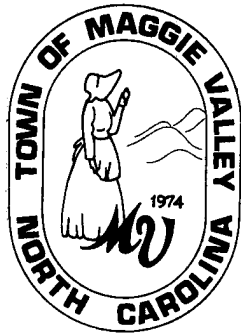


**TOWN OF MAGGIE VALLEY
NORTH CAROLINA**

Maggie Valley, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005



Prepared by: Finance Department
Finance Director: Shayne Wheeler

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

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Town of Maggie Valley

Phone (828) 926-0866 • Fax (828) 926-3576 • 3987 Soco Rd., Maggie Valley, NC 28751

August 19, 2005

The Mayor and Board of Aldermen
Town of Maggie Valley, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Maggie Valley for the fiscal year ended June 30, 2005. The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm of Dixon Hughes PLLC, and that firm's unqualified opinion is included in the Financial Section of this report. The report itself, however, is presented by the Town, which is responsible for the accuracy of the data, and for the completeness and fairness of its presentation including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

This report is divided into four sections: the Introductory, Financial, Statistical and Compliance Sections. The Introductory Section, which is unaudited, contains this letter of transmittal and information about the Town's organization and principal officials. The Financial Section is composed of the auditor's report, management's discussion and analysis (MD&A), the basic financial statements, and the fund financial statements. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section, which is unaudited, contains fiscal and economic data designed to provide a more complete understanding of the Town. Many tables in this section present financial data for the past ten years. Finally, the Compliance Section presents reports and schedules related to federal and State awards.

The financial reporting entity includes all the funds and account groups of the Town of Maggie Valley, as well as all of its component units. The Town (as legally defined) is considered to be a primary government. Component units are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is considered financially accountable if it appoints a voting majority of the Organization's governing body, and if (1) it is able to impose its will on that organization, or (2) there is a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the Town. The Town of Maggie Valley Alcoholic Beverage Control ("ABC") Board is reported as a discretely presented component unit.

Description of the Town

The Town of Maggie Valley, established in 1974, is located in Haywood County, which is in the western portion of North Carolina. The population of Maggie Valley is 1,125 with a land area of 2.27 square miles. The Town has the council/manager form of government. The mayor is elected at large and serves four-year terms. The four Aldermen are elected at large and serve staggered four-year terms. The Town Board holds policy-making and legislative authority. They are also responsible for adopting the budget and appointing the Town Manager. The manager is responsible for implementing policies and managing daily operations.

The Town provides its citizens with a wide range of services that include public safety, sanitation, sewer, cultural and recreational activities, general administration, and others. This report includes all the Town's activities in maintaining these services.

Economic Conditions and Outlook

The Maggie Valley economy is driven primarily by tourism and second/vacation home sales. There are no major industrial operations located within the Town limits. However, the Town does have several properties located within its corporate limits that contribute significantly to the overall tax base of the Town and Haywood County. The Town does have a relatively large tax base relative to the size of the permanent population. This situation is created due to the fact that the Town is made up of commercial properties with a larger area of residential housing surrounding. For the first time the tax value on residential property made up a larger percentage of the tax base than commercial property. The Town has historically received a small return on state collected local revenues due to its artificially low population rate. The situation has gotten better because of some recent annexations, and should get even better over the next few years as more people locate in Town. Recent annexations have increased the Town's population by 42%.

Recent annexations like Trinity Cove, Maggie Valley Resort, and soon Brannon forest will add even more population over the next several years.

The tourism industry has had some soft years following the incidents of September 11, 2001. However, the larger impact locally has been the closing of Ghost Town in 2002, which severely impacted the tourism related businesses. Another impact was the area flooding in the fall of 2004. While Maggie Valley did not suffer much damage, some communities in Haywood County did suffer tremendous losses and uncertainty about what was flooded and what was not flooded may have caused some tourists to go elsewhere. This year was a better year because the Town's Festival Grounds had good events booked that drew tourists and visitors. As the Festival Grounds get established and have annual type events, more and more tourists and visitors will come to Maggie Valley.

