

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2007**

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2007**

**TOWN OFFICIALS**

**MAYOR**

Henry Foy

**ALDERMEN**

Libba Feichter  
Gavin A. Brown

Gary Caldwell  
J. Kenneth Moore

**ADMINISTRATIVE**

A. Lee Galloway  
Edward Caldwell

Town Manager  
Finance Officer

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## **FINANCIAL SECTION**

RAY, BUMGARNER, KINGSHILL, & ASSOC., P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

385 N. HAYWOOD ST., SUITE 3  
WAYNESVILLE, NC 28786  
Phone (828) 452-4734 • Fax (828) 452-4733

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Waynesville's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Waynesville ABC Board. Those financial statements were audited by other auditors whose report thereon 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waynesville, North Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007 on our consideration of the Town of Waynesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through

15 and 47 and 48, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Waynesville, North Carolina. The combining, and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Waynesville, North Carolina  
October 16, 2007

## 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, 2007. 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 of the Town of Waynesville exceeded its liabilities at the close of the fiscal year by \$48,106,680 (*net assets*).
- The government's total net assets increased by \$1,007,458, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the Town of Waynesville's governmental funds reported combined ending fund balances of \$8,493,530, an increase of \$2,974,840 in comparison with the prior year. Approximately 75.80 percent of this total amount, or \$6,437,744, is available for spending at the government's discretion (*unreserved fund balance*). The \$2,974,840 increase is primarily due to the unspent loan funds (\$2,350,955) to be spent on the construction of a new fire station. The remaining increase is due to revenues and other financing sources over expenditures and other financing uses.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,938,513, or 36.89 percent of total general fund expenditures for the fiscal year. This is an increase of \$784,282 from the prior year. This increase is mainly due to revenues and other financing sources over expenditures and other financing uses.
- The Town of Waynesville's total debt increased by \$2,385,844 (27.74%) during the current fiscal year. The key factor in this increase was the issuance of two installment purchase contracts totaling \$3,000,000 for the relocation and replacement of the Town's main fire station. Two additional installment purchase contracts were issued during the year ended June 30, 2007. One for three street trucks totaling \$ 205,000 and the other for a new phone system totaling \$78,476.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$5,064,667 an increase of \$207,172 or 4.26% in comparison with the prior year. The prior fiscal year reported power purchases of \$4,857,495, an increase of \$471,031 or 10.74% in comparison with the fiscal year ended June 30, 2005. These increases are primarily due to rising fuel costs that have been passed along to the Town by its supplier. In response, the Town has adopted quarterly rate adjustments to its customers. These rate adjustments began April 1, 2005. These rate adjustments are the primary reason the Electric Fund operating revenues for the current fiscal year reported charges for services of \$7,310,728 an increase of \$274,664 or 3.90%. The prior fiscal year reported charges for services of \$7,036,064, an increase of \$727,066 or 11.52% in comparison with the fiscal year ended June 30, 2005.

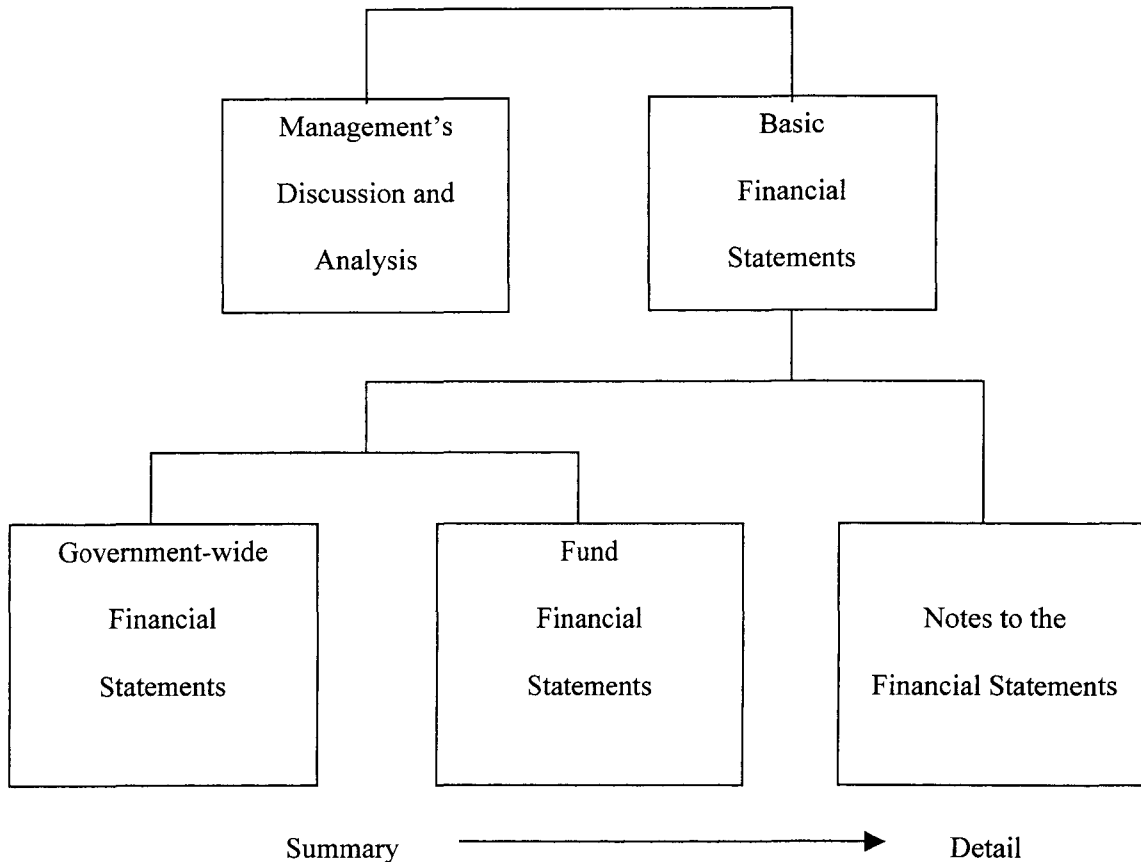
### Overview of the Financial Statements

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

other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Waynesville.

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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

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

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

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

Management Discussion and Analysis  
Town of Waynesville

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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-46 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 47-48 of this report.

**Government-Wide Financial Analysis**

**The Town of Waynesville's Net Assets**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 9,463,807	\$ 6,295,199	\$ 4,474,417	\$ 4,119,401	\$ 13,938,224	\$ 10,414,600
Capital assets	23,778,869	23,560,778	22,687,843	23,032,342	46,466,712	46,593,120
Total assets	33,242,676	29,855,977	27,162,260	27,151,743	60,404,936	57,007,720
Long-term liabilities outstanding	9,184,439	6,263,952	1,800,799	2,335,441	10,985,238	8,599,393
Other liabilities	615,024	476,474	697,994	832,631	1,313,018	1,309,105
Total liabilities	9,799,463	6,740,426	2,498,793	3,168,072	12,298,256	9,908,498
Net assets:						
Invested in capital assets,						
net of related debt	17,064,117	19,861,568	20,978,396	20,779,274	38,042,513	40,640,842
Restricted	637,236	678,908	-	-	637,236	678,908
Unrestricted	5,741,860	2,575,075	3,685,071	3,204,397	9,426,931	5,779,472
Total net assets	\$ 23,443,213	\$ 23,115,551	\$ 24,663,467	\$ 23,983,671	\$ 48,106,680	\$ 47,099,222

Management Discussion and Analysis  
Town of Waynesville

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Waynesville exceeded liabilities by \$48,106,680 as of June 30, 2007. The Town's net assets increased by \$1,007,458 for the fiscal year ended June 30, 2007. And as stated earlier, this increase is primarily due to increases in the business-type activities net assets. However, the largest portion \$38,042,513 or (79.08%) reflects the Town's investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. 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 assets \$637,236 or (1.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,426,931 is unrestricted. However, this includes unspent loan funds (\$2,350,955) that will be used for the construction of a new fire station.

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

- The Town's property valuations were revalued January 1, 2006. In anticipation of revaluation, the Town dropped the tax rate from .43 per \$100 to .40 per \$100. Even with the reduction of the Town's tax rate, the ad valorem taxes increased \$778,247 in comparison with the prior year. The Town projected an increase in ad valorem taxes of \$355,950 to fund capital projects. The capital projects consist of the relocation and construction of a new fire station, the remodeling and construction of the current police station and the construction of a new development office. The \$355,950 will be used to fund the down payment and to repay the necessary loans taken out for these capital projects. The remaining increase (\$422,297) is due to higher than expected revaluations, annexations, growth and a higher than budgeted tax collection rate.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.34% excluding motor vehicles. This is an increase of .24% from prior year's tax collection percentage excluding motor vehicles (97.10%). This is also comparable to the statewide average of units with electrical systems of 96.99% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2005-2006. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,144,428, an increase of \$778,247 or 23.12% in comparison to the prior fiscal year.
- Building permits and inspection fees were \$164,081, an increase of \$102,609 or 166.92% in comparison to the prior year.
- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year were \$2,266,554, an increase of \$139,807 or 6.57% in comparison to the prior year.
- Unrestricted investment earnings in the general fund were \$177,953, an increase of \$30,617 or 20.78% in comparison to the prior year.
- The Town's recreation department fees excluding the contributions from Haywood County for the current fiscal year were \$618,907, an increase of \$52,371 or 9.24% in comparison to the prior year.

Management Discussion and Analysis  
Town of Waynesville

**Town of Waynesville Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1,633,165	\$ 1,413,178	\$11,198,587	\$10,568,967	\$12,831,752	\$11,982,145
Operating grants and contributions	376,418	112,355	2,780	18,460	379,198	130,815
Capital grants and contributions	139,289	855,566	-	101,976	139,289	957,542
General revenues:						
Property taxes	4,214,341	3,410,664	-	-	4,214,341	3,410,664
Other taxes	2,500,757	2,289,781	-	-	2,500,757	2,289,781
Grants and contributions not restricted to specific programs	709,419	655,105	-	-	709,419	655,105
Other	257,654	269,102	217,202	96,636	474,856	365,738
Total revenues	9,831,043	9,005,751	11,418,569	10,786,039	21,249,612	19,791,790
Expenses:						
General government	1,659,641	1,420,597	-	-	1,659,641	1,420,597
Public safety	3,540,102	3,486,909	-	-	3,540,102	3,486,909
Transportation	3,233,775	3,012,667	-	-	3,233,775	3,012,667
Economic development	23,414	38,958	-	-	23,414	38,958
Environmental Protection	116,757	117,293	-	-	116,757	117,293
Culture and recreation	1,690,281	1,607,099	-	-	1,690,281	1,607,099
Interest on long-term debt	237,461	246,697	-	-	237,461	246,697
Electric	-	-	6,155,232	5,925,623	6,155,232	5,925,623
Water	-	-	1,706,183	1,640,116	1,706,183	1,640,116
Sewer	-	-	1,879,308	1,814,288	1,879,308	1,814,288
Total expenses	10,501,431	9,930,220	9,740,723	9,380,027	20,242,154	19,310,247
Increase (decrease) in net assets before transfers	(670,388)	(924,469)	1,677,846	1,406,012	1,007,458	481,543
Transfers	998,050	1,000,000	(998,050)	(1,000,000)	-	-
Increase in net assets	327,662	75,531	679,796	406,012	1,007,458	481,543
Net assets, July 1	23,115,551	23,040,020	23,983,671	23,577,659	47,099,222	46,617,679
Net assets, June 30	\$23,443,213	\$23,115,551	\$24,663,467	\$23,983,671	\$48,106,680	\$47,099,222

**Governmental activities.** For the year ended June 30, 2007, Governmental activities increased the Town's net assets by \$327,662. Key elements of this increase are as follows:

- The Town's property valuations were revalued January 1, 2006. In anticipation of revaluation, the Town dropped the tax rate from .43 per \$100 to .40 per \$100. Even with the reduction of the Town's tax rate, the ad valorem taxes increased \$778,247 in comparison with the prior year. The Town projected an increase in ad valorem taxes of \$355,950 to fund capital projects. The capital projects consist of the relocation and construction of a new fire station, the remodeling and construction of the current police station and the construction of a new development office. The \$355,950 will be used to fund the down payment and to repay the necessary loans taken out for these capital projects.
- Depreciation exceeds capital outlays by \$7,171.
- This increase of \$327,662 would be a decrease except for the Town's transfer of \$998,050 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2006, the governmental activities increased \$75,531 after the Town transferred \$1,000,000 from business-type activities to the governmental activities. Net assets increased \$252,131 more in the year ended June 30, 2007 than in the year ended June 30, 2006.

