

**TOWN OF WAYNESVILLE
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF WAYNESVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2023

Mayor

Gary Caldwell

Town Council

Clarence Dickson

Jon Feichter

Julia Freeman

Anthony Sutton

Town Manager

Robert Hites

Prepared by the Town of Waynesville Finance Department

Finance Director

Misty Hagood

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-14
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	15-16
B	Statement of Activities	17-18
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	19-20
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	22
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23
G	Statement of Net Position - Proprietary Funds	24-25
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	26
I	Statement of Cash Flows - Proprietary Funds	27-28
	Notes to the Financial Statements	29-72

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Other Post-Employment Benefits - Required Supplementary Information Last Six Fiscal Years	73-74
A-2	Local Governmental Employees' Retirement System - Town of Waynesville's Proportionate Share of Net Pension Liability (Asset) - Last Ten Fiscal Years	75-76
A-3	Local Governmental Employees' Retirement System - Town of Waynesville's Contributions - Last Ten Fiscal Years	77-78
A-4	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability - Last Seven Fiscal Years	79-80
A-5	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Employee Covered Payroll - Last Seven Fiscal Years	81-82
	Supplementary Information:	
	Major Governmental Fund:	
1	General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	83-86
	Major Special Revenue Fund:	
2	ARPA Grant Project Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	87
3	Nonmajor Cemetery Permanent Fund - Schedule of Revenues, Expenditures	88
	Major Enterprise Funds:	
4	Electric Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	89-90

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Enterprise Funds (continued):	
5	Electric Capital Project Fund Walnut Street/Russ Avenue Improvements - Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)	91
6	Water Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	92-93
7	Sewer Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	94-95
8	Sewer Capital Project Fund - Waste Water Treatment Plant Improvement - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	96
	Internal Service Funds:	
9	Combining Statement of Net Position	97-98
10	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	99
11	Combining Statement of Cash Flows	100-101
12	Asset Services Management Internal Service Fund Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	102-103
13	Garage Internal Service Fund Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	104

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Other Schedules:	
14	Schedule of Ad Valorem Taxes Receivable	105
15	Analysis of Current Year Levy	106
	Compliance Section:	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107-108
	Report On Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	109-111
	Schedule of Findings, Responses, and Questioned Costs	112-113
	Schedule of Prior Year Audit Findings	114
	Schedule of Expenditures of Federal and State Awards	115

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Town of Waynesville ABC Board. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Waynesville ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waynesville's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Waynesville's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement

Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waynesville's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Town of Waynesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waynesville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waynesville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 25, 2023

This page left blank intentionally.

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, 2023. 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

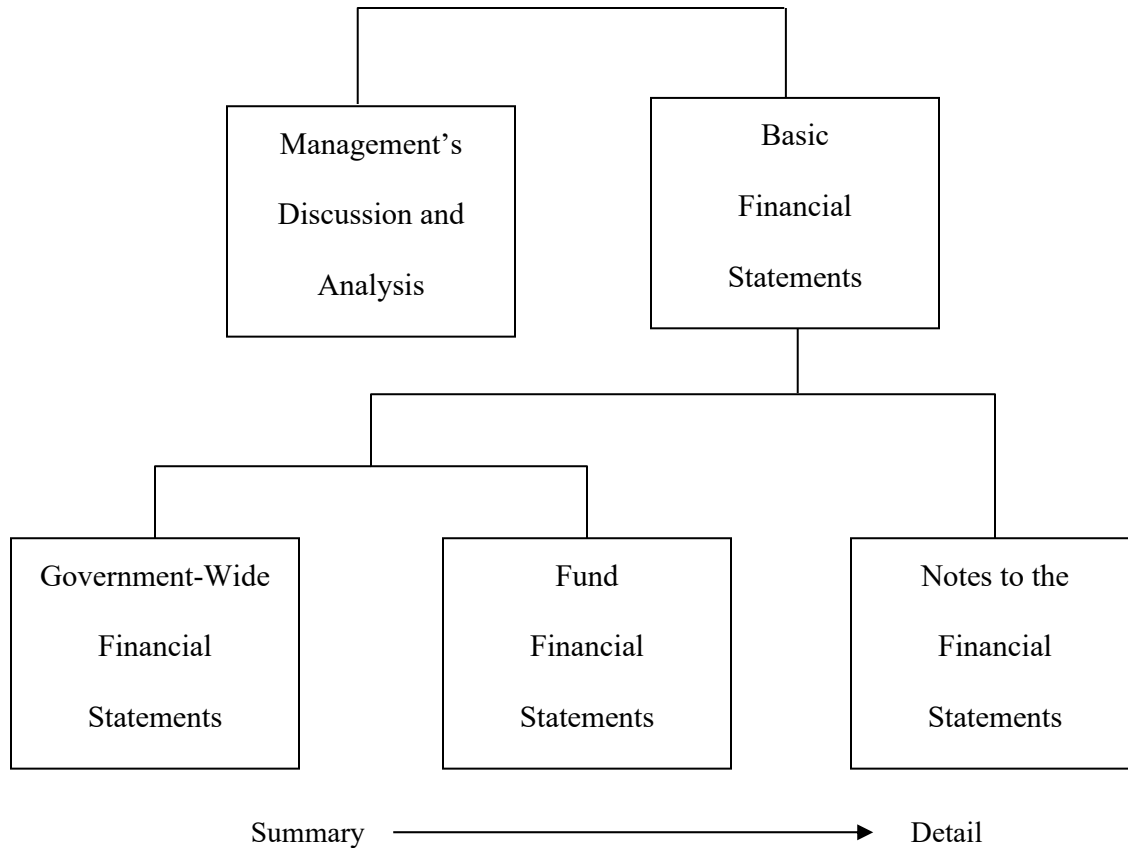
- The assets and deferred outflows of resources of the Town of Waynesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$57,119,780 (*net position*).
- The government's total net position increased by \$2,499,712, primarily due to increases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$14,008,166, an increase of \$1,019,534 in comparison with the prior year. Approximately 32% of this total amount, or \$4,537,867, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$10,417,549, or 61%, of total General Fund expenditures adjusted for transfers out and issuances of debt and leases.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the Town's financial status.

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

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Waynesville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Waynesville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 72-81 of this report.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the state of North Carolina. Because of this dependency, the Town is subject to change in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with United States Treasury Securities because of actions by foreign governments and other holders of publicly held United States Treasury Securities.

Government-Wide Financial Analysis

Town of Waynesville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 16,683,641	\$ 14,865,755	\$ 11,836,910	\$ 12,947,349	\$ 28,520,551	\$ 27,813,104
Capital assets, net	23,368,348	22,397,533	28,897,794	22,942,854	52,266,142	45,340,387
Total assets	<u>40,051,989</u>	<u>37,263,288</u>	<u>40,734,704</u>	<u>35,890,203</u>	<u>80,786,693</u>	<u>73,153,491</u>
Deferred Outflows of Resources	<u>5,749,084</u>	<u>5,089,610</u>	<u>1,286,497</u>	<u>1,073,888</u>	<u>7,035,581</u>	<u>6,163,498</u>
Liabilities:						
Long-term liabilities	17,485,581	15,438,890	3,352,840	2,715,472	20,838,421	18,154,362
Other liabilities	2,988,198	2,182,382	4,675,227	1,292,379	7,663,425	3,474,761
Total liabilities	<u>20,473,779</u>	<u>17,621,272</u>	<u>8,028,067</u>	<u>4,007,851</u>	<u>28,501,846</u>	<u>21,629,123</u>
Deferred Inflows of Resources	<u>1,851,132</u>	<u>2,485,844</u>	<u>349,516</u>	<u>581,954</u>	<u>2,200,648</u>	<u>3,067,798</u>
Net Position:						
Net investment in capital assets	19,202,217	17,788,052	28,309,141	22,292,517	47,511,358	40,080,569
Restricted	4,052,702	3,668,273	-	-	4,052,702	3,668,273
Unrestricted	<u>221,243</u>	<u>789,457</u>	<u>5,334,477</u>	<u>10,081,769</u>	<u>5,555,720</u>	<u>10,871,226</u>
Total net position	<u>\$ 23,476,162</u>	<u>\$ 22,245,782</u>	<u>\$ 33,643,618</u>	<u>\$ 32,374,286</u>	<u>\$ 57,119,780</u>	<u>\$ 54,620,068</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Waynesville exceeded liabilities and deferred inflows of resources by \$57,119,780 as of June 30, 2023. The Town's net position increased by \$2,499,712 (5%) for the fiscal year ended June 30, 2023. The largest portion of net position (83%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Waynesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Waynesville's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Waynesville's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,555,720 is unrestricted.

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

- We have been diligent with collection of current year and past due property taxes. Our collection rate increased to just over 99%.
- The local option sales tax revenues (Article 39, Article 40, Article 42, and the hold harmless amount for the Article 44) totaled \$4,477,010, an increase of \$351,639, or 8.52%, in comparison to the prior year.
- The Town was able to purchase capital assets with the ARPA funds that were received in 2021 and 2022.

Town of Waynesville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,165,306	\$ 1,993,042	\$ 17,602,673	\$ 16,368,277	\$ 19,767,979	\$ 18,361,319
Operating grants and contributions	1,281,417	1,512,684	82,507	5,500	1,363,924	1,518,184
Capital grants and contributions	213,138	320,019	-	-	213,138	320,019
General revenues:						
Property taxes	7,235,379	6,862,474	-	-	7,235,379	6,862,474
Other taxes and licenses	4,606,721	4,240,424	-	-	4,606,721	4,240,424
Unrestricted intergovernmental revenues	1,116,833	1,017,771	-	-	1,116,833	1,017,771
Other	638,194	471,654	314,217	34,509	952,411	506,163
Total revenues	17,256,988	16,418,068	17,999,397	16,408,286	35,256,385	32,826,354
Expenses:						
General government	2,400,381	2,558,020	-	-	2,400,381	2,558,020
Public safety	8,292,863	7,219,288	-	-	8,292,863	7,219,288
Transportation	3,129,652	2,790,672	-	-	3,129,652	2,790,672
Environmental protection	265,756	280,540	-	-	265,756	280,540
Cultural and recreational	2,629,883	2,343,991	-	-	2,629,883	2,343,991
Interest on long-term debt	107,268	95,262	-	-	107,268	95,262
Electric	-	-	9,096,694	8,065,198	9,096,694	8,065,198
Water	-	-	3,549,297	3,248,384	3,549,297	3,248,384
Sewer	-	-	3,284,879	3,016,471	3,284,879	-
Total expenses	16,825,803	15,287,773	15,930,870	14,330,053	32,756,673	29,617,826
Increase (decrease in net position)						
before transfers	431,185	1,130,295	2,068,527	2,078,233	2,499,712	3,208,528
Transfers	799,195	727,600	(799,195)	(727,600)	-	-
Change in net position	1,230,380	1,857,895	1,269,332	1,350,633	2,499,712	3,208,528
Net Position:						
Beginning of year - July 1	22,245,782	20,382,487	32,374,286	31,023,653	54,620,068	51,406,140
Restatement	-	5,400	-	-	-	5,400
Beginning of year - restated	22,245,782	20,387,887	32,374,286	31,023,653	54,620,068	51,411,540
End of year - June 30	\$ 23,476,162	\$ 22,245,782	\$ 33,643,618	\$ 32,374,286	\$ 57,119,780	\$ 54,620,068

Governmental Activities. Governmental activities' net position increased by \$1,230,380. Key elements of this increase are as follows:

- Revenues were up in property taxes, sales tax, and investment income, which helped increase the net position.
- Rates for residential sanitation were increased by \$1 per month.
- There were additions to capital assets that the Town purchased using ARPA funds.

Business-Type Activities. Business-type activities increased the Town of Waynesville's net position by \$1,269,332. Key elements of this increase are as follows:

- The Town increased water rates by 3% and sewer rates 10%. Electric rates were increased in July 2022 and again in May 2023.
- There was an increase in collections due to customers paying off payment arrangements for bills that had become delinquent during COVID and resuming cut offs for delinquent accounts.
- There were additions to capital assets that the Town purchased using ARPA funds.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Waynesville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Waynesville's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Waynesville. At the end of the current fiscal year, available fund balance of the General Fund was \$10,417,549, while total fund balance reached \$13,439,130. By comparison, the year ended June 30, 2022, fund balance available in the General Fund was \$9,730,298 and total fund balance was \$12,466,141. The Town's current fund balance available is 61% of General Fund expenditures, adjusted for transfers out and issuances of debt and leases, while total fund balance represents 79% of the same amount. By comparison, the year ended June 30, 2022, the fund balance available was 66% of the General Fund adjusted expenditures, while total fund balance represents 84% of the same amount.

At June 30, 2023, the governmental funds of the Town of Waynesville reported a combined fund balance of \$14,008,166, a net increase in fund balance of \$1,019,534 This represents an 8% increase over last year.

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

The Town's total budget for the General Fund including transfers to other funds for the year ended June 30, 2023 ended on a positive note and added to the overall fund balance. The majority of revenues came in over budget. Ad valorem taxes were up due to an excellent collection rate. Other taxes and licenses are more than budgeted due to higher sales tax collections in Articles 39, 40, 42, and the hold harmless amount for Article 44. Investment income was up due to several increases in interest rates over the year. Residential sanitation fees were increased \$1 per month which increased the revenue over \$100,000 for

the year. Recreation revenues continued to increase as the use of the facility has slowly and steadily increased over the past few years after the sharp decline during Covid. All transfers to the General Fund from business-type activities were made as budgeted and sales of capital assets brought in \$61,986 more than expected. Overall, on the expenditure side, the Town's actual General Fund's expenditures totaled \$16,907,696, and all area came in under budget. The exhibits break out the expenditures on a functional basis. The Town had budgeted to use General Fund balance, but none was needed due to revenues coming in strong and expenditures being under budget. In fact, on a budget basis, the Town added \$970,989 to the General Fund balance.

ARPA Fund. ARPA funds have been used to purchase much needed capital items. The Town Council decided to use revenue replacement to minimize the restrictions on uses of the funds. Over the past fiscal year, the funds were used for a new SUV for the meter readers, replacement of the dispatch console in the police department, and there were transfer to the water, sewer, and internal service funds for capital needs.