Residential growth continues within and near Maggie Valley at an astounding rate. There are close to 500 new residential dwellings, (both multi-family and single family), that have been tentatively approved. These developments will likely build out over the next several years adding tax base and population that will increase the demand for Town services.

Major Initiatives

During the year, the Town of Maggie Valley was involved in a number of major projects, some of which will not be completed until future years. Highlights of these projects are discussed in the following paragraphs.

The basic intent of the Town of Maggie Valley Board, management, and staff for this past year (as well as both prior and successive years) has been to work towards an improvement of service to our citizens and our community through a variety of means without increasing costs to our taxpayers. To this end, the Town has sought to improve equipment, personnel, facilities and infrastructure, all while holding the lowest tax rate in Haywood County. To achieve these goals, the Town has utilized a variety of means and methods ranging from capital construction and renovation, leveraging of Town funds with grant funding, and purchasing as well as lease-purchasing of equipment, to privatization, and partnerships with other agencies.

The Town has consistently sought the best and "least-cost" methods of providing services, which in several cases have resulted in the use of privatization. During this past year, the Town contracted with GDS., Inc. for solid waste collection.

The Town has utilized several types of grant funding to effectively carry out its programs. The Maggie Valley Police Department applied successfully for several types of funding through the Federal Crime Bill. The Town has also received grant funding from TEA-21, through the North Carolina Department of Transportation, to start a streetscape improvement program.

Maggie Valley has made great strides in improving park facilities for its citizens to enjoy. The Town acquired a 10-acre tract in “downtown” that has been given the name “The Maggie Valley Parks, Recreation, and Festival Grounds.” The Town will continue to make improvements to the facilities and promote the property.

In sum, the Town has embarked successfully in an effort to improve each area of its operations and address its varying needs for the future.

Cash Management

Idle cash was invested in certificates of deposits, Finistar money market accounts, and the North Carolina Capital Management Trust. The Town’s investment strategy insures safety and liquidity minimizing credit and market risks while maintaining a competitive yield on its portfolio. Total investment earnings for the year were \$23,391 equivalent to a return of one percent on the average amount of cash on deposit during the year. Thirty six percent of the Town’s money was placed with the North Carolina Capital Management Trust, and sixteen percent is in a federally insured money market with Finistar. Thirty four percent is in insured or collateralized depository accounts with an average maturity of 90 days.

Risk Management

In recent years changes in the insurance industry have pushed many local governments almost completely out of the commercial insurance market. Maggie Valley has had both property and liability and worker’s compensation insurance with the risk pools arranged by the N. C. League of Municipalities Risk Management Pool. A commercial carrier out of the county provides family health and accident coverage. We request bids regularly to keep costs down as much as possible.

Fund Balance

The General Fund ended the fiscal year with a total fund balance of \$758,475, an increase of \$135,217. \$546,144 of this fund balance is available for appropriation. This represents approximately 39% of annual expenditures and transfers. A benchmark the State recommends to many governmental units is to maintain a minimum available fund balance of 8% of annual expenditures, which approximates one month’s expenditures.

Other Information

Maggie Valley is required by state law (G.S. 159.34) to have an annual independent financial audit. The Town’s auditors, Dixon Hughes PLLC, were selected through a formal request for proposal process. The auditors’ report on the Basic Financial Statements is included in the Financial Section of this report. The audit was performed in accordance with Government Auditing Standards, which requires the issuance and the report on internal control and compliance and other matters. That report is included in the Compliance Section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Maggie Valley for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state and local government financial report. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. This is the second consecutive year the Town received this award.

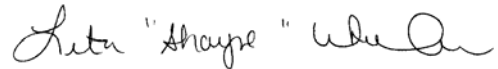
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Preparation of this report would not have been possible without the dedicated efforts of our Finance Department and our auditors, Dixon Hughes PLLC. We also thank the members of the Maggie Valley Board of Aldermen for their continued support throughout the past year.