**Business-type activities:** For the year ended June 30, 2007, business-type activities increased the Town's net assets by \$679,796. Key elements of this increase are as follows:

- The increase would be even larger however the Town transferred \$998,050 from the business-type activities to the governmental activities.
- The Town's electric fund reported income before contributions and transfers of \$1,230,688, an increase of \$77,791 over the prior year. As stated earlier, this increase is due to the Town's adoption of rate adjustments that were needed due to the rising fuel costs that have been passed along to the Town by its supplier.
- The town implemented 10% rate increases for the water and sewer charges.
- By comparison for the year ended June 30, 2006, the business-type activities' net assets increased by \$406,012 after the Town transferred \$1,000,000 from the business-type activities to the governmental activities. Net assets increased \$273,784 more in the year ended June 30, 2007 than in the year ended June 30, 2006.

### **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, unreserved fund balance 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, unreserved fund balance of the General Fund was \$3,938,513, while total fund balance reached \$5,787,859. By comparison, the year ended June 30, 2006 unreserved fund balance of the General Fund was \$3,154,231 and total fund balance was \$4,961,377. Unreserved fund balance of the General Fund increased \$784,282 or 24.86 percent. Total fund balance increased \$826,482 or 16.66 percent. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.89 percent of total General Fund expenditures, while total fund balance represents 54.22 percent of that same amount. By comparison for the year ended June 30, 2006 unreserved fund balance represented 28.09 percent of the total General Fund expenditures, while total fund balance represented 44.18 percent of that same amount.

Management Discussion and Analysis  
Town of Waynesville

At June 30, 2007, the governmental funds of Town of Waynesville reported a combined fund balance of \$8,493,530, with a net increase in fund balance of \$2,974,840. This represents a 53.90 percent increase over last year. The \$2,974,840 increase is primarily due to the unspent loan funds (\$2,350,955) for the construction of a new fire station. The remaining increase is due to revenues and other financing sources over expenditures and other financing uses.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on three 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 excluding transfers to other funds for the year ended June 30, 2007 totaled \$11,437,297. Funding sources were budgeted as follows: revenues were budgeted at \$10,108,770, transfers from business-type activities were budgeted at \$998,050, transfers out to other funds were budgeted at \$355,950 and appropriations from fund balance were budgeted at \$686,427. Actual total revenues totaled \$10,503,967 or \$395,197 over budget. Restricted revenues were less than budgeted amounts primarily because some grant funds that the Town originally had expected to receive were unavailable or unspent. In fact, restricted intergovernmental revenues (grants) were under budget by \$458,775. All other revenues combined were actually \$853,972 or 8.45% over budget. The main sources of this favorable variance were better than expected collections from ad valorem taxes \$410,041, better than expected collections from other taxes and licenses (mainly sales taxes and cable franchise fees) \$146,407 and better than expected collections from unrestricted intergovernmental revenues (mainly franchise taxes on telecommunications and electric power sales) \$103,049. Sales and services revenues (mainly recreation department revenues) came in \$77,201 over budget. Other sources of this favorable variance were investment earnings that came in \$76,623 higher than budgeted. The Town's general fund expenditures for the year ended June 30, 2007 were under budget by \$1,117,712. Since grant revenues were less than expected, grant expenditures were held in check to compensate for the lack of funding and the Town was able to comply with its budgetary requirements. Other expenditures were delayed, not spent or kept under budget due to the uncertainty of higher costs in general. Personnel turnover also accounted for a portion of unspent expenditures. As stated earlier, the Town budgeted and transferred \$355,950 from the general fund to the capital projects fund. The capital projects consist of the relocation and construction of a new fire station, the remodeling and construction of the current police station and the construction of a new development office. The \$355,950 will be used to fund the down payment and to repay the necessary loans taken out for these capital projects. The Town budgeted to use \$686,427 from fund balance, but none was needed.

**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 assets of the Electric, Water, and Sewer Funds at the end of the fiscal year totaled \$1,778,991, \$1,241,675, and \$648,060, respectively. In comparison to the year ended June 30, 2006, the unrestricted net assets of the Electric, Water and Sewer funds totaled \$1,410,749, \$1,203,604, and \$558,562, respectively. Unrestricted net assets of the Electric, Water and Sewer funds increased \$368,242 (26.10%), \$38,071 (3.16%) and \$89,498 (16.02%), respectively. Total net assets of the Electric, Water, and Sewer funds at the end of the fiscal year increased \$330,688 (10.18%), \$111,249 (.93%), and \$216,483 (2.60%), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Waynesville's business-type activities.

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

**Capital assets.** The Town of Waynesville's investment in capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$46,466,712 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, recreation facilities, vehicles, and infrastructure.

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

- Relocation and Construction of new fire station (construction in process) \$1,107,419.
- Improvements and additions to the Town's sewer distribution systems for \$170,599.
- Purchase and equipping four police vehicles for \$114,438.
- Purchase new garbage truck \$105,752.
- Purchase land for new police parking lot \$105,325.
- Improvements and additions to the Town's water distribution systems of \$96,173.
- Purchase of telephone system \$78,476.
- Purchase of new street truck (new chipper truck) \$73,228.
- New or rebuilt roads \$70,159.
- Purchase new backhoe loader for sewer treatment plant \$58,650.
- Purchase of new truck to pick up junk \$45,132.
- Purchase of new traffic signals at Hazelwood Ave/Brown \$44,151.
- Design of new police station/development office \$43,982.
- Construction of new equipment shed at public works \$42,122.
- Improvements and additions to the Town's electric substation, lines and related equipment of \$28,212.
- Complete construction of two million gallon water reservoir tank \$27,806.
- Purchase new truck for water maintenance department \$26,665.
- Purchase of new truck for the electric maintenance department \$26,648.
- Purchase of new truck for the recreation department \$20,352.
- Purchase of new leaf collector box \$18,360.
- Design of water treatment plant lab expansion (construction in process) \$17,624.
- Purchase of new meter reading truck \$16,586.
- Purchase of new truck for the garage \$15,822.
- Design of new bridge (Hendrix Street) (construction in process) \$14,411.
- New roof on bathrooms at Parks and Recreation \$11,500.
- Purchase new truck bed for street truck \$9,904.
- Purchase of new under cover camera for the Police department \$9,300.
- Purchase new copier for the Police department \$9,284.

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

- Disposal of street sweeper truck with an original cost of \$90,379.
- Disposal of backhoe with an original cost of \$55,627.
- Disposal of two police vehicles with an original cost of \$48,381.
- Disposal of two-water maintenance trucks with an original cost of \$43,924.
- Disposal of street flusher with an original cost of \$42,490.
- Disposal of sewer treatment truck with an original cost of \$39,667.
- Disposal of street truck with an original cost of \$21,265.
- Disposal of three-sewer treatment pumps with an original cost of \$17,968.
- Disposal of computer server with an original cost of \$17,542.
- Disposal of recreation department truck with an original cost of \$14,747.
- Disposal of phone system with an original cost of \$12,729.

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- Disposal of forklift with an original cost of \$10,533.
- Disposal of meter reader truck with an original cost of \$10,130.
- Disposal of boom mower with an original cost of \$9,600.
- Disposal of leaf vacuum loader with an original cost of \$8,900.
- Disposal of copier with an original cost of \$8,292.
- Disposal of cemetery truck with an original cost of \$8,003.
- Disposal of police computer software with an original cost of \$7,834.
- Disposal of leaf vacuum machine with an original cost of \$6,373.
- Disposal of asphalt kettle with an original cost of \$4,240.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,655,984	\$ 1,550,658	\$ 1,907,438	\$ 1,907,438	\$ 3,563,422	\$ 3,458,096
Construction in process	1,390,827	216,346	109,443	1,091,937	1,500,270	1,308,283
Buildings and system	6,919,539	7,076,737	20,119,525	19,598,848	27,039,064	26,675,585
Land improvements	219,760	235,230	17,263	19,638	237,023	254,868
Equipment, furniture and fixtures	524,029	535,335	121,613	112,109	645,642	647,444
Infrastructure	11,639,854	12,556,195	-	-	11,639,854	12,556,195
Vehicles and motorized equipment	1,428,876	1,390,277	412,561	302,372	1,841,437	1,692,649
Total	<u>\$ 23,778,869</u>	<u>\$ 23,560,778</u>	<u>\$ 22,687,843</u>	<u>\$ 23,032,342</u>	<u>\$ 46,466,712</u>	<u>\$ 46,593,120</u>

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

**Long-term Debt.** The Town's total debt outstanding for the year ending June 30, 2007 and June 30, 2006, was \$10,985,237 and \$8,599,393, respectively. All debt is backed by the full faith and credit of the Town of Waynesville. Unfunded pension liabilities, legal claims, and compensated absences make up \$622,436 and \$574,313 of the total debt outstanding respectively. The remaining balances are installment purchase obligations.

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

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Installment purchase obligations	\$ 8,653,354	\$ 5,772,012	\$ 1,709,447	\$ 2,253,068	\$ 10,362,801	\$ 8,025,080
Total	\$ 8,653,354	\$ 5,772,012	\$ 1,709,447	\$ 2,253,068	\$ 10,362,801	\$ 8,025,080

- The Town's total debt increased \$2,385,844 (27.74%) during the current fiscal year. The key factor in this increase was the issuance of two installment purchase contracts totaling \$3,000,000 for the relocation and replacement of the Town's main fire station. Two additional installment purchase contracts were issued during the year ended June 30, 2007. One for three street trucks totaling \$205,000 and the other for a new phone system totaling \$78,476. These additions were offset to a lesser degree by principal payments on existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Waynesville is \$74,544,738.

Additional information regarding the Town of Waynesville's long-term debt can be found in note III.B.9 beginning on page 42 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town's property valuations were revalued January 1, 2006. In anticipation of revaluation, the Town dropped the tax rate from .43 per \$100 to .40 per \$100. Even with the reduction of the Town's tax rate, the ad valorem taxes increased \$778,247 in comparison with the prior year. The Town projected an increase in ad valorem taxes of \$355,950 to fund capital projects. The capital projects consist of the relocation and construction of a new fire station, the remodeling and construction of the current police station and the construction of a new development office. The \$355,950 will be used to fund the down payment and to repay the necessary loans taken out for these capital projects. The remaining increase (\$422,297) is due to higher than expected revaluations, annexations, growth and a higher than budgeted tax collection rate.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.34% excluding motor vehicles. This is an increase of .24% from prior year's tax collection percentage excluding motor vehicles (97.10%). This is also comparable to the statewide average of units with electrical systems of 96.99% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2005-2006. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,144,428, an increase of \$778,247 or 23.12% in comparison to the prior fiscal year.

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- Building permits and inspection fees were \$164,081, an increase of \$102,609 or 166.92% in comparison to the prior year.
- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year were \$2,266,554, an increase of \$139,807 or 6.57% in comparison to the prior year.
- Unrestricted investment earnings in the general fund were \$177,953, an increase of \$30,617 or 20.78% in comparison to the prior year.
- The Town's recreation department fees excluding the contributions from Haywood County for the current fiscal year were \$618,907, an increase of \$52,371 or 9.24% in comparison to the prior year.

**Budget Highlights for the Fiscal Year Ending June 30, 2008**

**Governmental Activities:** The budgeted revenues, transfers from other funds, and appropriated fund balance for the year ended June 30, 2008 are expected to rise to \$12,611,930 or an increase of \$1,109,913 (9.65%) from actual revenues, transfers from other funds, and appropriated fund balance for the year ended June 30, 2007. The increases will mainly be funded from higher grants and fund balance appropriation. The electric fund transfer to the general fund will drop to \$875,000. The Water fund and Sewer fund transfers to the General fund will increase to \$52,450 and \$49,400 respectively.

