

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2008**

**Town of Waynesville, North Carolina**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2008**

**TOWN OFFICIALS**

**MAYOR**

Gavin Brown

**ALDERMEN**

Libba Feichter  
LeRoy Roberson

Gary Caldwell  
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, 2008, 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, 2008, 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 10, 2008 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, Benjamin, King & Associates, P.C.*

Waynesville, North Carolina  
October 10, 2008



## 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, 2008. 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 \$49,344,801 (*net assets*).
- The government's total net assets increased by \$1,238,121, 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 \$10,082,620, an increase of \$1,589,090 in comparison with the prior year. Approximately 74.60 percent of this total amount, or \$7,521,307, is available for spending at the government's discretion (*unreserved fund balance*). The \$1,589,090 increase is primarily due to the unspent loan funds (\$3,000,000) to be spent on the construction of a new police station, development office and meeting space. The remaining difference is due to the spending of loan funds on the construction of a new fire station and 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 \$4,281,561, or 36.27 percent of total general fund expenditures for the fiscal year. This is an increase of \$343,048 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 \$2,726,214 (24.82%) during the current fiscal year. The key factor in this increase was the issuance of an installment purchase contract totaling \$3,000,000 for the renovation and expansion of the Town's current police station, new development office and meeting space. Two additional installment purchase contracts were issued during the year ended June 30, 2008. One for two garbage trucks and one digger derrick totaling \$ 570,000 and the other for an addition and renovation to the town's Water Treatment lab totaling \$350,000.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$5,319,914 an increase of \$255,247 or 5.04% in comparison with the prior year. The prior fiscal year reported power purchases of \$5,064,667, an increase of \$207,172 or 4.26% in comparison with the fiscal year ended June 30, 2006. These increases are primarily due to rising fuel costs that have been passed along to the Town by its supplier. In response, the Town adopted quarterly rate adjustments to its customers. These rate adjustments began April 1, 2005 thru May 31, 2008. Starting June 01, 2008 the town began monthly rate adjustments to its customers. These rate adjustments and a 3 1/2% rate increase adopted July 1, 2007 to help pay for the construction of a second electrical substation are the primary reason the Electric Fund operating revenues for the current fiscal year reported charges for services of \$7,676,949, an increase of \$366,221 or 5.01%. The prior fiscal year reported charges for services of \$7,310,728, an increase of \$274,664 or 3.90% in comparison with the fiscal year ended June 30, 2006.

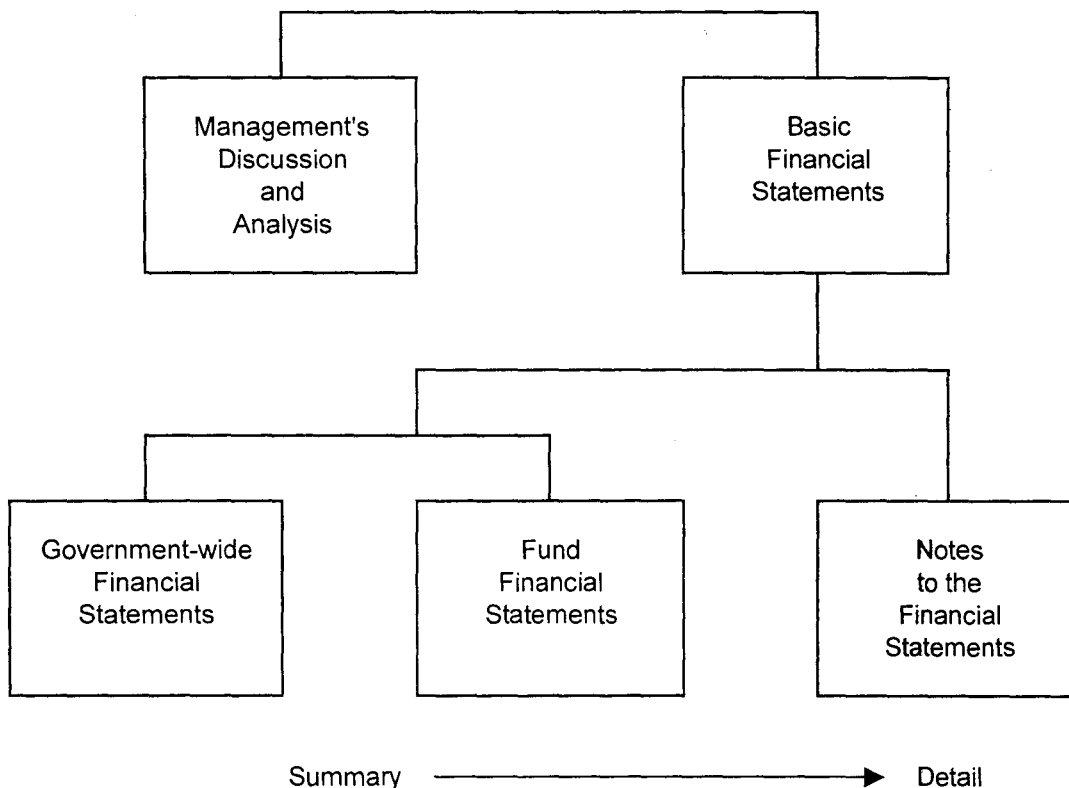
### Overview of the Financial Statements