Respectively submitted,



Timothy Barth
Town Manager

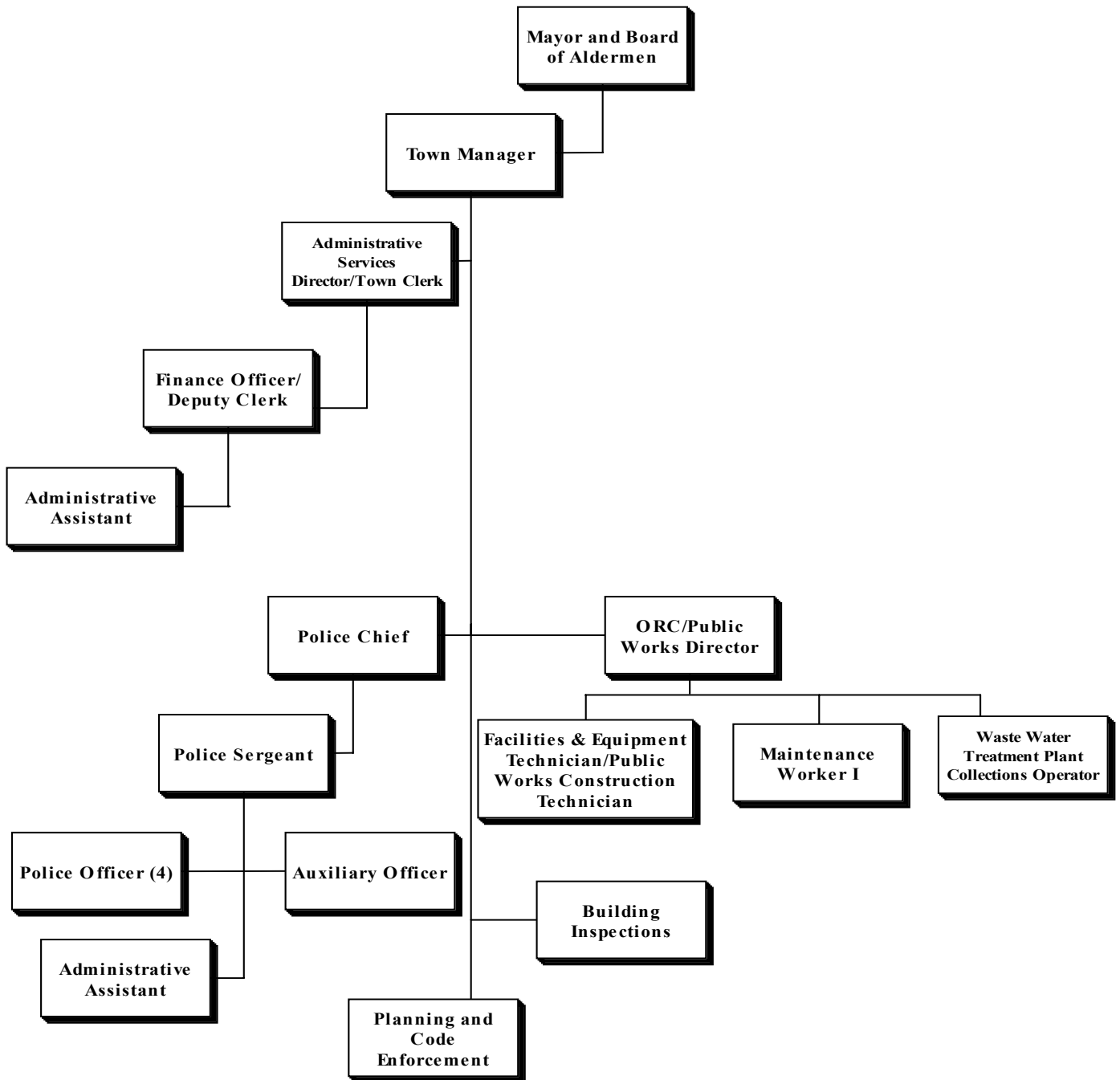


Leta (Shayne) Wheeler
Finance Officer

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Organizational Chart

As of June 30, 2005



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Maggie Valley,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Principal Officials

