,716
Fund balances:		
Beginning of year, July 1	408,957	408,957
End of year, June 30	\$ 447,673	\$ 447,673

**Town of Waynesville, North Carolina**  
**Electric Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Charges for service	\$ 9,456,790	\$ 8,917,002	\$ (539,788)
Other operating revenue	-	-	-
<b>Total operating revenues</b>	<u>9,456,790</u>	<u>8,917,002</u>	<u>(539,788)</u>
<b>Nonoperating revenues:</b>			
Miscellaneous	-	34,319	-
<b>Total nonoperating revenues</b>	<u>25,270</u>	<u>34,319</u>	<u>9,049</u>
<b>Total revenues</b>	<u>9,482,060</u>	<u>8,951,321</u>	<u>(530,739)</u>
<b>Expenditures:</b>			
<b>Finance and administration:</b>			
Charge for services	762,040	762,040	-
<b>Electrical operations:</b>			
Salaries and employee benefits	-	387,261	-
Professional services	-	9,016	-
Maintenance	-	12,986	-
Other departmental expenditures	-	320,825	-
Capital outlay	-	369,102	-
<b>Total</b>	<u>1,445,825</u>	<u>1,099,190</u>	<u>346,635</u>
<b>Electrical power purchases</b>	<u>5,915,500</u>	<u>5,133,000</u>	<u>782,500</u>
<b>Debt service:</b>			
Principal payments	-	315,316	-
Interest and fees	-	14,119	-
<b>Total</b>	<u>329,500</u>	<u>329,435</u>	<u>65</u>
<b>Total expenditures</b>	<u>8,452,865</u>	<u>7,323,665</u>	<u>1,129,200</u>
<b>Revenues over expenditures</b>	<u>1,029,195</u>	<u>1,627,656</u>	<u>598,461</u>
<b>Other financing sources (uses):</b>			
Capital contributions	191,000	180,465	(10,535)
<b>Transfers to other funds:</b>			
Transfer to General Fund	(1,275,600)	(1,275,600)	-
Fund balance appropriated	55,405	-	(55,405)
<b>Total other financing (uses)</b>	<u>(1,029,195)</u>	<u>(1,095,135)</u>	<u>(65,940)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>532,521</u>	<u>\$ 532,521</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Principal payments		315,316	
Capital outlays		369,102	
Depreciation		(272,639)	
Decrease in long-term debt accrued interest		6,219	
Decrease in deferred outflows of resources-pensions		(3,867)	
Increase in net pension liability		(23,131)	
Increase in deferred inflows of resources-pensions		(459)	
Increase in total OPEB liability		(7,444)	
Increase in deferred outflows of resources-OPEB		8,056	
Decrease in deferred inflows of resources-OPEB		2,668	
Increase in accrued vacation pay		(5,314)	
<b>Total</b>		<u>388,507</u>	
<b>Change in net position</b>		<u>\$ 921,028</u>	

