

Town of Waynesville, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

Town of Waynesville, North Carolina

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For the Fiscal Year Ended June 30, 2009

TOWN OFFICIALS

MAYOR

Gavin Brown

ALDERMEN

Libba Feichter
LeRoy Roberson

Gary Caldwell
J. Wells Greeley

ADMINISTRATIVE

A. Lee Galloway
Edward Caldwell

Town Manager
Finance Officer

Town of Waynesville, North Carolina
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June 30, 2009

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FINANCIAL SECTION

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, 2009, 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, 2009, 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 9, 2009 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. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules 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 and the other auditors 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 this 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, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards 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, Bunnagarr, Kingshill & Assoc., P.A.

Waynesville, North Carolina
October 9, 2009

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, 2009. 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 \$50,190,692 (*net assets*).
- The government's total net assets increased by \$845,891, 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 \$7,299,423, a decrease of \$2,783,197 in comparison with the prior year. Approximately 70.22 percent of this total amount, or \$5,125,770, is available for spending at the government's discretion (*unreserved fund balance*). The \$2,783,197 decrease is primarily due to the spending of loan funds (\$3,000,000) on the construction of a new police station, development office and meeting space. The remaining difference 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 \$4,762,778, or 37.48 percent of total general fund expenditures for the fiscal year. This is an increase of \$481,217 from the prior year. This increase is mainly due to revenues and other financing sources over expenditures and other financing uses. Most of the remaining difference comes from carrying a lower accounts receivable balance in comparison with the prior year's accounts receivables balance.
- The Town of Waynesville's total debt increased by \$2,463,641 (17.97%) 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 construction of a second electrical substation. Also included in this increase is an installment purchase contract for the purchased of two garbage trucks (\$350,000) that was classified as a note payable in the prior year until the trucks were delivered.
- The Town of Waynesville's Electric Fund for the current fiscal year reported power purchases of \$6,127,237 an increase of \$807,323 or 15.18% in comparison with the prior year. The prior fiscal year reported power purchases of \$5,319,914, an increase of \$255,247 or 5.04% in comparison with the fiscal year ended June 30, 2007. 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 \$8,340,871, an increase of \$663,922 or 8.65%. The prior fiscal year reported charges for services of \$7,676,949, an increase of \$366,221 or 5.01% in comparison with the fiscal year ended June 30, 2007.

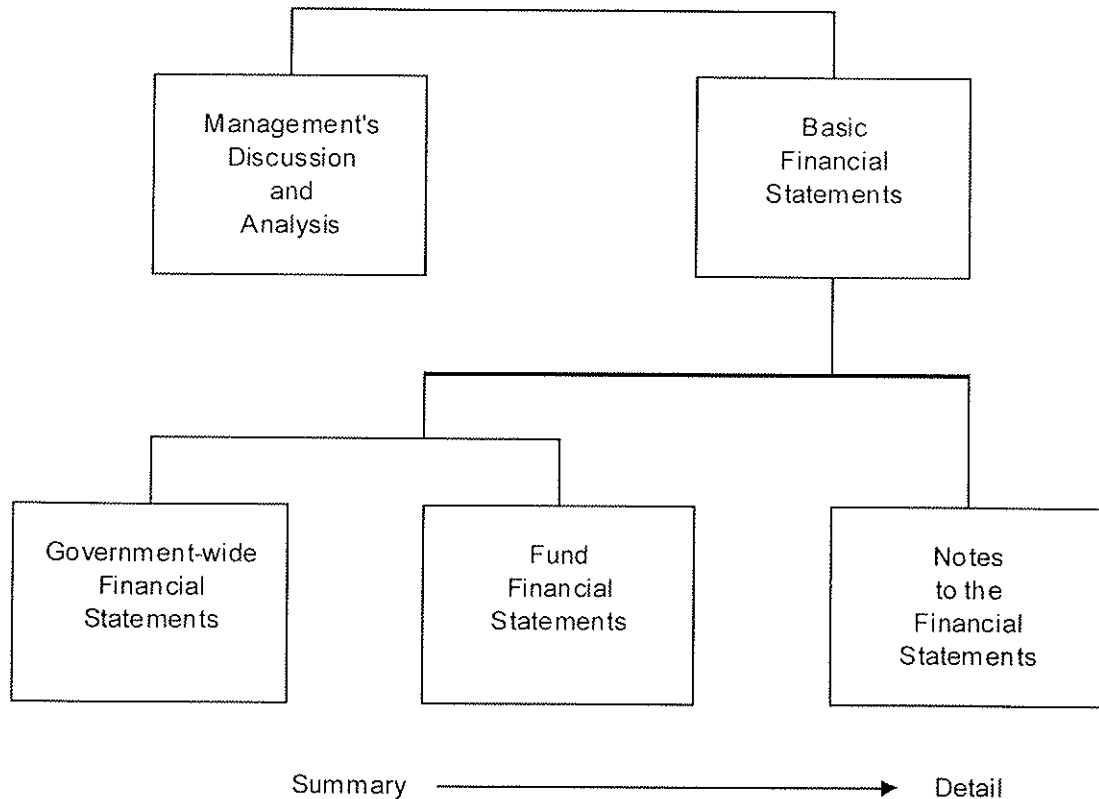
Overview of the Financial Statements

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 25-48 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 49-52 of this report.

Government-Wide Financial Analysis

**The Town of Waynesville's Net Assets
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,425,712	\$ 11,749,030	\$ 5,745,781	\$ 4,565,024	\$ 14,171,493	\$ 16,314,054
Capital assets	28,067,644	25,201,661	26,185,274	24,080,898	54,252,918	49,282,559
Total assets	36,493,356	36,950,691	31,931,055	28,645,922	68,424,411	65,596,613
Long-term liabilities outstanding	11,556,337	11,719,552	4,618,755	1,991,899	16,175,092	13,711,451
Other liabilities	689,798	1,243,650	1,368,829	1,296,711	2,058,627	2,540,361
Total liabilities	12,246,135	12,963,202	5,987,584	3,288,610	18,233,719	16,251,812
Net assets:						
Invested in capital assets, net of related debt	18,924,846	15,867,875	21,720,811	22,189,746	40,645,657	38,057,621
Restricted	757,971	723,135	-	-	757,971	723,135
Unrestricted	4,564,404	7,396,479	4,222,660	3,167,566	8,787,064	10,564,045
Total net assets	\$ 24,247,221	\$ 23,987,489	\$ 25,943,471	\$ 25,357,312	\$ 50,190,692	\$ 49,344,801

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 \$50,190,692 as of June 30, 2009. The Town's net assets increased by \$845,891 for the fiscal year ended June 30, 2009. And as stated earlier, this increase is primarily due to increases in the business-type activities net assets. However, the largest portion \$40,645,657 or (80.98%) 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 \$757,971 or (1.51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,787,064 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.

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

- July 10, 2002, the Town made a contribution of \$650,000 to Haywood Advancement Foundation, a non profit entity, to purchase an old run down industrial site. This site was sold, cleaned up and redeveloped into a retail complex which currently includes a super Wal-Mart and a Best Buy. On June 4, 2009, Haywood Advancement Foundation returned \$563,164 of the Town's contribution net of taxes and holding expenses.
- For the year ending June 30, 2009 the Town's property valuations totaled \$1,130,452,515, an increase of \$53,665,611 or 4.98% in comparison with the prior year. The Town's net levy totaled \$4,463,628, an increase of \$202,978 or 4.76% in comparison with the prior year.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.28% excluding motor vehicles. This is a decrease of .82% 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 97.22% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2007-2008. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,365,239, an increase of \$168,369 or 4.01% in comparison to the prior fiscal year.
- Utility franchise taxes and CATV taxes were \$959,300, an increase of \$104,071 or 12.17% in comparison to the prior year.
- The Town's recreation department fees excluding the contributions from Haywood County for the current fiscal year were \$709,558, an increase of \$67,521 or 10.52% in comparison to the prior year.
- The Town's ABC profit distribution came to \$155,475, an increase of \$59,156 or 61.42% in comparison to the prior fiscal year.
- The Town collected \$ 659,997 in sanitation fees, an increase of \$44,082 or 7.16% in comparison to the prior fiscal year.

But, the slowing economy has also negatively affected the Town. Several particular aspects of the Town's financial operations negatively influenced the total unrestricted governmental net assets:

- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year were \$2,104,999, a decrease of \$222,459 or 9.56% in comparison to the prior year.
- The investment earnings for the current fiscal year were \$60,065, a decrease of \$102,255 or 63.00% in comparison to the prior year.

Town of Waynesville Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,856,647	\$ 1,747,033	\$12,506,625	\$11,645,137	\$14,363,272	\$13,392,170
Operating grants and contributions	923,567	525,489	-	-	923,567	525,489
Capital grants and contributions	395,074	553,994	474,037	-	869,111	553,994
General revenues:						
Property taxes	4,475,904	4,273,625	-	-	4,475,904	4,273,625
Other taxes	2,314,294	2,528,057	-	-	2,314,294	2,528,057
Grants and contributions not restricted to specific programs	967,339	816,967	-	-	967,339	816,967
Other	199,837	401,575	76,811	127,536	276,648	529,111
Total revenues	11,132,662	10,846,740	13,057,473	11,772,673	24,190,135	22,619,413
Expenses:						
General government	1,997,206	2,004,995	-	-	1,997,206	2,004,995
Public safety	3,999,361	3,759,346	-	-	3,999,361	3,759,346
Transportation	3,580,363	3,397,605	-	-	3,580,363	3,397,605
Economic development	-	-	-	-	-	-
Environmental Protection	103,620	107,033	-	-	103,620	107,033
Culture and recreation	1,869,149	1,777,745	-	-	1,869,149	1,777,745
Interest on long-term debt	342,831	232,590	-	-	342,831	232,590
Electric	-	-	7,492,263	6,380,588	7,492,263	6,380,588
Water	-	-	2,136,735	1,952,308	2,136,735	1,952,308
Sewer	-	-	1,822,716	1,769,082	1,822,716	1,769,082
Total expenses	11,892,530	11,279,314	11,451,714	10,101,978	23,344,244	21,381,292
Increase (decrease) in net assets before transfers	(759,868)	(432,574)	1,605,759	1,670,695	845,891	1,238,121
Transfers	1,019,600	976,850	(1,019,600)	(976,850)	-	-
Increase in net assets	259,732	544,276	586,159	693,845	845,891	1,238,121
Net assets, July 1	23,987,489	23,443,213	25,357,312	24,663,467	49,344,801	48,106,680
Net assets, June 30	\$24,247,221	\$23,987,489	\$25,943,471	\$25,357,312	\$50,190,692	\$49,344,801

Governmental activities. For the year ended June 30, 2009, Governmental activities increased the Town's net assets by \$259,732. Key elements of this increase are as follows:

- July 10, 2002, the Town made a contribution of \$650,000 to Haywood Advancement Foundation, a non profit entity, to purchase an old run down industrial site. This site was sold, cleaned up and

redeveloped into a retail complex which currently includes a super Wal-Mart and a Best Buy. On June 4, 2009, Haywood Advancement Foundation returned \$563,164 of the Town's contribution net of taxes and holding expenses.