The budgeted expenditures and transfers to other funds for the year ended June 30, 2008 are expected to increase to \$12,611,930 or an increase of \$1,936,395 (18.14%) from actual expenditures and transfers to other funds for the year ended June 30, 2007. The largest budgeted increases are in additional employees, employee compensation, fringe benefits, higher capital, higher debt payments, a bridge replacement, higher grant expenditures associated with the Greenways trail project and other miscellaneous grants.

**Business – type Activities:**

**Water Fund:** Budgeted revenue and the appropriated fund balance amounts for the year ended June 30, 2008 are expected to rise to \$2,430,080 or an increase of \$384,533 (18.80%) from actual revenues and appropriated fund balance for the year ended June 30, 2007. A 5% water rate increase, higher tap fees, a new water capacity fee, and a larger fund balance appropriation will fund this increase. Budgeted expenditures and transfers to other funds for the year ended June 30, 2008 are expected to increase to \$2,430,080, or an increase of \$517,913 (27.09%) from actual expenditures for the year ended June 30, 2007. The largest budgeted increases are in increased capital outlays, increased loan payments, a new employee, higher employee compensation and higher fringe benefits.

**Sewer Fund:** Budgeted revenue and appropriated fund balance amounts for the year ended June 30, 2008 are expected to rise to \$1,976,000 or an increase of \$3,739 (.19%) from actual revenues and appropriated fund balance for the year ended June 30, 2007. The sewer fund is also budgeting for a 5% sewer rate increase, higher tap fees, and a new sewer capacity fee. A fund balance appropriation is not being budgeted. Budgeted expenditures and transfer to other funds for the year ended June 30, 2008 are expected to increase to \$1,976,000 or an increase of \$148,456 (8.12%) from actual expenditures for the year ended June 30, 2007. However, this is only a \$64,529 or 3.38% increase from the budgeted expenditures for the year ended June 30, 2007. The largest costs are associated with increased capital outlays, higher employee compensation and higher fringe benefits.

**Electric Fund:** Budgeted revenue and appropriated fund balance amounts for the year ended June 30, 2008 are expected to increase to \$7,499,200, or an increase of \$100,552 (1.36%) from actual revenues and appropriated fund balance for the year ended June 30, 2007. The increases will be funded by an expected 3.50% rate

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increase to the Town's electric customers. This rate increase is in addition to the quarterly rate increases adopted by the Town to keep up with rising power costs. These quarterly rate increases are primarily due to rising fuel costs that have been passed along to the Town by its supplier. A fund balance appropriation is not being budgeted. Budgeted expenditures and transfers to other funds for the year ended June 30, 2008 are expected to increase to \$7,499,200, or an increase of \$483,934 (6.90%) from actual expenditures and transfers for the year ended June 30, 2007. However, this is only a \$157,052 or 2.14% increase from the budgeted expenditures for the year ended June 30, 2007. The largest increases expected are debt payments associated with new capital outlay, higher material and supplies, higher employee compensation, and higher fringe benefits.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Waynesville, 16 South Main Street, Waynesville, NC 28786.

**Town of Waynesville, North Carolina**  
**Statement of Net Assets**  
**June 30, 2007**

	Primary Government			
	Governmental	Business-type		
	Activities	Activities	Total	Component Unit
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,951,818	\$ 1,530,016	\$ 7,481,834	\$ 600,254
Investments	1,797,671	1,408,235	3,205,906	-
Taxes receivables (net)	406,157	-	406,157	-
Accrued interest receivable on taxes	23,209	-	23,209	-
Interest receivable on investments	30,661	13,730	44,391	275
Accounts receivable (net)	68,893	905,386	974,279	-
Due from other governments	925,536	-	925,536	-
Due from component units	31,002	-	31,002	-
Internal balances	2,115	(2,115)	-	-
Inventories	71,541	619,165	690,706	176,087
Prepaid items	126,780	-	126,780	7,294
Total current assets	9,435,383	4,474,417	13,909,800	783,910
Noncurrent assets:				
Accounts receivable (net)	28,424	-	28,424	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	3,046,811	2,016,881	5,063,692	-
Other capital assets, net of depreciation	20,732,058	20,670,962	41,403,020	18,419
Total capital assets	23,778,869	22,687,843	46,466,712	18,419
Total noncurrent assets	23,807,293	22,687,843	46,495,136	18,419
Total assets	\$ 33,242,676	\$ 27,162,260	\$ 60,404,936	\$ 802,329
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 393,013	\$ 551,747	\$ 944,760	\$ 176,906
Unearned revenue	29,879	-	29,879	-
Accrued interest payable	151,743	22,647	174,390	-
Customer deposits	40,390	123,600	163,990	-
Due to primary government	-	-	-	31,002
Due to other governments	-	-	-	13,998
Long-term liabilities:				
Due within one year	686,106	402,055	1,088,161	-
Due in more than one year	8,498,332	1,398,744	9,897,076	-
Total liabilities	9,799,463	2,498,793	12,298,256	221,906
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,064,117	20,978,396	38,042,513	18,419
Restricted for:				
Transportation	601,365	-	601,365	-
Culture and recreation	26,757	-	26,757	-
Economic Development	9,114	-	9,114	-
Working Capital	-	-	-	557,539
Unrestricted	5,741,860	3,685,071	9,426,931	4,465
Total net assets	\$ 23,443,213	\$ 24,663,467	\$ 48,106,680	\$ 580,423

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

Town of Waynesville, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 1,659,641	\$ 69,361	\$ -	\$ -	\$ (1,590,280)	-	\$ (1,590,280)	\$ -
Public safety	3,540,102	371,613	28,689	-	(3,139,800)	-	(3,139,800)	-
Transportation	3,233,775	527,822	276,657	132,354	(2,296,942)	-	(2,296,942)	-
Economic and physical development	23,414	-	-	-	(23,414)	-	(23,414)	-
Environmental protection	116,757	45,462	-	-	(71,295)	-	(71,295)	-
Cultural and recreation	1,690,281	618,907	71,072	6,935	(993,367)	-	(993,367)	-
Interest on long-term debt	237,461	-	-	-	(237,461)	-	(237,461)	-
Total governmental activities	10,501,431	1,633,165	376,418	139,289	(8,352,559)	-	(8,352,559)	-
Business-type activities:								
Electric	6,155,232	7,310,728	-	-	-	\$ 1,155,496	1,155,496	-
Sewer	1,706,183	1,897,935	1,390	-	-	193,142	193,142	-
Water	1,879,308	1,989,924	1,390	-	-	112,006	112,006	-
Total business-type activities	9,740,723	11,198,587	2,780	-	-	1,460,644	1,460,644	-
Total primary government	\$ 20,242,154	\$ 12,831,752	\$ 379,198	\$ 139,289	(8,352,559)	1,460,644	(6,891,915)	-
Component units:								
ABC Board	\$ 2,049,064	\$ 2,126,784	\$ -	\$ -	-	-	-	77,720
Total component units	\$ 2,049,064	\$ 2,126,784	\$ -	\$ -	-	-	-	77,720
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,214,341	-	4,214,341	-
Other taxes					2,500,757	-	2,500,757	-
Grants and contributions not restricted to specific programs								
Unrestricted investment earnings					709,419	-	709,419	-
Miscellaneous					224,037	107,286	331,323	19,074
Transfers					33,617	109,916	143,533	(5,045)
Total general revenues, special items, and transfers					998,050	(998,050)	-	-
Change in net assets					8,680,221	(780,848)	7,899,373	14,029
Net assets-beginning					327,662	679,796	1,007,458	91,749
Net assets-ending					23,115,551	23,983,671	47,099,222	488,674
					\$ 23,443,213	\$ 24,663,467	\$ 48,106,680	\$ 580,423

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

**Town of Waynesvills**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Capital Projects		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,036,820	\$ 2,703,682	\$ 211,316	\$ 5,951,818
Investments	1,797,671	-	-	1,797,671
Receivables, net:				
Taxes	406,157	-	-	406,157
Accounts	68,893	-	-	68,893
Due from other funds	10,134	-	-	10,134
Prepaid items	126,780	-	-	126,780
Long-term receivable	28,424	-	-	28,424
Due from component unit	31,002	-	-	31,002
Due from other governmental agencies	922,313	-	3,223	925,536
Interest receivable	29,618	-	1,015	30,633
Inventories	22,854	-	-	22,854
Total assets	<u>\$ 6,480,666</u>	<u>\$ 2,703,682</u>	<u>\$ 215,554</u>	<u>\$ 9,399,902</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 216,382	\$ 213,565	\$ -	\$ 429,947
Due to other funds	-	-	-	-
Performance bonds	40,389	-	-	40,389
Deferred revenue	406,157	-	-	406,157
Unearned revenue	29,879	-	-	29,879
Total liabilities	<u>692,807</u>	<u>213,565</u>	<u>-</u>	<u>906,372</u>
Fund balances:				
Reserved for:				
Prepaid expenses	126,780	-	-	126,780
Inventories	22,854	-	-	22,854
Encumbrances	7,963	-	-	7,963
Perpetual maintenance	-	-	206,440	206,440
State statute	1,090,384	-	-	1,090,384
Streets-Powell bill	601,365	-	-	601,365
Unreserved, General Fund:				
Designated for subsequent year's expenditures	682,080	-	-	682,080
Undesignated	3,256,433	-	-	3,256,433
Unreserved, reported in:				
Capital Project funds	-	2,490,117	-	2,490,117
Special Revenue funds	-	-	9,114	9,114
Total fund balances	<u>5,787,859</u>	<u>2,490,117</u>	<u>215,554</u>	<u>8,493,530</u>
Total liabilities and fund balances	<u>\$ 6,480,666</u>	<u>\$ 2,703,682</u>	<u>\$ 215,554</u>	<u>\$ 9,399,902</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,752,736
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	23,209
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	58,073
Liabilities for earned but deferred revenues in fund statements.	406,157
Some liabilities, including installment purchases payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,290,492)</u>
Net assets of governmental activities	<u>\$ 23,443,213</u>

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

**Town of Waynesville**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>Major Funds</b>		<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Capital Projects</b>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,177,091	\$ -	\$ -	\$ 4,177,091
Other taxes and licenses	2,500,757	-	-	2,500,757
Unrestricted intergovernmental	709,419	-	-	709,419
Restricted intergovernmental	514,635	-	-	514,635
Permits and fees	204,492	-	-	204,492
Sales and services	2,114,261	-	18,550	2,132,811
Investment earnings	177,953	46,084	7,914	231,951
Miscellaneous	105,359	-	-	105,359
Total revenues	10,503,967	46,084	26,464	10,576,515
<b>EXPENDITURES</b>				
Current:				
General government	2,401,984	-	-	2,401,984
Public safety	3,460,148	1,256,726	-	4,716,874
Transportation	2,438,153	-	-	2,438,153
Economic and physical development	-	-	23,414	23,414
Environmental protection	121,884	-	-	121,884
Culture and recreation	1,538,560	-	-	1,538,560
Debt service:				
Principal	402,133	-	-	402,133
Interest and other charges	240,199	-	-	240,199
Total expenditures	10,603,061	1,256,726	23,414	11,883,201
Excess (deficiency) of revenues over expenditures	(99,094)	(1,210,642)	3,050	(1,306,686)
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	998,050	-	-	998,050
Transfers to other funds	(355,950)	355,950	-	-
Proceeds from construction loan	-	3,000,000	-	3,000,000
Installment purchase obligations issued	283,476	-	-	283,476
Total other financing sources	925,576	3,355,950	-	4,281,526
Net change in fund balance	826,482	2,145,308	3,050	2,974,840
Fund balances-beginning	4,961,377	344,809	212,504	5,518,690
Fund balances-ending	\$ 5,787,859	\$ 2,490,117	\$ 215,554	\$ 8,493,530

(continued)

**Town of Waynesville**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

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

Net changes in fund balances - total governmental funds	\$ 2,974,840
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(7,171)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred revenue for tax revenues	37,250