June 30, 2005

Mayor:

Jo Pinter

Alderman:

Roger McElroy
Mark DeMola
Phil Aldridge
Linda Taylor

Town Manager:

Timothy Barth

Police Chief:

Scott Sutton

Town Clerk:

Vicki Best

ORC/Public Works Director:

Michael Mehaffey

- Independent Auditors' Report -

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maggie Valley, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the Town of Maggie Valley's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Maggie Valley, North Carolina, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Maggie Valley ABC Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Town of Maggie Valley 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 Maggie Valley 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 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 respective financial position of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the Town of Maggie Valley, North Carolina as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the

(1)

Independent Auditors' Report
Page Two

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 a report dated August 19, 2005, on our consideration of the Town of Maggie Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Maggie Valley, North Carolina. The introductory section, combining and individual non-major fund financial statements and schedules, statistical tables, as well as the accompanying schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules and the schedule of expenditures of federal and State awards information 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Asheville, North Carolina
August 19, 2005

Dixon Hughes PLLC

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2005

As management of the Town of Maggie Valley, we offer readers of the Town of Maggie Valley's financial statements this narrative overview and analysis of the financial activities of the Town of Maggie Valley for the fiscal year ended June 30, 2005. 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

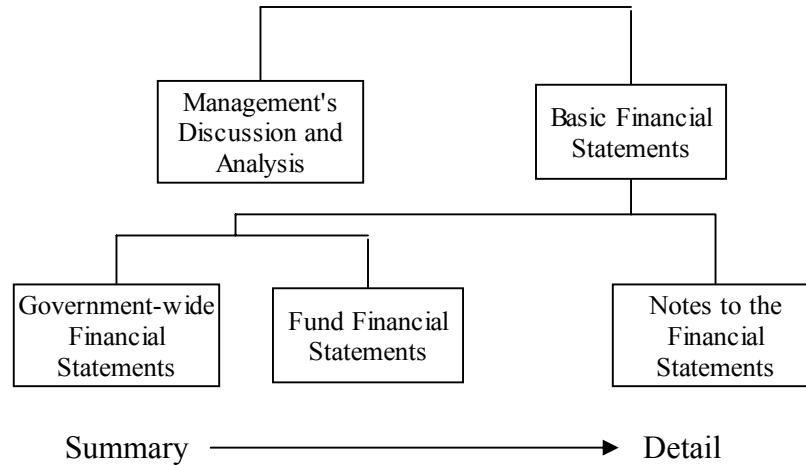
- The assets of the Town of Maggie Valley exceeded its liabilities at the close of the fiscal year by \$7,972,039.
- The Town of Maggie Valley's total net assets increased by \$411,349, of which \$181,919 came from governmental activities and \$229,430 came from business-type activities.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$546,144 or 38.6 percent of total general fund expenditures for the fiscal year.
- The Town of Maggie Valley's total debt (including compensated absences) decreased by approximately \$118,000 (18%) during the current fiscal year.
- In fiscal years 2002-2003 and 2003-2004, the Town was awarded the GFOA Certificate of Achievement for Excellence in financial reporting. Maggie Valley is the smallest municipality in Haywood County and the only municipality in the County that has received this award.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Maggie Valley'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 Maggie Valley.

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 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 sewer and parks and recreation services offered by the Town of Maggie Valley. The final category is the component unit. Although legally separate from the Town, the Maggie Valley Alcoholic Beverage Control 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 2) 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 Maggie Valley 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 Maggie Valley 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 Maggie Valley 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 Maggie Valley has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Maggie Valley uses enterprise funds to account for its sewer activity and for its festival ground operation. 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.