- For the year ending June 30, 2009 the Town's property valuations totaled \$1,130,452,515, an increase of \$53,665,611 or 4.98% in comparison with the prior year. The Town's net levy totaled \$4,463,628, an increase of \$202,978 or 4.76% in comparison with the prior year.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.28% excluding motor vehicles. This is a decrease of .82% 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 97.22% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2007-2008. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,365,239, an increase of \$168,369 or 4.01% in comparison to the prior fiscal year.
- Utility franchise taxes and CATV taxes were \$959,300, an increase of \$104,071 or 12.17% in comparison to the prior year.
- Capital outlays exceed depreciation by \$2,482,021.
- This increase of \$259,732 would be a decrease except for the Town's transfer of \$1,019,600 from business-type activities to the governmental activities.
- By comparison for the year ended June 30, 2008, the governmental activities increased \$544,276 after the Town transferred \$976,850 from business-type activities to the governmental activities. Net assets decreased \$284,544 more in the year ended June 30, 2009 than in the year ended June 30, 2008.

Business-type activities: For the year ended June 30, 2009, business-type activities increased the Town's net assets by \$586,159. Key elements of this increase are as follows:

- The increase would be even larger however the Town transferred \$1,019,600 from the business-type activities to the governmental activities.
- The town recognized \$474,037 in capital grants and contributions for the construction of the Eagles Nest water system.
- The Town's electric fund reported income before contributions and transfers of \$897,450, a decrease of \$446,977 over the prior year. Most of this decrease is due to higher power costs over charges for services (\$143,401), interest charges associated with a newly constructed second substation (\$104,864), higher operations costs (\$86,923), and higher depreciation (\$52,543).
- The Town implemented water and sewer rate increases of 5% for inside customers and 10% for outside customers. The Town also increased its capacity fees for new water and sewer users.
- By comparison for the year ended June 30, 2008, the business-type activities' net assets increased by \$693,845 after the Town transferred \$976,850 from the business-type activities to the governmental activities. Net assets decreased \$107,686 more in the year ended June 30, 2009 than in the year ended June 30, 2008.

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 \$4,762,778, while total fund balance reached \$6,700,075. By comparison, the year ended June 30, 2008 unreserved fund balance of the General Fund was \$4,281,561 and total fund balance was \$6,615,699. Unreserved fund balance of the General Fund increased \$481,217 or 11.24 percent. Total fund balance increased \$84,376 or 1.28 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 37.48 percent of total General Fund expenditures, while total fund balance represents 52.73 percent of that same amount. By comparison for the year ended June 30, 2008 unreserved fund balance represented 36.27 percent of the total General Fund expenditures, while total fund balance represented 56.05 percent of that same amount.

- At June 30, 2009, the governmental funds of Town of Waynesville reported a combined fund balance of \$7,299,423, with a net decrease in fund balance of \$2,783,197. This represents a 27.60 percent decrease over last year. The \$2,783,197 decrease is primarily due to the spending of loan funds (\$3,000,000) on the construction of a new police station, development office and meeting space. The remaining difference 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 two occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- The Town's total budget for the general fund including transfers to other funds for the year ended June 30, 2009 totaled \$13,881,654. Funding sources were budgeted as follows: revenues were budgeted at \$11,445,390, transfers from business-type activities were budgeted at \$1,019,600, and appropriations from fund balance were budgeted at \$1,416,664. Actual total revenues totaled \$11,771,759 or \$326,369 over budget. One of the main reasons revenues were over budget is due to the fact that an economic development contribution paid by the town in 2002 was returned net of taxes and holding expenses (\$563,164). Unrestricted intergovernmental revenues which mainly consist of utility franchise taxes and ABC profit distributions were \$200,699 over budget. Ad valorem taxes were \$70,787 over budget. Sales and services revenues (mainly recreation department revenues, sanitation fees and fire protection fees) came in \$35,415 over budget. Other revenues such as restricted revenues were less than budgeted amounts primarily because some grant funds that the Town originally had expected to receive were unavailable or unspent. The slowing economy also played a major role in causing the town to fall short in a number of revenue areas. Revenues such as other taxes and licenses which mainly consist of the local option sales taxes were \$219,046 under budget. Permits and fees was \$18,657 under budget. The down turn in the economy also caused investment earnings to come in \$9,315 under budget. The Town's general fund expenditures for the year ended June 30, 2009 were under budget by \$1,174,671. 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. Since the fall of 2008, the Town has made an effort to cut or under spend the budget due to the slowing economy. Expenditures were delayed, not spent or kept under budget due to this uncertainty of the slowing economy. Some vacant personnel positions were left vacant till the effects of the slowdown could be measured or evaluated. The Town budgeted and transferred \$800,000 from the general fund to the capital projects fund. The capital projects consist of the construction of the current police station and the construction of a new development office and meeting space. The Town budgeted to use \$1,416,664 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 \$2,315,771, \$1,135,203, and \$772,011, respectively. In comparison to the year ended June 30, 2008, the unrestricted net assets of the Electric, Water and Sewer funds totaled \$1,467,280, \$1,016,909, and \$685,255, respectively. Unrestricted net assets of the Electric, Water and Sewer funds increased \$848,491 (57.83%), \$118,294 (11.63%), and \$86,756 (12.66%), respectively. Total net assets of the Electric, Water, and Sewer funds at the end of the fiscal year increased \$22,450 (.55%), \$462,492 (3.79%), and \$102,657 (1.19%), 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, 2009 totaled \$50,190,692 (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:

- Design and construction of new police station/development office \$3,684,191
- Improvements and additions to the Town's electric substation, lines and related equipment of \$2,292,667
- Purchase two new front loading garbage trucks \$384,140.
- Improvements and additions to the Town's sewer distribution systems for \$263,047.
- Right of Way for new bridge and new sidewalk (Hendrix Street) \$222,997.
- Improvements and additions to the Town's water distribution systems (Eagles Nest construction in process) of \$174,037.
- New roof on Water Treatment plant \$139,410
- Improvements and additions to the Town's water distribution systems of \$115,769.
- Purchase and equipping three police vehicles for \$89,662.
- Purchase of control panels, antennas, and instruments for water tanks (SCADA system) \$69,320.
- Improvement and addition of new sidewalks \$65,773.
- Purchase of new back hoe for street department \$40,087.
- Construction of Richland Creek greenway trail and creek bank restoration project \$34,878.
- Purchase of new back hoe for electric department \$33,093.
- Purchase of new truck for water maintenance department \$28,300.
- Addition to metal press building at Sewer Treatment Plant \$22,690.
- Purchase of new truck for street department \$20,101.
- Purchase of art on the street \$20,000.
- Purchase of new leaf vacuum for street department \$19,803.
- Purchase of computers and software for street department (Pin Point System) \$18,300.
- Purchase of new boom and frail mower for Powell Bill \$17,000.
- Purchase of new post jack lift system for Garage \$15,535.
- Design of new bridge (Hendrix Street) (construction in process) \$14,337.
- Purchase of three new mobile video systems for the Police department \$14,065.
- Construction of fence at playground for Recreation department \$13,561.
- Purchase of two new servers and two new cad computer systems for the Police department \$13,248.
- Paving around new pumps at public works \$12,423.
- Purchase of six radar units \$9,096.

- Purchase of six radar units \$9,096.

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

- Disposal of electric department pole truck (model year 1990) with an original cost of \$96,536.
- Disposal of two police vehicles (model year 2000 and 2004) with an original cost of \$56,674.
- Disposal of water maintenance truck (model year 1999) with an original cost of \$ 34,889.
- Disposal of cemetery truck (model year 1994) with an original cost of \$10,309.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,635,301	\$ 1,379,238	\$ 1,927,138	\$ 1,907,438	\$ 3,562,439	\$ 3,286,676
Construction in process	4,379,666	1,136,309	174,037	1,101,025	4,553,703	2,237,334
Buildings and system	9,451,197	9,672,741	23,309,302	20,355,049	32,760,499	30,027,790
Land improvements	325,014	370,961	84,495	77,397	409,509	448,358
Equipment, furniture and fixtures	654,831	727,826	167,358	118,378	822,189	846,204
Infrastructure	10,181,800	10,658,227	-	-	10,181,800	10,658,227
Vehicles and motorized equipment	1,439,835	1,256,359	522,944	521,611	1,962,779	1,777,970
Total	\$ 28,067,644	\$ 25,201,661	\$ 26,185,274	\$ 24,080,898	\$ 54,252,918	\$ 49,282,559

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, 2009 and June 30, 2008, was \$16,175,092 and \$13,711,451, respectively. All debt is backed by the full faith and credit of the Town of Waynesville. Unfunded pension liabilities, legal claims, other postemployment benefits, and compensated absences make up \$915,933 and \$688,122 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	
	2009	2008	2009	2008	2009	2008
Installment purchase obligations	\$ 10,794,696	\$ 11,132,177	\$ 4,464,463	\$ 1,891,152	\$ 15,259,159	\$ 13,023,329
Total	\$ 10,794,696	\$ 11,132,177	\$ 4,464,463	\$ 1,891,152	\$ 15,259,159	\$ 13,023,329

- The Town's total debt increased \$2,463,641 (17.97%) 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 construction of a second electrical substation. Also included in this increase is an installment purchase contract for the purchased of two garbage trucks (\$350,000) that was classified as a note payable in the prior year until the trucks were delivered. 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 \$75,097,081.

Additional information regarding the Town of Waynesville's long-term debt can be found in note III.B.9 beginning on page 44 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.

As noted earlier and repeated here there are several particular aspects of the Town's financial operations that positively influenced the total unrestricted governmental net assets:

- July 10, 2002, the Town made a contribution of \$650,000 to Haywood Advancement Foundation, a non profit entity, to purchase an old run down industrial site. This site was sold, cleaned up and redeveloped into a retail complex which currently includes a super Wal-Mart and a Best Buy. On June 4, 2009, Haywood Advancement Foundation returned \$563,164 of the Town's contribution net of taxes and holding expenses.
- For the year ending June 30, 2009 the Town's property valuations totaled \$1,130,452,515, an increase of \$53,665,611 or 4.98% in comparison with the prior year. The Town's net levy totaled \$4,463,628, an increase of \$202,978 or 4.76% in comparison with the prior year.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.28% excluding motor vehicles. This is a decrease of .82% 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 97.22% excluding motor vehicles for the population grouping 2,500 to 9,999 for 2007-2008. The total collected for ad valorem taxes which includes current taxes, prior year's uncollectible tax balances, and motor vehicle taxes was \$4,365,239, an increase of \$168,369 or 4.01% in comparison to the prior fiscal year.
- Utility franchise taxes and CATV taxes were \$959,300, an increase of \$104,071 or 12.17% in comparison to the prior year.
- The Town's recreation department fees excluding the contributions from Haywood County for the current fiscal year were \$709,558, an increase of \$67,521 or 10.52% in comparison to the prior year.
- The Town's ABC profit distribution came to \$155,475, an increase of \$59,156 or 61.42% in comparison to the prior fiscal year.

But, the slowing economy has also negatively affected the Town. And as such there are several particular negative aspects of the Town's financial operations that influenced the total unrestricted governmental net assets:

- The sales tax revenues from article 39, article 40, article 42, and article 44, for the current fiscal year were \$2,104,999, a decrease of \$222,459 or 9.56% in comparison to the prior year.
- The investment earnings for the current fiscal year were \$60,065, a decrease of \$102,255 or 63.00% in comparison to the prior year.
- Since the fall of 2008, the Town has made an effort to cut or under spend the budget due to the slowing economy. Expenditures were delayed, not spent or kept under budget due to this uncertainty of the slowing economy. Even some vacant personnel positions were left vacant till the effects of the slowdown could be measured or evaluated.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: The budgeted revenues, transfers from other funds, and appropriated fund balance for the year ended June 30, 2010 are expected to rise to \$13,034,800 or an increase of \$243,441 (1.90%) from actual revenues, transfers from other funds, and appropriated fund balance for the year ended June 30, 2009. The increases will mainly be funded from a larger fund balance appropriation, and higher grants. The fund transfers to the general fund will increase \$42,420. The Electric fund, Water fund and Sewer fund transfers to the General fund will increase to \$887,000, \$91,950 and \$83,070 respectively.