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,597,867)
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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	(8,275)
Net pension obligation	(30,775)
Accrued interest on installment purchases and construction loan	(38,545)
Net book value of assets sold	(10,948)
Consolidation adjustment for internal balances between the internal service funds and the governmental funds	(4,375)

Net revenue of internal service funds determined to be governmental-type	13,528
Total changes in net assets of governmental activities	\$ 327,662

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

**Town of Waynesville**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2007**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,767,050	\$ 3,767,050	\$ 4,177,091	\$ 410,041
Other taxes and licenses	2,347,850	2,354,350	2,500,757	146,407
Unrestricted intergovernmental	606,370	606,370	709,419	103,049
Restricted intergovernmental	954,710	973,410	514,635	(458,775)
Permits and fees	145,350	145,350	204,492	59,142
Sales and services	2,037,060	2,037,060	2,114,261	77,201
Investment earnings	101,330	101,330	177,953	76,623
Miscellaneous	123,850	123,850	105,359	(18,491)
Total revenues	10,083,570	10,108,770	10,503,967	395,197
Expenditures:				
Current:				
General government	2,374,290	2,527,093	2,323,508	203,585
Public safety	3,787,800	3,635,334	3,460,148	175,186
Transportation	2,664,460	2,642,056	2,233,153	408,903
Environmental protection	136,210	134,158	121,884	12,274
Cultural and recreation	1,799,630	1,788,576	1,538,560	250,016
Debt service:				
Principal retirement	447,350	447,350	402,133	45,217
Interest and other charges	262,730	262,730	240,199	22,531
Total expenditures	11,472,470	11,437,297	10,319,585	1,117,712
Revenues over (under) expenditures	(1,388,900)	(1,328,527)	184,382	1,512,909
Other financing sources (uses):				
Transfers from other funds	998,050	998,050	998,050	-
Transfers to other funds	(355,950)	(355,950)	(355,950)	-
Appropriations from fund balance	746,800	686,427	-	(686,427)
Total other financing sources (uses)	1,388,900	1,328,527	642,100	(686,427)
Net change in fund balance	\$ -	\$ -	826,482	\$ 826,482
Fund balances, beginning of year			4,961,377	
Fund balances, end of year			<u>\$ 5,787,859</u>	

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

**Town of Waynesville**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 504,647	\$ 449,353	\$ 550,306	\$ 1,504,306	\$ 25,710	\$ -
Investments	886,655	521,580	-	1,408,235	-	-
Accounts receivable	573,938	169,923	161,525	905,386	-	-
Interest receivable	5,844	4,934	2,681	13,459	271	28
Inventories	367,925	217,823	26,346	612,094	7,071	48,687
Total current assets	2,339,009	1,363,613	740,858	4,443,480	33,052	48,715
Capital assets:						
Land and Construction in Progress	280,877	1,532,486	103,300	1,916,663	100,218	-
Other capital assets, net of depreciation	1,519,214	10,726,931	8,098,999	20,345,144	325,818	26,133
Capital assets (net)	1,800,091	12,259,417	8,202,299	22,261,807	426,036	26,133
Total assets	\$ 4,139,100	\$ 13,623,030	\$ 8,943,157	\$ 26,705,287	\$ 459,088	\$ 74,848
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	451,092	53,944	60,433	565,469	8,925	4,349
Due to other fund	-	-	-	-	-	10,134
Customer deposits	89,268	34,272	60	123,600	-	-
Compensated absences - current	7,936	27,654	21,951	57,541	5,099	2,584
Installment purchases payable-current	-	221,241	118,174	339,415	-	-
Total current liabilities	548,296	337,111	200,618	1,086,025	14,024	17,067
Noncurrent liabilities:						
Compensated absences	11,722	6,068	10,354	28,144	568	1,823
Installment purchases payable	-	1,169,770	200,262	1,370,032	-	-
Total noncurrent liabilities	11,722	1,175,838	210,616	1,398,176	568	1,823
Total liabilities	560,018	1,512,949	411,234	2,484,201	14,592	18,890
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,800,091	10,868,406	7,883,863	20,552,360	426,036	26,133
Unrestricted	1,778,991	1,241,675	648,060	3,668,726	18,460	29,825
Total net assets	\$ 3,579,082	\$ 12,110,081	\$ 8,531,923	24,221,086	\$ 444,496	\$ 55,958
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				442,381		
Net assets of business-type activities				\$ 24,663,467		

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

Town of Waynesville  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
<b>OPERATING REVENUES</b>						
Charges for services	\$ 7,310,728	\$ 1,989,924	\$ 1,897,935	\$ 11,198,587	\$ 267,695	\$ 480,106
<b>Total operating revenues</b>	<u>7,310,728</u>	<u>1,989,924</u>	<u>1,897,935</u>	<u>11,198,587</u>	<u>267,695</u>	<u>480,106</u>
<b>OPERATING EXPENSES</b>						
Finance and administration	354,370	186,850	169,760	710,980	-	-
Electric operations	607,680	-	-	607,680	-	-
Electric power purchases	5,064,667	-	-	5,064,667	-	-
Water treatment and distribution	-	1,237,306	-	1,237,306	-	-
Waste collection and treatment	-	-	1,136,096	1,136,096	-	-
Public works operations	-	-	-	-	225,636	-
Garage operations	-	-	-	-	-	462,105
Depreciation	140,992	410,101	385,674	936,767	12,012	4,694
<b>Total operating expenses</b>	<u>6,167,709</u>	<u>1,834,257</u>	<u>1,691,530</u>	<u>9,693,496</u>	<u>237,648</u>	<u>466,799</u>
<b>Operating income</b>	<u>1,143,019</u>	<u>155,667</u>	<u>206,405</u>	<u>1,505,091</u>	<u>30,047</u>	<u>13,307</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	45,558	38,712	20,903	105,173	2,113	221
Interest and other charges	(251)	(49,351)	(16,888)	(66,490)	-	-
Miscellaneous revenues (expenses)	42,362	16,911	53,423	112,696	4,352	-
<b>Total nonoperating revenue (expenses)</b>	<u>87,669</u>	<u>6,272</u>	<u>57,438</u>	<u>151,379</u>	<u>6,465</u>	<u>221</u>
<b>Income before contributions and transfers</b>	<u>1,230,688</u>	<u>161,939</u>	<u>263,843</u>	<u>1,656,470</u>	<u>36,512</u>	<u>13,528</u>
Capital contributions	-	-	-	-	-	-
Transfers to other funds	(900,000)	(50,690)	(47,360)	(998,050)	-	-
<b>Change in net assets</b>	<u>330,688</u>	<u>111,249</u>	<u>216,483</u>	<u>658,420</u>	<u>36,512</u>	<u>13,528</u>
<b>Total net assets - beginning</b>	<u>3,248,394</u>	<u>11,998,832</u>	<u>8,315,440</u>		<u>407,984</u>	<u>42,430</u>
<b>Total net assets - ending</b>	<u>\$ 3,579,082</u>	<u>\$ 12,110,081</u>	<u>\$ 8,531,923</u>		<u>\$ 444,496</u>	<u>\$ 55,958</u>

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

21,376

Change in net assets - business-type activities

\$ 679,796

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

**Town of Waynesville**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2007**

	Business-Type Activities				Governmental Activity	
	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Totals	Public Works Fund	Garage Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 7,265,414	\$ 1,955,216	\$ 1,879,833	\$ 11,100,463	\$ 267,695	\$ 480,078
Cash paid for goods and services	(5,756,776)	(726,807)	(731,475)	(7,215,058)	(49,334)	(378,375)
Cash paid to or on behalf of employees for services	(293,591)	(729,792)	(685,182)	(1,708,565)	(166,188)	(83,702)
Customer deposits received	39,794	17,200	-	56,994	-	-
Customer deposits returned	(36,944)	(13,900)	-	(50,844)	-	-
Net cash provided by operating activities	1,217,897	501,917	463,176	2,182,990	52,173	18,001
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Cash received from miscellaneous sources	4,490	4,189	1,390	10,069	-	-
Transfers to other funds	(900,000)	(50,690)	(47,360)	(998,050)	-	-
Total cash flows from noncapital financing activities	(895,510)	(46,501)	(45,970)	(987,981)	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal and interest paid on long-term debt	(31,653)	(372,407)	(212,247)	(616,307)	-	-
Proceeds from sale of assets	29,472	16,302	-	45,774	4,920	-
Acquisition and construction of capital assets	(64,226)	(168,269)	(266,407)	(498,902)	(49,093)	(18,222)
Net cash used by capital and related financing activities	(66,407)	(524,374)	(478,654)	(1,069,435)	(44,173)	(18,222)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received on investments	43,136	46,606	20,450	110,192	1,966	221
Purchase of investments	(650,933)	(1,753,389)	-	(2,404,322)	-	-
Proceeds from investment maturities	611,090	1,733,959	-	2,345,049	-	-
Net cash provided by investing activities	3,293	27,176	20,450	50,919	1,966	221
Net increase (decrease) in cash and cash equivalents	259,273	(41,782)	(40,998)	176,493	9,966	-
Balances-beginning of the year	245,374	491,135	591,304	1,327,813	15,744	-
Balances-end of the year	\$ 504,647	\$ 449,353	\$ 550,306	\$ 1,504,306	\$ 25,710	\$ -
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 1,143,019	\$ 155,667	\$ 206,405	\$ 1,505,091	\$ 30,047	\$ 13,307
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	140,992	410,101	385,674	936,767	12,012	4,694
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(45,314)	(34,708)	(18,102)	(98,124)	-	(28)
(increase) decrease in inventory	(50,684)	9,847	8,404	(32,433)	1,265	11,561
Increase (decrease) in accounts payable and accrued liabilities	19,704	(38,389)	(123,531)	(142,216)	7,625	(11,627)
Increase (decrease) in customer deposits	2,850	3,300	-	6,150	-	-
Increase (decrease) in accrued vacation pay	7,330	(3,901)	4,326	7,755	1,224	94
Total adjustments	74,878	346,250	256,771	677,899	22,126	4,694
Net cash provided by operating activities	\$ 1,217,897	\$ 501,917	\$ 463,176	\$ 2,182,990	\$ 52,173	\$ 18,001

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

**Town of Waynesville, North Carolina**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

Town of Waynesville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Waynesville ABC Board, 509 Walnut Street, NC 28786.

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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. Nonoperating 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. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

**Capital Projects Fund.** This fund is used to account for the construction of a new fire station, construction needed at the current police station, and the construction of a new development office.

The Town reports the following non-major governmental funds:

**Special Revenue Funds.** These funds are used to account for specific revenue sources that are legally restricted to expenditures for a specific purpose. The Town maintains three Special Revenue Funds: the Single Family Rehab (SFR) Project Fund, the Playground Fund, and the Cemetery Fund.

The Town reports the following major enterprise funds:

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

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

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

The Town reports the following fund type:

**Internal Service Funds.** Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Town of Waynesville has two Internal Service Funds: the Public Works Operations Fund and the Garage Operations Fund.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual.

At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Haywood County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Waynesville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Haywood County from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### 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 Grant Project Special Revenue Funds and the Capital Projects Fund. The Town's Public Works 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 object 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, three amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Fund and the Playground Fund are not required to be budgeted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006. As allowed by State law, the Town has established a schedule of

discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Inventory and Prepaid Items

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

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

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

#### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$25,000; furniture and equipment, \$1,500; and vehicles, \$1,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	15-50
Buildings	20-50
Improvements	24-40
Vehicles	5-25
Furniture and equipment	5-20
Computer equipment	5

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

Asset Class	Estimated Useful Lives
Furniture and equipment	3-10
Leasehold improvements	10

#### 8. Long-term Obligations

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

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

#### 9. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, 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.

Both the Town and the ABC Board's sick leave policies provide 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### 10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved:**

Reserved for inventories and prepaid expenses – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid expenses, which are not expendable, available resources.

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts that remain unperformed at year-end.

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories and prepaid expenses, which is not available for appropriation under State law [G.S. 159-8 (a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

**Unreserved:**

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

**II. Stewardship, Compliance, and Accountability**

The Town had no violations of non-compliance with State Statutes for the year ended June 30, 2007.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

At June 30, 2007, the Town's deposits had a carrying amount of \$4,334,054 and a bank balance of \$4,475,624. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$108,855 and the bank balance was \$132,929. Of the bank balance, \$101,903 was covered by federal depository insurance. At June 30, 2007, the Town's petty cash fund totaled \$2,875.