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 of this report.

Government-Wide Financial Analysis

The Town of Maggie Valley's Net Assets
June 30, 2005 and 2004

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 876,924	\$ 764,752	\$ 857,769	\$ 943,576	\$ 1,734,693	\$ 1,708,328
Capital assets	<u>2,325,349</u>	<u>2,273,917</u>	<u>4,533,022</u>	<u>4,532,446</u>	<u>6,858,371</u>	<u>6,806,363</u>
Total assets	<u>3,202,273</u>	<u>3,038,669</u>	<u>5,390,791</u>	<u>5,476,022</u>	<u>8,593,064</u>	<u>8,514,691</u>
Current liabilities	96,294	60,449	117,669	240,057	213,963	300,506
Non current liabilities	<u>64,387</u>	<u>118,547</u>	<u>342,675</u>	<u>534,948</u>	<u>407,062</u>	<u>653,495</u>
Total liabilities	<u>160,681</u>	<u>178,996</u>	<u>460,344</u>	<u>775,005</u>	<u>621,025</u>	<u>954,001</u>
Net assets:						
Invested in capital assets, net of related debt	2,257,761	2,192,691	4,103,431	4,008,528	6,361,192	6,201,219
Restricted for transportation	51,370	-	-	-	51,370	-
Unrestricted	<u>732,461</u>	<u>666,982</u>	<u>827,016</u>	<u>692,489</u>	<u>1,558,899</u>	<u>1,359,471</u>
Total net assets	<u>\$ 3,041,592</u>	<u>\$ 2,859,673</u>	<u>\$ 4,930,447</u>	<u>\$ 4,701,017</u>	<u>\$ 7,972,039</u>	<u>\$ 7,560,690</u>

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 Maggie Valley exceeded liabilities by \$7,972,039 as of June 30, 2005. The Town's net assets increased by \$411,349 for the fiscal year ended June 30, 2005. However, the largest portion (80%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Maggie Valley uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Maggie Valley'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.

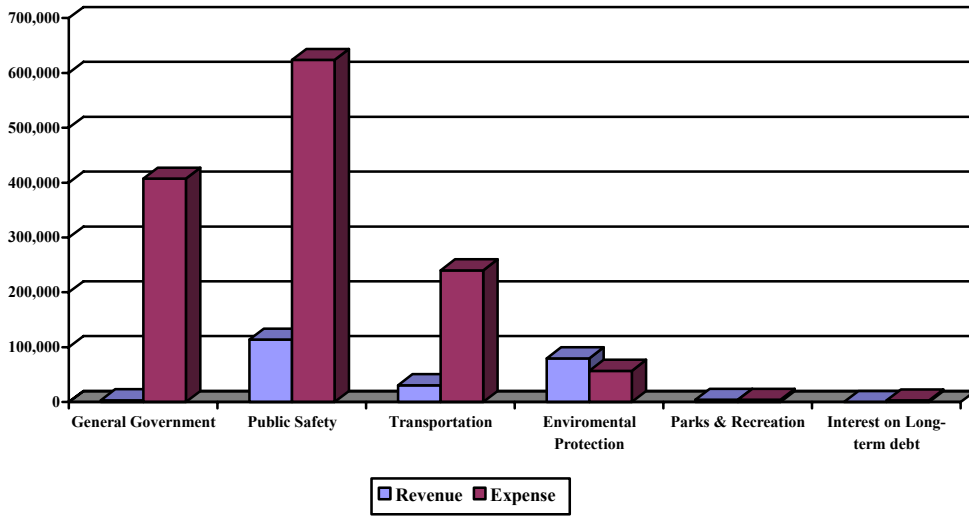
Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.58%, which is comparable to the statewide average of 97.46%
- Increased tax revenues of approximately \$124,000 due to annexation.