The budgeted expenditures and transfers to other funds for the year ended June 30, 2010 are expected to increase to \$13,034,800 or an increase of \$327,817 (2.58%) from actual expenditures and transfers to other funds for the year ended June 30, 2009. The largest budget increases are in higher capital outlays, a bridge replacement, employment vacancies being filled, higher debt payments, and other miscellaneous grants.

Business – type Activities:

Water Fund: Budgeted revenue and the appropriated fund balance amounts for the year ended June 30, 2010 are expected to rise to \$2,468,170 or an increase of \$85,388 (3.58%) from actual revenues and appropriated fund balance for the year ended June 30, 2009. This increase will be funded by a 5% water rate increase. The fund balance appropriation of \$169,570 will be slightly smaller. Budgeted expenditures and transfers to other funds for the year ended June 30, 2010 are expected to increase to \$2,468,170, or an increase of \$85,388 (3.58%) from actual expenditures for the year ended June 30, 2009. However, this is a decrease of \$114,150 or 4.42% from the budgeted expenditures of the year ended June 30, 2009. The largest increases are in the maintenance of water lines. The Water fund is also supporting a slightly larger transfer to the general fund.

Sewer Fund: Budgeted revenue and appropriated fund balance amounts for the year ended June 30, 2010 are expected to rise to \$2,017,480 or an increase of \$14,486 (.72%) from actual revenues and appropriated fund balance for the year ended June 30, 2009. This budget includes no sewer rate increases for its customers. To balance this budget a \$9,590 fund balance appropriation was needed. Budgeted expenditures and transfer to other funds for the year ended June 30, 2010 are expected to increase to \$2,017,480 or an increase of \$116,288 (6.12%) from actual expenditures for the year ended June 30, 2009. The largest costs are associated with higher capital outlays, higher sewer line maintenance, and higher utility costs. The Sewer fund is also supporting a slightly larger transfer to the general fund.

Electric Fund: Budgeted revenue and appropriated fund balance amounts for the year ended June 30, 2010 are expected to increase to \$9,042,900, or an increase of \$654,493 (7.80%) from actual revenues and appropriated fund balance for the year ended June 30, 2009. There are two reasons these revenues are increasing. One reason is that rate increases are being passed along to the Town's electric customers on a monthly basis to aid the town in keeping up with the higher power costs. These higher costs are primarily due to the rising fuel costs that have been passed along to the Town by its supplier. The second reason rates will have to increase

has to do with a new power supply agreement that begins January 1, 2010. In addition to the rate increases, a \$207,350 fund balance appropriation was needed to balance the budget. Budgeted expenditures and transfers to other funds for the year ended June 30, 2010 are expected to increase to \$9,042,900, or an increase of 851,757 (10.40%) from actual expenditures and transfers for the year ended June 30, 2009. However, this is only an increase of \$481,880 or 5.63% from the budgeted expenditures for the year ended June 30, 2009. The largest increases expected are debt payments associated with a new electrical substation, higher power costs, and higher line maintenance expenditures. The budget also includes a slightly larger transfer to the general fund.

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, 2009

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,577,201	\$ 1,002,946	\$ 6,580,147	\$ 750,772
Investments	831,034	2,254,720	3,085,754	-
Taxes receivables (net)	533,549	-	533,549	-
Accrued interest receivable on taxes	23,280	-	23,280	-
Interest receivable on investments	11,649	2,797	14,446	88
Accounts receivable (net)	89,052	1,326,801	1,415,853	-
Due from other governments	1,006,498	-	1,006,498	-
Due from component units	59,327	-	59,327	-
Internal balances	100,923	(100,923)	-	-
Inventories	52,800	630,558	683,358	135,253
Prepaid items	7,750	-	7,750	8,149
Restricted cash and cash equivalents	108,700	628,882	737,582	-
Total current assets	8,401,763	5,745,781	14,147,544	894,262
Noncurrent assets:				
Accounts receivable (net)	23,949	-	23,949	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	6,014,967	2,101,175	8,116,142	-
Other capital assets, net of depreciation	22,052,677	24,084,099	46,136,776	19,589
Total capital assets	28,067,644	26,185,274	54,252,918	19,589
Total noncurrent assets	28,091,593	26,185,274	54,276,867	19,589
Total assets	\$ 36,493,356	\$ 31,931,055	\$ 68,424,411	\$ 913,851
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 434,388	\$ 715,317	\$ 1,149,705	\$ 156,079
Unearned revenue	45,535	-	45,535	-
Accrued interest payable	191,176	122,538	313,714	-
Customer deposits	18,699	130,534	149,233	-
Due to primary government	-	-	-	59,327
Due to other governments	-	-	-	30,673
Current portion of long-term liabilities	942,549	617,377	1,559,926	-
Accounts payable from restricted assets	-	400,440	400,440	-
Total current liabilities	1,632,347	1,986,206	3,618,553	246,079
Long-term liabilities:				
Due in more than one year	10,613,788	4,001,378	14,615,166	-
Total liabilities	12,246,135	5,987,584	18,233,719	246,079
NET ASSETS				
Invested in capital assets, net of related debt	18,924,846	21,720,811	40,645,657	19,589
Restricted for:				
Transportation	632,598	-	632,598	-
Culture and recreation	16,673	-	16,673	-
Public Safety	108,700	-	108,700	-
Working Capital	-	-	-	639,947
Unrestricted	4,564,404	4,222,660	8,787,064	8,236
Total net assets	\$ 24,247,221	\$ 25,943,471	\$ 50,190,692	\$ 667,772

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, 2009

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			
					Governmental Activities	Business-type Activities	Total	Component Unit
Primary government:								
Governmental Activities:								
General government	\$ 1,997,206	\$ 80,137	\$ 8,553	\$ -	\$ (1,908,516)	-	\$ (1,908,516)	\$ -
Public safety	3,999,361	340,816	24,060	-	(3,634,485)	-	(3,634,485)	-
Transportation	3,580,363	694,282	274,885	364,030	(2,247,166)	-	(2,247,166)	-
Environmental protection	103,620	31,854	-	-	(71,766)	-	(71,766)	-
Economic and physical development	-	-	563,164	-	563,164	-	563,164	-
Cultural and recreation	1,869,149	709,558	52,905	31,044	(1,075,642)	-	(1,075,642)	-
Interest on long-term debt	342,831	-	-	-	(342,831)	-	(342,831)	-
Total governmental activities	11,892,530	1,856,647	923,567	395,074	(8,717,242)	-	(8,717,242)	-
Business-type activities:								
Electric	7,492,263	8,340,871	-	-	-	\$ 848,608	848,608	-
Water	2,136,735	2,178,660	-	474,037	-	515,962	515,962	-
Sewer	1,822,716	1,987,094	-	-	-	164,378	164,378	-
Total business-type activities	11,451,714	12,506,625	-	474,037	-	1,528,948	1,528,948	-
Total primary government	\$ 23,344,244	\$ 14,363,272	\$ 923,567	\$ 869,111	(8,717,242)	1,528,948	(7,188,294)	-
Component units:								
ABC Board	\$ 2,378,407	\$ 2,411,988	\$ -	\$ -	-	-	-	33,581
Total component units	\$ 2,378,407	\$ 2,411,988	\$ -	\$ -	-	-	-	33,581
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,475,904	-	4,475,904	-
Other taxes					2,314,294	-	2,314,294	-
Grants and contributions not restricted to specific programs					967,339	-	967,339	-
Unrestricted investment earnings					81,298	44,646	125,944	4,648
Miscellaneous					118,539	32,165	150,704	-
Transfers					1,019,600	(1,019,600)	-	-
Total general revenues, special items, and transfers					8,976,974	(942,789)	8,034,185	4,648
Change in net assets					259,732	586,159	845,891	38,229
Net assets-beginning					23,987,489	25,357,312	49,344,801	629,543
Net assets-ending					\$ 24,247,221	\$ 25,943,471	\$ 50,190,692	\$ 667,772

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

Town of Waynesville
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Capital Projects		
ASSETS				
Cash and cash equivalents	\$ 4,761,156	\$ 577,620	\$ 236,107	\$ 5,574,883
Investments	831,034	-	-	831,034
Receivables, net:				
Taxes	533,549	-	-	533,549
Accounts	89,052	-	-	89,052
Prepaid items	7,750	-	-	7,750
Long-term receivable	23,949	-	-	23,949
Due from component unit	59,327	-	-	59,327
Due from other governmental agencies	1,006,498	-	-	1,006,498
Due from other fund	82,137	-	-	82,137
Interest receivable	11,378	-	249	11,627
Inventories	12,778	-	-	12,778
Restricted cash and cash equivalents	108,700	-	-	108,700
Total assets	<u>\$ 7,527,308</u>	<u>\$ 577,620</u>	<u>\$ 236,356</u>	<u>\$ 8,341,284</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 229,450	\$ 214,628	\$ -	\$ 444,078
Note payable	-	-	-	-
Performance bonds	18,699	-	-	18,699
Deferred revenue	533,549	-	-	533,549
Unearned revenue	45,535	-	-	45,535
Accounts payable from restricted assets	-	-	-	-
Total liabilities	<u>827,233</u>	<u>214,628</u>	<u>-</u>	<u>1,041,861</u>
Fund balances:				
Reserved for:				
Prepaid expenses	7,750	-	-	7,750
Inventories	12,778	-	-	12,778
Encumbrances	11,831	-	-	11,831
Perpetual maintenance	-	-	236,356	236,356
State statute	1,272,340	-	-	1,272,340
Streets-Powell bill	632,598	-	-	632,598
Unreserved, General Fund:				
Designated for subsequent year's expenditures	560,640	-	-	560,640
Designated for public safety	108,700	-	-	108,700
Undesignated	4,093,438	-	-	4,093,438
Unreserved, reported in:				
Capital Project funds	-	362,992	-	362,992
Total fund balances	<u>6,700,075</u>	<u>362,992</u>	<u>236,356</u>	<u>7,299,423</u>
Total liabilities and fund balances	<u>\$ 7,527,308</u>	<u>\$ 577,620</u>	<u>\$ 236,356</u>	<u>\$ 8,341,284</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.	27,976,917
Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	23,280
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.	139,339
Liabilities for earned but deferred revenues in fund statements.	533,549
Some liabilities, including installment purchases payable and accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(11,725,287)
Net assets of governmental activities	<u>\$ 24,247,221</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, 2009

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Capital Projects		
REVENUES				
Ad valorem taxes	\$ 4,397,127	\$ -	\$ -	\$ 4,397,127
Other taxes and licenses	2,314,294	-	-	2,314,294
Unrestricted intergovernmental	967,339	-	-	967,339
Restricted intergovernmental	755,173	-	-	755,173
Permits and fees	157,843	-	-	157,843
Sales and services	2,438,215	-	15,200	2,453,415
Investment earnings	60,065	14,616	2,833	77,514
Miscellaneous	681,703	6,617	-	688,320
Total revenues	11,771,759	21,233	18,033	11,811,025
EXPENDITURES				
Current:				
General government	2,672,475	-	-	2,672,475
Public safety	3,739,714	3,697,987	-	7,437,701
Transportation	2,719,257	-	-	2,719,257
Environmental protection	96,376	-	-	96,376
Culture and recreation	1,684,157	-	8,852	1,693,009
Debt service:				
Principal	719,370	-	-	719,370
Interest and other charges	275,634	-	-	275,634
Total expenditures	11,906,983	3,697,987	8,852	15,613,822
Excess (deficiency) of revenues over expenditures	(135,224)	(3,676,754)	9,181	(3,802,797)
OTHER FINANCING SOURCES				
Transfers from other funds	1,019,600	-	-	1,019,600
Transfers to other funds	(800,000)	800,000	-	-
Proceeds from construction loan	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources	219,600	800,000	-	1,019,600
Net change in fund balance	84,376	(2,876,754)	9,181	(2,783,197)
Fund balances-beginning	6,615,699	3,239,746	227,175	10,082,620
Fund balances-ending	\$ 6,700,075	\$ 362,992	\$ 236,356	\$ 7,299,423