2. Investments

At June 30, 2007, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
US Treasuries	\$2,447,101	Various	N/A
NC Capital Management Trust - Cash Portfolio	3,919,197	N/A	AAAm
<b>Total:</b>	<u>\$6,366,298</u>		

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

*Credit Risk.* The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007.

*Concentration of Credit Risk.* The Town's investment policy limits the funds invested with a single issuer to 40 percent of available funds, with the exception of the United States Treasury.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2007</u>
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	11,742
Total	<u>31,742</u>
Enterprise Funds	60,239
Total	<u>\$ 91,981</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 1,550,659	\$ 105,325	\$ -	\$ -	\$ 1,655,984
Construction in process	216,346	1,174,481	-	-	1,390,827
Total capital assets not being depreciated	1,767,005	1,279,806	-	-	3,046,811
<b>Capital assets being depreciated:</b>					
Land improvements	713,398	5,386	-	-	718,784
Buildings and building improvements	8,365,241	16,040	-	-	8,381,281
Equipment and furniture and fixtures	1,793,570	159,355	124,380	-	1,828,545
Vehicles and motorized equipment	3,487,671	407,714	194,729	(115,689)	3,584,967
Infrastructure	26,582,579	114,310	-	-	26,696,889
Total capital assets being depreciated	40,942,459	702,805	319,109	(115,689)	41,210,466
<b>Less accumulated depreciation for:</b>					
Land improvements	478,169	20,855	-	-	499,024
Buildings and building improvements	1,288,504	173,238	-	-	1,461,742
Equipment and furniture and fixtures	1,258,235	168,049	121,768	-	1,304,516
Vehicles and motorized equipment	2,097,394	299,985	186,393	(54,895)	2,156,091
Infrastructure	14,026,384	1,030,651	-	-	15,057,035
Total accumulated depreciation	19,148,686	1,692,778	308,161	(54,895)	20,478,408
Total capital assets being depreciated, net	21,793,773				20,732,058
<b>Governmental activity capital assets, net</b>	<b>\$ 23,560,778</b>				<b>\$ 23,778,869</b>

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

General government	\$ 83,893
Public safety	199,756
Transportation	1,201,803
Environmental protection	2,655
Cultural and recreational	199,977
Depreciation on capital assets held in garage	
fund charged to functions based on usage	4,694
Total depreciation expense	<u>\$ 1,692,778</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-type activities:</b>					
<i>Electric Fund</i>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 217,558	\$ -	\$ -		\$ 217,558
Construction in process	58,312	5,007	-		63,319
Total capital assets not being depreciated	275,870	5,007	-	-	280,877
<b>Capital assets:</b>					
Buildings and building improvements	22,997	-	-		22,997
Equipment and furniture and fixtures	107,751	4,358	4,532		107,577
Vehicles and motorized equipment	527,480	26,648	43,924	37,337	547,541
Substations, lines, and related equipment	3,713,862	28,212	-	-	3,742,074
Total capital assets being depreciated	4,372,090	59,218	48,456	37,337	4,420,189
<b>Less accumulated depreciation for:</b>					
Buildings and building improvements	16,870	481	-		17,351
Equipment and furniture and fixtures	98,202	3,904	4,532		97,574
Vehicles and motorized equipment	373,018	25,902	43,924	28,936	383,932
Substations, lines, and related equipment	2,291,413	110,705	-	-	2,402,118
Total accumulated depreciation	2,779,503	140,992	48,456	28,936	2,900,975
Total capital assets being depreciated, net	1,592,587				1,519,214
<b>Electric fund capital assets, net</b>	1,868,457				1,800,091
<i>Water Fund</i>					
<b>Capital assets not being depreciated:</b>					
Land	1,486,362			-	1,486,362
Construction in process	910,695	45,430	-	(910,001)	46,124
Total capital assets not being depreciated	2,397,057	45,430	-	(910,001)	1,532,486
<b>Capital assets being depreciated:</b>					
Land improvements	14,026	-	-	-	14,026
Buildings and building improvements	1,142,456	-	-	-	1,142,456
Equipment and furniture and fixtures	186,588		8,247		178,341
Vehicles and motorized equipment	423,507	26,665	55,627	(3,300)	391,245
Plant and system distributions	17,512,320	96,173	6,272	910,001	18,512,222
Total capital assets being depreciated	19,278,897	122,838	70,146	906,701	20,238,290
<b>Less accumulated depreciation for:</b>					
Land improvements	4,267	351	-	-	4,618
Buildings and building improvements	878,061	10,835	-	-	888,896
Equipment and furniture and fixtures	150,316	12,184	4,668		157,832
Vehicles and motorized equipment	316,619	25,470	55,627	(3,300)	283,162
Plant and system distributions	7,821,862	361,261	6,272	-	8,176,851
Total accumulated depreciation	9,171,125	410,101	66,567	(3,300)	9,511,359
Total capital assets being depreciated, net	10,107,772				10,726,931
<b>Water fund capital assets, net</b>	12,504,829				12,259,417

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b><i>Sewer Fund</i></b>					
<b>Capital assets not being depreciated:</b>					
Land	103,300	-	-	-	103,300
Construction in process	122,930	41,447	360	(164,017)	-
Total capital assets not being depreciated	226,230	41,447	360	(164,017)	103,300
<b>Capital assets being depreciated:</b>					
Land improvements	12,276	-	-	-	12,276
Buildings and building improvements	8,582,432	-	-	-	8,582,432
Equipment and furniture and fixtures	248,491	37,158	16,916	-	268,733
Vehicles and motorized equipment	240,154	58,650	82,157	81,652	298,299
Plant and system distributions	7,440,656	129,152	26,001	164,017	7,707,824
Total capital assets being depreciated	16,524,009	224,960	125,074	245,669	16,869,564
<b>Less accumulated depreciation for:</b>					
Land improvements	8,635	735	-	-	9,370
Buildings and building improvements	4,971,187	178,495	-	-	5,149,682
Equipment and furniture and fixtures	182,203	18,701	16,916	-	183,988
Vehicles and motorized equipment	221,309	9,517	82,157	29,259	177,928
Plant and system distributions	3,097,372	178,226	26,001	-	3,249,597
Total accumulated depreciation	8,480,706	385,674	125,074	29,259	8,770,565
Total capital assets being depreciated, net	8,043,303				8,098,999
<b>Sewer fund capital assets, net</b>	<b>8,269,533</b>				<b>8,202,299</b>
<b><i>Public Works Fund</i></b>					
<b>Capital assets not being depreciated:</b>					
Land	100,218	-	-	-	100,218
<b>Capital assets being depreciated:</b>					
Land improvements	19,131	-	-	-	19,131
Buildings and building improvements	449,635	42,122	4,345	-	487,412
Equipment and furniture and fixtures	6,567	6,971	1,010	-	12,528
Vehicles and motorized equipment	48,967	-	10,533	-	38,434
Total capital assets being depreciated	524,300	49,093	15,888	-	557,505
<b>Less accumulated depreciation for:</b>					
Land improvements	12,892	1,290	-	-	14,182
Buildings and building improvements	188,745	8,902	4,250	-	193,397
Equipment and furniture and fixtures	6,568	614	1,010	-	6,172
Vehicles and motorized equipment	26,790	1,206	10,060	-	17,936
Total accumulated depreciation	234,995	12,012	15,320	-	231,687
Total capital assets being depreciated, net	289,305				325,818
<b>Public Works fund capital assets, net</b>	<b>389,523</b>				<b>426,036</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 23,032,342</b>				<b>\$ 22,687,843</b>

**Construction commitments**

The Town has active construction projects as of June 30, 2007. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Greenway Project Consultants	\$ 19,781	\$ 6,019
Capital Project-Fire Department Construction	560,942	1,976,903
Capital Project-Police Dept. Construction	36,000	214,000
Shelton Branch Sewer Improvements	146,802	10,238
Lab Expansion Water Treatment Plant	6,000	24,000
Hendrix Street Bridge	71,631	94,362
Total	<u>\$ 841,156</u>	<u>\$ 2,325,522</u>

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated:					
Furniture and equipment	\$ 62,169	\$ 17,796	\$ 24,730	\$ -	\$ 55,235
Leasehold improvements	3,308	-	-	-	3,308
Total capital assets being depreciated	65,477	17,796	24,730	-	58,543
Less accumulated depreciation	56,214	3,595	19,685	-	40,124
ABC capital assets, net	<u>\$ 9,263</u>				<u>\$ 18,419</u>

B. Liabilities1. Payables

Payables at the government-wide level at June 30, 2007, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 94,325	\$ 116,433	\$ 5,624	\$ 216,382
Capital Projects	172,282	-	-	172,282
Other Governmental	3,908	441	-	4,349
Total Governmental Activities	<u>\$ 270,515</u>	<u>\$ 116,874</u>	<u>\$ 5,624</u>	<u>\$ 393,013</u>
Business-type Activities:				
Electric	\$ 449,833	\$ 1,259	\$ -	\$ 451,092
Water	27,898	3,697	-	31,595
Sewer	33,314	3,821	23,000	60,135
Other Business-type Activities	7,922	1,003	-	8,925
Total Business-type Activities:	<u>\$ 518,967</u>	<u>\$ 9,780</u>	<u>\$ 23,000</u>	<u>\$ 551,747</u>

2. Pension Plan Obligations

## a. Local Governmental Employees' Retirement System

1. *Plan Description.*

The Town of Waynesville and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. *Funding Policy.*

Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.95% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 4.80% of annual covered payroll. The contribution requirements of members and of the Town of Waynesville and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$269,873, \$253,859, and \$338,411, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$8,399, \$8,915, and \$7,793, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year. For the year ended June 30, 2006 only, the ABC Board made a lump sum payment to LGERS on behalf of an employee to obtain retirement credit for years of omitted service in the amount of \$767.

## b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	31
Total	<u>32</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investment.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *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. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 36,749
Interest on net pension obligation	12,650
Adjustment to annual required contribution	(10,275)
Annual pension cost	39,124
Contributions made	(8,349)
Increase (decrease) in net pension obligation	30,775
Net pension obligation beginning of year	174,486
Net pension obligation end of year	<u>\$ 205,261</u>

3 Year Trend Information				
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2005	\$ 43,801	15.88%	\$	141,546
2006	\$ 45,389	27.43%	\$	174,486
2007	\$ 39,124	21.34%	\$	205,261

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1. *Plan Description.*

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. *Funding Policy.*

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$89,696, which consisted of \$62,647 from the Town and \$27,049 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

1. *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.

2. *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%. Contributions for the year ended June 30, 2007 were \$331,476, which consisted of \$198,722 from the Town and \$132,754 from the general employees.

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

1. *Plan Description.*

The State of North Carolina contributes, on behalf of the Town of Waynesville, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. *Funding Policy.*

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

f. Other Post-employment Benefits

According to a Town resolution, the Town provides post-employment health care 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. A retiree shall receive health insurance coverage under the following conditions:

- 1) A retiree who has achieved ten or more years of service with the Town and has reached 55 years of age shall receive health insurance coverage.
- 2) A retiree who has achieved at least 25 years of service with the Town, not including accumulated sick or vacation time, shall receive health insurance coverage for a period of ten years from their official retirement date, regardless of age at which that employee retires. At the conclusion of the ten-year period, the retiree will be allowed to pay the required insurance premium and maintain coverage in the health insurance program.
- 3) A retiree who has achieved at least thirty years of service with the Town, not including accumulated sick or vacation time, regardless of the age at which that employee retires, shall receive health insurance coverage from their official retirement date until the retiree reaches the age of 65 or until the employee becomes eligible for Medicare through disability at an earlier age. Health insurance will be provided at no expense to the retiree.