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 \$3,614,345, \$3,869,060, and (\$2,280,880), respectively. In comparison to the year ended June 30, 2022, the unrestricted net position of the electric, water and sewer funds totaled \$4,530,602, \$3,018,015, and \$2,424,985 respectively. The electric, water and sewer funds' unrestricted net position increased/(decreased) (\$916,257), \$851,045 and (\$4,705,865), respectively. Total change in net position of the Electric Fund at the end of the fiscal year decreased \$489,399 while the total change in net position of the water and sewer funds at the end of the fiscal year increased \$584,647 and \$1,150,299. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Waynesville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Waynesville's capital assets for its governmental and business-type activities as of June 30, 2023 totals \$52,262,294 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreation facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include:

- purchase of a vehicle for Administration
- purchase of several new police vehicles
- renovation of the detention room in the police department
- purchase of a new Ferrara Pumper truck and extrication equipment for the fire department
- purchase of a new garbage truck
- purchase of a mower for the cemetery
- purchase of a new truck for development services
- upgrades at the dog park
- purchase of John Deere Excavator (water)
- purchase of John Deere wheel loader and new mower (sewer)
- system additions at the Sunnyside subdivision site (electric)
- purchase of EV fast charger for downtown (electric)
- purchase of lighting for Walnut Street (electric)

Town of Waynesville's Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 2,545,318	\$ 2,545,318	\$ 1,826,920	\$ 1,826,920	\$ 4,372,238	\$ 4,372,238
Public art	114,547	114,547	-	-	114,547	114,547
Construction in progress	656,657	585,277	7,879,057	1,622,572	8,535,714	2,207,849
Land improvements	590,583	631,686	55,188	62,368	645,771	694,054
Buildings and improvements	11,946,282	12,450,059	1,233,964	1,428,486	13,180,246	13,878,545
Equipment, furniture, and fixtures	636,444	451,205	203,132	181,175	839,576	632,380
Vehicles and motorized equipment	2,748,017	1,808,830	932,520	892,434	3,680,537	2,701,264
Infrastructure	3,599,449	3,352,394	-	-	3,599,449	3,352,394
Substations, lines, and related equipment	-	-	2,403,258	2,273,618	2,403,258	2,273,618
Plant and distribution systems	-	-	14,363,755	14,655,281	14,363,755	14,655,281
Leased land improvements	283,318	125,250	-	-	283,318	125,250
Leased buildings	36,581	60,968	-	-	36,581	60,968
Leased equipment	154,587	226,746	-	-	154,587	226,746
Subscriptions	52,717	-	-	-	52,717	-
Capital assets, net	<u>\$ 23,364,500</u>	<u>\$ 22,352,280</u>	<u>\$ 28,897,794</u>	<u>\$ 22,942,854</u>	<u>\$ 52,262,294</u>	<u>\$ 45,295,134</u>

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

Long-Term Debt. As of June 30, 2023, the Town of Waynesville had total installment purchases outstanding of \$4,686,643.

Town of Waynesville's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Installment purchases	<u>\$ 4,097,990</u>	<u>\$ 4,612,758</u>	<u>\$ 588,653</u>	<u>\$ 650,337</u>	<u>\$ 4,686,643</u>	<u>\$ 5,263,095</u>

The Town had no refinanced debt or new debt that was added for governmental-type or business-type activities during the year.

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Waynesville is approximately \$128,739,237.

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

Economic Factors and Next Year’s Budgets and Rates

Town of Waynesville

**Budget Comparison
For the Year Ending June 30, 2024**

	<u>FY 23-24 Budget</u>	<u>FY 22-23 Budget*</u>	<u>Difference</u>	<u>%</u>
General	\$ 17,452,975	\$ 17,079,739	\$ (373,236)	-2.19%
Electric	11,402,059	10,029,179	(1,372,880)	-13.69%
Water	3,862,497	4,041,353	178,856	4.43%
Sewer	<u>4,161,074</u>	<u>3,736,565</u>	<u>(424,509)</u>	<u>-11.36%</u>
Total net position	<u>\$ 36,878,605</u>	<u>\$ 34,886,836</u>	<u>\$ (1,991,769)</u>	<u>-22.81%</u>

*with amendments

- The tax rate remained at \$0.4392 per hundred valuations.
- The fire tax rate for the outside districts increased from \$.06 to \$.08.
- Sewer rates increased 10%, water rates increased 7%, and electric rates increased 5%.
- Residential and commercial sanitation fees increased \$1 per month.
- While most all the other fees remain unchanged, some minor increases are seen in other areas.

The General Fund budget increased from the prior year. There were several pay increases included in the budget, including a 2% COLA, 2.5% for career track, and some other market adjustments for the lowest paid employees. The budget also included funding for a Human Resources Director and Grants Manager as requested by the Town Council.

The Water Fund budget is \$178,856 lower than the prior year. A 7% rate increase was required to fund operations. Capital purchases are down from the previous year in the Water Fund.

The Sewer Fund budget is \$424,509 more than the prior year. The majority of this increase is due to the huge increases in the prices of supplies and chemicals. There are several capital purchases being made in the 23-24 budget.

The Electric Fund budget is \$1,372,800 higher than the prior year. This is mainly due to higher capital costs and salary increases. A rate increase was required to fund operations.

Budget Highlights for the Fiscal Year Ending June 30, 2024

The Town has continued to have a lot of steady growth and development which will help with revenue growth in future years as more homes and apartments are added to the tax base. There are several subdivisions that will begin construction in the near future, and we have two apartment complexes under construction.

Ad valorem tax collection was excellent this fiscal year, and reached a level higher than has been seen in the Town of Waynesville. Sales tax grew by 8.52% during 22-23, but the extreme growth we had seen in prior years has slowed.

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

The Town was fortunate to be awarded several grants during the year that will assist in adding electric vehicle chargers downtown and at the recreation center. The fire department was able to purchase some wildland fire equipment with a FEMA grant, and the police department was able to renovate the detention room into office space with a grant from Senator Corbin.

Covid had a negative impact on collection of utility revenues in prior years due to the orders that did not allow disconnections for a period of time for non-payment. The Town sent out notices to warn residents that disconnections would resume and disconnections started back in June 2022. There were approximately 300 customers that had set up a payment plan to pay their past due balances in full within a 6–12-month period. All of the payment plans have now been paid in full or the customers moved and left a balance due. Revenues have returned to normal levels and we are on a normal schedule for delinquent notices and turn offs.

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 Finance Director, Town of Waynesville, 280 Georgia Ave, Waynesville, North Carolina 28786.

This page left blank intentionally.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Waynesville ABC Board</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 12,497,775	\$ 8,486,846	\$ 20,984,621	\$ 1,158,055
Taxes receivable, net	245,051	-	245,051	-
Accounts receivable, net	78,455	1,640,512	1,718,967	-
Other receivables	67,733	82,625	150,358	-
Due from other governments	2,116,742	-	2,116,742	-
Internal balances	(784,428)	784,428	-	-
Leases receivable	41,405	-	41,405	-
Inventories	91,993	607,526	699,519	325,919
Prepaid items	-	-	-	11,116
Cash and cash equivalents, restricted	2,328,915	234,973	2,563,888	-
Total current assets	<u>16,683,641</u>	<u>11,836,910</u>	<u>28,520,551</u>	<u>1,495,090</u>
Non-current assets:				
Leases receivable, net of current portion	<u>3,848</u>	<u>-</u>	<u>3,848</u>	<u>-</u>
Capital assets:				
Land and construction in progress	3,316,522	9,705,977	13,022,499	509,646
Other capital assets, net of depreciation	19,520,775	19,191,817	38,712,592	684,498
Right-to-use assets, net of amortization	<u>527,203</u>	<u>-</u>	<u>527,203</u>	<u>-</u>
Total capital assets	<u>23,364,500</u>	<u>28,897,794</u>	<u>52,262,294</u>	<u>1,194,144</u>
Total non-current assets	<u>23,368,348</u>	<u>28,897,794</u>	<u>52,266,142</u>	<u>1,194,144</u>
Total assets	<u>40,051,989</u>	<u>40,734,704</u>	<u>80,786,693</u>	<u>2,689,234</u>
Deferred Outflows of Resources:				
Pension deferrals	3,757,803	826,758	4,584,561	124,100
OPEB deferrals	<u>1,991,281</u>	<u>459,739</u>	<u>2,451,020</u>	<u>-</u>
Total deferred outflows of resources	<u>5,749,084</u>	<u>1,286,497</u>	<u>7,035,581</u>	<u>124,100</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	835,165	4,336,007	5,171,172	428,861
Payable from restricted assets	6,270	-	6,270	-
Current portion of long-term debt	769,468	104,247	873,715	10,357
Unearned revenue	1,377,295	-	1,377,295	-
Liabilities payable from restricted assets:				
Customer deposits	<u>-</u>	<u>234,973</u>	<u>234,973</u>	<u>-</u>
Total current liabilities	<u>2,988,198</u>	<u>4,675,227</u>	<u>7,663,425</u>	<u>439,218</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Waynesville ABC Board
Long-term liabilities:				
Net pension liability (LGERS)	4,972,884	1,250,175	6,223,059	149,500
Total pension liability (LEOSSA)	1,684,801	-	1,684,801	-
Total OPEB liability	6,496,166	1,499,805	7,995,971	-
Due in more than one year	4,331,730	602,860	4,934,590	-
Total long-term liabilities	<u>17,485,581</u>	<u>3,352,840</u>	<u>20,838,421</u>	<u>149,500</u>
Total liabilities	<u>20,473,779</u>	<u>8,028,067</u>	<u>28,501,846</u>	<u>588,718</u>
Deferred Inflows of Resources:				
Lease deferrals	43,229	-	43,229	-
Prepaid taxes	11,988	-	11,988	-
Pension deferrals	426,313	33,309	459,622	632
OPEB deferrals	<u>1,369,602</u>	<u>316,207</u>	<u>1,685,809</u>	<u>-</u>
Total deferred inflows of resources	<u>1,851,132</u>	<u>349,516</u>	<u>2,200,648</u>	<u>632</u>
Net Position:				
Net investment in capital assets	19,202,217	28,309,141	47,511,358	1,194,144
Restricted for:				
Perpetual maintenance	569,028	-	569,028	-
Stabilization by state statute	3,016,718	-	3,016,718	-
Restricted - other	466,956	-	466,956	-
Working capital	-	-	-	138,327
Unrestricted	<u>221,243</u>	<u>5,334,477</u>	<u>5,555,720</u>	<u>891,513</u>
Total net position	<u>\$ 23,476,162</u>	<u>\$ 33,643,618</u>	<u>\$ 57,119,780</u>	<u>\$ 2,223,984</u>

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

This page left blank intentionally.

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,400,381	\$ 128,883	\$ 619,565	\$ 213,138
Public safety	8,292,863	797,023	84,055	-
Transportation	3,129,652	713,890	577,797	-
Environmental protection	265,756	49,720	-	-
Cultural and recreational	2,629,883	475,790	-	-
Interest on long-term debt	107,268	-	-	-
Total governmental activities	16,825,803	2,165,306	1,281,417	213,138
Business-Type Activities:				
Electric	9,096,694	9,740,868	82,507	-
Water	3,549,297	3,717,195	-	-
Sewer	3,284,879	4,144,610	-	-
Total business-type activities	15,930,870	17,602,673	82,507	-
Total primary government	\$ 32,756,673	\$ 19,767,979	\$ 1,363,924	\$ 213,138
Component Unit:				
ABC Board	\$ 4,595,710	\$ 4,689,924	\$ -	\$ -

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u> <u>Waynesville ABC Board</u>
	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,438,795)	\$ -	\$ (1,438,795)	
Public safety	(7,411,785)	-	(7,411,785)	
Streets and public works	(1,837,965)	-	(1,837,965)	
Sanitation	(216,036)	-	(216,036)	
Cultural and recreation	(2,154,093)	-	(2,154,093)	
Interest on long-term debt	(107,268)	-	(107,268)	
Total governmental activities	<u>(13,165,942)</u>	<u>-</u>	<u>(13,165,942)</u>	
Business-Type Activities:				
Electric	-	726,681	726,681	
Water	-	167,898	167,898	
Sewer	-	859,731	859,731	
Total business-type activities	<u>-</u>	<u>1,754,310</u>	<u>1,754,310</u>	
Total primary government	<u>(13,165,942)</u>	<u>1,754,310</u>	<u>(11,411,632)</u>	
Component Unit:				
ABC Board				<u>\$ 94,214</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	7,235,379	-	7,235,379	-
Local option sales tax	4,477,010	-	4,477,010	-
Other taxes and licenses	129,711	-	129,711	-
Unrestricted intergovernmental revenues	1,116,833	-	1,116,833	-
Gain on sale of capital assets	91,986	-	91,986	-
Investment earnings	380,576	308,327	688,903	-
Miscellaneous	165,632	5,890	171,522	-
Total general revenues, excluding transfers	<u>13,597,127</u>	<u>314,217</u>	<u>13,911,344</u>	-
Transfers	799,195	(799,195)	-	-
Total general revenues and transfers	<u>14,396,322</u>	<u>(484,978)</u>	<u>13,911,344</u>	-
Change in net position	1,230,380	1,269,332	2,499,712	94,214
Net Position:				
Beginning of year - July 1	<u>22,245,782</u>	<u>32,374,286</u>	<u>54,620,068</u>	<u>2,129,770</u>
End of year - June 30	<u>\$ 23,476,162</u>	<u>\$ 33,643,618</u>	<u>\$ 57,119,780</u>	<u>\$ 2,223,984</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	ARPA Fund		
Assets:				
Cash and cash equivalents	\$ 11,732,521	\$ -	\$ 569,028	\$ 12,301,549
Taxes receivable, net	245,051	-	-	245,051
Accounts receivable, net	78,447	-	8	78,455
Due from other governments	2,116,742	-	-	2,116,742
Other receivables	58	-	-	58
Due from other funds	11,558	-	-	11,558
Inventories	2,847	-	-	2,847
Leases receivable	45,253	-	-	45,253
Cash and cash equivalents, restricted	947,250	1,381,665	-	2,328,915
Total assets	<u>\$ 15,179,727</u>	<u>\$ 1,381,665</u>	<u>\$ 569,036</u>	<u>\$ 17,130,428</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 785,953	\$ -	\$ -	\$ 785,953
Payable from restricted assets	-	6,270	-	6,270
Advances from other funds	652,476	-	-	652,476
Unearned revenues	1,900	1,375,395	-	1,377,295
Total liabilities	<u>1,440,329</u>	<u>1,381,665</u>	<u>-</u>	<u>2,821,994</u>
Deferred Inflows of Resources:				
Property taxes receivable	245,051	-	-	245,051
Lease deferrals	43,229	-	-	43,229
Prepaid taxes	11,988	-	-	11,988
Total deferred inflow of resources	<u>300,268</u>	<u>-</u>	<u>-</u>	<u>300,268</u>
Fund Balances:				
Non-spendable:				
Perpetual maintenance	-	-	569,028	569,028
Inventories	2,847	-	-	2,847
Leases	2,024	-	-	2,024
Restricted:				
Stabilization by state statute	3,016,710	-	8	3,016,718
Public safety	73,220	-	-	73,220
Streets - Powell Bill	317,510	-	-	317,510
Streets - paving	31,250	-	-	31,250
Culture and recreation	44,976	-	-	44,976
Future capital outlay	480,294	-	-	480,294
Assigned:				
Subsequent year's expenditures	14,675	-	-	14,675
Unassigned	9,455,624	-	-	9,455,624
Total fund balances	<u>13,439,130</u>	<u>-</u>	<u>569,036</u>	<u>14,008,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,179,727</u>	<u>\$ 1,381,665</u>	<u>\$ 569,036</u>	<u>\$ 17,130,428</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances - governmental funds	\$ 14,008,166
Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Total capital assets and right to use assets of governmental activities	\$ 23,364,500
Less capital assets of internal service funds	<u>(2,918,915)</u>
	20,445,585
Accrued interest on property taxes receivable are not available to pay for current period expenditures and, therefore, is not reported in the funds.	67,666
Deferred outflows of resources related to pensions are not reported in the funds.	3,429,344
Deferred outflows of resources related to OPEB are not reported in the funds.	1,794,832
Net pension liability - LRS	(4,476,258)
Total pension liability - LRS	(1,684,801)
Total OPEB liability	(5,855,290)
Internal service funds are used by management to charge the cost of asset management and garage services to individual funds. The assets and liabilities of the internal services funds are included in the governmental activities in the Statement of Net Position. The cumulative effect of internal service activities related to enterprise funds are allocated to business-type activities as an internal balance.	1,148,968
Long-term debt and leases, accrued interest and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(3,999,596)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	245,051
Deferred inflows of resources related to pensions are not reported in the funds.	(413,020)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(1,234,485)</u>
Net position of governmental activities	<u>\$ 23,476,162</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	ARPA Fund		
Revenues:				
Ad valorem taxes	\$ 7,464,057	\$ -	\$ -	\$ 7,464,057
Other taxes and licenses	4,606,721	-	-	4,606,721
Unrestricted intergovernmental revenues	1,116,833	-	-	1,116,833
Restricted intergovernmental revenues	1,256,909	710,592	-	1,967,501
Permits and fees	237,660	-	-	237,660
Sales and services	1,423,100	-	31,600	1,454,700
Investment earnings	365,631	-	14,945	380,576
Miscellaneous	165,632	-	-	165,632
Total revenues	<u>16,636,543</u>	<u>710,592</u>	<u>46,545</u>	<u>17,393,680</u>
Expenditures:				
Current:				
General government	2,153,963	281,079	-	2,435,042
Public safety	8,582,197	-	-	8,582,197
Transportation	2,997,998	-	-	2,997,998
Environmental protection	264,254	-	-	264,254
Cultural and recreation	2,293,116	-	-	2,293,116
Debt service:				
Principal	506,900	-	-	506,900
Interest	107,268	-	-	107,268
Total expenditures	<u>16,905,696</u>	<u>281,079</u>	<u>-</u>	<u>17,186,775</u>
Revenues over (under) expenditures	<u>(269,153)</u>	<u>429,513</u>	<u>46,545</u>	<u>206,905</u>
Other Financing Sources (Uses):				
Subscription liabilities issued	58,556	-	-	58,556
Sales of assets	91,986	-	-	91,986
Transfers in	1,275,600	28,108	-	1,303,708
Transfers out	(184,000)	(457,621)	-	(641,621)
Total other financing sources (uses)	<u>1,242,142</u>	<u>(429,513)</u>	<u>-</u>	<u>812,629</u>
Net change in fund balances	972,989	-	46,545	1,019,534
Fund Balances:				
Beginning of year - July 1	<u>12,466,141</u>	<u>-</u>	<u>522,491</u>	<u>12,988,632</u>
End of year - June 30	<u>\$ 13,439,130</u>	<u>\$ -</u>	<u>\$ 569,036</u>	<u>\$ 14,008,166</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