(continued)

Town of Waynesville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds	\$ (2,783,197)
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 capital outlays exceeded depreciation in the current period	2,482,021
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	78,777
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.	719,370
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	(3,354)
Net pension obligation	(35,397)
Other postemployment benefits	(131,807)
Accrued interest on installment purchases and construction loan	(67,197)
Net book value of assets sold	-
Consolidation adjustment for internal balances between the internal service funds and the governmental funds	(1,554)
Net revenue of internal service funds determined to be governmental-type	<u>2,070</u>
Total changes in net assets of governmental activities	<u>\$ 259,732</u>

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, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 4,326,340	\$ 4,326,340	\$ 4,397,127	\$ 70,787
Other taxes and licenses	2,533,340	2,533,340	2,314,294	(219,046)
Unrestricted intergovernmental	760,050	766,640	967,339	200,699
Restricted intergovernmental	936,990	996,990	755,173	(241,817)
Permits and fees	176,500	176,500	157,843	(18,657)
Sales and services	2,402,800	2,402,800	2,438,215	35,415
Investment earnings	69,380	69,380	60,065	(9,315)
Miscellaneous	173,400	173,400	681,703	508,303
Total revenues	11,378,800	11,445,390	11,771,759	326,369
Expenditures:				
Current:				
General government	3,027,660	2,922,324	2,672,475	249,849
Public safety	4,106,290	3,985,501	3,739,714	245,787
Transportation	3,158,410	3,109,167	2,719,257	389,910
Environmental protection	143,910	118,580	96,376	22,204
Cultural and recreation	1,842,150	1,827,592	1,684,157	143,435
Debt service:				
Principal retirement	719,374	719,374	719,370	4
Interest and other charges	399,116	399,116	275,634	123,482
Total expenditures	13,396,910	13,081,654	11,906,983	1,174,671
Revenues over (under) expenditures	(2,018,110)	(1,636,264)	(135,224)	1,501,040
Other financing sources (uses):				
Transfers from other funds	1,019,600	1,019,600	1,019,600	-
Transfers to other funds	-	(800,000)	(800,000)	-
Appropriations from fund balance	998,510	1,416,664	-	(1,416,664)
Total other financing sources (uses)	2,018,110	1,636,264	219,600	(1,416,664)
Net change in fund balance	\$ -	\$ -	84,376	\$ 84,376
Fund balances, beginning of year			6,615,699	
Fund balances, end of year			<u>\$ 6,700,075</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, 2009

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 409,255	\$ 8,383	\$ 559,718	\$ 977,356	\$ 25,590	\$ 2,318
Investments	1,255,000	899,720	100,000	2,254,720	-	-
Accounts receivable	780,094	366,095	180,612	1,326,801	-	-
Interest receivable	1,336	738	676	2,750	47	22
Inventories	355,671	240,810	27,569	624,050	6,508	40,022
Restricted cash and cash equivalents	628,882	-	-	628,882	-	-
Total current assets	3,430,238	1,515,746	868,575	5,814,559	32,145	42,362
Capital assets:						
Land and Construction in Progress	230,058	1,660,399	110,500	2,000,957	100,218	-
Other capital assets, net of depreciation	4,679,049	11,111,945	7,927,827	23,718,821	365,278	90,727
Capital assets (net)	4,909,107	12,772,344	8,038,327	25,719,778	465,496	90,727
Total assets	\$ 8,339,345	\$ 14,288,090	\$ 8,906,902	\$ 31,534,337	\$ 497,641	\$ 133,089
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	599,050	282,433	36,002	917,485	2,507	3,829
Customer deposits	91,570	38,964	-	130,534	-	-
Compensated absences - current	12,163	22,085	20,908	55,156	3,906	1,875
Installment purchases payable-current	241,992	278,118	38,205	558,315	-	-
Accounts payable from restricted assets	400,440	-	-	400,440	-	-
Total current liabilities	1,345,215	621,600	95,115	2,061,930	6,413	5,704
Noncurrent liabilities:						
Other postemployment benefits	7,152	16,348	14,305	37,805	4,087	2,043
Compensated absences	4,092	20,713	25,349	50,154	3,184	4,789
Installment purchases payable	2,911,927	954,569	39,652	3,906,148	-	-
Total noncurrent liabilities	2,923,171	991,630	79,306	3,994,107	7,271	6,832
Total liabilities	4,268,386	1,613,230	174,421	6,056,037	13,684	12,536
NET ASSETS						
Invested in capital assets, net of related debt	1,755,188	11,539,657	7,960,470	21,255,315	497,641	90,727
Unrestricted	2,315,771	1,135,203	772,011	4,222,985	(13,684)	29,826
Total net assets	\$ 4,070,959	\$ 12,674,860	\$ 8,732,481	25,478,300	\$ 483,957	\$ 120,553

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 465,171

Net assets of business-type activities \$ 25,943,471

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, 2009

	Enterprise Funds				Internal Service Funds	
	Electric Fund	Water Fund	Sewer Fund	Total	Public Works Fund	Garage Fund
OPERATING REVENUES						
Charges for services	\$ 8,340,871	\$ 2,178,660	\$ 1,987,094	\$ 12,506,625	\$ 230,065	\$ 513,555
Total operating revenues	<u>8,340,871</u>	<u>2,178,660</u>	<u>1,987,094</u>	<u>12,506,625</u>	<u>230,065</u>	<u>513,555</u>
OPERATING EXPENSES						
Finance and administration	373,140	202,280	181,720	757,140	-	-
Electric operations	688,950	-	-	688,950	-	-
Electric power purchases	6,127,237	-	-	6,127,237	-	-
Water treatment and distribution	-	1,428,475	-	1,428,475	-	-
Waste collection and treatment	-	-	1,224,269	1,224,269	-	-
Public works operations	-	-	-	-	218,179	-
Garage operations	-	-	-	-	-	493,154
Depreciation	194,058	455,400	409,310	1,058,768	15,416	19,310
Total operating expenses	<u>7,383,385</u>	<u>2,086,155</u>	<u>1,815,299</u>	<u>11,284,839</u>	<u>233,595</u>	<u>512,464</u>
Operating income	<u>957,486</u>	<u>92,505</u>	<u>171,795</u>	<u>1,221,786</u>	<u>(3,530)</u>	<u>1,091</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	28,024	8,397	7,689	44,110	536	253
Interest and other charges	(107,572)	(50,139)	(7,188)	(164,899)	-	-
Miscellaneous revenues (expenses)	19,512	12,112	541	32,165	-	726
Total nonoperating revenue (expenses)	<u>(60,036)</u>	<u>(29,630)</u>	<u>1,042</u>	<u>(88,624)</u>	<u>536</u>	<u>979</u>
Income before contributions and transfers	<u>897,450</u>	<u>62,875</u>	<u>172,837</u>	<u>1,133,162</u>	<u>(2,994)</u>	<u>2,070</u>
Capital contributions	-	474,037	-	474,037	-	-
Transfers to other funds	(875,000)	(74,420)	(70,180)	(1,019,600)	-	-
Change in net assets	<u>22,450</u>	<u>462,492</u>	<u>102,657</u>	<u>587,599</u>	<u>(2,994)</u>	<u>2,070</u>
Total net assets - beginning	<u>4,048,509</u>	<u>12,212,368</u>	<u>8,629,824</u>		<u>486,951</u>	<u>118,483</u>
Total net assets - ending	<u>\$ 4,070,959</u>	<u>\$ 12,674,860</u>	<u>\$ 8,732,481</u>		<u>\$ 483,957</u>	<u>\$ 120,553</u>

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

(1,440)

Change in net assets - business-type activities

\$ 586,159

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, 2009

	Business-Type Activities				Governmental Activity	
	Enterprise Funds			Internal Service Funds		
	Electric Fund	Water Fund	Sewer Fund	Totals	Public Works Fund	Garage Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 8,224,953	\$ 1,997,621	\$ 1,980,110	\$ 12,202,684	\$ 230,065	\$ 513,628
Cash paid for goods and services	(7,029,560)	(590,581)	(661,100)	(8,281,241)	(53,725)	(405,657)
Cash paid to or on behalf of employees for services	(335,691)	(785,127)	(741,906)	(1,862,724)	(157,669)	(93,966)
Customer deposits received	44,020	19,470	-	63,490	-	-
Customer deposits returned	(43,028)	(17,588)	-	(60,616)	-	-
Net cash provided by operating activities	860,694	623,795	577,104	2,061,593	18,671	14,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash received from miscellaneous sources	10,014	64	541	10,619	-	-
Transfers to other funds	(875,000)	(74,420)	(70,180)	(1,019,600)	-	-
Total cash flows from noncapital financing activities	(864,986)	(74,356)	(69,639)	(1,008,981)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from installment purchase obligation	3,000,000	-	-	-	-	-
Principal and interest paid on long-term debt	(43,328)	(323,114)	(129,739)	(496,181)	-	-
Proceeds from sale of assets	9,498	12,048	-	21,546	-	726
Capital contributions - federal grant	-	174,037	-	174,037	-	-
Capital contributions - private	-	300,000	-	300,000	-	-
Acquisition and construction of capital assets	(2,331,936)	(531,395)	(302,806)	(3,166,137)	(12,423)	(21,382)
Net cash provided (used) by capital and related financing activities	634,234	(368,424)	(432,545)	(3,166,735)	(12,423)	(20,656)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received on investments	29,478	9,618	8,331	47,427	551	253
Purchase of investments	(599,109)	(1,595,228)	(100,000)	(2,294,337)	-	-
Proceeds from investment maturities	262,090	1,238,222	-	1,500,312	-	-
Net cash provided (used) by investing activities	(307,541)	(347,388)	(91,669)	(746,598)	551	253
Net increase (decrease) in cash and cash equivalents	322,401	(166,373)	(16,749)	139,279	6,799	(6,398)
Balances-beginning of the year	715,736	174,756	576,467	1,466,959	18,791	8,716
Balances-end of the year	\$ 1,038,137	\$ 8,383	\$ 559,718	\$ 1,606,238	\$ 25,590	\$ 2,318
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 957,486	\$ 92,505	\$ 171,795	\$ 1,221,786	\$ (3,530)	\$ 1,091
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	194,058	455,400	409,310	1,058,768	15,416	19,310
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(122,211)	(182,244)	(8,736)	(313,191)	-	73
(Increase) decrease in allowance for doubtful accounts	6,293	1,205	1,752	9,250	-	-
(increase) decrease in inventory	(22,169)	4,034	(3,267)	(21,402)	774	41,618
Increase (decrease) in accounts payable and accrued liabilities	(153,345)	248,148	(1,271)	93,532	4,334	(49,781)
Increase (decrease) in customer deposits	992	1,882	-	2,874	-	-
Increase (decrease) in accrued vacation pay	(410)	2,865	7,521	9,976	1,677	1,694
Total adjustments	(96,792)	531,290	405,309	839,807	22,201	12,914
Net cash provided by operating activities	\$ 860,694	\$ 623,795	\$ 577,104	\$ 2,061,593	\$ 18,671	\$ 14,005

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

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 Town appoints members of the ABC Board's governing board. 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 two Special Revenue Funds: 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 that 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 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 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 Capital Projects Fund and the Eagle Nest Water System Capital Project 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, two 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. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. 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.