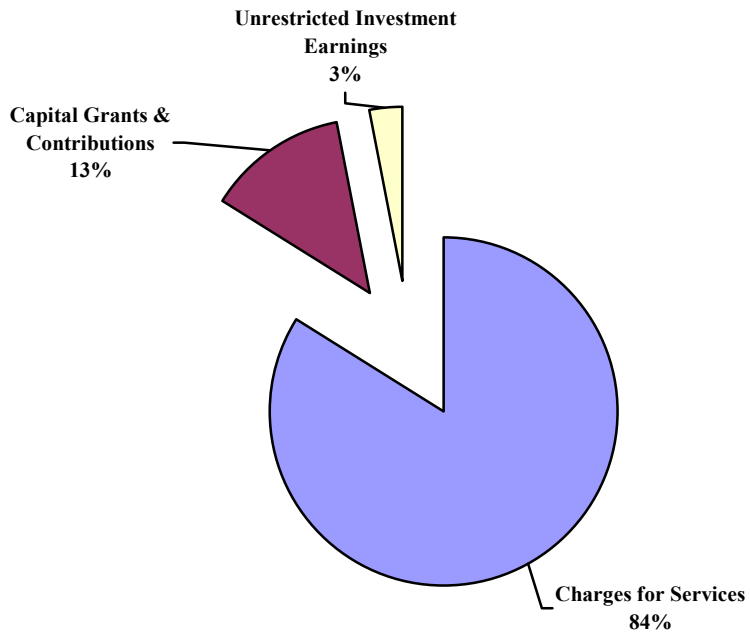
Town of Maggie Valley Changes in Net Assets
For the Years Ending June 30, 2005 and 2004
 Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 154,323	\$ 108,890	\$ 662,684	\$ 550,031	\$ 817,007	\$ 658,921
Operating grants and contributions	49,901	68,910	-	-	49,901	68,910
Capital grants and contributions	26,674	7,494	100,663	416,644	127,337	424,138
General revenues:						
Property taxes	827,297	708,226	-	-	827,297	708,226
Other taxes	258,594	160,203	-	-	258,594	160,203
Grants and contributions not restricted to specific programs	164,041	407,517	-	-	164,041	407,517
Other	<u>12,754</u>	<u>23,501</u>	<u>25,779</u>	<u>14,109</u>	<u>38,533</u>	<u>37,610</u>
Total revenues	<u>1,493,584</u>	<u>1,484,741</u>	<u>789,126</u>	<u>980,784</u>	<u>2,282,710</u>	<u>2,465,525</u>
Expenses:						
General government	407,060	326,455	-	-	407,060	326,455
Public safety	623,582	571,171	-	-	623,582	571,171
Transportation	240,068	260,394	-	-	240,068	260,394
Environmental protection	56,779	52,437	-	-	56,779	52,437
Parks and recreation	3,797	6,820	-	-	3,797	6,820
Interest on long-term debt	2,679	3,880	-	-	2,679	3,880
Sewer	-	-	484,857	443,827	484,857	443,827
Festival grounds	<u>-</u>	<u>-</u>	<u>52,539</u>	<u>42,377</u>	<u>52,539</u>	<u>42,377</u>
Total expenses	<u>1,333,965</u>	<u>1,221,157</u>	<u>537,396</u>	<u>486,204</u>	<u>1,871,361</u>	<u>1,707,361</u>
Increase in net assets before transfers	159,619	263,584	251,730	494,580	411,349	758,164
Transfers	<u>22,300</u>	<u>140,271</u>	<u>(22,300)</u>	<u>(140,271)</u>	<u>-</u>	<u>-</u>
Change in net assets	181,919	403,855	229,430	354,309	411,349	758,164
Net assets, beginning of year	<u>2,859,673</u>	<u>2,455,818</u>	<u>4,701,017</u>	<u>4,346,708</u>	<u>7,560,690</u>	<u>6,802,526</u>
Net assets, end of year	<u>\$ 3,041,592</u>	<u>\$ 2,859,673</u>	<u>\$ 4,930,447</u>	<u>\$ 4,701,017</u>	<u>\$ 7,972,039</u>	<u>\$ 7,560,690</u>