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 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**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 11,749,030	\$ 9,463,807	\$ 4,565,024	\$ 4,474,417	\$ 16,314,054	\$ 13,938,224
Capital assets	25,201,661	23,778,869	24,080,898	22,687,843	49,282,559	46,466,712
Total assets	<u>36,950,691</u>	<u>33,242,676</u>	<u>28,645,922</u>	<u>27,162,260</u>	<u>65,596,613</u>	<u>60,404,936</u>
Long-term liabilities outstanding	11,719,552	9,184,438	1,991,899	1,800,799	13,711,451	10,985,237
Other liabilities	1,243,650	615,025	1,296,711	697,994	2,540,361	1,313,019
Total liabilities	<u>12,963,202</u>	<u>9,799,463</u>	<u>3,288,610</u>	<u>2,498,793</u>	<u>16,251,812</u>	<u>12,298,256</u>
Net assets:						
Invested in capital assets, net of related debt	15,867,875	17,064,117	22,189,746	20,978,396	38,057,621	38,042,513
Restricted	723,135	637,236	-	-	723,135	637,236
Unrestricted	7,396,479	5,741,860	3,167,566	3,685,071	10,564,045	9,426,931
Total net assets	<u>\$ 23,987,489</u>	<u>\$ 23,443,213</u>	<u>\$ 25,357,312</u>	<u>\$ 24,663,467</u>	<u>\$ 49,344,801</u>	<u>\$ 48,106,680</u>

**Figure 2**

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 \$49,344,801 as of June 30, 2008. The Town's net assets increased by \$1,238,121 for the fiscal year ended June 30, 2008. And as stated earlier, this increase is primarily due to increases in the business-type activities net assets. However, the largest portion \$38,057,621 or (77.13%) 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 \$723,135 or (1.47%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,564,045 is unrestricted. However, this includes unspent funds that will be used for the construction and expansion of the current police station, development office, and meeting space as well as the purchase of two garbage trucks.

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

- The Town sold a lot and building at the corner of Depot Street and Montgomery Street with a book value of \$244,520 for a net sales price of \$335,057.
- The Town collected \$ 615,915 in sanitation fees, an increase of \$103,363 or 20.17% in comparison to the prior fiscal year.
- Utility franchise taxes were \$676,321, an increase of \$91,058 or 15.56% 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 \$2,327,458, an increase of \$60,904 or 2.68% in comparison to the prior year.
- For the year ending June 30, 2008 the Town's property valuations totaled \$1,076,786,904, an increase of \$15,442,661 or 1.46% in comparison with the prior year. The Town's net levy totaled \$4,260,650, an increase of \$63,981 or 1.52% in comparison with the prior year.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.10% excluding motor vehicles. This is a decrease of .24% from prior year's tax collection percentage excluding motor vehicles (97.34%). This is also comparable to the statewide average of units with electrical systems of 97.72% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2006-2007. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,196,870, an increase of \$52,442 or 1.27% in comparison to the prior fiscal year.
- The Town's recreation department fees excluding the contributions from Haywood County for the current fiscal year were \$642,037, an increase of \$23,130 or 3.74% in comparison to the prior year.