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

Portions of cash in escrow in the General Fund and Electric Fund are classified as restricted assets because their use is completely restricted to the purpose for which the funds were initially secured. 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, 2008. 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 and land improvements, \$1,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$7,500; infrastructure, \$7,500; 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 and systems	20-50
Substations, lines and related equipment	24
Other Improvements	20-40
Vehicles and motorized equipment	5-25
Equipment and furniture	5-20
Computer equipment	5

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

Asset Class	Estimated Useful Lives
Furniture and equipment	3-10
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 policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Assets/Fund Balances

Net Assets

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.

Fund Balances

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 2009-2010 budget ordinance.

Designated for public safety – portion of the fund balance available for appropriation that has been designated for the fire department building by the U.S. Department of Agriculture – Rural Development Center.

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, 2009.

III. Detail Notes on All Funds

A. Assets

I. 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, 2009, the Town's deposits had a carrying amount of \$4,298,820 and a bank balance of \$4,789,302. 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 \$748,447 and the bank balance was \$744,456. Of the bank balance, \$361,389 was covered by federal depository insurance. At June 30, 2009, the Town's petty cash fund totaled \$2,875.

2. Investments

At June 30, 2009, the Town's investment balances were as follows:

Investment Type	Reported		Maturity	Rating
	Value	Fair Value		
Federal Home Loan Bank Discount Notes	\$ 699,720	\$ 700,000	Various	AAA
NC Capital Management Trust - Cash Portfolio	5,402,068	5,402,068	N/A	AAAm
Total:	<u>\$ 6,101,788</u>	<u>\$ 6,102,068</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, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank Discount Notes is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service at June 30, 2009. 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, 2009.

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. More than 5% of the Town's investments are in Federal Home Loan Bank Discount Notes. This investment comprises 11.5% of the Town's total investments.

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:

Fund	6/30/2009
General Fund:	
Taxes receivable	\$ 20,000
Accounts receivable	12,711
Total	<u>32,711</u>
Enterprise Funds	69,593
Total	<u>\$ 102,304</u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,379,238	\$ 222,991	\$ -	\$ 33,072	\$ 1,635,301
Public art	-	15,000	-	5,000	20,000
Construction in progress	1,136,309	3,703,528	-	(480,171)	4,359,666
Total capital assets not being depreciated	2,515,547	3,941,519	-	(442,099)	6,014,967
Capital assets being depreciated:					
Land improvements	888,049	13,561	-	(33,072)	868,538
Buildings and building improvements	11,310,424	8,265	-	-	11,318,689
Equipment and furniture and fixtures	2,021,857	131,730	5,396	-	2,148,191
Vehicles and motorized equipment	3,534,969	537,833	66,982	-	4,005,820
Infrastructure	26,747,992	100,651	-	475,171	27,323,814
Total capital assets being depreciated	44,503,291	792,040	72,378	442,099	45,665,052
Less accumulated depreciation for:					
Land improvements	517,088	26,436	-	-	543,524
Buildings and building improvements	1,637,684	229,808	-	-	1,867,492
Equipment and furniture and fixtures	1,294,030	204,726	5,396	-	1,493,360
Vehicles and motorized equipment	2,278,610	354,357	66,982	-	2,565,985
Infrastructure	16,089,765	1,052,249	-	-	17,142,014
Total accumulated depreciation	21,817,177	1,867,576	72,378	-	23,612,375
Total capital assets being depreciated, net	22,686,114				22,052,677
Governmental activity capital assets, net	\$ 25,201,661				\$ 28,067,644

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

General government	\$ 78,737
Public safety	289,309
Transportation	1,258,928
Environmental protection	3,642
Cultural and recreational	217,650
Depreciation on capital assets held in Garage	
Fund charged to functions based on usage	19,310
Total depreciation expense	<u>\$ 1,867,576</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
<i>Electric Fund</i>					
Capital assets not being depreciated:					
Land	\$ 217,558	\$ -	\$ -	\$ 12,500	\$ 230,058
Construction in progress	941,783	2,292,667	-	(3,234,450)	-
Total capital assets not being depreciated	1,159,341	2,292,667	-	(3,221,950)	230,058
Capital assets:					
Buildings and building improvements	22,997	-	-		22,997
Equipment and furniture and fixtures	103,749	4,733	-		108,482
Vehicles and motorized equipment	734,209	34,536	96,536	-	672,209
Substations, lines, and related equipment	3,785,871	-	-	3,221,950	7,007,821
Total capital assets being depreciated	4,646,826	39,269	96,536	3,221,950	7,811,509
Less accumulated depreciation for:					
Buildings and building improvements	17,832	481	-		18,313
Equipment and furniture and fixtures	94,154	3,447	-		97,601
Vehicles and motorized equipment	416,307	51,926	96,536	-	371,697
Substations, lines, and related equipment	2,506,645	138,204	-	-	2,644,849
Total accumulated depreciation	3,034,938	194,058	96,536	-	3,132,460
Total capital assets being depreciated, net	1,611,888				4,679,049
Electric fund capital assets, net	<u>2,771,229</u>				<u>4,909,107</u>
<i>Water Fund</i>					
Capital assets not being depreciated:					
Land	1,486,362	-	-	-	1,486,362
Construction in progress	32,863	174,037	-	(32,863)	174,037
Total capital assets not being depreciated	1,519,225	174,037	-	(32,863)	1,660,399
Capital assets being depreciated:					
Land improvements	63,248	-	-	-	63,248
Buildings and building improvements	1,649,131	139,410	-	-	1,788,541
Equipment and furniture and fixtures	174,173	73,878	-	-	248,051
Vehicles and motorized equipment	391,245	28,300	34,889	32,863	417,519
Plant and system distributions	18,836,024	115,770	-	-	18,951,794
Total capital assets being depreciated	21,113,821	357,358	34,889	32,863	21,469,153
Less accumulated depreciation for:					
Land improvements	5,379	2,812	-	-	8,191
Buildings and building improvements	900,787	24,664	-	-	925,451
Equipment and furniture and fixtures	161,352	8,574	-	-	169,926
Vehicles and motorized equipment	308,868	26,542	34,889	-	300,521
Plant and system distributions	8,560,311	392,808	-	-	8,953,119
Total accumulated depreciation	9,936,697	455,400	34,889	-	10,357,208
Total capital assets being depreciated, net	11,177,124				11,111,945
Water fund capital assets, net	<u>12,696,349</u>				<u>12,772,344</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<i>Sewer Fund</i>					
Capital assets not being depreciated:					
Land	103,300	7,200	-	-	110,500
Construction in progress	126,379	80,254	-	(206,633)	-
Total capital assets not being depreciated	229,679	87,454	-	(206,633)	110,500
Capital assets being depreciated:					
Land improvements	12,276	-	-	-	12,276
Buildings and building improvements	8,582,432	22,690	-	-	8,605,122
Equipment and furniture and fixtures	285,527	9,869	-	-	295,396
Vehicles and motorized equipment	298,300	-	-	-	298,300
Plant and system distributions	7,899,760	182,793	-	206,633	8,289,186
Total capital assets being depreciated	17,078,295	215,352	-	206,633	17,500,280
Less accumulated depreciation for:					
Land improvements	10,105	735	-	-	10,840
Buildings and building improvements	5,328,178	179,346	-	-	5,507,524
Equipment and furniture and fixtures	196,308	25,718	-	-	222,026
Vehicles and motorized equipment	196,306	14,738	-	-	211,044
Plant and system distributions	3,432,246	188,773	-	-	3,621,019
Total accumulated depreciation	9,163,143	409,310	-	-	9,572,453
Total capital assets being depreciated, net	7,915,152				7,927,827
Sewer fund capital assets, net	8,144,831				8,038,327
<i>Public Works Fund</i>					
Capital assets not being depreciated:					
Land	100,218	-	-	-	100,218
Capital assets being depreciated:					
Land improvements	32,943	12,423	-	-	45,366
Buildings and building improvements	528,687	-	-	-	528,687
Equipment and furniture and fixtures	11,318	-	-	-	11,318
Vehicles and motorized equipment	38,434	-	-	-	38,434
Total capital assets being depreciated	611,382	12,423	-	-	623,805
Less accumulated depreciation for:					
Land improvements	15,587	1,777	-	-	17,364
Buildings and building improvements	203,855	10,716	-	-	214,571
Equipment and furniture and fixtures	4,573	1,763	-	-	6,336
Vehicles and motorized equipment	19,096	1,160	-	-	20,256
Total accumulated depreciation	243,111	15,416	-	-	258,527
Total capital assets being depreciated, net	368,271				365,278
Public Works fund capital assets, net	468,489				465,496
Business-type activities capital assets, net	\$24,080,898				\$26,185,274

Construction commitments

The Town has active construction projects as of June 30, 2009. At year-end, the Town's commitments with contractors are as follows:

Project	Spent To-Date	Remaining Commitment
Capital Project - Police Dept. Construction	\$ 3,638,552	\$ 410,453
Hendrix Street Bridge Project	-	34,010
Eagles Nest Water Project	174,037	893,973
Total	<u>\$ 3,812,589</u>	<u>\$ 1,338,436</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated:					
Furniture and equipment	\$ 55,235	\$ 8,801	\$ -	\$ -	\$ 64,036
Leasehold improvements	3,308	-	-	-	3,308
Total capital assets being depreciated	58,543	8,801	-	-	67,344
Less accumulated depreciation	43,532	4,223	-	-	47,755
ABC capital assets, net	<u>\$ 15,011</u>				<u>\$ 19,589</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2009, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 88,823	\$ 135,312	\$ 5,315	\$ 229,450
Capital Projects	201,109	-	-	201,109
Other Governmental	2,885	944	-	3,829
Total Governmental Activities	<u>\$ 292,817</u>	<u>\$ 136,256</u>	<u>\$ 5,315</u>	<u>\$ 434,388</u>
Business-type Activities:				
Electric	\$ 892,682	\$ 3,775	\$ -	\$ 896,457
Water	172,898	8,014	-	180,912
Sewer	5,224	7,657	23,000	35,881
Other Business-type Activities	216	2,291	-	2,507
Total Business-type Activities:	<u>\$ 1,071,020</u>	<u>\$ 21,737</u>	<u>\$ 23,000</u>	<u>\$ 1,115,757</u>

2. Pension Plan and Postemployment 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 4.92% and 4.86%, 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, 2009, 2008, and 2007 were \$297,450, \$285,813, and \$269,873, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$9,473, \$9,088, and \$8,399, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	34
Total	<u>36</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, 2008 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	\$ 49,059
Interest on net pension obligation	17,550
Adjustment to annual required contribution	<u>(14,800)</u>
Annual pension cost	51,809
Contributions made	<u>(16,412)</u>
Increase (decrease) in net pension obligation	35,397
Net pension obligation beginning of year	242,074
Net pension obligation end of year	<u><u>\$ 277,471</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 39,124	21.34%	\$ 205,261
2008	\$ 44,314	16.93%	\$ 242,074
2009	\$ 51,809	31.68%	\$ 277,471

4. Funding Status and Funding Progress

As of December 31 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$478,456. The covered payroll (annual payroll of active employees covered by the plan) was \$1,387,023, and the ratio of the UAAL to the covered payroll was 34.5 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2009 were \$99,229, which consisted of \$68,532 from the Town and \$30,697 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, 2009 were \$367,702, which consisted of \$220,141 from the Town and \$147,561 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 Postemployment Benefits

Healthcare Benefits

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

Health Benefits for Retirees hired prior to January 1, 2006

1) A retiree who has achieved ten (10) or more years of service with the Town, not including any accumulated sick or vacation time, and has reached 55 years of age will receive health insurance coverage, *at no cost* to the retiree, until the retiree reaches age 65 or until the retiree becomes Medicare eligible through a disability at an earlier age.