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

Net change in fund balances - total governmental funds	\$ 1,019,534
--	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital outlay expenditures which were capitalized	1,911,661
Depreciation expense for governmental assets	(1,057,507)
Capital outlay for right-to-use assets	60,556
Amortization of right-to-use assets	(78,937)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Earned but unavailable property tax revenues	(201,967)
Accrued interest on property taxes	(26,711)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt, leases, and subscriptions issued	(58,556)
Principal payments on long-term debt, leases, and subscriptions	506,900

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(8,415)
Changes in LGERS pension liability and related deferred outflows and inflows of resources	(377,389)
Changes in LEOSSA pension liability and related deferred outflows and inflows of resources	(113,090)
Changes in OPEB pension liability and related deferred outflows and inflows of resources	(382,902)

Internal Service Fund activities attributable to governmental funds are reported with governmental activities on the Statement of Activities.

37,203
<u>\$ 1,230,380</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 6,984,350	\$ 6,984,350	\$ 7,464,057	\$ 479,707
Other taxes and licenses	4,340,150	4,340,150	4,606,721	266,571
Unrestricted intergovernmental revenues	899,000	899,000	1,116,833	217,833
Restricted intergovernmental revenues	418,500	1,387,275	1,256,909	(130,366)
Permits and fees	266,900	266,900	237,660	(29,240)
Sales and services	1,770,350	1,338,350	1,423,100	84,750
Investment earnings	4,500	95,300	365,631	270,331
Miscellaneous	79,400	119,400	165,632	46,232
Total revenues	<u>14,763,150</u>	<u>15,430,725</u>	<u>16,636,543</u>	<u>1,205,818</u>
Expenditures:				
Current:				
General government	2,027,815	2,523,333	2,153,963	369,370
Public safety	8,289,060	9,797,454	8,582,197	1,215,257
Transportation	3,414,758	3,566,541	2,997,998	568,543
Environmental protection	298,890	299,790	264,254	35,536
Cultural and recreational	2,448,404	2,583,168	2,293,116	290,052
Debt service:				
Principal retirement	600,812	506,900	506,900	-
Interest and fees	-	115,225	107,268	7,957
Total expenditures	<u>17,079,739</u>	<u>19,392,411</u>	<u>16,905,696</u>	<u>2,486,715</u>
Revenues over (under) expenditures	<u>(2,316,589)</u>	<u>(3,961,686)</u>	<u>(269,153)</u>	<u>3,692,533</u>
Other Financing Sources (Uses):				
Lease liabilities issued	-	800,000	-	(800,000)
Subscription liabilities issued	-	-	58,556	58,556
Sales of assets	30,000	30,000	91,986	61,986
Transfers in	1,275,600	1,275,600	1,275,600	-
Transfers out	-	(184,000)	(184,000)	-
Fund balance appropriated	1,010,989	2,040,086	-	(2,040,086)
Total other financing sources (uses)	<u>2,316,589</u>	<u>3,961,686</u>	<u>1,242,142</u>	<u>(2,719,544)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	972,989	<u>\$ 972,989</u>
Fund Balance:				
Beginning of year - July 1			<u>12,466,141</u>	
End of year - June 30			<u>\$ 13,439,130</u>	

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities				Governmental
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,272,477	\$ 4,213,263	\$ 2,001,106	\$ 8,486,846	\$ 196,226
Accounts receivable, net	962,775	320,459	357,278	1,640,512	-
Other receivables	82,547	45	33	82,625	9
Inventories	340,740	225,353	41,433	607,526	89,146
Cash and cash equivalents, restricted	168,998	65,975	-	234,973	-
Total current assets	<u>3,827,537</u>	<u>4,825,095</u>	<u>2,399,850</u>	<u>11,052,482</u>	<u>285,381</u>
Non-current assets:					
Advances to other funds	652,476	-	-	652,476	-
Capital assets:					
Land and construction in progress	624,514	1,486,362	7,595,101	9,705,977	126,618
Other capital assets, net of depreciation	2,593,985	11,411,383	5,186,449	19,191,817	2,490,422
Right-to-use assets, net of amortization	-	-	-	-	301,875
Total capital assets	<u>3,218,499</u>	<u>12,897,745</u>	<u>12,781,550</u>	<u>28,897,794</u>	<u>2,918,915</u>
Total non-current assets	<u>3,870,975</u>	<u>12,897,745</u>	<u>12,781,550</u>	<u>29,550,270</u>	<u>2,918,915</u>
Total assets	<u>7,698,512</u>	<u>17,722,840</u>	<u>15,181,400</u>	<u>40,602,752</u>	<u>3,204,296</u>
Deferred Outflows of Resources:					
Pension deferrals	140,781	347,642	338,335	826,758	328,459
OPEB deferrals	77,276	189,501	192,962	459,739	196,449
Total deferred outflows of resources	<u>218,057</u>	<u>537,143</u>	<u>531,297</u>	<u>1,286,497</u>	<u>524,908</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	374,351	80,082	3,881,574	4,336,007	49,212
Due to other funds	-	-	-	-	11,558
Compensated absences, current	9,557	18,225	14,781	42,563	16,931
Lease liabilities - current	-	-	-	-	39,547
Installment purchases, current	-	61,684	-	61,684	93,709
Payable from restricted assets:					
Customer deposits	168,998	65,975	-	234,973	-
Total current liabilities	<u>552,906</u>	<u>225,966</u>	<u>3,896,355</u>	<u>4,675,227</u>	<u>210,957</u>
Non-current liabilities:					
Compensated absences	7,015	40,671	28,205	75,891	28,386
Lease liabilities - non-current	-	-	-	-	267,070
Installment purchases	-	526,969	-	526,969	655,959
Net pension liability	212,847	525,769	511,559	1,250,175	496,626
Total OPEB liability	<u>252,098</u>	<u>618,208</u>	<u>629,499</u>	<u>1,499,805</u>	<u>640,876</u>
Total non-current liabilities	<u>471,960</u>	<u>1,711,617</u>	<u>1,169,263</u>	<u>3,352,840</u>	<u>2,088,917</u>
Total liabilities	<u>1,024,866</u>	<u>1,937,583</u>	<u>5,065,618</u>	<u>8,028,067</u>	<u>2,299,874</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities			Total	Governmental
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Deferred Inflows of Resources:					
Pension deferrals	5,709	13,910	13,690	33,309	13,293
OPEB deferrals	53,150	130,338	132,719	316,207	135,117
Total deferred inflows of resources	<u>58,859</u>	<u>144,248</u>	<u>146,409</u>	<u>349,516</u>	<u>148,410</u>
Net Position:					
Net investment in capital assets	3,218,499	12,309,092	12,781,550	28,309,141	1,862,630
Unrestricted (deficit)	3,614,345	3,869,060	(2,280,880)	5,202,525	(581,710)
Total net position	<u>\$ 6,832,844</u>	<u>\$ 16,178,152</u>	<u>\$ 10,500,670</u>	33,511,666	<u>\$ 1,280,920</u>
Adjustment to reflect the cumulative effect of internal service fund activities related to enterprise funds				<u>131,952</u>	
Total net position of business-type activities				<u>\$ 33,643,618</u>	

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities			Total	Governmental Activities
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Operating Revenues:					
Charges for services	\$ 9,716,255	\$ 3,386,638	\$ 3,767,677	\$ 16,870,570	\$ 2,554,000
Other operating revenue	24,613	330,557	376,933	732,103	8,572
Total operating revenues	<u>9,740,868</u>	<u>3,717,195</u>	<u>4,144,610</u>	<u>17,602,673</u>	<u>2,562,572</u>
Operating Expenses:					
Finance and administration	813,880	445,870	437,040	1,696,790	-
Electric operations	1,053,387	-	-	1,053,387	-
Electric power purchases	6,968,696	-	-	6,968,696	-
Water treatment and distribution	-	2,448,206	-	2,448,206	-
Waste collection and treatment	-	-	2,379,725	2,379,725	-
Asset services management	-	-	-	-	1,485,583
Garage operations	-	-	-	-	933,365
Depreciation and amortization	267,867	653,660	476,438	1,397,965	204,129
Total operating expenses	<u>9,103,830</u>	<u>3,547,736</u>	<u>3,293,203</u>	<u>15,944,769</u>	<u>2,623,077</u>
Operating income (loss)	<u>637,038</u>	<u>169,459</u>	<u>851,407</u>	<u>1,657,904</u>	<u>(60,505)</u>
Non-Operating Revenues (Expenses):					
Investment earnings	61,555	103,772	143,000	308,327	8,598
Grant revenue	82,507	-	-	82,507	-
Other non-operating income	5,101	789	-	5,890	-
Interest and fees paid	-	(9,886)	-	(9,886)	(24,584)
Gain (loss) on disposal of assets	-	-	-	-	371
Total non-operating revenues (expenses)	<u>149,163</u>	<u>94,675</u>	<u>143,000</u>	<u>386,838</u>	<u>(15,615)</u>
Income (loss) before transfers	786,201	264,134	994,407	2,044,742	(76,120)
Transfers in	-	320,513	184,000	504,513	137,108
Transfers out	<u>(1,275,600)</u>	<u>-</u>	<u>(28,108)</u>	<u>(1,303,708)</u>	<u>-</u>
Change in net position	(489,399)	584,647	1,150,299	1,245,547	60,988
Net Position:					
Beginning of year - July 1	<u>7,322,243</u>	<u>15,593,505</u>	<u>9,350,371</u>		<u>1,219,932</u>
End of year - June 30	<u>\$ 6,832,844</u>	<u>\$ 16,178,152</u>	<u>\$ 10,500,670</u>		<u>\$ 1,280,920</u>
Adjustment to reflect the current year internal service fund activities related to enterprise funds				<u>23,785</u>	
Change in net position - business-type activities				<u>\$ 1,269,332</u>	

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities			Total	Governmental Activities
	Electric Fund	Water Fund	Sewer Fund		Internal Service Funds
Cash Flows from Operating Activities:					
Cash received from customers	\$ 10,189,287	\$ 3,618,400	\$ 4,152,994	\$ 17,960,681	\$ -
Cash received from interfund charges	-	-	-	-	2,554,000
Cash paid for goods and services	(8,548,674)	(1,990,165)	2,291,248	(8,247,591)	(1,319,098)
Cash paid to employees for services	(393,538)	(1,015,139)	(1,264,320)	(2,672,997)	(1,044,235)
Other operating revenues	24,613	330,557	376,933	732,103	8,572
Net cash provided (used) by operating activities	<u>1,271,688</u>	<u>943,653</u>	<u>5,556,855</u>	<u>7,772,196</u>	<u>199,239</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets and construction	(694,725)	(325,578)	(6,332,602)	(7,352,905)	(200,921)
Proceeds from sale of capital assets	-	-	-	-	371
Principal paid on debt	-	(61,684)	-	(61,684)	(133,256)
Interest and fees paid on installment purchases	-	(9,886)	-	(9,886)	(24,584)
Net cash provided (used) by capital and related financing activities	<u>(694,725)</u>	<u>(397,148)</u>	<u>(6,332,602)</u>	<u>(7,424,475)</u>	<u>(358,390)</u>
Cash Flows From Non-Capital Financing Activities:					
Operating transfers out	(1,275,600)	-	(28,108)	(1,303,708)	-
Operating transfers in	-	320,513	184,000	504,513	137,108
Change in due to/from other funds	74,496	-	-	74,496	11,558
Net cash provided (used) by non-capital financing activities	<u>(1,201,104)</u>	<u>320,513</u>	<u>155,892</u>	<u>(724,699)</u>	<u>148,666</u>
Cash Flows from Investing Activities:					
Interest on investments	61,555	103,772	143,000	308,327	8,598
Net increase (decrease) in cash and cash equivalents	(562,586)	970,790	(476,855)	(68,651)	(1,887)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>3,004,061</u>	<u>3,308,448</u>	<u>2,477,961</u>	<u>8,790,470</u>	<u>198,113</u>
End of year - June 30	<u>\$ 2,441,475</u>	<u>\$ 4,279,238</u>	<u>\$ 2,001,106</u>	<u>\$ 8,721,819</u>	<u>\$ 196,226</u>

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 637,038	\$ 169,459	\$ 851,407	\$ 1,657,904	\$ (60,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Amortization	-	-	-	-	51,808
Depreciation	267,867	653,660	476,438	1,397,965	152,321
Other non-operating revenues	5,101	789	-	5,890	-
(Increase) decrease in:					
Accounts receivable	467,931	230,973	385,317	1,084,221	-
Inventory	(25,297)	24,405	(9,745)	(10,637)	(20,795)
Deferred outflows of resources - pensions	(52,245)	(129,082)	(125,569)	(306,896)	(121,903)
Deferred outflows of resources - OPEB	15,849	38,864	39,574	94,287	40,289
Increase (decrease) in:					
Net pension liability	155,155	383,352	372,918	911,425	362,030
Deferred inflows of resources - pensions	(84,969)	(209,937)	(204,222)	(499,128)	(198,260)
Deferred inflows of resources - OPEB	44,827	109,927	111,936	266,690	113,958
Other post-employment benefits	(44,190)	(108,365)	(110,345)	(262,900)	(112,340)
Accounts payable	(119,063)	(223,351)	3,764,332	3,421,918	(8,946)
Customer deposits	7,550	430	-	7,980	-
Compensated absences	(3,866)	2,529	4,814	3,477	1,582
Net cash provided (used) by operating activities	<u>\$ 1,271,688</u>	<u>\$ 943,653</u>	<u>\$ 5,556,855</u>	<u>\$ 7,772,196</u>	<u>\$ 199,239</u>
Non-Cash Transactions:					
Right-to-use leased assets/lease obligations issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,655</u>

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

This page left blank intentionally.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Waynesville ABC Board

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

B. Basis of Presentation

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

The Town reports the following major governmental funds:

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

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

The Town has the following nonmajor governmental fund:

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations. The Electric Capital Project Fund has been consolidated into the Electric Fund for financial reporting purposes.