The Town pays the full cost of coverage for these benefits until the retired employee reaches age 65 (except as described in condition 2 above) or until the employee becomes eligible for Medicare through disability at an early age. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates and purchase Medicare supplement insurance, if such is available through the Town's insurance program. Currently eighteen retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2007, the Town made payments for post-employment health benefit premiums of \$71,415. The Town obtains health care coverage through the North Carolina Interlocal Risk Management Agency.

3. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-

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

#### 4. Deferred Compensation Plan

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

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

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

#### 5. Deferred/Unearned Revenues

The balance in deferred/unearned revenues at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 1,910
Taxes receivable, net (General Fund)	406,157	-
Unearned grant revenue (General Fund)	-	10,668
Unearned distributions (General Fund)	-	14,124
Other unearned revenue (General Fund)	-	3,177
Total	<u>\$ 406,157</u>	<u>\$ 29,879</u>

#### 6. Commitments

The Town had commitments of \$60,606 in its proprietary funds at June 30, 2007. These items will be funded from operating funds. Additionally, the Town had commitments of \$4,579 in the Capital Projects Fund.

The Town held cash performance bonds with a balance at June 30, 2007 of \$40,389 from real estate developers for improvements to be made within the developments. In the Town's opinion, the bond money will be more than sufficient to cover all costs that the Town will incur.

## 7. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Through commercial coverage, the Town obtained general liability of \$4 million and auto liability coverage of \$2 million per occurrence, property coverage up to replacement value, workers' compensation coverage up to \$1 million per occurrence, and employee health coverage with an unlimited maximum.

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.

Town of Waynesville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disaster. The ABC Board has commercial property, general liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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.

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 town manager, finance officer, and tax collector are each individually bonded for \$100,000 each. The town clerk and deputy clerk are each individually bonded for \$25,000 each. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of either \$5,000 or \$10,000 per occurrence, depending on the type of crime.

## 8. Claims, Judgments and Contingent Liabilities

At June 30, 2007, the Town was a defendant to one lawsuit. In the opinion of the Town's management and the Town attorney, the ultimate effect of this legal matter will not have a material adverse effect on the Town's financial position.

## 9. Long-Term Obligations

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

On November 21, 2006, the Town entered into an installment purchase contract to acquire three street trucks. The financing contract requires four annual payments of \$56,236 with an interest rate of 3.82%. Interest expense for the year ended June 30, 2007 was \$4,741. This loan is shown under governmental activities.

On January 5, 2007, the Town entered into an installment purchase contract to acquire a telephone system. The financing contract requires sixty monthly payments of \$1,502 with an interest rate of 5.584%. Interest expense for the year ended June 30, 2007 was \$1,965. This loan is shown under governmental activities.

On February 13, 2007, the Town entered into a construction loan for a new Fire Station. The financing requires three semi-annual interest payments of \$36,900 and one final payment of \$2,036,900 due February 13, 2009, with an interest rate of 3.69%. Following the completion of the fire station construction, the loan will be refinanced as a \$2,000,000 permanent loan through the USDA Rural Development for 40 years with an interest rate not to exceed 4.5%. Interest expense for the year ended June 30, 2007 was \$27,522. The current loan is shown under governmental activities.

On February 15, 2007, the Town entered into a second installment purchase contract to finance the construction of a new Fire Station. The financing requires 30 semi-annual fixed principal payments of

\$33,333 plus interest at the rate of 3.69%. Interest expense for the year ended June 30, 2007 was \$13,761. This loan is shown under governmental activities.

On May 1, 2006, the Town entered into an installment purchase contract to acquire a water tank. The financing contract requires ten annual payments of \$118,680 with an interest rate of 3.49 percent. Interest expense for the year ended June 30, 2007 was \$21,981. This loan is shown under business-type activities.

On July 20, 2005, the Town entered into an installment purchase contract to acquire a bulldozer. The financing contract requires sixty monthly payments of \$1,314 with an interest rate of 5.24 percent. Interest expense for the year ended June 30, 2007 was \$2,647. This loan is shown under governmental activities.

On October 17, 2003, the Town entered into an installment purchase contract to acquire a utility bucket truck and a garbage truck. The financing contract requires three annual payments of \$52,755 with an interest rate of 2.73 percent. Interest expense for the year ended June 30, 2007 was \$419. This loan was paid off by June 30, 2007 and sixty percent of this loan was shown under business-type activities and forty percent was shown under governmental activities.

In January 2003, the Town entered into an interlocal agreement with Haywood County (County) to assist the County with its payment for the construction of a new parking facility. The agreement requires annual payments of \$227,047 with an interest rate of 4.479 percent. Interest expense for the year ended June 30, 2007 was \$87,082. This loan is shown under governmental activities and has a balance of \$1,938,602 at June 30, 2007. The Town of Waynesville does not hold title to this asset.

On October 16, 2001, the Town entered into an installment purchase contract for improvements to the water treatment plant. The contract as refinanced during fiscal year ending 6/30/05 required one final payment (under the original contract) of \$159,679 and subsequent annual payments of \$153,165 with an interest rate of 3.79%. Interest expense for the year ended June 30, 2007 was \$27,370. This loan is shown under business-type activities.

On June 21, 2001, the Town entered into an installment purchase contract for a sewer belt press. The contract as refinanced during fiscal year ending 6/30/04 required one final payment (under the original contract) of \$44,090 and subsequent annual payments of \$41,155 with an interest rate of 3.79 percent. Interest expense for the year ended June 30, 2007 was \$6,932. This loan is shown under business-type activities.

On January 19, 2001, the Town entered into an installment purchase contract for construction of a sewer line. The contract as refinanced during fiscal year ending 6/30/04 required one final payment (under the original contract) of \$89,425 and subsequent annual payments of \$82,508 with an interest rate of 2.97 percent. Interest expense for the year ended June 30, 2007 was \$1,324. This loan was paid off by June 30, 2007 and was shown under business-type activities.

In October 1998, the Town entered into an installment purchase contract to build a new recreation facility center. The contract as refinanced during fiscal year ending 6/30/04 required one final annual payment (under the original contract) of \$404,622 and subsequent semi-annual payments of \$185,407 at an interest rate of 3.99 percent. Interest expense for the year ended June 30, 2007 was \$140,761. This loan is shown under governmental activities.

On June 26, 1997, the Town entered into an installment purchase contract for construction of a sewer treatment facility. The contract as refinanced during fiscal year ending 6/30/04 required one final payment (under the original contract) of \$96,896 and subsequent payments of \$88,583 with an interest rate of 3.49 percent. Interest expense for the year ended June 30, 2007 was \$8,632. This loan is shown under business-type activities.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2007, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 521,177	\$ 343,458	\$ 339,415	\$ 62,168
2009	2,540,450	321,725	351,749	49,834
2010	560,549	225,366	275,949	37,052
2011	565,360	202,333	286,104	26,896
2012	522,533	178,953	255,479	16,365
2013-2017	2,857,897	560,064	200,751	10,115
2018-2022	1,085,388	65,036		
Total	\$ 8,653,354	\$ 1,896,935	\$ 1,709,447	\$ 202,430

b. General Obligation Bonds

At June 30, 2007, the Town of Waynesville had a legal debt margin of \$74,544,738.

c. Changes in General Long-Term Debt

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases	\$ 5,772,012	\$3,283,476	\$ 402,134	\$ 8,653,354	\$ 521,177
Unfunded pension liabilities	174,486	30,775	-	205,261	-
Legal Claims	10,000	-	-	10,000	-
Compensated absences-garage	4,313	2,678	2,584	4,407	2,584
Compensated absences	303,141	170,620	162,345	311,416	162,345
Governmental activity long-term liabilities	\$ 6,263,952	\$3,487,549	\$ 567,063	\$ 9,184,438	\$ 686,106
<b>Business-type activities:</b>					
Installment purchases	\$ 2,253,068		\$ 543,621	\$ 1,709,447	\$ 339,415
Compensated absences	82,373	71,619	62,640	91,352	62,640
Business-type activity long-term liabilities	\$ 2,335,441	\$ 71,619	\$ 606,261	\$ 1,800,799	\$ 402,055

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

C. Interfund Balances and Activity

**Balances Due to/from Other Funds**

Balances due to/from other funds at June 30, 2007, consist of the following:

Due to the Town from the component unit, ABC Board	\$ 31,002
Due to the General Fund from the Garage Fund	\$ 10,134

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

**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2007 consist of the following:

From the Water Fund to the General Fund	\$	50,690
From the Sewer Fund to the General Fund		47,360
From the Electric Fund to the General Fund		900,000
From the component unit, ABC Board, to the Town		80,862
From the General Fund to the Capital Project Fund		355,950
Total	\$	<u>1,417,599</u>

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

During the 2007 fiscal year, the Town made a transfer from the General Fund of \$355,950 to the Capital Project Fund as per the terms of the ordinance establishing that fund.

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2007, the Town of Waynesville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$13,248 for the twenty-one volunteer firemen and ten employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 contribution per fireman paid by the Town, investment income, and a State appropriation.

The Town has determined that on-behalf of payments for fringe benefits and salaries for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2007 is immaterial, and therefore, not recognized as a revenue and an expenditure. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their dependents.

**IV. Related Organization**

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

**V. Summary Disclosure of Significant Contingencies****Federal and State Assisted Programs**

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any

required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**VI. Significant Effects of Subsequent Events**

After June 30, 2007, the Town entered into a contract to sell the building and land formerly known as the Pancake House for \$373,325.

On July 10, 2007, the Town entered into a contract with Western Builders in the amount of \$416,150 to expand the water treatment lab facilities. On July 20, 2007, the Town secured financing of up to \$350,000 for an eight-year period at an interest rate of 3.86% per annum for this project.

**Town of Waynesville, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2001	-	251,439	251,439	0%	1,047,342	24.01%
12/31/2002	-	268,159	268,159	0%	1,031,313	26.00%
12/31/2003	-	323,022	323,022	0%	1,157,121	27.92%
12/31/2004	-	337,273	337,273	0%	1,141,415	29.55%
12/31/2005	-	295,367	295,367	0%	1,159,503	25.47%
12/31/2006	-	332,600	332,600	0%	1,245,596	26.70%

**Town of Waynesville, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Employer Contributions**

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	29,807	32.59%
2003	34,606	15.53%
2004	36,973	8.67%
2005	43,801	15.88%
2006	45,389	27.43%
2007	39,124	21.34%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of living adjustments	N/A

Town of Waynesville, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 4,144,428	\$ -
Penalties and interest	-	32,663	-
Total	<u>3,767,050</u>	<u>4,177,091</u>	<u>410,041</u>
Other taxes and licenses:			
Local option sales tax	-	2,266,554	-
Gross receipts tax on short-term rental property	-	20,804	-
Privilege licenses and CATV	-	213,399	-
Total	<u>2,354,350</u>	<u>2,500,757</u>	<u>146,407</u>
Unrestricted intergovernmental:			
Utility franchise tax	-	585,263	-
Beer and wine tax	-	43,474	-
ABC profit distribution	-	80,682	-
Total	<u>606,370</u>	<u>709,419</u>	<u>103,049</u>
Restricted intergovernmental:			
Powell Bill allocation	-	382,597	-
Investment earnings	-	26,414	-
Contributions by Haywood County	-	70,000	-
On-behalf of payments - Fire and Rescue	-	13,248	-
ABC Revenue for law enforcement	-	13,778	-
Other grant revenue	-	8,598	-
Total	<u>973,410</u>	<u>514,635</u>	<u>(458,775)</u>
Permits and fees:			
Building permits and inspection fees	-	164,081	-
Reconnect fees	-	40,411	-
Total	<u>145,350</u>	<u>204,492</u>	<u>59,142</u>