2) A Retiree who has achieved 25 or more years of service with the Town, not including any accumulated sick or vacation time, will receive health insurance coverage for a maximum period of ten (10) years from their official retirement date, regardless of the age at which that employee retires, *at no cost* to the retiree. At the conclusion of the ten (10) year period, the retiree (if he/she chooses) will be allowed to pay the cost of the group health premium and maintain coverage in the Town's health insurance program until age 65, or until employee becomes Medicare eligible through a disability at an earlier age.

Health Benefits for Employees Hired On or After January 1, 2006

Employees hired on January 1, 2006, and thereafter who meet the age and service eligibility requirements for retirement with the Town and the Local Governmental Employees Retirement System or Law Enforcement Officers Retirement System will be eligible for health insurance coverage to a maximum of ten (10) years. The premium will be shared by the Town and retiree. The retiree's years of service with the Town will determine the percentage of insurance premium paid by the Town.

Retiree Premium Rate Table:

<u>If an Employee has:</u>	<u>Town will pay:</u>
25 years of service	100 % of premium for employee only
20 years of service	75 % of premium for employee only
15 years of service	50 % of premium for employee only
10 years of service	25 % of premium for employee only

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

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	12	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	117	39
Total	<u>129</u>	<u>43</u>

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town's Board of Aldermen. The Town's members pay \$418 per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 4.63% of annual covered payroll. For the current year, the Town contributed \$72,569 or 1.36% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.02% and 0.34% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$24,112. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town's Board of Aldermen.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the fund from which the employee retired and are recorded on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual OPEB cost (expense)	\$ 248,312
Contributions made	<u>(72,569)</u>
Increase (decrease) in net OPEB obligation	175,743
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 175,743</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 248,312	29.20%	\$ 175,743

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,569,013. The covered payroll (annual payroll of active employees covered by the plan) was \$5,357,074, and the ratio of the UAAL to the covered payroll was 48.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

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)	\$ -	\$ 3,594
Taxes receivable, net (General Fund)	533,549	-
Unearned grant revenue (General Fund)	-	1,447
Unearned distributions (General Fund)	-	19,262
Other unearned revenue (General Fund)	-	21,232
Total	<u>\$ 533,549</u>	<u>\$ 45,535</u>

6. Commitments

The Town had commitments of \$54,549 in its proprietary funds at June 30, 2009. These items will be funded from operating funds. Additionally, the Town had commitments in the General Fund of \$15,000 for Public Artwork, \$9,552 for Pedestrian and Traffic Studies and \$45,447 for a Unified Development Ordinance Study.

The Town held cash performance bonds with a balance at June 30, 2009 of \$18,699 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.

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, town clerk and town engineer are each individually bonded for \$120,000 each. The town tax collector is individually bonded for \$100,000. The town deputy clerk is individually bonded for \$25,000. 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, 2009, 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 September 26, 2008, the Town entered into an installment purchase contract with USDA Rural Development for \$2,000,000 to refinance the construction loan on the new fire station. The financing contract requires forty annual payments of \$108,700 at an interest rate of 4.5%. Interest expense for the year ended June 30, 2009 was \$68,301. This loan is shown under governmental activities.

On July 17, 2008, the Town entered into an installment purchase contract with a local bank for \$3,000,000 to fund the construction of a second electric substation. The financing requires twelve annual payments of \$310,817 at an interest rate of 3.52%. Interest expense for the year ended June 30, 2009 was \$100,682. This loan is shown under business-type activities.

On May 13, 2008, the Town entered into an installment purchase contract for \$3,000,000 to fund the construction of a new Police Station. The financing requires forty semi-annual payments of \$106,613 with an interest rate of 3.68%. Interest expense for the year ended June 30, 2009 was \$105,589. This loan is shown under governmental activities.

On January 28, 2008, the Town entered into an installment purchase contract to acquire a utility pole truck and two front-loading garbage trucks. The financing contract requires five annual payments of \$124,314 with an interest rate of 3.03%. Interest expense for the year ended June 30, 2009 was \$24,512. One-third of this loan is shown under business-type activities while the other two-thirds is shown under governmental activities.

On July 19, 2007, the Town entered into an installment purchase contract to expand the water treatment lab facilities. The financing contract requires sixteen semi-annual payments of \$25,635 with an interest rate of 3.86%. Interest expense for the year ended June 30, 2009 was \$11,736. This loan is shown under business-type activities.

On February 13, 2007, the Town entered into a \$2,000,000 temporary 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%. Interest expense for the year ended June 30, 2009 was \$17,936. This loan is shown under governmental activities. Following the completion of the fire station construction, the loan was refinanced as a \$2,000,000 permanent loan through the USDA Rural Development for 40 years with an interest rate of 4.5% as described above.

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, 2009 was \$33,596. 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, 2009 was \$2,838. This loan is shown under governmental activities.

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, 2009 was \$4,814. This loan is shown under governmental activities.

On July 6, 2005, 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, 2009 was \$20,766. 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, 2009 was \$1,199. This loan is 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, 2009 was \$74,042. This loan is shown under governmental activities and has a balance of \$1,798,391 at June 30, 2008. 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 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, 2009 was \$17,637. 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 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, 2009 was \$4,233. This loan is 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 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, 2009 was \$121,856. 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 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, 2009 was \$2,955. This loan was paid off during 2009.

The future minimum payments of these installment purchase contracts and agreements as of June 30, 2009, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 761,452	\$ 428,056	\$ 558,315	\$ 158,211
2011	773,258	397,974	578,381	138,143
2012	737,674	367,299	558,018	117,351
2013	753,556	338,390	424,834	97,371
2014	697,936	307,621	371,798	82,477
2015-2019	3,486,779	1,095,848	1,382,830	248,162
2020-2024	1,191,577	621,805	590,287	31,347
2025-2029	979,112	409,738	-	-
2030-2034	246,724	296,776	-	-
2035-2039	307,463	236,037	-	-
2040-2044	383,155	160,345	-	-
2045-2049	476,010	66,020	-	-
Total	<u>\$ 10,794,696</u>	<u>\$ 4,725,909</u>	<u>\$ 4,464,463</u>	<u>\$ 873,062</u>
Less: current portion	<u>(761,452)</u>		<u>(558,315)</u>	
Long-term portion	<u>\$ 10,033,244</u>		<u>\$ 3,906,148</u>	

b. General Obligation Bonds

At June 30, 2009, the Town of Waynesville had a legal debt margin of \$75,097,081.

c. Changes in General Long-Term Debt

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Governmental activities:					
Installment purchases	\$11,132,177	\$ 2,381,890	\$ 2,719,371	\$10,794,696	\$ 761,452
Unfunded pension liabilities	242,074	35,397	-	277,471	-
Legal Claims	10,000	-	-	10,000	-
Other postemployment benefits	-	133,851	-	133,851	-
Compensated absences-garage	4,970	3,569	1,875	6,664	1,875
Compensated absences	330,331	182,546	179,222	333,655	179,222
Governmental activity long-term liabilities	<u>\$11,719,552</u>	<u>\$ 2,737,253</u>	<u>\$ 2,900,468</u>	<u>\$11,556,337</u>	<u>\$ 942,549</u>
Business-type activities:					
Installment purchases	\$ 1,891,152	\$ 3,000,000	\$ 426,689	\$ 4,464,463	\$ 558,315
Other postemployment benefits	-	41,892	-	41,892	-
Compensated absences	100,747	70,715	59,062	112,400	59,062
Business-type activity long-term liabilities	<u>\$ 1,991,899</u>	<u>\$ 3,112,607</u>	<u>\$ 485,751</u>	<u>\$ 4,618,755</u>	<u>\$ 617,377</u>

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, 2009, consist of the following:

Due to the Town from the component unit, ABC Board	\$ 59,327
Due from the Public Works Fund for its activity allocation to the Governmental Funds	\$ 18,786
Due from the Water Fund to the General Fund for payments made by the General Fund on the Eagles Nest Water System Capital Project Fund	\$ 82,137

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, 2009 consist of the following:

From the Water Fund to the General Fund	\$ 74,420
From the Sewer Fund to the General Fund	70,180
From the Electric Fund to the General Fund	875,000
From the component unit, ABC Board, to the Town	155,475
From the General Fund to the Capital Project Fund	800,000
Total	\$ 1,975,075

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 2009 fiscal year, the Town made a transfer from the General Fund of \$800,000 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, 2009, the Town of Waynesville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$8,532 for the twenty-three 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 monthly 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, 2009 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 moneys.

VI. Significant Effects of Subsequent Events

Subsequent to year-end, the Town entered into a loan agreement with the State of North Carolina for \$300,000 at zero percent interest through the State's Drinking Water Revolving State Fund. The loan was granted to the Town in conjunction with the Eagles Nest Water System Capital Projects Fund. The loan will be paid in ten annual installments on May 1, the first principal payment due not earlier than six months after completion of the project. During the year ended June 30, 2009, the citizens of the Eagles Nest community provided the funds for the repayment of the loan and these amounts are recorded as restricted cash in the water fund.

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

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)
12/31/2003	-	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%
12/31/2007	-	411,935	411,935	0%	1,274,189	32.33%
12/31/2008	-	478,456	478,456	0%	1,387,023	34.50%

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

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2004	36,973	8.67%
2005	43,801	15.88%
2006	45,389	27.43%
2007	39,124	21.34%
2008	44,314	16.93%
2009	51,809	31.68%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 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
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

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)
12/31/2008	-	2,569,013	2,569,013	0%	5,357,074	47.96%

Town of Waynesville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	248,312	4.63%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical Cost Trend Rate	10.50% - 5.00%
Year of Ultimate Trend Rate	2016
*Includes inflation at	3.75%
Cost-of living adjustments	None

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, 2009

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 4,365,239	\$ -
Penalties and interest	-	31,888	-
Total	4,326,340	4,397,127	70,787
Other taxes and licenses:			
Local option sales tax	-	2,104,999	-
Gross receipts tax on short-term rental property	-	17,075	-
Privilege licenses and CATV	-	192,220	-
Total	2,533,340	2,314,294	(219,046)
Unrestricted intergovernmental:			
Utility franchise tax	-	767,080	-
Beer and wine tax	-	44,784	-
ABC profit distribution	-	155,475	-
Total	766,640	967,339	200,699
Restricted intergovernmental:			
Powell Bill allocation	-	576,416	-
Investment earnings	-	7,289	-
Contributions by Haywood County	-	52,601	-
On-behalf of payments - Fire and Rescue	-	8,532	-
ABC Revenue for law enforcement	-	15,528	-
Other grant revenue	-	94,807	-
Total	996,990	755,173	(241,817)
Permits and fees:			
Building permits and inspection fees	-	106,506	-
Reconnect fees	-	51,337	-
Total	176,500	157,843	(18,657)

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, 2009

	2009		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Recreation department fees	-	709,558	-
Cemetery revenues	-	14,125	-
Solid waste container sales	-	34,285	-
Fire protection	-	181,435	-
Police contract services	-	50,368	-
Sanitation fee	-	659,997	-
Court costs and fees	-	2,507	-
Rents	-	28,800	-
Charges to water fund	-	202,280	-
Charges to sewer fund	-	181,720	-
Charges to electric fund	-	373,140	-
Total	2,402,800	2,438,215	35,415
Investment earnings	69,380	60,065	(9,315)
Miscellaneous	173,400	681,703	508,303
Total revenues	11,445,390	11,771,759	326,369
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	-	75,073	-
Other operating expenditures	-	31,617	-
Total	112,675	106,690	5,985
Administration:			
Salaries and employee benefits	-	606,449	-
Professional services	-	71,738	-
Other operating expenditures	-	115,903	-
Capital outlay	-	4,073	-
Total	860,700	798,163	62,537
Finance:			
Salaries and employee benefits	-	588,498	-
Professional services	-	71,094	-
Other operating expenditures	-	100,890	-
Capital outlay	-	-	-
Total	790,500	760,482	30,018