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

Sewer Fund. This fund is used to account for the Town's sewer operations. The Sewer Capital Project Fund has been consolidated into the Sewer Fund for financial reporting purposes.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization 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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

recognized as expenditures to the extent they have matured. Long-term debt issued and acquisitions under leases and IT subscriptions are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Haywood County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the enterprise capital project funds and the ARPA Special Revenue Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's asset services management and garage operations funds, internal service funds, operate under financial plans that were adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Fund is not required to be budgeted.

E. Estimates

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

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

Deposits and Investments

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

State law [G.S. 159-30] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds and motor vehicle taxes restricted for paving are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Federal and state seizure funds and other public safety revenues are also classified as restricted cash because its use is restricted to law

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The Town's restricted cash at June 30, 2023, is as follows:

Governmental Activities:

General Fund:

Public safety	\$ 73,220
Streets - Powell Bill	317,510
Streets - paving	31,250
Culture and recreation	44,976
Unspent debt proceeds	480,294

ARPA Fund:

Unspent grant funds	<u>1,381,665</u>
Total governmental activities	<u>2,328,915</u>

Business-Type Activities:

Electric Fund:

Customer deposits	168,998
-------------------	---------

Water Fund:

Customer deposits	<u>65,975</u>
Total business-type activities	<u>234,973</u>

Total restricted cash	<u>\$ 2,563,888</u>
-----------------------	---------------------

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

Allowances for Doubtful Accounts

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Leases Receivable

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

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

Inventory and Prepaid Items

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

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

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land and land improvements, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$8,500; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The Town’s capital assets also include certain right-to-use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

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

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

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

Asset	Estimated Useful Lives
Furniture and equipment	3-10 years
New facility	40 years

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet these criteria – pension deferrals and OPEB deferrals.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria for this category - prepaid taxes, property taxes receivable, lease deferrals, pension deferrals, and OPEB deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Reimbursement for Pandemic-Related Expenses

During the 2021 fiscal year, the American Rescue Plan Act (ARPA) established the Coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$3,231,911 of fiscal recovery funds to be paid in two installments. The first installment of \$1,615,955 was received in August 2021, and the second installment of \$1,615,956 was received in August 2022. The Town Council has elected to use the standard allowance of \$3,231,911 for revenue replacement. During the 2022 fiscal year, the Town used \$1,145,923 for vehicles, equipment, and various projects. During the 2023 fiscal year, the Town used \$710,592 on vehicles, equipment, and various projects. Remaining revenue replacement funds will be transferred to the general fund as determined in Ordinance 47-22 as expenditures are incurred.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

Restricted for Streets - Paving – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended motor vehicle taxes.

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

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

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended debt proceeds of \$480,294 at June 30, 2023.

Committed Fund Balance

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Assigned Fund Balance

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

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

Unassigned Fund Balance

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

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

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

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

Total fund balance - General Fund	\$ 13,439,130
Less:	
Inventories	2,847
Leases	2,024
Stabilization by state statute	<u>3,016,710</u>
Total available fund balance	<u>\$ 10,417,549</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2023, outstanding encumbrances in the General Fund totaled \$809,905.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

G. Defined Benefit Cost – Sharing Plans

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

2. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town has no formal investment policy. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the Town's deposits had a carrying amount of \$3,638,208 and a bank balance of \$3,955,689. Of the bank balance, \$704,331 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Town's cash on hand totaled \$3,200 at June 30, 2023.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The carrying amount of deposits for the ABC Board was \$1,158,055 and the bank balance was \$1,181,741. 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, 2023, the ABC Board's uninsured cash balance was \$931,741.

Investments

At June 30, 2023, the Town had \$19,907,101 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investor Service. The Town has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

Receivables presented in the balance sheet and the Statement of Net Position as of June 30, 2023, are net of the following allowances for doubtful accounts:

	General Fund	Electric Fund	Water Fund	Sewer Fund	Total
Taxes receivable	\$ 135,316	\$ -	\$ -	\$ -	\$ 135,316
Accounts receivable	29,689	106,425	38,422	52,589	227,125
Total	\$ 165,005	\$ 106,425	\$ 38,422	\$ 52,589	\$ 362,441

Leases Receivable

The financial statements for the year ended June 30, 2023, include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the Town's leases receivable at June 30, 2023, are as follows:

On the implementation date of July 1, 2021, the Town was the lessor of a 36-month lease for the use of American – Cell Tower. An initial lease receivable was recorded in the amount of \$63,902. As of June 30, 2023, the value of the lease receivable and the deferred inflow of resources was \$22,627 and \$21,615, respectively. The lessee is required to make monthly fixed payments of \$1,749, including interest at a rate of 0.8450%. The Town recognized lease revenue of \$21,144 during the fiscal year. The lessee has five options to extend the lease for 60 months.

On the implementation date of July 1, 2021, the Town was the lessor of a 36-month lease for the use of American – Communication Tower. An initial lease receivable was recorded in the amount of \$63,903. As of June 30, 2023, the value of the lease receivable and the deferred inflow of resources was \$22,626 and \$21,614, respectively. The lessee is required to make

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

monthly fixed payments of \$1,749, including interest at a rate of 0.8453%. The Town recognized lease revenue of \$21,144 during the fiscal year. The lessee has five options to extend the lease for 60 months.

Future minimum lease payments receivable as of June 30, 2023 were as follows:

Year Ending			
June 30	Principal	Interest	Total
2024	\$ 41,405	\$ 573	\$ 41,978
2025	3,848	222	4,070
2026	-	-	-
Total	<u>\$ 45,253</u>	<u>\$ 795</u>	<u>\$ 46,048</u>

Capital Assets

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

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Non-Depreciable Assets:					
Land	\$ 2,545,318	\$ -	\$ -	\$ -	\$ 2,545,318
Public art	114,547	-	-	-	114,547
Construction in progress	<u>585,277</u>	<u>333,708</u>	-	<u>(262,328)</u>	<u>656,657</u>
Total non-depreciable assets	<u>3,245,142</u>	<u>333,708</u>	-	<u>(262,328)</u>	<u>3,316,522</u>
Depreciable Assets:					
Land improvements	1,638,957	-	-	-	1,638,957
Buildings and improvements	19,154,741	41,215	-	(221,413)	18,974,543
Equipment, furniture, and fixtures	3,849,352	293,255	(2,994)	-	4,139,613
Vehicles and motorized equipment	7,444,555	1,350,009	(88,538)	-	8,706,026
Infrastructure	<u>30,584,465</u>	<u>89,622</u>	-	<u>483,741</u>	<u>31,157,828</u>
Total depreciable capital assets	<u>62,672,070</u>	<u>1,774,101</u>	<u>(91,532)</u>	<u>262,328</u>	<u>64,616,967</u>
Right-to-Use Assets:					
Land improvements	136,856	184,428	-	-	321,284
Building	85,355	-	-	-	85,355
Equipment	295,986	-	-	-	295,986
Subscriptions	-	<u>60,556</u>	-	-	<u>60,556</u>
Total right-to-use assets	<u>518,197</u>	<u>244,984</u>	-	-	<u>763,181</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Less Accumulated Depreciation:					
Land improvements	(1,007,271)	(41,103)	-	-	(1,048,374)
Buildings and improvements	(6,704,682)	(323,579)	-	-	(7,028,261)
Equipment, furniture, and fixtures	(3,398,147)	(108,016)	2,994	-	(3,503,169)
Vehicles and motorized equipment	(5,635,725)	(410,822)	88,538	-	(5,958,009)
Infrastructure	<u>(27,232,071)</u>	<u>(326,308)</u>	<u>-</u>	<u>-</u>	<u>(27,558,379)</u>
Total accumulated depreciation	<u>(43,977,896)</u>	<u>(1,209,828)</u>	<u>91,532</u>	<u>-</u>	<u>(45,096,192)</u>
Less Accumulated Amortization:					
Land improvements	(11,606)	(26,360)	-	-	(37,966)
Building	(24,387)	(24,387)	-	-	(48,774)
Equipment	(69,240)	(72,159)	-	-	(141,399)
Subscriptions	<u>-</u>	<u>(7,839)</u>	<u>-</u>	<u>-</u>	<u>(7,839)</u>
Total accumulated amortization	<u>(105,233)</u>	<u>(130,745)</u>	<u>-</u>	<u>-</u>	<u>(235,978)</u>
Governmental activities					
Capital assets, net	<u>\$ 22,352,280</u>				<u>\$ 23,364,500</u>

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

Governmental Activities:

General government	\$ 364,049
Public safety	415,910
Transportation	242,507
Environmental protection	6,347
Culture and recreation	<u>311,760</u>
Total	<u>\$ 1,340,573</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Capital Assets

The capital assets of the proprietary funds of the Town at June 30, 2023, are as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 230,058	\$ -	\$ -	\$ -	\$ 230,058
Construction in progress	109,151	394,456	-	(109,151)	394,456
Total non-depreciable assets	<u>339,209</u>	<u>394,456</u>	<u>-</u>	<u>(109,151)</u>	<u>624,514</u>
Depreciable Assets:					
Buildings and improvements	22,997	-	-	-	22,997
Equipment, furniture, and fixtures	220,930	64,209	-	-	285,139
Vehicles and motorized equipment	1,009,130	-	-	-	1,009,130
Substations, lines, and related equipment	7,718,147	236,060	-	109,151	8,063,358
Total depreciable capital assets	<u>8,971,204</u>	<u>300,269</u>	<u>-</u>	<u>109,151</u>	<u>9,380,624</u>
Less Accumulated Depreciation:					
Buildings and improvements	(22,997)	-	-	-	(22,997)
Equipment, furniture, and fixtures	(182,986)	(9,311)	-	-	(192,297)
Vehicles and motorized equipment	(868,260)	(42,985)	-	-	(911,245)
Substations, lines, and related equipment	(5,444,529)	(215,571)	-	-	(5,660,100)
Total accumulated depreciation	<u>(6,518,772)</u>	<u>(267,867)</u>	<u>-</u>	<u>-</u>	<u>(6,786,639)</u>
Depreciable capital assets, net	<u>2,452,432</u>				<u>2,593,985</u>
Capital assets, net	<u>2,791,641</u>				<u>3,218,499</u>
Water Fund:					
Non-Depreciable Assets:					
Land	1,486,362	-	-	-	1,486,362
Construction in progress	169,462	-	-	(169,462)	-
Total non-depreciable assets	<u>1,655,824</u>	<u>-</u>	<u>-</u>	<u>(169,462)</u>	<u>1,486,362</u>
Depreciable Assets:					
Land improvements	83,691	-	-	-	83,691
Buildings and improvements	1,841,507	-	-	-	1,841,507
Equipment, furniture, and fixtures	431,425	-	(3,530)	-	427,895
Vehicles and motorized equipment	1,062,282	29,300	-	-	1,091,582
Plant and distribution systems	25,750,469	296,278	-	169,462	26,216,209
Total depreciable capital assets	<u>29,169,374</u>	<u>325,578</u>	<u>(3,530)</u>	<u>169,462</u>	<u>29,660,884</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Water Fund (continued):					
Less Accumulated Depreciation:					
Land improvements	(55,051)	(3,834)	-	-	(58,885)
Buildings and improvements	(1,279,225)	(27,092)	-	-	(1,306,317)
Equipment, furniture, and fixtures	(381,738)	(12,001)	3,530	-	(390,209)
Vehicles and motorized equipment	(669,371)	(67,622)	-	-	(736,993)
Plant and distribution systems	<u>(15,213,986)</u>	<u>(543,111)</u>	-	-	<u>(15,757,097)</u>
Accumulated depreciation	<u>(17,599,371)</u>	<u>(653,660)</u>	<u>3,530</u>	-	<u>(18,249,501)</u>
Depreciable capital assets, net	<u>11,570,003</u>				<u>11,411,383</u>
Capital assets, net	<u>13,225,827</u>				<u>12,897,745</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Sewer Fund:					
Non-Depreciable Assets:					
Land	110,500	-	-	-	110,500
Construction in progress	<u>1,343,959</u>	<u>6,140,642</u>	-	-	<u>7,484,601</u>
Total non-depreciable assets	<u>1,454,459</u>	<u>6,140,642</u>	-	-	<u>7,595,101</u>
Depreciable Assets:					
Land improvements	67,912	-	-	-	67,912
Buildings and improvements	8,703,801	-	-	-	8,703,801
Equipment, furniture, and fixtures	512,352	11,396	-	-	523,748
Vehicles and motorized equipment	914,378	170,899	-	-	1,085,277
Plant and distribution systems	<u>10,302,439</u>	<u>9,665</u>	-	-	<u>10,312,104</u>
Total depreciable capital assets	<u>20,500,882</u>	<u>191,960</u>	-	-	<u>20,692,842</u>
Less Accumulated Depreciation:					
Land improvements	(34,184)	(3,346)	-	-	(37,530)
Buildings and improvements	(7,837,597)	(185,019)	-	17,589	(8,005,027)
Equipment, furniture, and fixtures	(418,808)	(32,336)	-	-	(451,144)
Vehicles and motorized equipment	(555,725)	(31,917)	-	(17,589)	(605,231)
Plant and distribution systems	<u>(6,183,641)</u>	<u>(223,820)</u>	-	-	<u>(6,407,461)</u>
Accumulated depreciation	<u>(15,029,955)</u>	<u>(476,438)</u>	-	-	<u>(15,506,393)</u>
Depreciable capital assets, net	<u>5,470,927</u>				<u>5,186,449</u>
Capital assets, net	<u>6,925,386</u>				<u>12,781,550</u>
Business-type capital assets, net	<u>\$ 22,942,854</u>				<u>\$ 28,897,794</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2023, is composed of the following elements:

	Governmental Activities	Electric Fund	Water Fund	Sewer Fund
Capital assets, net	\$ 23,364,500	\$ 3,218,499	\$ 12,897,745	\$ 12,781,550
Less: long-term debt	(4,642,577)	-	(588,653)	-
Add: unspent debt proceeds	480,294	-	-	-
Net investment in capital assets	<u>\$ 19,202,217</u>	<u>\$ 3,218,499</u>	<u>\$ 12,309,092</u>	<u>\$ 12,781,550</u>

Construction Commitments

The Town has active construction projects as of June 30, 2023. At year-end, the Town's commitments with contractors are as follows:

Project	Project Authorization	Remaining Commitment
Governmental:		
Recreation pedestrian bridge	\$ 380,000	\$ 124,475
Business-Type:		
Sewer Fund:		
WWTP upgrade design	1,640,000	382,659
WWTP Construction	25,725,000	20,499,681
Water Fund:		
Floc Basin Canal Gate Replacemen	153,745	153,745
Electric Fund:		
Russ Ave/Walnut St project	1,750,000	1,664,838

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Discretely Presented Component Unit

Activity for the Town of Waynesville ABC Board for the year ended June 30, 2023, was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Non-Depreciable Assets:					
Land	\$ 509,646	\$ -	\$ -	\$ -	\$ 509,646
Depreciable Assets:					
New facility	793,249	50,320	-	-	843,569
Furniture and equipment	157,130	2,990	(1,583)	-	158,537
Total depreciable capital assets	<u>950,379</u>	<u>53,310</u>	<u>(1,583)</u>	<u>-</u>	<u>1,002,106</u>
Less Accumulated Depreciation:					
New facility	(175,060)	(20,911)	-	-	(195,971)
Furniture and equipment	(105,433)	(17,787)	1,583	-	(121,637)
Total accumulated depreciation	<u>(280,493)</u>	<u>(38,698)</u>	<u>1,583</u>	<u>-</u>	<u>(317,608)</u>
Total depreciable capital assets, net	669,886				684,498
Capital assets, net	<u>\$ 1,179,532</u>				<u>\$ 1,194,144</u>

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2023, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Performance Bonds</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities	<u>\$ 310,944</u>	<u>\$ 217,471</u>	<u>\$ 306,750</u>	<u>\$ -</u>	<u>\$ 835,165</u>
Business-Type Activities:					
Electric Fund	\$ 367,478	\$ 6,873	\$ -	\$ -	\$ 374,351
Water Fund	59,396	19,188	-	1,498	80,082
Sewer Fund	3,857,011	24,563	-	-	3,881,574
Total business-type activities	<u>\$ 4,283,885</u>	<u>\$ 50,624</u>	<u>\$ -</u>	<u>\$ 1,498</u>	<u>\$ 4,336,007</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Waynesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$1,150,585 for the year ended June 30, 2023.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the Town reported a liability of \$6,223,059 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023, the Town’s proportion was 0.11031% (measured as of June 30, 2023), which was an increase of 0.00035% from its proportion as of June 30, 2022, (measured as of June 30, 2021).

For the year ended June 30, 2023, the Town recognized pension expense of \$1,675,241. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 268,146	\$ 26,290
Changes of assumptions	620,922	-
Net difference between projected and actual earnings on pension plan investments	2,056,786	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	19,108	139,791
Town contributions subsequent to the measurement date	1,150,585	-
Total	\$ 4,115,547	\$ 166,081

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$1,150,585 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2024	\$ 832,487
2025	748,602
2026	237,900
2027	979,892
2028	-
Thereafter	-
Total	<u>\$ 2,798,881</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2021, valuation, with the exception of the discount rate, were based on the results of an actuarial experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 returns projections reflect current yields across the United States 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 11,231,820	\$ 6,223,059	\$ 2,095,549

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

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated program members entitled to, but not yet receiving, benefits	-
Active program members	33
Total	41

A separate report was not issued for the plan.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021, valuation. The total pension liability in the December 31, 2021, valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	4.31%

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

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

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

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

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

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. The Town paid \$110,360 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, 2023, the Town reported a total pension liability of \$1,684,801. The total pension liability was measured at December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$217,698.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 180,298	\$ -
Changes of assumptions and other inputs	239,288	293,541
Town benefit payments and plan administrative expense made subsequent to the measurement date	49,428	-
Total	<u>\$ 469,014</u>	<u>\$ 293,541</u>

\$49,428 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2024	\$ 77,828
2025	64,606
2026	56,233
2027	(26,451)
2028	(46,171)
Thereafter	-
Total	<u>\$ 126,045</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 4.31%, 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 1,825,982	\$ 1,684,801	\$ 1,555,663

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

	2023
Beginning balance	\$ 1,960,969
Service cost	82,343
Interest on the total pension liability	42,880
Differences between expected and actual experience in the measurement of the total pension liability	13,585
Changes of assumption or other inputs	(304,616)
Benefit payments	(110,360)
Ending balance of the total pension liability	\$ 1,684,801

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.25 percent at December 31, 2021, to 4.31 percent at December 31, 2022.

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 1,675,241	\$ 217,698	\$ 1,892,939
Pension liability	6,223,059	1,684,801	7,907,860
Proportionate share of the net pension liability	0.11031%	NA	NA

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 268,146	\$ 180,298	\$ 448,444
Changes of assumptions	620,922	239,288	860,210
Net difference between projected and actual earnings on pension plan investments	2,056,786	-	2,056,786
Changes in proportion and differences between contributions and proportionate share of contributions	19,108	-	19,108
Benefit payments and administration costs paid subsequent to the measurement date	1,150,585	49,428	1,200,013
Total deferred outflows of resources	\$ 4,115,547	\$ 469,014	\$ 4,584,561

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 26,290	\$ -	\$ 26,290
Changes of assumptions	-	293,541	293,541
Changes in proportion and differences between contributions and proportionate share of contributions	139,791	-	139,791
Total deferred inflows of resources	\$ 166,081	\$ 293,541	\$ 459,622

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town made contributions of \$101,881 for the reporting year. No amounts have been forfeited.

Supplemental Retirement Income Plan for General Employees

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

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

The Town made contributions of \$342,742 for the reporting year. No amounts have been forfeited.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) or Law Enforcement Officers Retirement System and meet the requirements enumerated below. The Town pays the full cost of coverage for these benefits through private insurers.

Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town reserves the right to change benefits at its discretion without prior notice to retirees. A separate report was not issued for the plan. A retiree shall receive health insurance coverage under the following conditions:

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

Retirees must meet the North Carolina Local Governmental Employees Retirement System (NCLGERS) or the North Carolina 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.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	28
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	165
Total	193

Total OPEB Liability

The Town's total OPEB liability of \$7,995,971 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation:	
General employees	3.25%-8.41%
Firefighters	3.25%-8.15%
Law enforcement officers	3.25%-7.90%
Municipal Bond Index Rate:	
Prior measurement date	2.16%
Measurement date	3.54%
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	<u>\$ 9,397,581</u>
Changes for the year:	
Service cost	476,723
Interest	209,465
Differences between expected and actual experience	(935,748)
Changes of assumptions or other inputs	(796,473)
Benefit payments	<u>(355,577)</u>
Net changes	<u>(1,401,610)</u>
Balance at June 30, 2023	<u><u>\$ 7,995,971</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.16% to 3.54%.

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022, valuation were based on a review of recent plan experience done concurrently with the June 30, 2022, valuation.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 8,747,106	\$ 7,995,971	\$ 7,325,029

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 7,275,734	\$ 7,995,971	\$ 8,842,376

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$878,982. At June 30, 2023, 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	\$ 647,971	\$ 948,637
Changes of assumptions	1,521,014	737,172
Benefit payments and plan administrative expense made subsequent to the measurement date	282,035	-
Total	\$ 2,451,020	\$ 1,685,809

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$282,035 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2024	\$ 192,794
2025	200,687
2026	205,722
2027	141,761
2028	44,737
Thereafter	<u>(302,525)</u>
Total	<u>\$ 483,176</u>

Other Employment Benefits

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

Deferred Compensation Plan

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in the current fiscal year - LGERS	\$ 1,150,585
Differences between expected and actual experience - LGERS	268,146
Changes of assumptions - LGERS	620,922
Net difference between projected and actual earning on pension plan investment - LGERS	2,056,786
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	19,108
Differences between expected and actual experience - LEOSSA	180,298
Changes of assumptions - LEOSSA	239,288
Plan administrative expense made subsequent to the measurement date - LEOSSA	49,428
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	282,035
Differences between expected and actual experience - OPEB	647,971
Changes of assumptions - OPEB	<u>1,521,014</u>
Total	<u>\$ 7,035,581</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 245,051
Prepaid taxes (General Fund)	11,988	11,988
Other receivables (General Fund)	-	-
Lease deferrals	43,229	43,229
Differences between expected and actual experience - LGERS	26,290	-
Differences between expected and actual experience - OPEB	948,637	-
Changes in proportion and differences between Town contributions and proportionate share of contributions - LGERS	139,791	-
Changes of assumptions - LEOSSA	293,541	-
Changes of assumptions - OPEB	737,172	-
Total	\$ 2,200,648	\$ 300,268

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in risk-financing through Tokio Marine/HCC Insurance for property and liability insurance. The Town's obtains workers' compensation coverage up to statutory limits through Bitco Insurance Companies.

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

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

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$1,000,000 and the Tax Collector is individually bonded for \$125,000. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of between \$5,000 and \$125,000 per occurrence, depending on the type of crime.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Claims, Judgments and Contingent Liabilities

Periodically, the Town has been a defendant to various lawsuits. The Town has set up a contingent liability, in the amount of \$5,000, for legal claims. At June 30, 2023, there were no active lawsuits against the Town of Waynesville; however, in the opinion of management and the Town attorney, the contingent reserve is left at \$5,000 as the ultimate effect of legal matters is present but will not have a material adverse effect on the Town's financial position.

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

Long-Term Obligations

Lease Liabilities

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

On the implementation date of July 1, 2021, the Town was the lessee of a 72-month lease for the use of Blue Ridge Southern Railroad – Parking Lot. An initial lease liability was recorded in the amount of \$13,984. As of June 30, 2023, the value of the lease liability was \$9,719. The Town is required to make monthly fixed payments of \$188, including interest at a rate of 1.3351%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$9,323 at June 30, 2023.

On the implementation date of July 1, 2021, the Town was the lessee of a 119-month lease for the use of Boundary Street – Parking Lot. An initial lease liability was recorded in the amount of \$71,671. As of June 30, 2023, the value of the lease liability was \$59,289. The Town is required to make monthly fixed payments of \$600, including interest at a rate of 1.7222%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$57,216 at June 30, 2023.

On the implementation date of July 1, 2021, the Town was the lessee of a 42-month lease for the use of Chambers – Communication Tower. An initial lease liability was recorded in the amount of \$85,355. As of June 30, 2023, the value of the lease liability was \$62,498. The Town is required to make monthly fixed payments of \$3,500, including interest at a rate of 1.0112%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$36,580 at June 30, 2023.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On the implementation date of July 1, 2021, the Town was the lessee of a 58-month lease for the use of Digital Copiers – Sharp Electronics. An initial lease liability was recorded in the amount of \$237,175. As of June 30, 2023, the value of the lease liability was \$140,538. The Town is required to make monthly fixed payments of \$4,205, including interest at a rate of 1.1771%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$139,146 at June 30, 2023.

On June 6, 2022, the Town was the lessee of a 60-month lease for the use of Quadient. An initial lease liability was recorded in the amount of \$15,683. As of June 30, 2023, the value of the lease liability was \$11,886. The Town is required to make monthly fixed payments of \$839, including interest at a rate of 2.8680%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$12,329 at June 30, 2023.

On the implementation date of July 1, 2021, the Town was the lessee of a 25-month lease for the use of TAMCO – Mitel Controller. An initial lease liability was recorded in the amount of \$43,128. As of June 30, 2023, the value of the lease liability was \$1,735. The Town is required to make monthly fixed payments of \$1,736, including interest at a rate of 0.5930%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$3,113 at June 30, 2023.

On the implementation date of July 1, 2021, the Town was the lessee of a 300-month lease for the use of Viola N. Forga Living Trust #3245. A modified lease liability was recorded in the amount of \$230,229. As of June 30, 2023, the value of the lease liability was \$220,275. The Town is required to make monthly fixed payments of \$850, including interest at a rate of 2.7570%. As a result of the lease, the Town has recorded a right-to-use asset with a net book value of \$216,779 at June 30, 2023. The Town has four extension options each for 60 months. The Town had a termination period of three months as of the lease commencement. The lessor had a termination period of three months as of the lease commencement.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 109,312	\$ 9,233	\$ 118,545
2025	88,133	7,898	96,031
2026	59,984	6,863	66,847
2027	18,545	6,231	24,776
2028	14,358	5,869	20,227
2029-2033	62,325	24,589	86,914
2034-2038	50,022	17,907	67,929
2039-2043	61,850	10,140	71,990
2044-2046	41,411	1,784	43,195
Total	<u>\$ 505,940</u>	<u>\$ 90,514</u>	<u>\$ 596,454</u>

Subscription Liabilities

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On May 14, 2023, the Town entered into a 36-month subscription for the use of Debtbook. An initial subscription liability was recorded in the amount of \$37,949. As of June 30, 2023, the value of the subscription liability was \$24,949. The Town is required to make annual fixed payments of \$13,000, including interest at a rate of 2.7960%. As a result of the subscription, the Town has recorded a right-to-use asset with a net book value of \$38,210 at June 30, 2023.

On July 1, 2022, the Town entered into a 40-month subscription for the use of Digital Ally PD. An initial subscription liability was recorded in the amount of \$20,607. As of June 30, 2023, the value of the subscription liability was \$13,698. The Town is required to make annual fixed payments of \$7,092, including interest at a rate of 2.3540%. As a result of the subscription, the Town has recorded a right-to-use asset with a net book value of \$14,507 at June 30, 2023.