**Town of Waynesville, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive/(Negative)
	Budget	Actual	
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Water charges	\$ -	\$ 3,152,860	\$ -
Taps and connection fees	-	107,228	-
<b>Total operating revenues</b>	<u>3,376,200</u>	<u>3,260,088</u>	<u>(116,112)</u>
<b>Nonoperating revenues:</b>			
Miscellaneous	-	23,963	-
<b>Total nonoperating revenues</b>	<u>27,300</u>	<u>23,963</u>	<u>(3,337)</u>
<b>Total revenues</b>	<u>3,403,500</u>	<u>3,284,051</u>	<u>(119,449)</u>
<b>Expenditures:</b>			
<b>Finance and administration:</b>			
Charge for services	434,270	434,270	-
<b>Total</b>	<u>434,270</u>	<u>434,270</u>	<u>-</u>
<b>Water maintenance and distribution:</b>			
<b>Maintenance department:</b>			
Salaries and employee benefits	-	645,709	-
Maintenance	-	210,836	-
Professional services	-	41,593	-
Other departmental expenditures	-	279,890	-
Capital outlay	-	222,257	-
<b>Total</b>	<u>1,714,053</u>	<u>1,400,285</u>	<u>313,768</u>
<b>Operations department:</b>			
Salaries and employee benefits	-	519,286	-
Professional services	-	21,701	-
Utilities	-	23,079	-
Maintenance	-	148,683	-
Other departmental expenditures	-	210,612	-
Capital outlay	-	389,083	-
<b>Total</b>	<u>1,523,512</u>	<u>1,312,444</u>	<u>211,068</u>
<b>Total water maintenance and distribution</b>	<u>3,237,565</u>	<u>2,712,729</u>	<u>524,836</u>
<b>Debt service:</b>			
Principal payments	-	163,727	-
Interest and fees	-	16,107	-
<b>Total</b>	<u>179,940</u>	<u>179,834</u>	<u>106</u>
<b>Total expenditures</b>	<u>3,851,775</u>	<u>3,326,833</u>	<u>524,942</u>
<b>Revenues over (under) expenditures</b>	<u>(448,275)</u>	<u>(42,782)</u>	<u>405,493</u>
<b>Other financing sources (uses):</b>			
<b>Transfers (to)/from other funds:</b>			
Transfer to General Fund	-	-	-
Fund balance appropriated	448,275	-	(448,275)
<b>Total other financing (uses)</b>	<u>448,275</u>	<u>-</u>	<u>(448,275)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(42,782)</u>	<u>\$ (42,782)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Principal payments		163,727	
Capital outlays		611,340	
Depreciation		(633,955)	
Decrease in long-term debt accrued interest		6,533	
Decrease in deferred outflows of resources-pensions		(32,991)	
Increase in net pension liability		(44,551)	
Increase in deferred inflows of resources-pensions		(991)	
Increase in total OPEB liability		(80,278)	
Increase in deferred outflows of resources-OPEB		11,686	
Decrease in deferred inflows of resources-OPEB		4,183	
Increase in accrued vacation pay		(4,802)	
<b>Total</b>		<u>(99)</u>	
<b>Change in net position</b>		<u>\$ (42,881)</u>	

**Town of Waynesville, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

	2020		Variance Positive/(Negative)
	Budget	Actual	
<b>Revenues:</b>			
Operating revenues:			
Sewer charges	\$ -	\$ 2,923,464	\$ -
Taps and connection fees	-	89,863	-
Total operating revenues	<u>3,175,180</u>	<u>3,013,327</u>	<u>(161,853)</u>
Nonoperating revenues:			
Miscellaneous	-	20,952	20,952
Total nonoperating revenues	<u>23,660</u>	<u>20,952</u>	<u>(2,708)</u>
Total revenues	<u>3,198,840</u>	<u>3,034,279</u>	<u>(164,561)</u>
<b>Expenditures:</b>			
Finance and administration:			
Charges by general fund	<u>381,110</u>	<u>381,110</u>	<u>-</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	373,292	-
Professional services	-	72,831	-
Maintenance	-	34,054	-
Other departmental expenditures	-	140,894	-
Capital outlay	-	39,814	-
Total	<u>880,459</u>	<u>660,885</u>	<u>219,574</u>
Operations department:			
Salaries and employee benefits	-	707,479	-
Professional services	-	169,517	-
Utilities	-	141,454	-
Maintenance	-	129,890	-
Other departmental expenditures	-	392,390	-
Capital outlay	-	465,507	-
Total	<u>2,080,060</u>	<u>2,006,237</u>	<u>73,823</u>
Total waste collection and treatment	<u>2,960,519</u>	<u>2,667,122</u>	<u>293,397</u>
Debt service:			
Principal payments	-	-	-
Interest and fees	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,341,629</u>	<u>3,048,232</u>	<u>293,397</u>
Revenues over (under) expenditures	<u>(142,789)</u>	<u>(13,953)</u>	<u>128,836</u>
<b>Other financing sources (uses):</b>			
Transfers to other funds:			
Transfers to general fund:			
Fund balance appropriated	142,789	-	(142,789)
Total other financing sources	<u>142,789</u>	<u>-</u>	<u>(142,789)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (13,953)</u>	<u>\$ (13,953)</u>

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

<b>Reconciling items:</b>	
Capital outlays	505,321
Depreciation	(455,956)
Decrease in deferred outflows of resources-pensions	(23,918)
Increase in net pension liability	(47,287)
Increase in deferred inflows of resources-pensions	(1,005)
Increase in total OPEB liability	(103,176)
Increase in deferred outflows of resources-OPEB	17,508
Decrease in deferred inflows of resources-OPEB	1,689
Increase in accrued vacation pay	(8,105)
Total	<u>(114,929)</u>
Change in net position	<u>\$ (128,882)</u>

**Town of Waynesville, North Carolina**  
**Waste Water Treatment Plant Improvements Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2020**