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Budget	Actual	Positive (Negative)
Sales and services:			
Recreation department fees	-	618,907	-
Cemetery revenues	-	20,070	-
Solid waste container sales	-	15,270	-
Fire protection	-	147,710	-
Police contract services	-	56,468	-
Sanitation fee	-	512,552	-
Court costs and fees	-	3,354	-
Rents	-	28,950	-
Charges to water fund	-	186,850	-
Charges to sewer fund	-	169,760	-
Charges to electric fund	-	354,370	-
Total	<u>2,037,060</u>	<u>2,114,261</u>	<u>77,201</u>
Investment earnings	<u>101,330</u>	<u>177,953</u>	<u>76,623</u>
Miscellaneous	<u>123,850</u>	<u>105,359</u>	<u>(18,491)</u>
Total revenues	<u>10,108,770</u>	<u>10,503,967</u>	<u>395,197</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	-	76,744	-
Other operating expenditures	-	30,206	-
Total	<u>120,450</u>	<u>106,950</u>	<u>13,500</u>
Administration:			
Salaries and employee benefits	-	524,343	-
Professional services	-	60,761	-
Other operating expenditures	-	115,700	-
Capital outlay	-	-	-
Total	<u>755,086</u>	<u>700,804</u>	<u>54,282</u>
Finance:			
Salaries and employee benefits	-	567,840	-
Professional services	-	55,619	-
Other operating expenditures	-	92,614	-
Capital outlay	-	22,604	-
Total	<u>758,774</u>	<u>738,677</u>	<u>20,097</u>
Public buildings:			
Salaries and employee benefits	-	48,974	-
Other operating expenditures	-	138,338	-
Capital outlay	-	13,421	-
Total	<u>234,024</u>	<u>200,733</u>	<u>33,291</u>

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Budget	Actual	Positive (Negative)
Planning and code enforcement:			
Salaries and employee benefits	-	314,162	-
Other operating expenditures	-	28,399	-
Capital Outlay	-	6,177	-
Total	421,979	348,738	73,241
Special appropriations:			
Contributions	-	227,606	-
Total	236,780	227,606	9,174
Total general government	2,527,093	2,323,508	203,585
Public safety:			
Police:			
Salaries and employee benefits	-	2,169,156	-
Professional services	-	18,761	-
Other operating expenditures	-	398,159	-
Capital outlay	-	144,771	-
Total	2,855,732	2,730,847	124,885
Fire:			
Salaries and employee benefits	-	623,349	-
Other operating expenditures	-	95,582	-
Building inspection and EMT's	-	10,370	-
Capital outlay	-	-	-
Total	779,602	729,301	50,301
Total public safety	3,635,334	3,460,148	175,186
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,083,248	-
Professional services	-	17,022	-
Other operating expenditures	-	674,103	-
Contracted services	-	270,339	-
Capital outlay	-	188,441	-
Total transportation	2,642,056	2,233,153	408,903
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	102,210	-
Other operating expenditures	-	13,174	-
Capital outlay	-	6,500	-
Total environmental protection	134,158	121,884	12,274
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,035,761	-
Other operating expenditures	-	460,526	-
Capital outlay	-	42,273	-
Total culture and recreation	1,788,576	1,538,560	250,016

cont.

**Town of Waynesville, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Budget	Actual	Positive (Negative)
Debt service:			
Principal retirement	-	402,133	-
Interest and other charges	-	240,199	-
Total debt service	<u>710,080</u>	<u>642,332</u>	<u>67,748</u>
Total expenditures	<u>11,437,297</u>	<u>10,319,585</u>	<u>1,117,712</u>
Revenues over (under) expenditures	<u>(1,328,527)</u>	<u>184,382</u>	<u>1,512,909</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	998,050	998,050	
Transfer to other funds:			
Capital Projects Fund	(355,950)	(355,950)	
Appropriations from fund balance	<u>686,427</u>	<u>-</u>	
Total	<u>\$ 1,328,527</u>	<u>642,100</u>	<u>\$ (686,427)</u>
Net change in fund balance	<u>\$ -</u>	<u>826,482</u>	<u>\$ 826,482</u>
Fund balances:			
Beginning of year, July 1		4,961,377	
End of year, June 30		<u>\$ 5,787,859</u>	

**Town of Waynesville  
Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2007**

	SFR Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,891	\$ 178,806	\$ 26,619	\$ 211,316
Accounts and interest receivable	-	877	138	1,015
Due from other governments	3,223	-	-	3,223
Total assets	<u>\$ 9,114</u>	<u>\$ 179,683</u>	<u>\$ 26,757</u>	<u>\$ 215,554</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for perpetual maintenance	-	179,683	26,757	206,440
Unreserved	9,114	-	-	9,114
Total fund balances	<u>9,114</u>	<u>179,683</u>	<u>26,757</u>	<u>215,554</u>
Total liabilities and fund balances	<u>\$ 9,114</u>	<u>\$ 179,683</u>	<u>\$ 26,757</u>	<u>\$ 215,554</u>

**Town of Waynesville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**

	SFR Project Fund	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Sales and services	-	18,550	-	18,550
Investment earnings	-	6,842	1,072	7,914
Total revenues	-	25,392	1,072	26,464
Expenditures:				
Culture and recreation	-	-	-	-
Economic and physical development	23,414	-	-	23,414
Total expenditures	23,414	-	-	23,414
Revenues over expenditures	(23,414)	25,392	1,072	3,050
Other financing sources:				
Transfers from other funds:				
General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(23,414)	25,392	1,072	3,050
Fund balances:				
Beginning of year, July 1	32,528	154,291	25,685	212,504
End of year, June 30	\$ 9,114	\$ 179,683	\$ 26,757	\$ 215,554

**Town of Waynesville, North Carolina**  
**Special Revenue Fund - SFR Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2006**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Single Family Rehabilitation Grant	\$ 300,000	\$ 150,175		\$ 150,175	\$ (149,825)
Total revenues	<u>300,000</u>	<u>150,175</u>	<u>-</u>	<u>150,175</u>	<u>(149,825)</u>
Expenditures:					
Economic and physical development:					
Administration	19,799	18,906	1,268	20,174	(375)
Rehabilitation	<u>291,201</u>	<u>183,815</u>	<u>22,146</u>	<u>205,961</u>	<u>85,240</u>
Total expenditures	<u>311,000</u>	<u>202,721</u>	<u>23,414</u>	<u>226,135</u>	<u>84,865</u>
Revenues over expenditures	<u>(11,000)</u>	<u>(52,546)</u>	<u>(23,414)</u>	<u>(75,960)</u>	<u>(64,960)</u>
Other financing sources:					
Operating transfer in	11,000	40,000		40,000	29,000
Total other financing sources	<u>11,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>29,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (12,546)</u>	<u>(23,414)</u>	<u>\$ (35,960)</u>	<u>\$ (35,960)</u>
Fund balances:					
Beginning of year, July 1			32,528		
End of year, June 30			<u>\$ 9,114</u>		

**Town of Waynesville, North Carolina**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2007**

		Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:						
	Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	Miscellaneous income	-	-	-	-	-
	Investment earnings	-	-	46,084	46,084	46,084
	Total revenues	-	-	46,084	46,084	46,084
Expenditures:						
Capital outlay						
Fire Department Construction:						
	Architect and engineering fees	210,000	60,980	151,677	212,657	(2,657)
	Land Purchase	650,000	649,211	-	649,211	789
	Development and construction	2,690,000	-	914,459	914,459	1,775,541
	Equipment and furniture	205,000	-	-	-	205,000
	Interest during construction	177,975	-	41,283	41,283	136,692
	Contingency	200,000	-	-	-	200,000
	Total fire department construction	4,132,975	710,191	1,107,419	1,817,610	2,315,365
Police/Development Office Construction:						
	Architect and engineering fees	210,000	-	43,982	43,982	166,018
	Land Purchase	100,000	-	105,325	105,325	(5,325)
	Development and construction	2,258,000	-	-	-	2,258,000
	Equipment and furniture	290,000	-	-	-	290,000
	Interest during construction	177,975	-	-	-	177,975
	Contingency	187,000	-	-	-	187,000
		3,222,975	-	149,307	149,307	3,073,668
	Total Appropriations	7,355,950	710,191	1,256,726	1,966,917	5,389,033
Revenues over (under) expenditures		(7,355,950)	(710,191)	(1,210,642)	(1,920,833)	(5,435,117)
Other financing sources:						
	Loan proceeds	5,945,000	-	3,000,000	3,000,000	2,945,000
	Operating transfer in from General Fund	1,055,000	1,055,000	-	1,055,000	-
	Transfer from tax revenue	355,950	-	355,950	355,950	-
	Total other financing sources	7,355,950	1,055,000	3,355,950	4,410,950	2,945,000
Net change in fund balance		\$ -	\$ 344,809	2,145,308	\$ 2,490,117	\$ (2,490,117)
Fund balances:						
	Beginning of year, July 1			344,809		
	End of year, June 30			<u>\$ 2,490,117</u>		

Town of Waynesville, North Carolina  
Electric Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Charges for service	\$ 7,190,820	\$ 7,310,728	\$ 119,908
Total operating revenues	7,190,820	7,310,728	119,908
Nonoperating revenues:			
Investment earnings	-	45,558	-
Miscellaneous	-	42,362	-
Total nonoperating revenues	22,400	87,920	65,520
Total revenues	7,213,220	7,398,648	185,428
Expenditures:			
Finance and administration:			
Charge for services	354,370	354,370	-
Electrical operations:			
Salaries and employee benefits	-	293,191	-
Professional services	-	13,880	-
Supplies	-	100,807	-
Other departmental expenditures	-	192,472	-
Capital outlay	-	64,226	-
Total	907,798	664,576	243,222
Electrical power purchases	5,148,300	5,064,667	83,633
Debt service:			
Principal payments	-	30,812	-
Interest and fees	-	841	-
Total	31,680	31,653	27
Total expenditures	6,442,148	6,115,266	326,882
Revenues over expenditures	771,072	1,283,382	512,310
Other financing sources (uses):			
Transfers to other funds:			
Transfer to General Fund	(900,000)	(900,000)	-
Fund balance appropriated	128,928	-	(128,928)
Total other financing (uses)	(771,072)	(900,000)	(128,928)
Net change in fund balance	\$ -	383,382	\$ 383,382
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlays		64,226	
Depreciation		(140,992)	
Principal payments		30,812	
Decrease in long-term debt accrued interest		590	
Decrease in accrued vacation pay		(7,330)	
Total		(52,694)	
Change in net assets		\$ 330,688	

**Town of Waynesville, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Budget	Actual	Positive/(Negative)
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 1,901,794	\$ -
Taps and connection fees	-	88,130	-
Total operating revenues	<u>1,957,340</u>	<u>1,989,924</u>	<u>32,584</u>
Nonoperating revenues:			
Investment earnings	-	38,712	-
Miscellaneous	-	16,911	-
Total nonoperating revenues	<u>60,710</u>	<u>55,623</u>	<u>(5,087)</u>
Total revenues	<u>2,018,050</u>	<u>2,045,547</u>	<u>27,497</u>
Expenditures:			
Finance and administration:			
Charge for services	<u>186,850</u>	<u>186,850</u>	<u>-</u>
Total	<u>186,850</u>	<u>186,850</u>	<u>-</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	359,936	-
Supplies	-	160,024	-
Professional services	-	2,801	-
Other departmental expenditures	-	126,535	-
Capital outlay	-	150,644	-
Total	<u>986,881</u>	<u>799,940</u>	<u>186,941</u>
Operations department:			
Salaries and employee benefits	-	369,866	-
Professional services	-	8,650	-
Utilities	-	15,619	-
Supplies	-	130,234	-
Other departmental expenditures	-	67,542	-
Capital outlay	-	17,625	-
Total	<u>741,440</u>	<u>609,536</u>	<u>131,904</u>
Total water maintenance and distribution	<u>1,728,321</u>	<u>1,409,476</u>	<u>318,845</u>
Debt service:			
Principal payments	-	211,334	-
Interest and fees	-	53,817	-
Total	<u>320,720</u>	<u>265,151</u>	<u>55,569</u>
Total expenditures	<u>2,235,891</u>	<u>1,861,477</u>	<u>374,414</u>
Revenues over expenditures	<u>(217,841)</u>	<u>184,070</u>	<u>401,911</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfer to General Fund	(50,690)	(50,690)	-
Fund balance appropriated	<u>268,531</u>	<u>-</u>	<u>(268,531)</u>
Total other financing (uses)	<u>217,841</u>	<u>(50,690)</u>	<u>(268,531)</u>
Net change in fund balance	<u>\$ -</u>	<u>133,380</u>	<u>\$ 133,380</u>