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 19,072	\$ 1,020	\$ 20,092
2025	19,575	517	20,092
Total	<u>\$ 38,647</u>	<u>\$ 1,537</u>	<u>\$ 40,184</u>

Notes Payable

Notes payable at June 30, 2023, are comprised of the following individual agreements:

Business-Type Activities:

\$329,868 installment purchase contract with North Carolina Department of Environmental Quality (NCDEQ) dated March 14, 2014, payable in annual installments of \$16,493 at 0% interest until 2034. \$ 181,520

\$904,740 installment purchase contract with the North Carolina Department of Environmental Quality (NCDEQ) dated November 1, 2010, payable in 20 annual principal installments of \$45,237 beginning May 1, 2013 and 40 semi-annual interest payments at 2.22%. The Drinking Water State Revolving Fund (DWSRF) project replaced water lines in the Dayton Drive community. 407,133

Total business-type activities long-term debt \$ 588,653

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 61,684	\$ 9,038	\$ 70,722
2025	61,684	8,034	69,718
2026	61,684	7,030	68,714
2027	61,684	6,026	67,710
2028	61,684	5,021	66,705
2029-2033	263,183	10,043	273,226
2034	17,050	-	17,050
Total	<u>\$ 588,653</u>	<u>\$ 45,192</u>	<u>\$ 633,845</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Governmental Activities:

\$1,300,000 installment purchase contract dated October 4, 2016 with a balance of \$843,344 refinanced on May 10, 2022, payable in semi-annual installments of \$93,709 principal plus interest at 2.00% until April 2031. Secured by the public works facility. \$ 749,668

\$2,000,000 USDA rural development loan dated September 26, 2008 with a balance of \$1,694,510 was refinanced on December 21, 2021, payable in annual installments of \$141,209 principal plus interest at 1.99% until December 2033. Secured by fire station building. 1,553,301

\$3,000,000 installment purchase contract dated May 13, 2008, payable in 40 semi-annual installments of \$105,669 including interest at 3.58%. Secured by police station building. 959,692

\$894,996 installment purchase contract dated May 10, 2022, payable in annual installments of \$59,667 including interest at 2.01% until April 2037. Secured by fire tanker and related equipment. 835,329

Total governmental activities long-term debt \$ 4,097,990

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 473,150	\$ 95,468	\$ 568,618
2025	479,599	83,134	562,733
2026	486,282	70,569	556,851
2027	493,206	57,759	550,965
2028	500,380	44,701	545,081
2029-2033	1,285,508	109,419	1,394,927
2034-2038	<u>379,865</u>	<u>14,804</u>	<u>394,669</u>
Total governmental funds	<u><u>\$ 4,097,990</u></u>	<u><u>\$ 475,854</u></u>	<u><u>\$ 4,573,844</u></u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town had installment purchases of \$4,097,990 as of June 30, 2023. In the event of default, the lender, at its sole discretion, may declare the outstanding indebtedness immediately due and payable. The lender can also enforce its security interest in the mortgaged property. This debt also requires a reserve amount equal to one year's debt payment for each loan.

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

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Governmental Activities:					
Direct borrowing					
installment purchases	\$ 4,612,758	\$ -	\$ 514,768	\$ 4,097,990	\$ 473,150
Lease liabilities	431,764	179,655	105,479	505,940	109,312
Subscription liabilities	-	58,556	19,909	38,647	19,072
Total pension liability (LEOSSA)	1,960,969	-	276,168	1,684,801	-
Legal claims	5,000	-	-	5,000	-
Net pension liability (LGERS)	1,347,592	3,625,292	-	4,972,884	-
Total OPEB liability	7,634,876	-	1,138,710	6,496,166	-
Compensated absences	443,624	177,931	167,934	453,621	167,934
Total governmental activities	<u>\$ 16,436,583</u>	<u>\$ 4,041,434</u>	<u>\$ 2,222,968</u>	<u>\$ 18,255,049</u>	<u>\$ 769,468</u>
Electric Fund:					
Net pension liability (LGERS)	\$ 57,692	\$ 155,155	\$ -	\$ 212,847	\$ -
Total OPEB liability	296,288	-	44,190	252,098	-
Compensated absences	20,438	5,691	9,557	16,572	9,557
Total Electric Fund	<u>374,418</u>	<u>160,846</u>	<u>53,747</u>	<u>481,517</u>	<u>9,557</u>
Water Fund:					
Direct borrowing					
installment purchases	650,337	-	61,684	588,653	61,684
Net pension liability (LGERS)	142,417	383,352	-	525,769	-
Total OPEB liability	726,573	-	108,365	618,208	-
Compensated absences	56,367	20,754	18,225	58,896	18,225
Total Water Fund	<u>1,575,694</u>	<u>404,106</u>	<u>188,274</u>	<u>1,791,526</u>	<u>79,909</u>
Sewer Fund:					
Net pension liability (LGERS)	138,641	372,918	-	511,559	-
Total OPEB liability	739,844	-	110,345	629,499	-
Compensated absences	38,172	19,595	14,781	42,986	14,781
Total Sewer Fund	<u>916,657</u>	<u>392,513</u>	<u>125,126</u>	<u>1,184,044</u>	<u>14,781</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Total Business-Type Activities:					
Direct borrowing					
installment purchases	650,337	-	61,684	588,653	61,684
Net pension liability (LGERS)	338,750	911,425	-	1,250,175	-
Total OPEB liability	1,762,705	-	262,900	1,499,805	-
Compensated absences	114,977	46,040	42,563	118,454	42,563
Total business-type activities	<u>\$ 2,866,769</u>	<u>\$ 957,465</u>	<u>\$ 367,147</u>	<u>\$ 3,457,087</u>	<u>\$ 104,247</u>

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

At June 30, 2023, the Town had a legal debt margin of \$128,739,237.

C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2023, is as follows:

<u>Payable To</u>	<u>Receivable From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Garage internal service	<u>\$ 11,558</u>	Cash overdraft

Advances between funds consist of a loan to the General Fund from the Electric Fund of \$800,000 on February 11, 2020, with a balance of \$652,476 at June 30, 2023. The purpose of the interfund loan was for recreation center improvements. Terms of the interfund loan are 2% interest payable semiannually starting July 1, 2021, for a period of 10 years.

The following interfund transfers were made during the year ended June 30, 2023:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Sewer Fund	<u>\$ 184,000</u>	Incentives
ARPA Fund	Water Fund	\$ 320,513	Grant expenditures
	Asset Management Fund	34,505	Grant expenditures
	Garage Fund	<u>102,603</u>	Grant expenditures
		<u>\$ 457,621</u>	
Electric Fund	General Fund	<u>\$ 1,275,600</u>	Payment in lieu of taxes
Sewer Fund	ARPA Fund	<u>\$ 28,108</u>	Reallocated grant expenditures

TOWN OF WAYNESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3. Jointly Governed Organization

The nine-member Board of the Waynesville Housing Authority is appointed by the Mayor of the Town of Waynesville. The Housing Authority acts as a municipal corporation and is governed through Article 1 of Chapter 157 of the North Carolina General Statutes. The Town of Waynesville is also disclosed as a related organization in the notes to the financial statements for the Town of Waynesville Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority at P.O. Box 418, Waynesville, North Carolina 28786.

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

4. Related Party Transactions

The Town and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2023:

Town of Waynesville ABC Board:

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

At June 30, 2023, the ABC Board owed the Town \$198,955 related to the above transactions.

5. Summary Disclosures of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

This page left blank intentionally.

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

Other Post-Employment Benefits			
	2023	2022	2021
Service cost	\$ 476,723	\$ 454,923	\$ 300,145
Interest	209,465	190,437	220,693
Differences between expected and actual experience	(935,748)	(40,719)	1,042,060
Changes of assumptions or other inputs	(796,473)	793,024	885,366
Benefit payments	(355,577)	(322,649)	(259,883)
Net change in total OPEB liability	(1,401,610)	1,075,016	2,188,381
Total OPEB liability - beginning	9,397,581	8,322,565	6,134,184
Total OPEB liability - ending	<u>\$ 7,995,971</u>	<u>\$ 9,397,581</u>	<u>\$ 8,322,565</u>
Covered-employee payroll	\$ 7,887,978	\$ 7,079,757	\$ 7,079,757
Total OPEB liability as a percentage of covered-employee payroll	101.37%	132.74%	117.55%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 279,620	\$ 228,792	\$ 244,994
Interest	215,255	169,843	144,991
Differences between expected and actual experience	24,503	(307,109)	(5,983)
Changes of assumptions or other inputs	194,225	883,376	(219,892)
Benefit payments	<u>(223,823)</u>	<u>(200,977)</u>	<u>(219,593)</u>
Net change in total OPEB liability	489,780	773,925	(55,483)
Total OPEB liability - beginning	<u>5,644,404</u>	<u>4,870,479</u>	<u>4,925,962</u>
Total OPEB liability - ending	<u>\$ 6,134,184</u>	<u>\$ 5,644,404</u>	<u>\$ 4,870,479</u>
Covered-employee payroll	\$ 7,044,416	\$ 7,044,416	\$ 6,544,442
Total OPEB liability as a percentage of covered-employee payroll	87.08%	80.13%	74.42%

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Town's proportion of the net pension liability (asset) (%)	0.11031%	0.10996%	0.11729%	0.12472%	0.12620%
Town's proportion of the net pension liability (asset) (\$)	\$ 6,223,059	\$ 1,686,342	\$ 4,191,271	\$ 3,406,006	\$ 2,993,896
Town's covered payroll	\$ 8,578,644	\$ 7,749,833	\$ 7,704,282	\$ 7,998,194	\$ 7,673,190
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	72.54%	21.76%	54.40%	42.58%	39.02%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

* 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, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.12672%	0.11592%	0.11821%	0.11235%	0.11320%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,935,931	\$ 2,460,207	\$ 530,519	\$ (620,080)	\$ 1,364,495
Town's covered payroll	\$ 7,510,818	\$ 7,197,159	\$ 6,490,657	\$ 6,367,343	\$ 6,283,149
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.78%	34.18%	8.17%	(9.74%)	21.72%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,150,585	\$ 992,009	\$ 804,092	\$ 707,272	\$ 636,799
Contributions in relation to the contractually required contribution	<u>1,150,585</u>	<u>992,009</u>	<u>804,092</u>	<u>707,272</u>	<u>636,799</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 9,296,929	\$ 8,578,644	\$ 7,749,833	\$ 7,704,282	\$ 7,998,194
Contributions as a percentage of covered payroll	12.38%	11.56%	10.38%	9.18%	7.96%

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 593,861	\$ 564,103	\$ 485,425	\$ 463,628	\$ 453,440
Contributions in relation to the contractually required contribution	<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>
Town's covered payroll	\$ 7,673,190	\$ 7,510,818	\$ 7,197,159	\$ 6,490,657	\$ 6,367,343
Contributions as a percentage of covered payroll	7.74%	7.51%	6.74%	7.14%	7.12%

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance			
	2023	2022	2021	2020
Beginning balance	\$ 1,960,969	\$ 1,834,928	\$ 1,345,260	\$ 1,256,230
Service cost	82,343	90,018	48,646	50,038
Interest on the total pension liability	42,880	34,280	41,981	43,929
Differences between expected and actual experience in the measurement of the total pension liability	13,585	172,557	58,469	55,612
Changes of assumption or other inputs	(304,616)	(53,264)	455,562	38,221
Benefit payments	(110,360)	(117,550)	(114,990)	(98,770)
Ending balance of the total pension liability	<u>\$ 1,684,801</u>	<u>\$ 1,960,969</u>	<u>\$ 1,834,928</u>	<u>\$ 1,345,260</u>

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Total pension liability	\$ 1,684,801	\$ 1,960,969	\$ 1,834,928	\$ 1,345,260
Covered-employee payroll	1,914,611	1,982,932	1,774,744	1,993,820
Total pension liability as a percentage of covered-employee payroll	88.00%	98.89%	103.39%	67.47%

Notes to the Schedules:

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

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

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

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 6,932,850	\$ 7,377,483	\$ 444,633
Penalties and interest	51,500	86,574	35,074
Total	<u>6,984,350</u>	<u>7,464,057</u>	<u>479,707</u>
Other Taxes and Licenses:			
Privilege licenses	150	339	189
Cable TV franchise tax	100,000	95,120	(4,880)
Gross receipts tax on vehicle rentals	20,000	34,252	14,252
Local option sales tax	4,220,000	4,477,010	257,010
Total	<u>4,340,150</u>	<u>4,606,721</u>	<u>266,571</u>
Unrestricted Intergovernmental Revenues:			
Franchise tax	742,000	798,062	56,062
Beer and wine tax	42,000	46,660	4,660
ABC Board profit distribution	115,000	272,111	157,111
Total	<u>899,000</u>	<u>1,116,833</u>	<u>217,833</u>
Restricted Intergovernmental Revenues:			
Powell bill allocation	325,000	359,322	34,322
ABC revenue for law enforcement	36,000	36,555	555
Federal and state grants	559,275	388,086	(171,189)
Fire district taxes	467,000	472,946	5,946
Total	<u>1,387,275</u>	<u>1,256,909</u>	<u>(130,366)</u>
Permits and Fees:			
Building permits and inspection fees	216,900	172,894	(44,006)
Reconnect fees	50,000	64,766	14,766
Total	<u>266,900</u>	<u>237,660</u>	<u>(29,240)</u>
Sales and Services:			
Recreation department fees	437,250	475,910	38,660
Cemetery revenues	27,100	18,000	(9,100)
Sanitation fees	652,500	713,896	61,396
Solid waste container sales	-	(6)	(6)
Fire protection	-	1,165	1,165
Police contract services	140,000	148,157	8,157
Court costs and fees	1,500	1,861	361
Rents	80,000	64,117	(15,883)
Total	<u>1,338,350</u>	<u>1,423,100</u>	<u>84,750</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Investment Earnings	95,300	365,631	270,331
Miscellaneous	119,400	165,632	46,232
Total revenues	<u>15,430,725</u>	<u>16,636,543</u>	<u>1,205,818</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	121,838	106,591	15,247
Operating expenses	60,655	60,659	(4)
Allocated to other funds	<u>(130,950)</u>	<u>(125,790)</u>	<u>(5,160)</u>
Total	<u>51,543</u>	<u>41,460</u>	<u>10,083</u>
Administration:			
Salaries and employee benefits	544,092	504,404	39,688
Professional services	90,000	63,175	26,825
Operating expenses	284,696	260,041	24,655
Capital outlay	35,813	35,780	33
Allocated to other funds	<u>(622,390)</u>	<u>(652,960)</u>	<u>30,570</u>
Total	<u>332,211</u>	<u>210,440</u>	<u>121,771</u>
Finance:			
Salaries and employee benefits	868,372	821,054	47,318
Professional services	100,800	65,029	35,771
Operating expenses	275,892	234,085	41,807
Capital outlay	-	60,556	(60,556)
Allocated to other funds	<u>(940,520)</u>	<u>(918,040)</u>	<u>(22,480)</u>
Total	<u>304,544</u>	<u>262,684</u>	<u>41,860</u>
Planning and Code Enforcement:			
Salaries and employee benefits	769,325	721,710	47,615
Professional services	247,531	182,441	65,090
Operating expenses	<u>325,524</u>	<u>327,723</u>	<u>(2,199)</u>
Total	<u>1,342,380</u>	<u>1,231,874</u>	<u>110,506</u>
Downtown:			
Salaries and employee benefits	73,591	73,000	591
Operating expenses	137,225	114,470	22,755
Capital outlay	<u>55,839</u>	<u>11,339</u>	<u>44,500</u>
Total	<u>266,655</u>	<u>198,809</u>	<u>67,846</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Special Appropriations:			
Contributions	226,000	208,696	17,304
Total	<u>226,000</u>	<u>208,696</u>	<u>17,304</u>
Total general government	<u>2,523,333</u>	<u>2,153,963</u>	<u>369,370</u>
Public Safety:			
Police:			
Salaries and employee benefits	4,680,473	4,470,960	209,513
Professional services	32,700	32,646	54
Operating expenses	959,215	925,028	34,187
Capital outlay	386,630	307,799	78,831
Total	<u>6,059,018</u>	<u>5,736,433</u>	<u>322,585</u>
Fire:			
Salaries and employee benefits	1,699,331	1,625,153	74,178
Professional services	27,400	29,294	(1,894)
Operating expenses	495,920	449,049	46,871
Capital outlay	1,515,785	742,268	773,517
Total	<u>3,738,436</u>	<u>2,845,764</u>	<u>892,672</u>
Total public safety	<u>9,797,454</u>	<u>8,582,197</u>	<u>1,215,257</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	1,538,403	1,240,347	298,056
Professional services	60,000	27,832	32,168
Operating expenses	1,431,713	1,245,821	185,892
Contracted services	306,425	306,374	51
Capital outlay	230,000	177,624	52,376
Total	<u>3,566,541</u>	<u>2,997,998</u>	<u>568,543</u>
Environmental Protection:			
Cemetery:			
Salaries and employee benefits	183,767	159,684	24,083
Operating expenses	101,023	89,908	11,115
Capital outlay	15,000	14,662	338
Total	<u>299,790</u>	<u>264,254</u>	<u>35,536</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Culture and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	1,710,844	1,462,436	248,408
Operating expenses	726,524	749,355	(22,831)
Capital outlay	145,800	81,325	64,475
Total	<u>2,583,168</u>	<u>2,293,116</u>	<u>290,052</u>
Debt Service:			
Principal repayment	506,900	506,900	-
Interest and fees	115,225	107,268	7,957
Total	<u>622,125</u>	<u>614,168</u>	<u>7,957</u>
Total expenditures	<u>19,392,411</u>	<u>16,905,696</u>	<u>2,486,715</u>
Revenues over (under) expenditures	<u>(3,961,686)</u>	<u>(269,153)</u>	<u>3,692,533</u>
Other Financing Sources (Uses):			
Lease liabilities issued	800,000	-	(800,000)
Subscription liabilities issued	-	58,556	58,556
Sales of assets	30,000	91,986	61,986
Transfers in	1,275,600	1,275,600	-
Transfers out	(184,000)	(184,000)	-
Fund balance appropriated	2,040,086	-	(2,040,086)
Total other financing sources (uses)	<u>3,961,686</u>	<u>1,242,142</u>	<u>(2,719,544)</u>
Net change in fund balance	<u>\$ -</u>	972,989	<u>\$ 972,989</u>
Fund Balance:			
Beginning of year - July 1		<u>12,466,141</u>	
End of year - June 30		<u>\$ 13,439,130</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - ARPA GRANT PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive/ (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental revenues:					
American Rescue Plan grant	\$ 3,231,911	\$ 1,145,923	\$ 710,592	\$ 1,856,515	\$ (1,375,396)
Expenditures:					
Grant expenditures	570,864	277,904	67,941	345,845	225,019
Capital outlay	1,346,215	320,019	213,138	533,157	813,058
Total expenditures	1,917,079	597,923	281,079	879,002	1,038,077
Revenues over (under) expenditures	1,314,832	548,000	429,513	977,513	(337,319)
Other Financing Sources (Uses):					
Transfers in	-	-	28,108	28,108	28,108
Transfers out	(1,314,832)	(548,000)	(457,621)	(1,005,621)	309,211
Total other financing sources (uses)	(1,314,832)	(548,000)	(429,513)	(977,513)	337,319
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WAYNESVILLE, NORTH CAROLINA

**NONMAJOR CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Actual</u>
Revenues:	
Sales and services	\$ 31,600
Investment earnings	<u>14,945</u>
Total revenues	<u>46,545</u>
 Net change in fund balance	 46,545
 Fund Balance:	
Beginning of year - July 1	<u>522,491</u>
End of year - June 30	<u>\$ 569,036</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 9,714,500	\$ 9,716,255	\$ 1,755
Other operating revenue	36,000	24,613	(11,387)
Total operating revenues	<u>9,750,500</u>	<u>9,740,868</u>	<u>(9,632)</u>
Non-operating revenues:			
Grant revenue	90,000	82,507	(7,493)
Other non-operating income	5,000	5,101	101
Investment earnings	60,600	61,555	955
Total non-operating revenues	<u>155,600</u>	<u>149,163</u>	<u>(6,437)</u>
Total revenues	<u>9,906,100</u>	<u>9,890,031</u>	<u>(16,069)</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>814,260</u>	<u>813,880</u>	<u>380</u>
Electrical operations:			
Salaries and employee benefits	529,543	424,099	105,444
Professional services	140,000	126,505	13,495
Maintenance	207,738	164,637	43,101
Other departmental expenditures	540,465	307,585	232,880
Capital outlay	925,052	609,562	315,490
Total	<u>2,342,798</u>	<u>1,632,388</u>	<u>710,410</u>
Electrical power purchases	<u>6,780,000</u>	<u>6,968,696</u>	<u>(188,696)</u>
Total expenditures	<u>9,937,058</u>	<u>9,414,964</u>	<u>522,094</u>
Revenues over (under) expenditures	<u>(30,958)</u>	<u>475,067</u>	<u>506,025</u>
Other Financing Sources (Uses):			
Appropriated fund balance	1,306,558	-	(1,306,558)
Transfers out	(1,275,600)	(1,275,600)	-
Total other financing sources (uses)	<u>30,958</u>	<u>(1,275,600)</u>	<u>(1,306,558)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(800,533)	\$ (800,533)
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		609,562	
Depreciation		(267,867)	
Increase (decrease) in deferred outflows of resources - OPEB		(15,849)	
(Increase) decrease in deferred inflows of resources - OPEB		(44,827)	
(Increase) decrease in total OPEB liability		44,190	
Increase (decrease) in deferred outflows of resources - pension		52,245	
(Increase) decrease in deferred inflows of resources - pension		84,969	
(Increase) decrease in net pension liability		(155,155)	
(Increase) decrease in compensated absences		<u>3,866</u>	
Change in net position		<u>\$ (489,399)</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECT FUND -
WALNUT STREET/RUSS AVENUE IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive/ (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental revenues:					
State grant	\$ 1,075,000	\$ -	\$ -	\$ -	\$ (1,075,000)
Expenditures:					
Additional lighting	250,000	-	85,163	85,163	164,837
Historic District	950,000	-	-	-	950,000
Russ to Howell Mill	500,000	-	-	-	500,000
Contingency	50,000	-	-	-	50,000
Total expenditures	<u>1,750,000</u>	<u>-</u>	<u>85,163</u>	<u>85,163</u>	<u>1,664,837</u>
Revenues over (under) expenditures	(675,000)	-	(85,163)	(85,163)	589,837
Other Financing Sources (Uses):					
Transfers in	<u>675,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(675,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (85,163)</u>	<u>\$ (85,163)</u>	<u>\$ (85,163)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,090,000	\$ 3,386,638	\$ 296,638
Tap and connection fees	70,000	318,231	248,231
Other operating revenue	1,000	12,326	11,326
Total operating revenues	<u>3,161,000</u>	<u>3,717,195</u>	<u>556,195</u>
Non-operating revenues:			
Investment earnings	48,300	103,772	55,472
Other non-operating revenue	-	789	789
Total non-operating revenues	<u>48,300</u>	<u>104,561</u>	<u>56,261</u>
Total revenues	<u>3,209,300</u>	<u>3,821,756</u>	<u>612,456</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>444,290</u>	<u>445,870</u>	<u>(1,580)</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	646,466	580,933	65,533
Professional services	60,000	54,658	5,342
Maintenance	293,250	288,557	4,693
Other departmental expenditures	359,251	330,962	28,289
Capital outlay	887,095	325,578	561,517
Total	<u>2,246,062</u>	<u>1,580,688</u>	<u>665,374</u>
Operations department:			
Salaries and employee benefits	622,005	559,775	62,230
Professional services	40,000	45,125	(5,125)
Utilities	26,200	28,597	(2,397)
Maintenance	269,320	232,165	37,155
Other departmental expenditures	278,121	240,146	37,975
Capital outlay	570,000	-	570,000
Total	<u>1,805,646</u>	<u>1,105,808</u>	<u>699,838</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt service:			
Principal repayment	61,684	61,684	-
Interest and fees	11,316	9,886	1,430
Total debt service	<u>73,000</u>	<u>71,570</u>	<u>1,430</u>
Total expenditures	<u>4,568,998</u>	<u>3,203,936</u>	<u>1,365,062</u>
Revenues over (under) expenditures	<u>(1,359,698)</u>	<u>617,820</u>	<u>1,977,518</u>
Other Financing Sources (Uses):			
Appropriated fund balance	1,039,185	-	(1,039,185)
Transfers in	<u>320,513</u>	<u>320,513</u>	<u>-</u>
Total other financing sources (uses)	<u>1,359,698</u>	<u>320,513</u>	<u>(1,039,185)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	938,333	<u>\$ 938,333</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		325,578	
Depreciation		(653,660)	
Increase (decrease) in deferred outflows of resources - OPEB		(38,864)	
(Increase) decrease in deferred inflows of resources - OPEB		(109,927)	
(Increase) decrease in total OPEB liability		108,365	
Increase (decrease) in deferred outflows of resources - pension		129,082	
(Increase) decrease in deferred inflows of resources - pension		209,937	
(Increase) decrease in net pension liability		(383,352)	
(Increase) decrease in compensated absences		(2,529)	
Principal repayment		<u>61,684</u>	
Change in net position		<u>\$ 584,647</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,432,000	\$ 3,767,677	\$ 335,677
Tap and connection fees	45,000	376,933	331,933
Other operating revenue	1,000	-	(1,000)
Total operating revenues	<u>3,478,000</u>	<u>4,144,610</u>	<u>666,610</u>
Non-operating revenues:			
Investment earnings	8,200	143,000	134,800
Total revenues	<u>3,486,200</u>	<u>4,287,610</u>	<u>801,410</u>
Expenditures:			
Finance and administration:			
Charges by General Fund	<u>435,310</u>	<u>437,040</u>	<u>(1,730)</u>
Water collection and treatment:			
Salaries and employee benefits	643,682	661,860	(18,178)
Professional services	110,000	19,050	90,950
Maintenance	100,000	70,261	29,739
Other departmental expenditures	234,647	188,055	46,592
Total	<u>1,088,329</u>	<u>939,226</u>	<u>149,103</u>
Operations department:			
Salaries and employee benefits	784,661	691,566	93,095
Professional services	75,000	71,102	3,898
Utilities	173,100	154,843	18,257
Maintenance	275,820	76,793	199,027
Other departmental expenditures	439,226	357,089	82,137
Capital outlay	754,070	191,960	562,110
Total	<u>2,501,877</u>	<u>1,543,353</u>	<u>958,524</u>
Total expenditures	<u>4,025,516</u>	<u>2,919,619</u>	<u>1,105,897</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(539,316)	1,367,991	1,907,307
Other Financing Sources (Uses):			
Appropriated fund balance	119,707	-	(119,707)
Transfers in	447,717	184,000	(263,717)
Transfers out	(28,108)	(28,108)	-
Total other financing sources (uses)	<u>539,316</u>	<u>155,892</u>	<u>(383,424)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	1,523,883	<u>\$ 1,523,883</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Capital outlay		191,960	
Depreciation		(476,438)	
Increase (decrease) in deferred outflows of resources - OPEB		(39,574)	
(Increase) decrease in deferred inflows of resources - OPEB		(111,936)	
(Increase) decrease in total OPEB liability		110,345	
Increase (decrease) in deferred outflows of resources - pension		125,569	
(Increase) decrease in deferred inflows of resources - pension		204,222	
(Increase) decrease in net pension liability		(372,918)	
(Increase) decrease in compensated absences		<u>(4,814)</u>	
Change in net position		<u>\$ 1,150,299</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND -
WASTE WATER TREATMENT PLANT IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Positive/ (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Engineering and professional fees	\$ 1,978,900	\$ 1,343,959	\$ 247,627	\$ 1,591,586	\$ 387,314
Construction cost	25,875,000	-	5,402,097	5,402,097	20,472,903
Closing costs	491,000	-	490,918	490,918	82
Contingency	1,286,250	-	-	-	1,286,250
Total expenditures	<u>29,631,150</u>	<u>1,343,959</u>	<u>6,140,642</u>	<u>7,484,601</u>	<u>22,146,549</u>
Revenues over (under) expenditures	<u>(29,631,150)</u>	<u>(1,343,959)</u>	<u>(6,140,642)</u>	<u>(7,484,601)</u>	<u>22,146,549</u>
Other Financing Sources (Uses):					
CWSRF loan issued	24,545,900	-	-	-	(24,545,900)
Long-term debt issued	<u>5,085,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,085,250)</u>
Total other financing sources (uses)	<u>29,631,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,631,150)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,343,959)</u>	<u>\$ (6,140,642)</u>	<u>\$ (7,484,601)</u>	<u>\$ (7,484,601)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2023

	Asset Services Management Fund	Garage Operations Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 196,226	\$ -	\$ 196,226
Other receivables	7	2	9
Inventories	8,827	80,319	89,146
Total current assets	<u>205,060</u>	<u>80,321</u>	<u>285,381</u>
Capital assets:			
Land and construction in progress	126,618	-	126,618
Other capital assets, net of depreciation	2,305,676	184,746	2,490,422
Right-to-use assets, net of amortization	301,875	-	301,875
Total capital assets	<u>2,734,169</u>	<u>184,746</u>	<u>2,918,915</u>
Total non-current assets	<u>2,734,169</u>	<u>184,746</u>	<u>2,918,915</u>
Total assets	<u>2,939,229</u>	<u>265,067</u>	<u>3,204,296</u>
Deferred Outflows of Resources:			
Pension deferrals	260,562	67,897	328,459
OPEB deferrals	159,037	37,412	196,449
Total deferred outflows of resources	<u>419,599</u>	<u>105,309</u>	<u>524,908</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	40,209	9,003	49,212
Due to other funds	-	11,558	11,558
Compensated absences, current	13,436	3,495	16,931
Lease liabilities - current	39,547	-	39,547
Installment purchases, current	93,709	-	93,709
Total current liabilities	<u>186,901</u>	<u>24,056</u>	<u>210,957</u>
Non-current liabilities:			
Compensated absences	22,694	5,692	28,386
Lease liabilities - noncurrent	267,070	-	267,070
Installment purchases	655,959	-	655,959
Net pension liability	393,952	102,674	496,626
Total OPEB liability	<u>518,826</u>	<u>122,050</u>	<u>640,876</u>
Total non-current liabilities	<u>1,858,501</u>	<u>230,416</u>	<u>2,088,917</u>
Total liabilities	<u>2,045,402</u>	<u>254,472</u>	<u>2,299,874</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2023**