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>					
Engineering and professional fees	1,640,000	-	154,831	154,831	1,485,169
Equipment	500,000	-	-	-	500,000
Land Purchase	500,000	-	-	-	500,000
Construction costs	15,760,000	-	-	-	15,760,000
Contingency	1,000,000	-	-	-	1,000,000
Total Expenditures	<u>19,400,000</u>	<u>-</u>	<u>154,831</u>	<u>154,831</u>	<u>19,245,169</u>
Revenues over (under) expenditures	<u>(19,400,000)</u>	<u>-</u>	<u>(154,831)</u>	<u>(154,831)</u>	<u>(19,245,169)</u>
<b>Other financing sources:</b>					
Transfers in from other funds	-	-	-	-	-
Loan proceeds	19,400,000	-	-	-	19,400,000
Total other financing sources	<u>19,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,400,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(154,831)</u>	<u>\$ (154,831)</u>	<u>\$ 154,831</u>
<b>Fund balances:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (154,831)</u>		

Town of Waynesville, North Carolina  
**Asset Services Management Internal Service Fund**  
**Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)**  
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Charges for services	\$ 1,662,834	\$ 1,388,959	\$ (273,875)
<b>Total operating revenues</b>	<u>1,662,834</u>	<u>1,388,959</u>	<u>(273,875)</u>
<b>Nonoperating revenues:</b>			
Miscellaneous	-	3,481	3,481
<b>Total nonoperating revenues</b>	<u>-</u>	<u>3,481</u>	<u>3,481</u>
<b>Total revenues</b>	<u>1,662,834</u>	<u>1,392,440</u>	<u>(270,394)</u>
<b>Expenditures:</b>			
<b>Public Services Administration:</b>			
Salaries and employee benefits	-	328,260	-
Occupancy costs	-	3,633	-
Maintenance and repairs	-	210	-
Materials and supplies	-	4,871	-
Other departmental expenses	-	32,285	-
Capital outlays	-	-	-
<b>Total expenditures</b>	<u>459,834</u>	<u>369,259</u>	<u>90,575</u>
<b>Public Facilities:</b>			
Salaries and employee benefits	-	209,461	-
Occupancy costs	-	62,363	-
Maintenance and repairs	-	30,772	-
Materials and supplies	-	44,218	-
Other departmental expenses	-	314,856	-
Capital outlays	-	24,955	-
<b>Total expenditures</b>	<u>847,760</u>	<u>686,625</u>	<u>161,135</u>
<b>Purchasing:</b>			
Salaries and employee benefits	-	184,373	-
Occupancy costs	-	22,645	-
Maintenance and repairs	-	4,708	-
Materials and supplies	-	8,926	-
Other departmental expenses	-	5,949	-
Capital outlays	-	-	-
<b>Total expenditures</b>	<u>246,340</u>	<u>226,601</u>	<u>19,739</u>
<b>Debt service:</b>			
Principal payments	-	86,667	-
Interest and fees	-	22,189	-
<b>Total debt service</b>	<u>108,900</u>	<u>108,856</u>	<u>44</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>1,099</u>	<u>1,099</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 1,099</u>
<b>Reconciliation from financial plan</b>			
<b>basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Depreciation		(128,093)	
Principal payments		86,667	
Capital outlays		24,955	
Decrease in accrued interest payable		431	
Decrease in deferred outflows of resources-pensions		(56,477)	
Decrease in net pension liability		17,891	
Decrease in deferred inflows of resources-pensions		101	
Decrease in total OPEB liability		59,500	
Increase in deferred outflows of resources-OPEB		10,663	
Decrease in deferred inflows of resources-OPEB		10,250	
Increase in accrued vacation pay		(1,098)	
<b>Total reconciling items</b>		<u>24,790</u>	
<b>Change in net position</b>		<u>\$ 25,889</u>	