## Town of Waynesville Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,747,033	\$ 1,633,165	\$11,645,137	\$11,198,587	\$13,392,170	\$12,831,752
Operating grants and contributions	525,489	376,418	-	2,780	525,489	379,198
Capital grants and contributions	553,994	139,289	-	-	553,994	139,289
General revenues:						
Property taxes	4,273,625	4,214,341	-	-	4,273,625	4,214,341
Other taxes	2,528,057	2,500,757	-	-	2,528,057	2,500,757
Grants and contributions not restricted to specific programs						
Other	816,967	709,419	-	-	816,967	709,419
Other	401,575	257,654	127,536	217,202	529,111	474,856
Total revenues	10,846,740	9,831,043	11,772,673	11,418,569	22,619,413	21,249,612
<b>Expenses:</b>						
General government	2,004,995	1,659,641	-	-	2,004,995	1,659,641
Public safety	3,759,346	3,540,102	-	-	3,759,346	3,540,102
Transportation	3,397,605	3,233,775	-	-	3,397,605	3,233,775
Economic development	-	23,414	-	-	-	23,414
Environmental Protection	107,033	116,757	-	-	107,033	116,757
Culture and recreation	1,777,745	1,690,281	-	-	1,777,745	1,690,281
Interest on long-term debt	232,590	237,461	-	-	232,590	237,461
Electric	-	-	6,380,588	6,155,232	6,380,588	6,155,232
Water	-	-	1,769,082	1,706,183	1,769,082	1,706,183
Sewer	-	-	1,952,308	1,879,308	1,952,308	1,879,308
Total expenses	11,279,314	10,501,431	10,101,978	9,740,723	21,381,292	20,242,154
Increase (decrease) in net assets before transfers						
Transfers	(432,574)	(670,388)	1,670,695	1,677,846	1,238,121	1,007,458
Transfers	976,850	998,050	(976,850)	(998,050)	-	-
Increase in net assets	544,276	327,662	693,845	679,796	1,238,121	1,007,458
Net assets, July 1						
Net assets, July 1	23,443,213	23,115,551	24,663,467	23,983,671	48,106,680	47,099,222
Net assets, June 30						
Net assets, June 30	\$23,987,489	\$23,443,213	\$25,357,312	\$24,663,467	\$49,344,801	\$48,106,680

**Governmental activities.** For the year ended June 30, 2008, Governmental activities increased the Town's net assets by \$544,276. Key elements of this increase are as follows:

- The Town sold a lot and building at the corner of Depot Street and Montgomery Street with a book value of \$244,520 for a net sales price of \$335,057.
- The Town collected \$ 615,915 in sanitation fees, an increase of \$103,363 or 20.17% in comparison to the prior fiscal year.
- Utility franchise taxes were \$676,321, an increase of \$91,058 or 15.56% 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 \$2,327,458, an increase of \$60,904 or 2.68% in comparison to the prior year.
- For the year ending June 30, 2008 the Town's property valuations totaled \$1,076,786,904, an increase of \$15,442,661 or 1.46% in comparison with the prior year. The Town's net levy totaled \$4,260,650, an increase of \$63,981 or 1.52% in comparison with the prior year.
- Capital outlays exceed depreciation by \$1,610,853.
- This increase of \$544,276 would be a decrease except for the Town's transfer of \$976,850 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2007, the governmental activities increased \$327,662 after the Town transferred \$998,050 from business-type activities to the governmental activities. Net assets increased \$216,614 more in the year ended June 30, 2008 than in the year ended June 30, 2007.

**Business-type activities:** For the year ended June 30, 2008, business-type activities increased the Town's net assets by \$693,845. Key elements of this increase are as follows:

- The increase would be even larger however the Town transferred \$976,850 from the business-type activities to the governmental activities.
- The Town's electric fund reported income before contributions and transfers of \$1,344,427, an increase of \$113,739 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 and a 3 ½ % rate increase needed to help pay for the construction of a second electrical substation.
- The Town implemented 5% rate increases for the water and sewer charges. The Town also increased its tap and capacity fees for new water and sewer users.
- By comparison for the year ended June 30, 2007, the business-type activities' net assets increased by \$679,796 after the Town transferred \$998,050 from the business-type activities to the governmental activities. Net assets increased \$14,049 more in the year ended June 30, 2008 than in the year ended June 30, 2007.