	Asset Services Management Fund	Garage Operations Fund	Total
Deferred Inflows of Resources:			
Pension deferrals	10,564	2,729	13,293
OPEB deferrals	109,385	25,732	135,117
Total deferred inflows of resources	<u>119,949</u>	<u>28,461</u>	<u>148,410</u>
Net Position:			
Net investment in capital assets	1,677,884	184,746	1,862,630
Unrestricted (deficit)	<u>(484,407)</u>	<u>(97,303)</u>	<u>(581,710)</u>
Total net position	<u>\$ 1,193,477</u>	<u>\$ 87,443</u>	<u>\$ 1,280,920</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Asset Services Management Fund	Garage Operations Fund	Total
Operating Revenues:			
Charges for services	\$ 1,629,363	\$ 924,637	\$ 2,554,000
Other operating revenue	722	7,850	8,572
Total operating revenues	<u>1,630,085</u>	<u>932,487</u>	<u>2,562,572</u>
Operating Expenses:			
Asset services management	1,485,583	-	1,485,583
Garage operations	-	933,365	933,365
Depreciation and amortization	178,452	25,677	204,129
Total operating expenses	<u>1,664,035</u>	<u>959,042</u>	<u>2,623,077</u>
Operating income (loss)	<u>(33,950)</u>	<u>(26,555)</u>	<u>(60,505)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	7,935	663	8,598
Interest and fees paid	(24,584)	-	(24,584)
Gain (loss) on sale of assets	-	371	371
Total non-operating revenues (expenses)	<u>(16,649)</u>	<u>1,034</u>	<u>(15,615)</u>
Income (loss) before transfers	(50,599)	(25,521)	(76,120)
Transfers in	<u>34,505</u>	<u>102,603</u>	<u>137,108</u>
Change in net position	(16,094)	77,082	60,988
Net Position:			
Beginning of year - July 1	<u>1,209,571</u>	<u>10,361</u>	<u>1,219,932</u>
End of year - June 30	<u>\$ 1,193,477</u>	<u>\$ 87,443</u>	<u>\$ 1,280,920</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Asset Services Management Fund	Garage Operations Fund	Total
Cash Flows from Operating Activities:			
Cash received from interfund charges	\$ 1,629,363	\$ 924,637	\$ 2,554,000
Cash paid for goods and services	(620,497)	(698,601)	(1,319,098)
Cash paid to employees for services	(794,799)	(249,436)	(1,044,235)
Other operating revenues	722	7,850	8,572
Net cash provided (used) by operating activities	<u>214,789</u>	<u>(15,550)</u>	<u>199,239</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets and construction	(90,673)	(110,248)	(200,921)
Proceeds from sale of capital assets	-	371	371
Principal paid on debt	(133,256)	-	(133,256)
Interest and fees paid on installment purchases	(24,584)	-	(24,584)
Net cash provided (used) by capital and related financing activities	<u>(248,513)</u>	<u>(109,877)</u>	<u>(358,390)</u>
Cash Flows From Non-Capital Financing Activities:			
Operating transfers in	34,505	102,603	137,108
Change in due to/from other funds	-	11,558	11,558
Net cash provided (used) by non-capital financing activities	<u>34,505</u>	<u>114,161</u>	<u>148,666</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>7,935</u>	<u>663</u>	<u>8,598</u>
Net increase (decrease) in cash and cash equivalents	8,716	(10,603)	(1,887)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>187,510</u>	<u>10,603</u>	<u>198,113</u>
End of year - June 30	<u>\$ 196,226</u>	<u>\$ -</u>	<u>\$ 196,226</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Asset Services Management Fund</u>	<u>Garage Operations Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (33,950)	\$ (26,555)	\$ (60,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Amortization	51,808	-	51,808
Depreciation	126,644	25,677	152,321
(Increase) decrease in:			
Inventory	633	(21,428)	(20,795)
Deferred outflows of resources - pensions	(96,697)	(25,206)	(121,903)
Deferred outflows of resources - OPEB	32,616	7,673	40,289
Increase (decrease) in:			
Net pension liability	287,174	74,856	362,030
Deferred inflows of resources - pensions	(157,266)	(40,994)	(198,260)
Deferred inflows of resources - OPEB	92,256	21,702	113,958
Other post-employment benefits	(90,945)	(21,395)	(112,340)
Accounts payable	(287)	(8,659)	(8,946)
Compensated absences	2,803	(1,221)	1,582
Net cash provided (used) by operating activities	<u>\$ 214,789</u>	<u>\$ (15,550)</u>	<u>\$ 199,239</u>
Non-Cash Transactions:			
Right-to-use leased assets/lease obligations issued	<u>\$ 179,655</u>	<u>\$ -</u>	<u>\$ 179,655</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ASSET SERVICES MANAGEMENT INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 1,704,242	\$ 1,629,363	\$ (74,879)
Other operating revenue	700	722	22
Total operating revenues	<u>1,704,942</u>	<u>1,630,085</u>	<u>(74,857)</u>
Non-operating revenues:			
Investment earnings	<u>6,300</u>	<u>7,935</u>	<u>1,635</u>
Total revenues	<u>1,711,242</u>	<u>1,638,020</u>	<u>(73,222)</u>
Expenditures:			
Operating expenses:			
Public services administration:			
Salaries and employee benefits	422,393	430,198	(7,805)
Occupancy costs	6,000	6,650	(650)
Maintenance and repairs	6,830	6,622	208
Materials and supplies	12,000	11,470	530
Other departmental expenses	<u>18,910</u>	<u>19,404</u>	<u>(494)</u>
Total	<u>466,133</u>	<u>474,344</u>	<u>(8,211)</u>
Public facilities:			
Salaries and employee benefits	197,844	166,798	31,046
Occupancy costs	66,100	63,533	2,567
Maintenance and repairs	87,280	87,173	107
Materials and supplies	66,550	53,499	13,051
Other departmental expenses	<u>383,280</u>	<u>332,992</u>	<u>50,288</u>
Total	<u>801,054</u>	<u>703,995</u>	<u>97,059</u>
Purchasing:			
Salaries and employee benefits	220,285	197,803	22,482
Occupancy costs	26,250	18,959	7,291
Maintenance and repairs	11,200	2,244	8,956
Materials and supplies	15,400	14,470	930
Other departmental expenses	<u>7,120</u>	<u>3,827</u>	<u>3,293</u>
Total	<u>280,255</u>	<u>237,303</u>	<u>42,952</u>
Total operating expenses	<u>1,547,442</u>	<u>1,415,642</u>	<u>131,800</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**ASSET SERVICES MANAGEMENT INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Capital outlay	89,505	270,328	(180,823)
Debt service:			
Principal repayment	93,709	133,256	(39,547)
Interest and fees	15,091	24,584	(9,493)
Total debt service	<u>108,800</u>	<u>157,840</u>	<u>(49,040)</u>
Total expenditures	<u>1,745,747</u>	<u>1,843,810</u>	<u>(98,063)</u>
Revenues over (under) expenditures	<u>(34,505)</u>	<u>(205,790)</u>	<u>(171,285)</u>
Other Financing Sources (Uses):			
Lease liabilities issued	-	179,655	179,655
Transfers in	34,505	34,505	-
Total other financing sources (uses)	<u>34,505</u>	<u>214,160</u>	<u>179,655</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	8,370	<u>\$ 8,370</u>

**Reconciliation from Modified Accrual
Basis To Full Accrual Basis:**

Capital outlay	85,901
Depreciation	(126,644)
Increase (decrease) in deferred outflows of resources - OPEB	(32,616)
(Increase) decrease in deferred inflows of resources - OPEB	(92,256)
(Increase) decrease in total OPEB liability	90,945
Increase (decrease) in deferred outflows of resources - pension	96,697
(Increase) decrease in deferred inflows of resources - pension	157,266
(Increase) decrease in net pension liability	(287,174)
(Increase) decrease in compensated absences	(2,803)
Principal repayment	93,709
Lease principal repayment	39,547
Lease liabilities issued	(179,655)
Capital outlay - leases	184,427
Amortization	<u>(51,808)</u>
Change in net position	<u>\$ (16,094)</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

**GARAGE OPERATIONS INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	Financial Plan	Actual	Variance Positive/ (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Operating revenues:			
Charges for services	\$ 986,612	\$ 924,637	\$ (61,975)
Other operating revenue	<u>8,220</u>	<u>7,850</u>	<u>(370)</u>
Total operating revenues	<u>994,832</u>	<u>932,487</u>	<u>(62,345)</u>
Non-operating revenues:			
Proceeds from sale of assets	-	371	371
Investment earnings	<u>500</u>	<u>663</u>	<u>163</u>
Total non-operating revenues	<u>500</u>	<u>1,034</u>	<u>534</u>
Total revenues	<u>995,332</u>	<u>933,521</u>	<u>(61,811)</u>
Expenditures:			
Operating expenses:			
Salaries and employee benefits	231,045	264,851	(33,806)
Maintenance and repairs	26,000	8,115	17,885
Materials and supplies	222,720	232,180	(9,460)
Other departmental expenses	<u>515,567</u>	<u>478,086</u>	<u>37,481</u>
Total operating expenses	<u>995,332</u>	<u>983,232</u>	<u>12,100</u>
Capital outlay	<u>102,603</u>	<u>-</u>	<u>102,603</u>
Total expenditures	<u>1,097,935</u>	<u>983,232</u>	<u>114,703</u>
Revenues over (under) expenditures	(102,603)	(49,711)	52,892
Other Financing Sources (Uses):			
Transfers in	<u>102,603</u>	<u>102,603</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>52,892</u>	<u>\$ 52,892</u>
Reconciliation from Budgetary Basis (Modified Accrual) To Full Accrual:			
Depreciation		(25,677)	
Increase (decrease) in deferred outflows of resources - OPEB		(7,673)	
(Increase) decrease in deferred inflows of resources - OPEB		(21,702)	
(Increase) decrease in total OPEB liability		21,395	
Increase (decrease) in deferred outflows of resources - pension		25,206	
(Increase) decrease in deferred inflows of resources - pension		(40,994)	
(Increase) decrease in net pension liability		74,856	
(Increase) decrease in compensated absences		<u>(1,221)</u>	
Change in net position		<u>\$ 77,082</u>	

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 7,143,249	\$ 7,089,487	\$ 53,762
2021-2022	185,984	73	118,572	67,485
2020-2021	89,148	97	46,998	42,247
2019-2020	74,637	129	34,976	39,790
2018-2019	71,091	162	37,612	33,641
2017-2018	50,336	-	15,068	35,268
2016-2017	32,610	-	5,140	27,470
2015-2016	25,624	-	2,869	22,755
2014-2015	23,944	6,858	5,111	25,691
2013-2014	26,186	10,070	3,998	32,258
2012-2013	24,873	5,209	30,082	-
Total	<u>\$ 604,433</u>	<u>\$ 7,165,847</u>	<u>\$ 7,389,913</u>	<u>380,367</u>
Less: Allowance for uncollectible accounts				<u>(135,316)</u>
Ad valorem taxes receivable, net				<u>\$ 245,051</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 7,464,057
Reconciling items:				
Penalties and interest collected				(86,574)
Special motor vehicle tax				(226)
Taxes written off				30,082
Miscellaneous adjustments				<u>(17,426)</u>
Total collections and credits				<u>\$ 7,389,913</u>

TOWN OF WAYNESVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2023

			<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 1,600,467,441	\$ 0.4392	\$ 7,029,253	\$ 6,506,749	\$ 522,504
Municipal service district	<u>59,997,895</u>	0.1900	<u>113,996</u>	<u>113,996</u>	<u>-</u>
Total original levy	<u>1,660,465,336</u>		<u>7,143,249</u>	<u>6,620,745</u>	<u>522,504</u>
Total property valuation	<u>\$ 1,660,465,336</u>				
Net Levy			7,143,249	6,620,745	522,504
Uncollected taxes at June 30, 2023			<u>(53,762)</u>	<u>(53,762)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 7,089,487</u>	<u>\$ 6,566,983</u>	<u>\$ 522,504</u>
Current Levy Collection Percentage			<u>99.25%</u>	<u>99.19%</u>	<u>100.00%</u>

This page left blank intentionally.

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor’s Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 25, 2023. 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. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Town of Waynesville ABC Board.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 25, 2023

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Waynesville, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the Town of Waynesville's major federal programs for the year ended June 30, 2023. The Town of Waynesville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Waynesville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 25, 2023

This page left blank intentionally.

TOWN OF WAYNESVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name or Cluster</u>	<u>AL #</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

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

Auditee qualified as low-risk auditee? No

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

2. Findings Related to the Audit of the Basic Financial Statements

None reported.

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

None reported.

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Finding 2022-001 Status: Corrected

TOWN OF WAYNESVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Fed. (Direct & Pass-Through Expenditures</u>	<u>2023 State Expenditures</u>	<u>2023 Local Expenditures</u>	<u>Passed Through to Subrecipients</u>
Federal Grants:						
U.S. Department of Treasury:						
Direct Program						
Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0498	\$ 710,592	\$ -	\$ -	\$ -
Passed thorough NC Department of Environmental Quality						
State Revolving Fund						
Coronavirus State and Local Fiscal Recovery Funds	21.027	CS370930-01	5,402,097	-	-	-
Total Coronavirus State and Local Fiscal Recovery Funds			6,112,689	-	-	-
U.S. Department of the Interior:						
Passed through NC Department of Natural and Cultural Resources:						
Historic Preservation Fund Grants-In-Aid						
2022 CLG Grant Project: Preservation Plan for Waynesville's Commercial Districts						
	15.904	2022HPF	1,980	-	1,320	-
U.S. Department of Homeland Security:						
Direct Program						
Assistance to Firefighters Grant	97.044	EMW-2021-FG-00111	20,924	-	-	-
Total assistance - Federal programs			6,135,593	-	1,320	-
State Grants:						
NC Department of Natural and Cultural Resources:						
NC Parks & Recreation Trust Fund (PARTF)						
Richland Creek Park and Greenway		2022-993		86,445	86,446	-
North Carolina Department of Environmental Quality:						
North Carolina Volkswagen Settlement Program						
Phase II, Level II EV Charging Stations						
				18,298	-	-
VW-DC Fast Existing Sites Program						
				64,209	-	-
Total North Carolina Department of Environmental Quality				82,507	-	-
NC Office of State Management and Budget:						
Passed through the Southwestern Planning and Economic Development Commission						
State Capital & Infrastructure Grant				40,000	40,000	-
N.C. Department of Transportation:						
Powell Bill allocation		38570		229,289	-	-
Total assistance - State programs				438,241	126,446	-
Total Federal and State awards			\$ 6,135,593	\$ 438,241	\$ 127,766	\$ -

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Waynesville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Waynesville, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Waynesville.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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