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, 2009

	2009		Variance
	Budget	Actual	Positive (Negative)
Public buildings:			
Salaries and employee benefits	-	51,830	-
Other operating expenditures	-	192,218	-
Capital outlay	-	20,000	-
Total	326,852	264,048	62,804
Planning and code enforcement:			
Salaries and employee benefits	-	378,981	-
Other operating expenditures	-	99,401	-
Capital Outlay	-	-	-
Total	562,837	478,382	84,455
Special appropriations:			
Contributions	-	264,710	-
Total	268,760	264,710	4,050
Total general government	2,922,324	2,672,475	249,849
Public safety:			
Police:			
Salaries and employee benefits	-	2,439,057	-
Professional services	-	3,145	-
Other operating expenditures	-	401,652	-
Capital outlay	-	126,072	-
Total	3,167,966	2,969,926	198,040
Fire:			
Salaries and employee benefits	-	627,862	-
Other operating expenditures	-	134,589	-
Building inspection and EMT's	-	7,337	-
Capital outlay	-	-	-
Total	817,535	769,788	47,747
Total public safety	3,985,501	3,739,714	245,787
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	1,128,760	-
Professional services	-	38,132	-
Other operating expenditures	-	875,970	-
Contracted services	-	251,913	-
Capital outlay	-	424,482	-
Total transportation	3,109,167	2,719,257	389,910

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, 2009

	2009		Variance Positive (Negative)
	Budget	Actual	
Environmental protection:			
Cemetery:			
Salaries and employee benefits	-	84,608	-
Other operating expenditures	-	11,768	-
Capital outlay	-	-	-
Total environmental protection	<u>118,580</u>	<u>96,376</u>	<u>22,204</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	1,125,362	-
Other operating expenditures	-	501,122	-
Capital outlay	-	57,673	-
Total culture and recreation	<u>1,827,592</u>	<u>1,684,157</u>	<u>143,435</u>
Debt service:			
Principal retirement	-	719,370	-
Interest and other charges	-	275,634	-
Total debt service	<u>1,118,490</u>	<u>995,004</u>	<u>123,486</u>
Total expenditures	<u>13,081,654</u>	<u>11,906,983</u>	<u>1,174,671</u>
Revenues over (under) expenditures	<u>(1,636,264)</u>	<u>(135,224)</u>	<u>1,501,040</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,019,600	1,019,600	
Transfer to other funds:			
Capital Projects Fund	(800,000)	(800,000)	
Appropriations from fund balance	<u>1,416,664</u>	<u>-</u>	
Total	<u>\$ 1,636,264</u>	<u>219,600</u>	<u>\$ (1,416,664)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>84,376</u>	<u>\$ 84,376</u>
Fund balances:			
Beginning of year, July 1		<u>6,615,699</u>	
End of year, June 30		<u>\$ 6,700,075</u>	

**Town of Waynesville
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009**

	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 219,461	\$ 16,646	\$ 236,107
Accounts and interest receivable	222	27	249
Due from other governments	-	-	-
Total assets	<u>\$ 219,683</u>	<u>\$ 16,673</u>	<u>\$ 236,356</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for perpetual maintenance	219,683	16,673	236,356
Unreserved	-	-	-
Total fund balances	<u>219,683</u>	<u>16,673</u>	<u>236,356</u>
Total liabilities and fund balances	<u>\$ 219,683</u>	<u>\$ 16,673</u>	<u>\$ 236,356</u>

Town of Waynesville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Perpetual Care/ Cemetery Care Fund	Community Playground Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Sales and services	15,200	-	15,200
Investment earnings	2,529	304	2,833
Total revenues	17,729	304	18,033
Expenditures:			
Maintenance	-	8,852	8,852
Economic and physical development	-	-	-
Total expenditures	-	8,852	8,852
Revenues over expenditures	17,729	(8,548)	9,181
Other financing sources:			
Transfers from other funds:			
General Fund	-	-	-
Total other financing sources	-	-	-
Net change in fund balance	17,729	(8,548)	9,181
Fund balances:			
Beginning of year, July 1	201,954	25,221	227,175
End of year, June 30	\$ 219,683	\$ 16,673	\$ 236,356

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, 2009

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-	6,617	6,617	(6,617)
Investment earnings	-	103,179	14,616	117,795	117,795
Total revenues	-	103,179	21,233	124,412	111,178
Expenditures:					
Capital outlay					
Fire Department Construction:					
Architect and engineering fees	250,000	239,801	2,635	242,436	7,564
Land Purchase	650,000	649,211	-	649,211	789
Development and construction	2,825,000	2,711,366	5,630	2,716,996	108,004
Equipment and furniture	130,000	116,887	5,530	122,417	7,583
Interest during construction	177,975	139,016	-	139,016	38,959
Contingency	100,000	-	-	-	100,000
Total fire department construction	4,132,975	3,856,281	13,795	3,870,076	262,899
Police/Development Office Construction:					
Architect and engineering fees	307,000	259,729	40,385	300,114	6,886
Land Purchase	106,000	106,171	-	106,171	(171)
Development and construction	3,858,690	215,772	3,388,539	3,604,311	254,379
Equipment and furniture	128,000	-	149,679	149,679	(21,679)
Interest during construction	177,975	14,400	105,589	119,989	57,986
Contingency	242,830	-	-	-	242,830
	4,820,495	596,072	3,684,192	4,280,264	540,231
Total Appropriations	8,953,470	4,452,353	3,697,987	8,150,340	803,130
Revenues over (under) expenditures	(8,953,470)	(4,349,174)	(3,676,754)	(8,025,928)	(927,542)
Other financing sources:					
Loan proceeds	5,900,000	6,000,000	-	6,000,000	(100,000)
Operating transfer in from General Fund	2,519,545	1,055,000	800,000	1,855,000	664,545
Transfer from tax revenue	533,925	533,920	-	533,920	5
Total other financing sources	8,953,470	7,588,920	800,000	8,388,920	564,550
Net change in fund balance	\$ -	\$ 3,239,746	(2,876,754)	\$ 362,992	\$ (362,992)
Fund balances:					
Beginning of year, July 1			3,239,746		
End of year, June 30			\$ 362,992		

Town of Waynesville, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for service	\$ 8,369,720	\$ 8,340,871	\$ (28,849)
Total operating revenues	8,369,720	8,340,871	(28,849)
Nonoperating revenues:			
Investment earnings	-	28,024	-
Miscellaneous	-	19,512	-
Total nonoperating revenues	22,450	47,536	25,086
Total revenues	8,392,170	8,388,407	(3,763)
Expenditures:			
Finance and administration:			
Charge for services	373,140	373,140	-
Electrical operations:			
Salaries and employee benefits	-	344,027	-
Professional services	-	27,890	-
Maintenance	-	135,944	-
Other departmental expenditures	-	181,499	-
Capital outlay	-	84,968	-
Total	883,580	774,328	109,252
Electrical power purchases	6,212,200	6,127,237	84,963
Debt service:			
Principal payments	-	34,191	-
Interest and fees	-	7,247	-
Total	217,100	41,438	175,662
Total expenditures	7,686,020	7,316,143	369,877
Revenues over expenditures	706,150	1,072,264	366,114
Other financing sources (uses):			
Transfers to other funds:			
Transfer to General Fund	(875,000)	(875,000)	-
Fund balance appropriated	168,850	-	(168,850)
Total other financing (uses)	(706,150)	(875,000)	(168,850)
Net change in fund balance	\$ -	197,264	\$ 197,264
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		34,191	
Capital outlays		84,968	
Proceeds from installment purchase obligation		3,000,000	
Capital acquired with installment purchase obligation		(2,246,968)	
Reimbursement for prior year purchases		(124,150)	
Unspent proceeds of installment purchase obligation		(628,882)	
Depreciation		(194,058)	
Increase in long-term debt accrued interest		(100,325)	
Decrease in accrued vacation pay		410	
Total		(174,814)	
Change in net assets		\$ 22,450	

Town of Waynesville, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2009

	2009		Variance Positive/(Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water charges	\$ -	\$ 2,131,360	\$ -
Taps and connection fees	-	47,300	-
Total operating revenues	<u>2,204,340</u>	<u>2,178,660</u>	<u>(25,680)</u>
Nonoperating revenues:			
Investment earnings	-	8,397	-
Miscellaneous	-	12,112	-
Total nonoperating revenues	<u>19,200</u>	<u>20,509</u>	<u>1,309</u>
Total revenues	<u>2,223,540</u>	<u>2,199,169</u>	<u>(24,371)</u>
Expenditures:			
Finance and administration:			
Charge for services	<u>202,280</u>	<u>202,280</u>	<u>-</u>
Total	<u>202,280</u>	<u>202,280</u>	<u>-</u>
Water maintenance and distribution:			
Maintenance department:			
Salaries and employee benefits	-	407,732	-
Maintenance	-	155,191	-
Professional services	-	22,056	-
Other departmental expenditures	-	137,933	-
Capital outlay	-	255,179	-
Total	<u>1,097,920</u>	<u>978,091</u>	<u>119,829</u>
Operations department:			
Salaries and employee benefits	-	395,813	-
Professional services	-	22,468	-
Utilities	-	18,437	-
Maintenance	-	196,096	-
Other departmental expenditures	-	69,884	-
Capital outlay	-	102,179	-
Total	<u>883,530</u>	<u>804,877</u>	<u>78,653</u>
Total water maintenance and distribution	<u>1,981,450</u>	<u>1,782,968</u>	<u>198,482</u>
Debt service:			
Principal payments	-	268,203	-
Interest and fees	-	54,911	-
Total	<u>324,170</u>	<u>323,114</u>	<u>1,056</u>
Total expenditures	<u>2,507,900</u>	<u>2,308,362</u>	<u>199,538</u>
Revenues over expenditures	<u>(284,360)</u>	<u>(109,193)</u>	<u>175,167</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfer to General Fund	(74,420)	(74,420)	-
Fund balance appropriated	<u>358,780</u>	-	<u>(358,780)</u>
Total other financing (uses)	<u>284,360</u>	<u>(74,420)</u>	<u>(358,780)</u>
Net change in fund balance	<u>\$ -</u>	<u>(183,613)</u>	<u>\$ (183,613)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		268,203	
Capital outlays		357,358	
Capital contributions from Eagle Nest Capital Project Fund		474,037	
Depreciation		(455,400)	
Decrease in long-term debt accrued interest		4,772	
Increase in accrued vacation pay		(2,865)	
Total		<u>646,105</u>	
Change in net assets		<u>\$ 462,492</u>	

Town of Waynesville, North Carolina
Eagle Nest Water System Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2009

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal Grant revenue	\$1,000,000	\$ -	\$ 174,037	\$ 174,037	\$ 825,963
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>174,037</u>	<u>174,037</u>	<u>825,963</u>
Expenditures:					
Engineering fees	102,310	-	82,011	82,011	20,299
Administrative costs	9,130	-	126	126	9,004
Land & Right of Way	30,000	-	-	-	30,000
Construction costs	1,053,240	-	91,900	91,900	961,340
Contingency	105,320	-	-	-	105,320
Total Expenditures	<u>1,300,000</u>	<u>-</u>	<u>174,037</u>	<u>174,037</u>	<u>1,125,963</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Other financing sources:					
Contributed capital	300,000	-	300,000	300,000	-
Total other financing sources	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>300,000</u>	<u>\$ 300,000</u>	<u>\$ (300,000)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 300,000</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, 2009