### 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 \$4,281,561, while total fund balance reached \$6,615,699. By comparison, the year ended June 30, 2007 unreserved fund balance of the General Fund was \$3,938,513 and total fund balance was \$5,787,859. Unreserved fund balance of the General Fund increased \$343,048 or 8.71 percent. Total fund balance increased \$827,840 or 14.30 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 36.27 percent of total General Fund expenditures, while total fund balance represents 56.05 percent of that same amount. By comparison for the year ended June 30, 2007 unreserved fund balance represented 36.89 percent of the total General Fund expenditures, while total fund balance represented 54.22 percent of that same amount.

At June 30, 2008, the governmental funds of Town of Waynesville reported a combined fund balance of \$10,082,620, with a net increase in fund balance of \$1,589,090. This represents an 18.71 percent increase over last year. The \$1,589,090 increase is primarily due to the unspent loan funds (\$3,000,000) to be spent on the construction of a new police station, development office and meeting space. The remaining difference is due to the spending of loan funds on the construction of a new fire station and 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 one occasion. 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, 2008 totaled \$12,892,740. Funding sources were budgeted as follows: revenues were budgeted at \$11,351,180, transfers from business-type activities were budgeted at \$976,850, transfers out to other funds were budgeted at \$177,970 and appropriations from fund balance were budgeted at \$742,680. Actual total revenues totaled \$11,645,364 or \$294,184 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 \$271,973. All other revenues combined were actually \$566,157 or 5.67% over budget. One of the biggest sources of this favorable variance was due to the Town selling a lot and building at the corner of Depot Street and Montgomery Street that was not budgeted for a net sales price of \$ 335,057. Other sources of this favorable variance were better than expected collections from ad valorem taxes \$52,249, better than expected collections from other taxes and licenses (mainly sales taxes and cable franchise fees) \$67,297 and better than expected collections from unrestricted intergovernmental revenues (mainly franchise taxes on telecommunications and electric power sales) \$90,257. Sales and services revenues (mainly recreation department revenues, sanitation fees and fire protection fees) came in \$53,076 over budget. Other sources of this favorable variance were investment earnings that came in \$32,320 higher than budgeted. The Town's general fund expenditures for the year ended June 30, 2008 were under budget by \$1,267,222. 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 \$177,970 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 Town budgeted to use \$742,680 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 \$1,467,280, \$1,016,909, and \$685,255, respectively. In comparison to the year ended June 30, 2007, the unrestricted net assets of the Electric, Water and Sewer funds totaled \$1,778,991, \$1,241,675, and \$648,060, respectively. Unrestricted net assets of the Electric and Water funds decreased \$311,711 (17.52%) and \$224,766 (18.10%), respectively. The Sewer fund increased \$37,195 (5.74%). Total net assets of the Electric, Water, and Sewer funds at the end of the fiscal year increased \$469,427 (13.12%), \$102,287 (.84%), and \$97,901 (1.15%), 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, 2008 totaled \$49,282,559 (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 (Building, parking, landscaping and sidewalks) \$1,921,785.
- Improvements and additions to the Town's electric substation, lines and related equipment of \$922,261.
- Construction and expansion of water treatment plant lab \$460,550.
- Design and construction of new police station/development office \$445,919.
- Construction of Richland Creek greenway trail and creek bank restoration project \$364,850.
- Improvements and additions to the Town's water distribution systems of \$323,802.
- Improvements and additions to the Town's sewer distribution systems for \$318,314.
- Purchase of new pole truck for the electric maintenance department \$186,668.
- Purchase of air packs for the fire department \$105,000.
- Design of new bridge (Hendrix Street) (construction in process) \$98,113.
- Purchase and equipping three police vehicles for \$74,483.
- Purchase of gas and diesel pumps, canopy and fuel management system \$70,349.
- Purchase of air exchange system at new fire department \$51,958.
- Purchase of alum and caustic tanks at water treatment plant \$49,222.
- Construction of new equipment shed at public works \$41,275.
- Purchase new truck for water maintenance department \$32,863.
- Purchase of UV water system treatment for the recreation's lap pool \$29,400.
- Purchase of new vehicle for administration department \$23,431.
- Purchase of furniture at new fire department \$17,094.
- Purchase of new camera system for the Police department \$15,245
- Purchase of fencing and gate at public works \$13,813.
- Purchase of recording system for police department \$12,703.
- Purchase of extractor and drying cabinet for new fire department \$11,996.
- Paving at recreation park \$10,738.