Expenses and Program Revenues - Governmental Activities



Revenue Source - Business-Type Activities



Governmental Activities - Governmental activities increased the Town's net assets by \$181,919, thereby accounting for 44% of the total growth in the net assets of the Town of Maggie Valley. Key elements of this increase are as follows:

- Ad-valorem taxes increased by \$119,071 (17 percent) during the year. This increase is the result of annexation of the Campbell Creek community
- Increase in local option sales tax
- Increase in privilege license revenue due to increase to state maximum level

Business-Type Activities - Business-type activities increased the Town of Maggie Valley's net assets by \$229,430, accounting for 56% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in sewer customers
- Capital grant received to enhance festival grounds

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Maggie Valley'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 Maggie Valley'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 Maggie Valley. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$546,144, while total fund balance reached \$758,475. 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 38.7 percent of total General Fund expenditures.

General Fund Budgetary Highlights - During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased the budget by approximately \$334,000.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Sewer Fund at the end of the fiscal year amounted to \$845,703, and those for the Festival Fund amounted to a net deficit of \$18,687. The growth in total net assets for both funds was \$113,523 and \$115,907 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2005, totals \$6,858,371 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

**Town of Maggie Valley's Capital Assets
(Net of depreciation)
June 30, 2005 and 2004**
Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$1,411,100	\$1,411,100	\$ 598,062	\$ 598,062	\$2,009,162	\$2,009,162
Buildings and systems	346,645	303,755	3,734,255	3,768,344	4,080,900	4,072,099
Improvements other than buildings	-	-	14,738	15,803	14,738	15,803
Machinery and equipment	113,907	112,507	154,785	109,445	268,692	221,952
Infrastructure	300,027	277,442	-	-	300,027	277,442
Vehicles and motorized equipment	<u>153,670</u>	<u>169,113</u>	<u>31,182</u>	<u>40,792</u>	<u>184,852</u>	<u>209,905</u>
Total	<u>\$2,325,349</u>	<u>\$2,273,917</u>	<u>\$4,533,022</u>	<u>\$4,532,446</u>	<u>\$6,858,371</u>	<u>\$6,806,363</u>

Additional information on the Town's capital assets can be found in Note 2A on Page 34 of the Basic Financial Statements.

Long-term Debt - As of June 30, 2005, the Town of Maggie Valley had total bonded debt outstanding of \$100,000. All of this debt backed by the full faith and credit of the Town.

**Town of Maggie Valley's Outstanding Debt
General Obligation Bonds and Other Debt
June 30, 2005 and 2004**

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ -	\$ -	\$ 100,000	\$ 150,000	\$ 100,000	\$ 150,000
Installment purchase	<u>67,588</u>	<u>81,226</u>	<u>329,591</u>	<u>373,918</u>	<u>397,179</u>	<u>455,144</u>
Total	<u>\$ 67,588</u>	<u>\$ 81,226</u>	<u>\$ 429,591</u>	<u>\$ 523,918</u>	<u>\$ 497,179</u>	<u>\$ 605,144</u>

The Town of Maggie Valley's total debt decreased by \$107,965 (17.84%) during the past fiscal year, primary due to being in accordance with its regularly scheduled maturity dates. The government also issued \$22,500 in installment purchase financing for new vehicles for public safety.

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 the Town of Maggie Valley was approximately \$16,060,000.

Additional information regarding the Town of Maggie Valley's long-term debt can be found in note 2B on Page 39 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.

- Low unemployment. The County's unemployment rate of 4.3% is well below the State average of 5.5%.
- Population has increased 42% since fiscal year ending 2004.
- Fourth season Ghost Town in the Sky, a regionally know amusement park, has been closed. Maggie Valley depends heavily on the tourism industry.