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

Reconciling items:	
Principal payments	211,334
Capital outlays	168,269
Depreciation	(410,101)
Decrease in long-term debt accrued interest	4,466
Decrease in accrued vacation pay	3,901
Total	<u>(22,131)</u>
Change in net assets	<u>\$ 111,249</u>

**Town of Waynesville, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2007**

	2007		
	Budget	Actual	Variance Positive/(Negative)
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 1,808,685	\$ -
Taps and connection fees	-	49,770	-
Impact fees	-	39,280	-
Industrial discharge permits	-	200	-
Total operating revenues	<u>1,858,980</u>	<u>1,897,935</u>	<u>38,955</u>
Nonoperating revenues:			
Investment earnings	12,870	20,903	8,033
Miscellaneous	11,750	53,423	41,673
Total nonoperating revenues	<u>24,620</u>	<u>74,326</u>	<u>49,706</u>
Total revenues	<u>1,883,600</u>	<u>1,972,261</u>	<u>88,661</u>
Expenditures:			
Finance and administration:			
Charges by general fund	<u>169,760</u>	<u>169,760</u>	<u>-</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	213,726	-
Other departmental expenditures	-	56,763	-
Capital outlay	-	170,599	-
Total	<u>516,568</u>	<u>441,088</u>	<u>75,480</u>
Operations department:			
Salaries and employee benefits	-	471,807	-
Professional services	-	22,090	-
Utilities	-	163,679	-
Supplies	-	130,217	-
Other departmental expenditures	-	73,488	-
Capital outlay	-	95,808	-
Total	<u>965,523</u>	<u>957,089</u>	<u>8,434</u>
Total waste collection and treatment	<u>1,482,091</u>	<u>1,398,177</u>	<u>83,914</u>
Debt service:			
Principal payments	-	194,219	-
Interest and fees	-	18,028	-
Total	<u>212,260</u>	<u>212,247</u>	<u>13</u>
Total expenditures	<u>1,864,111</u>	<u>1,780,184</u>	<u>83,927</u>
Revenues over expenditures	<u>19,489</u>	<u>192,077</u>	<u>172,588</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers to general fund:	(47,360)	(47,360)	-
Fund balance appropriated	<u>27,871</u>	<u></u>	<u>(27,871)</u>
Total other financing sources	<u>(19,489)</u>	<u>(47,360)</u>	<u>(27,871)</u>
Net change in fund balance	<u>\$ -</u>	<u>144,717</u>	<u>\$ 144,717</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal payments		194,219	
Capital outlays		266,407	
Depreciation		(385,674)	
Decrease in long-term debt accrued interest		1,140	
Increase in accrued vacation pay		(4,326)	
Total		<u>71,766</u>	
Change in net assets		<u>\$ 216,483</u>	

**Town of Waynesville, North Carolina**  
**Public Works Internal Service Fund**  
**Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Financial Plan	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 290,560	\$ 267,695	\$ (22,865)
Total operating revenues	290,560	267,695	(22,865)
Nonoperating revenues:			
Investment earnings	-	2,113	2,113
Miscellaneous	-	4,352	4,352
Total nonoperating revenues	-	6,465	6,465
Total revenues	290,560	274,160	(16,400)
Expenditures:			
Salaries and employee benefits	-	166,188	
Occupancy costs	-	17,386	-
Maintenance and repairs	-	15,756	-
Materials and supplies	-	19,655	-
Other departmental expenses	-	5,427	-
Capital outlays	-	49,093	-
Total expenditures	290,560	273,505	17,055
Net change in fund balance	\$ -	655	\$ 655
<b>Reconciliation from financial plan basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Depreciation		(12,012)	
Capital outlays		49,093	
Increase in accrued vacation pay		(1,224)	
Total reconciling items		35,857	
Change in net assets		\$ 36,512	

**Town of Waynesville, North Carolina**  
**Garage Internal Service Fund**  
**Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2007**

	2007		Variance
	Financial Plan	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 531,780	\$ 480,106	\$ (51,674)
Total operating revenues	531,780	480,106	(51,674)
Nonoperating revenues:			
Investment earnings	-	221	221
Total nonoperating revenues	-	221	221
Total revenues	531,780	480,327	(51,453)
Expenditures:			
Salaries and employee benefits	-	83,717	-
Occupancy costs	-	64,247	-
Maintenance and repairs	-	4,374	-
Materials and supplies	-	69,459	-
Other departmental expenses	-	240,214	-
Capital outlay	-	18,222	-
Total expenditures	531,780	480,233	51,547
Net change in fund balance	\$ -	94	\$ 94
<b>Reconciliation from financial plan basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Depreciation		(4,694)	
Capital outlay		18,222	
Increase in accrued vacation pay		(94)	
Total reconciling items		13,434	
Change in net assets		\$ 13,528	

**Town of Waynesville, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2007**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2006</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006-2007	\$ -	\$ 4,196,669	\$ 4,052,603	\$ 144,066
2005-2006	131,248	-	64,919	66,329
2004-2005	56,981	-	14,334	42,647
2003-2004	49,137	-	8,509	40,628
2002-2003	37,957	-	4,227	33,730
2001-2002	27,505	-	3,497	24,008
2000-2001	25,724	-	1,916	23,808
1999-2000	22,515	-	1,433	21,082
1998-1999	23,705	-	1,589	22,116
1997-1998	8,462	-	719	7,743
1996-1997	6,551	-	6,551	-
	<u>\$ 389,785</u>	<u>\$ 4,196,669</u>	<u>\$ 4,160,297</u>	<u>426,157</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(20,000)</u>
Ad valorem taxes receivable - net				<u><u>406,157</u></u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				4,177,091
Reconciling items:				
Interest, penalties and advertising collected				(32,663)
Taxes written off				15,869
Subtotal				<u>(16,794)</u>
Total collections and credits				<u><u>\$ 4,160,297</u></u>

**Town of Waynesville, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2007**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,024,173,940	0.40	\$ 4,101,635	\$ 3,819,419	\$ 282,216
Municipal service district	35,859,553	0.23	82,477	82,477	-
Penalties	-		2,941	2,941	-
Total	<u>1,060,033,493</u>		<u>4,187,053</u>	<u>3,904,837</u>	<u>282,216</u>
Discoveries:					
Current year taxes	4,740,000	0.40	18,960	18,960	-
Penalties	-		4,373	4,373	-
Total	<u>4,740,000</u>		<u>23,333</u>	<u>23,333</u>	<u>-</u>
Refund of overpayments			-	-	
Abatements	<u>(3,429,250)</u>		<u>(13,717)</u>	<u>(6,529)</u>	<u>(7,188)</u>
Total property valuation	<u>\$ 1,061,344,243</u>				
Net levy			4,196,669	3,921,641	275,028
Uncollected taxes at June 30, 2006			<u>(144,066)</u>	<u>(104,329)</u>	<u>(39,737)</u>
Current year's taxes collected			<u>\$ 4,052,603</u>	<u>\$ 3,817,312</u>	<u>\$ 235,291</u>
Current levy collection percentage			<u>96.57%</u>	<u>97.34%</u>	<u>85.55%</u>

## **COMPLIANCE SECTION**

**RAY, BUMGARNER, KINGSHILL, & ASSOC., P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

385 N. HAYWOOD ST., SUITE 3  
WAYNESVILLE, NC 28786  
Phone (828) 452-4734 • Fax (828) 452-4733

**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Town of Waynesville, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the Town of Waynesville's basic financial statements, and have issued our report thereon dated October 16, 2007. We did not audit the financial statements of the Town of Waynesville ABC Board. Those financial statements were audited by other auditors whose reports, thereon have 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 reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Town of Waynesville ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Waynesville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waynesville's internal control over financial reporting. Accordingly, we did not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, members of the governing board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Waynesville, North Carolina  
October 16, 2007

# Net Assets

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		\$	\$	\$	\$	\$
	\$ 9,463,807	6,295,199	4,474,417	4,119,401	13,938,224	10,414,600
	23,778,869	23,560,778	22,687,843	23,032,342	46,466,712	46,593,120
Total assets	33,242,676	29,855,977	27,162,260	27,151,743	60,404,936	57,007,720
	9,184,439	6,263,952	1,800,799	2,335,441	10,985,238	8,599,393
	615,024	476,474	697,994	832,631	1,313,018	1,309,105
Total liabilities	9,799,463	6,740,426	2,498,793	3,168,072	12,298,256	9,908,498
Invested in capital assets,						
net of related debt	17,064,117	19,861,568	20,978,396	20,779,274	38,042,513	40,640,842
Restricted	637,236	678,908	-	-	637,236	678,908
Unrestricted	5,741,860	2,575,075	3,685,071	3,204,397	9,426,931	5,779,472
		\$	\$	\$	\$	\$
Total net assets	\$ 23,443,213	23,115,551	24,663,467	23,983,671	48,106,680	47,099,222

## Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1,633,165	\$ 1,413,178	\$ 11,198,587	\$ 10,568,967	\$ 12,831,752	\$ 11,982,145
Operating grants and contributions	376,418	112,355	2,780	18,460	379,198	130,815
Capital grants and contributions	139,289	855,566	-	101,976	139,289	957,542
General revenues:						
Property taxes	4,214,341	3,410,664	-	-	4,214,341	3,410,664
Other taxes	2,500,757	2,289,781	-	-	2,500,757	2,289,781
Grants and contributions not restricted to specific programs	709,419	655,105	-	-	709,419	655,105
Other	257,654	269,102	217,202	96,636	474,856	365,738
Total revenues	9,831,043	9,005,751	11,418,569	10,786,039	21,249,612	19,791,790
Expenses:						
General government	1,659,641	1,420,597	-	-	1,659,641	1,420,597
Public safety	3,540,102	3,486,909	-	-	3,540,102	3,486,909
Transportation	3,233,775	3,012,667	-	-	3,233,775	3,012,667
Economic development	23,414	38,958	-	-	23,414	38,958
Environmental Protection	116,757	117,293	-	-	116,757	117,293
Culture and recreation	1,690,281	1,607,099	-	-	1,690,281	1,607,099
Interest on long-term debt	237,461	246,697	-	-	237,461	246,697
Electric	-	-	6,155,232	5,925,623	6,155,232	5,925,623
Water	-	-	1,706,183	1,640,116	1,706,183	1,640,116
Sewer	-	-	1,879,308	1,814,288	1,879,308	1,814,288
Total expenses	10,501,431	9,930,220	9,740,723	9,380,027	20,242,154	19,310,247
Increase (decrease) in						
in net assets before transfers	(670,388)	(924,469)	1,677,846	1,406,012	1,007,458	481,543
Transfers	998,050	1,000,000	(998,050)	(1,000,000)	-	-
Increase in net assets	327,662	75,531	679,796	406,012	1,007,458	481,543
Net assets, July 1	23,115,551	23,040,020	23,983,671	23,577,659	47,099,222	46,617,679
Net assets, June 30	\$23,443,213	\$23,115,551	\$24,663,467	\$23,983,671	\$48,106,680	\$ 47,099,222

## **Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Installment purchase obligations	\$ 8,653,354	\$ 5,772,012	\$ 1,709,447	\$ 2,253,068	\$10,362,801	\$ 8,025,080
Total	\$ 8,653,354	\$ 5,772,012	\$ 1,709,447	\$ 2,253,068	\$10,362,801	\$ 8,025,080

### **Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,655,984	\$1,550,658	\$ 1,907,438	\$ 1,907,438	\$ 3,563,422	\$ 3,458,096
Construction in process	1,390,827	216,346	109,443	1,091,937	1,500,270	1,308,283
Buildings and system	6,919,539	7,076,737	20,119,525	19,598,848	27,039,064	26,675,585
Land improvements	219,760	235,230	17,263	19,638	237,023	254,868
Equipment, furniture and fixtures	524,029	535,335	121,613	112,109	645,642	647,444
Infrastructure	11,639,854	12,556,195	-	-	11,639,854	12,556,195
Vehicles and motorized equipment	1,428,876	1,390,277	412,561	302,372	1,841,437	1,692,649
Total	\$ 23,778,869	\$23,560,778	\$22,687,843	\$23,032,342	\$46,466,712	\$46,593,120