	2009		
	Budget	Actual	Variance Positive/(Negative)
Revenues:			
Operating revenues:			
Sewer charges	\$ -	\$ 1,928,124	\$ -
Taps and connection fees	-	57,050	-
Impact fees	-	1,920	-
Industrial discharge permits	-	-	-
Total operating revenues	<u>2,021,880</u>	<u>1,987,094</u>	<u>(34,786)</u>
Nonoperating revenues:			
Investment earnings	8,920	7,689	(1,231)
Miscellaneous	500	541	41
Total nonoperating revenues	<u>9,420</u>	<u>8,230</u>	<u>(1,190)</u>
Total revenues	<u>2,031,300</u>	<u>1,995,324</u>	<u>(35,976)</u>
Expenditures:			
Finance and administration:			
Charges by general fund	<u>181,720</u>	<u>181,720</u>	<u>-</u>
Waste collection and treatment:			
Maintenance department:			
Salaries and employee benefits	-	237,414	-
Professional services	-	8,384	-
Materials	-	31,224	-
Other departmental expenditures	-	51,030	-
Capital outlay	-	295,606	-
Total	<u>655,470</u>	<u>623,658</u>	<u>31,812</u>
Operations department:			
Salaries and employee benefits	-	520,651	-
Professional services	-	11,205	-
Utilities	-	171,307	-
Materials	-	93,521	-
Other departmental expenditures	-	92,012	-
Capital outlay	-	7,200	-
Total	<u>1,001,850</u>	<u>895,896</u>	<u>105,954</u>
Total waste collection and treatment	<u>1,657,320</u>	<u>1,519,554</u>	<u>137,766</u>
Debt service:			
Principal payments	-	122,404	-
Interest and fees	-	7,334	-
Total	<u>129,750</u>	<u>129,738</u>	<u>12</u>
Total expenditures	<u>1,968,790</u>	<u>1,831,012</u>	<u>137,778</u>
Revenues over expenditures	<u>62,510</u>	<u>164,312</u>	<u>101,802</u>
Other financing sources (uses):			
Transfers to other funds:			
Transfers to general fund:	(70,180)	(70,180)	-
Fund balance appropriated	<u>7,670</u>	<u>-</u>	<u>(7,670)</u>
Total other financing sources	<u>(62,510)</u>	<u>(70,180)</u>	<u>(7,670)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 94,132</u>	<u>\$ 94,132</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		122,404	
Capital outlays		302,806	
Depreciation		(409,310)	
Decrease in long-term debt accrued interest		146	
Increase in accrued vacation pay		(7,521)	
Total		<u>8,525</u>	
Change in net assets		<u>\$ 102,657</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, 2009

	2009		Variance
	Financial Plan	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 270,060	\$ 230,065	\$ (39,995)
Total operating revenues	270,060	230,065	(39,995)
Nonoperating revenues:			
Investment earnings	-	536	536
Miscellaneous	590	-	(590)
Total nonoperating revenues	590	536	(54)
Total revenues	270,650	230,601	(40,049)
Expenditures:			
Salaries and employee benefits	-	165,110	
Occupancy costs	-	17,714	-
Maintenance and repairs	-	22,562	-
Materials and supplies	-	9,001	-
Other departmental expenses	-	5,469	-
Capital outlays	-	12,423	-
Total expenditures	270,650	232,279	38,371
Net change in fund balance	\$ -	(1,678)	\$ (1,678)
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(15,416)	
Capital outlays		12,423	
Increase in accrued vacation pay		1,677	
Total reconciling items		(1,316)	
Change in net assets		\$ (2,994)	

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, 2009

	2009		Variance
	Financial Plan	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 618,230	\$ 513,555	\$ (104,675)
Total operating revenues	618,230	513,555	(104,675)
Nonoperating revenues:			
Investment earnings		253	253
Miscellaneous	220	726	506
Total nonoperating revenues	220	979	759
Total revenues	618,450	514,534	(103,916)
Expenditures:			
Salaries and employee benefits	-	96,279	-
Occupancy costs	-	55,216	-
Maintenance and repairs		2,012	
Materials and supplies	-	69,771	-
Other departmental expenses	-	268,182	-
Capital outlay	-	21,382	-
Total expenditures	618,450	512,842	105,608
Net change in fund balance	\$ -	1,692	\$ 1,692
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(19,310)	
Capital outlay		21,382	
Increase in accrued vacation pay		(1,694)	
Total reconciling items		378	
Change in net assets		\$ 2,070	

Town of Waynesville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2009

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008 - 2009	-	4,463,628	\$ 4,270,203	\$ 193,425
2007 - 2008	159,323	-	65,075	94,248
2006 - 2007	67,972	-	12,430	55,542
2005 - 2006	57,180	-	11,049	46,131
2004 - 2005	36,855	-	4,347	32,508
2003 - 2004	36,161	-	2,172	33,989
2002 - 2003	31,600	-	1,143	30,457
2001 - 2002	23,641	-	471	23,170
2000 - 2001	23,486	-	226	23,260
1999 - 2000	20,922	-	103	20,819
1998 - 1999	21,556	-	21,556	-
	<u>\$ 478,696</u>	<u>\$ 4,463,628</u>	<u>\$ 4,388,775</u>	<u>553,549</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(20,000)</u>
Ad valorem taxes receivable - net				<u>533,549</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				4,397,127
Reconciling items:				
Interest, penalties and advertising collected				(31,888)
Taxes written off				<u>23,536</u>
Subtotal				<u>(8,352)</u>
Total collections and credits				<u>\$ 4,388,775</u>

Town of Waynesville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2009

	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	\$ 1,080,462,726	0.40	\$ 4,321,851	\$ 4,046,167	\$ 275,684
Municipal service district	40,975,289	0.23	94,243	94,243	-
Penalties	-		4,005	4,005	-
Total	<u>1,121,438,015</u>		<u>4,420,099</u>	<u>4,144,415</u>	<u>275,684</u>
Discoveries:					
Current year taxes	10,766,500	0.40	43,066	43,066	-
Penalties	-		11,469	11,469	-
Total	<u>10,766,500</u>		<u>54,535</u>	<u>54,535</u>	<u>-</u>
Refund of overpayments			-	-	
Abatements	<u>(1,752,000)</u>		<u>(11,006)</u>	<u>(7,047)</u>	<u>(3,959)</u>
Total property valuation	<u>\$ 1,130,452,515</u>				
Net levy			4,463,628	4,191,903	271,725
Uncollected taxes at June 30, 2008			<u>(193,425)</u>	<u>(156,042)</u>	<u>(37,383)</u>
Current year's taxes collected			<u>\$ 4,270,203</u>	<u>\$ 4,035,861</u>	<u>\$ 234,342</u>
Current levy collection percentage			<u>95.67%</u>	<u>96.28%</u>	<u>86.24%</u>

COMPLIANCE SECTION



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

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 aggregate remaining fund information of the Town of Waynesville, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the Town of Waynesville's basic financial statements, and have issued our report thereon dated October 9, 2009. 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 do 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 the 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*.

We noted certain matters that we reported to management of the Town of Waynesville, in a separate letter dated October 9, 2009.

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, Bungamer, Kingshill & Assoc., P.A.

Waynesville, North Carolina
October 9, 2009



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

Certified Public Accountants

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385 N. Haywood St., Suite 3
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**Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control over Compliance in Accordance with
OMB Circular A-133 and the State Single Audit Implementation Act**

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

Compliance

We have audited the compliance of the Town of Waynesville, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major federal programs for the year ended June 30, 2009. The Town of Waynesville's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Waynesville's management. Our responsibility is to express an opinion on the Town of Waynesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waynesville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Waynesville's compliance with those requirements.

In our opinion, the Town of Waynesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Waynesville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the

Town of Waynesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

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

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, Barger, Kingshill & Assoc., P.A.

Waynesville, North Carolina
October 9, 2009



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

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**Report on Compliance With Requirements Applicable to Each Major State
Program and Internal Control Over Compliance In Accordance with Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act**

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

Compliance

We have audited the compliance of the Town of Waynesville, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The Town of Waynesville's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Waynesville's management. Our responsibility is to express an opinion on the Town of Waynesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Waynesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Waynesville's compliance with those requirements.

In our opinion, the Town of Waynesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Waynesville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Waynesville's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program 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 material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Town's internal control.

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

This report is intended solely for the information and use of management, others within the organization, members of 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, Bannerman, Kingshill & Assoc., P.A.

Waynesville, North Carolina
October 9, 2009

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes Xno
- Significant Deficiency identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted

_____yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? _____yes Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133

_____yes Xno

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.766	USDA Rural Development Communities Facilities

Dollar Threshold used to distinguish Between Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee? _____yes X no

State Awards

Internal control over major State programs:

•Material weakness identified? _____yes X no

•Reportable condition identified
that is not considered to be
material weaknesses _____yes X none reported

Type of auditor's report issued on compliance
for State major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act _____yes X no

Identification of major State program:

<u>Grantor</u>	<u>Program Name</u>
NC Dept. of Transportation	Powell Bill

Town of Waynesville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

Section II. - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

Town of Waynesville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2009

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

Town of Waynesville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2009

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

Town of Waynesville, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2009

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal: Direct & Pass-Through Expenditures</u>	<u>State Expenditures</u>
Federal Assistance:				
<u>U.S. Dept. of Agriculture</u>				
Rural Development-Community Facilities Loans and Grants	10.766		\$ 2,000,000	\$ -
<u>U.S. Dept. of Transportation</u>				
Passed-Through NC Dept. of Transportation:				
Highway Planning & Construction-Federal Aid Bridge Program	20.205-1	B-4674	189,862	-
Highway Planning & Construction-Greenways Project (WBS# 34111.1.1)	20.205-2	E-4589	4,362	-
State & Community Highway Safety-Governor's Highway Safety Program	20.600	PT-08-03-03-06	6,750	-
Passed Through Land of the Sky Regional Council:				
Highway Planning & Construction-Russ Avenue Corridor Study	20.205		28,448	-
<u>U.S. Dept. of the Interior, National Park Service</u>				
Passed Through NC Dept. of Cultural Resources				
State Historic Preservation Fund Grants-In-Aid	15.904		968	-
<u>U.S. Environmental Protection Agency</u>				
Passed Through NC Department of Environment and Natural Resources				
Studies, Investigations, Demonstrations & Training Grants				
& Cooperative Agreements-Section 104(b)(3) of the Clean Water Act-				
Drinking Water State Revolving Fund	66.436	DEH-1048	174,037	-
State Assistance:				
<u>N.C. Dept. of Transportation:</u>				
Powell Bill		WBS 32570	-	459,159
Greenways Trail-Project E4589		WBS 34111.2.2	-	14,310
Pedestrian Planning Grant		WBS 37309.1.1	-	10,000
<u>N.C. Clean Water Management Trust Fund</u>				
Stormwater Planning Minigrant		2006-S-014	-	16,762
<u>N.C. Department of Environment and Natural Resources</u>				
Division of Water Resources				
Water Resources Development Program Grant		Res. No. 38-06	-	5,692
Total Federal and State Assistance			<u><u>\$ 2,404,427</u></u>	<u><u>\$ 505,923</u></u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Waynesville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2 Loans Outstanding

Town of Waynesville had the following loan balances outstanding at June 30, 2009. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
USDA Rural Development-Communities Facilities Loan	10.766	\$ 2,000,000