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

- Disposal of lot and building at the corner of Depot Street and Montgomery with a book value of \$244,520.
- Disposal of two garbage trucks in the street department with an original cost of \$156,482.
- Disposal of nine computers and related software with an original cost of \$62,880.
- Disposal of rebuilt bed and boom sweeper with an original cost of \$35,352.
- Disposal of three car video systems with an original cost of \$23,679.
- Disposal of three salt spreaders with an original cost of \$16,679.
- Disposal of two copiers with an original cost of \$10,157.
- Disposal of air compressor with an original cost of \$9,700.
- Disposal of finger printing equipment with an original cost of \$7,550.

- Disposal of mowing equipment with an original cost of \$5,950.
- Disposal of VHS recorder an original cost of \$5,400.
- Disposal of radar unit with an original cost of \$5,058.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,379,238	\$ 1,655,984	\$ 1,907,438	\$ 1,907,438	\$ 3,286,676	\$ 3,563,422
Construction in process	1,136,309	1,390,827	1,101,025	109,443	2,237,334	1,500,270
Buildings and system	9,672,741	6,919,539	20,355,049	20,119,525	30,027,790	27,039,064
Land improvements	370,961	219,760	77,397	17,263	448,358	237,023
Equipment, furniture and fixtures	727,826	524,029	118,378	121,613	846,204	645,642
Infrastructure	10,658,227	11,639,854	-	-	10,658,227	11,639,854
Vehicles and motorized equipment	1,256,359	1,428,876	521,611	412,561	1,777,970	1,841,437
<b>Total</b>	<b>\$ 25,201,661</b>	<b>\$ 23,778,869</b>	<b>\$ 24,080,898</b>	<b>\$ 22,687,843</b>	<b>\$ 49,282,559</b>	<b>\$ 46,466,712</b>

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

**Long-term Debt.** The Town's total debt outstanding for the year ending June 30, 2008 and June 30, 2007, was \$13,711,451 and \$10,985,237, 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 \$688,122 and \$622,436 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	
	2008	2007	2008	2007	2008	2007
	Installment purchase obligations	\$ 11,132,177	\$ 8,653,354	\$ 1,891,152	\$ 1,709,447	\$ 13,023,329
Total	\$ 11,132,177	\$ 8,653,354	\$ 1,891,152	\$ 1,709,447	\$ 13,023,329	\$ 10,362,801

- The Town's total debt increased \$2,726,214 (24.82%) during the current fiscal year. The key factor in this increase was the issuance of an installment purchase contract totaling \$3,000,000 for the renovation and expansion of the Town's current police station, new development office and meeting space. Two additional installment purchase contracts were issued during the year ended June 30, 2008. One for two garbage trucks and one digger derrick totaling \$570,000 and the other for an addition and renovation to the town Water Treatment lab totaling \$350,000. 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 \$73,119,623.

Additional information regarding the Town of Waynesville's long-term debt can be found in note III.B.10 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 sold a lot and building at the corner of Depot Street and Montgomery Street with a book value of \$244,520 for a net sales price of \$335,057.
- The Town collected \$ 615,915 in sanitation fees, an increase of \$103,363 or 20.17% in comparison to the prior fiscal year.
- Utility franchise taxes were \$676,321, an increase of \$91,058 or 15.56% 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 \$2,327,458, an increase of \$60,904 or 2.68% in comparison to the prior year.
- For the year ending June 30, 2008 the Town's property valuations totaled \$1,076,786,904, an increase of \$15,442,661 or 1.46% in comparison with the prior year. The Town's net levy totaled \$4,260,650, an increase of \$63,981 or 1.52% in comparison with the prior year.