Town of Waynesville, North Carolina  
**Garage Internal Service Fund**  
**Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)**  
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Financial Plan	Actual	
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 656,960	\$ 598,717	\$ (58,243)
Total operating revenues	<u>656,960</u>	<u>598,717</u>	<u>(58,243)</u>
Nonoperating revenues:			
Miscellaneous	-	2,647	2,647
Total nonoperating revenues	<u>10,710</u>	<u>2,647</u>	<u>(8,063)</u>
Total revenues	<u>667,670</u>	<u>601,364</u>	<u>(66,306)</u>
<b>Expenditures:</b>			
Salaries and employee benefits	-	181,667	-
Maintenance and repairs	-	12,246	-
Materials and supplies	-	148,184	-
Other departmental expenses	-	255,056	-
Capital outlay	-	-	-
Total expenditures	<u>667,670</u>	<u>597,153</u>	<u>70,517</u>
Net change in fund balance	<u>\$ -</u>	<u>4,211</u>	<u>\$ 4,211</u>
<b>Reconciliation from financial plan basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Depreciation		(12,031)	
Capital outlay		-	
Increase in deferred outflows of resources-pensions		486	
Increase in net pension liability		(14,395)	
Increase in deferred inflows of resources-pensions		(272)	
Increase in total OPEB liability		(29,267)	
Decrease in deferred outflows of resources-OPEB		(2,482)	
Increase in deferred inflows of resources-OPEB		(654)	
Increase in accrued vacation pay		<u>(4,210)</u>	
Total reconciling items		<u>(62,825)</u>	
Change in net position		<u>\$ (58,614)</u>	



Town of Waynesville, North Carolina  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
 June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	-	6,098,913	\$ 5,881,610	\$ 217,303
2018 - 2019	187,751	-	35,755	151,996
2017 - 2018	101,000	-	14,958	86,042
2016 - 2017	60,808	-	6,446	54,362
2015 - 2016	40,190	-	6,163	34,027
2014 - 2015	30,953	-	2,827	28,126
2013 - 2014	33,862	-	1,915	31,947
2012 - 2013	29,149	-	1,362	27,787
2011 - 2012	26,706	-	1,236	25,470
2010 - 2011	23,929	-	534	23,395
2009 - 2010	23,401	-	23,401	-
	<u>\$ 557,749</u>	<u>\$ 6,098,913</u>	<u>\$ 5,976,207</u>	<u>680,455</u>
	Less: allowance for uncollectible accounts:			
	General Fund			<u>(20,000)</u>
	Ad valorem taxes receivable - net			<u><u>660,455</u></u>
 <u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			6,115,710
	Reconciling items:			
	Interest, penalties and advertising collected			(33,920)
	Special Motor Vehicle Tax			(128,115)
	Taxes written off			22,532
	Subtotal			<u>(139,503)</u>
	Total collections and credits			<u><u>\$ 5,976,207</u></u>

Town of Waynesville, North Carolina  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
For the Fiscal Year Ended June 30, 2020

	Town - Wide		Total Levy		
			Property	Registered	Registered
	Valuation	Rate	Total Levy	Motor Vehicles	Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,209,164,840	0.4957	\$ 5,993,830	\$ 5,554,353	\$ 439,477
Municipal service district	50,743,216	0.2000	101,486	101,486	-
Penalties	-		4,905	4,905	-
Total	<u>1,259,908,056</u>		<u>6,100,221</u>	<u>5,660,744</u>	<u>439,477</u>
Discoveries:					
Current year taxes	363,930	0.4957	1,805	1,805	-
Penalties	-		126	126	-
Total	<u>363,930</u>		<u>1,931</u>	<u>1,931</u>	<u>-</u>
Abatements	<u>(653,420)</u>	0.4957	<u>(3,239)</u>	<u>(3,239)</u>	<u>-</u>
Total property valuation	<u>\$ 1,259,618,566</u>				
Net levy			6,098,913	5,659,436	439,477
Uncollected taxes at June 30, 2019			<u>(217,303)</u>	<u>(217,303)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,881,610</u>	<u>\$ 5,442,133</u>	<u>\$ 439,477</u>
Current levy collection percentage			<u>96.44%</u>	<u>96.16%</u>	<u>100.00%</u>

**COMPLIANCE SECTION**



Ray,  
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& Assoc., P.A.

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Waynesville's basic financial statements, and have issued our report thereon dated December 11, 2020. Our report includes a reference to other auditors who audited the financial statements of the Town of Waynesville ABC Board, as described in our report on the Town of Waynesville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waynesville, North Carolina  
December 11, 2020



**Town of Waynesville, North Carolina**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**

**Section II. - Financial Statement Findings**

None reported

**Town of Waynesville, North Carolina**  
**CORRECTIVE ACTION PLAN**  
**For the Fiscal Year Ended June 30, 2020**

**Section II - Financial Statements Findings**

None reported



**Town of Waynesville, North Carolina**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For The Year Ended June 30, 2020**

**Section II - Financial Statements Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

N/A – No Federal Awards tested thus no findings

**Section IV - State Award Findings and Questioned Costs**

None reported