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities - The Town expects to increase revenue by thirteen percent. The Town will use this increase in revenues to finance programs currently in place and to implement a capital improvements plan.

Budgeted expenditures in the General Fund are expected to increase 20% to \$1,693,579. The largest increase is in Public Safety, due to the reinstatement of the Code Enforcement department. Public Works plans to continue efforts to improve Town maintained roads by utilizing available Powell Bill funds. The parks and recreation budget has increased to cover expenses for needed maintenance on greenway trails.

Business-Type Activities - The sewer fund revenue will remain consistent with the previous year. General operating expenses will increase by 25% to cover increased personnel costs, increased costs of material, supplies, and other operating expenses. The festival fund revenues are expected to remain consistent with 2004.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Maggie Valley, 3987 Soco Road, Maggie Valley, NC 28751.

BASIC FINANCIAL STATEMENTS

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Net Assets

June 30, 2005

<u>Assets</u>	<u>Primary Government</u>			<u>Town of Maggie Valley ABC Board</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Current assets:				
Cash and cash equivalents	\$ 207,385	\$ 263,932	\$ 471,317	\$ 120,332
Restricted cash	-	-	-	70,188
Investments	454,068	649,509	1,103,577	-
Taxes receivables (net)	54,510	-	54,510	-
Accounts receivable (net)	32,925	71,564	104,489	-
Deposits	-	800	800	-
Internal balances	128,036	(128,036)	-	-
Prepaid expenses	-	-	-	2,732
Inventories	-	-	-	97,888
Total current assets	<u>876,924</u>	<u>857,769</u>	<u>1,734,693</u>	<u>291,140</u>
Capital assets:				
Land	1,411,100	598,062	2,009,162	-
Other capital assets, net of depreciation	914,249	3,934,960	4,849,209	278,070
Total capital assets	<u>2,325,349</u>	<u>4,533,022</u>	<u>6,858,371</u>	<u>278,070</u>
Total assets	<u>3,202,273</u>	<u>5,390,791</u>	<u>8,593,064</u>	<u>569,210</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	54,015	21,081	75,096	24,411
Unearned revenue	9,924	-	9,924	-
Accrued interest payable	-	558	558	-
Long term liabilities:				
Due within one year	32,355	96,030	128,385	-
Due in more than one year	64,387	342,675	407,062	-
Total liabilities	<u>160,681</u>	<u>460,344</u>	<u>621,025</u>	<u>24,411</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	2,257,761	4,103,431	6,361,192	278,070
Restricted for:				
Working capital	-	-	-	193,809
Capital improvements	-	-	-	70,188
Transportation	51,370	-	51,370	-
Unrestricted	<u>732,461</u>	<u>827,016</u>	<u>1,559,477</u>	<u>2,732</u>
Total net assets	<u>\$ 3,041,592</u>	<u>\$ 4,930,447</u>	<u>\$ 7,972,039</u>	<u>\$ 544,799</u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:				
Governmental activities:				
General government	\$ 407,060	\$ 3,080	\$ -	\$ 25,829
Public safety	623,582	67,512	20,245	845
Transportation	240,068	-	29,656	-
Environmental protection	56,779	79,666	-	-
Parks and recreation	3,797	4,065	-	-
Interest on long-term debt	<u>2,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,333,965</u>	<u>154,323</u>	<u>49,901</u>	<u>26,674</u>
Business-type activities:				
Sewer	484,857	656,883	-	-
Festival grounds	<u>52,539</u>	<u>5,801</u>	<u>-</u>	<u>100,663</u>
Total business-type activities	<u>537,396</u>	<u>662,684</u>	<u>-</u>	<u>100,663</u>
Total primary government	<u>\$ 1,871,361</u>	<u>\$ 817,007</u>	<u>\$ 49,901</u>	<u>\$ 127,337</u>
Component unit:				
ABC Board	<u>\$ 821,661</u>	<u>\$ 798,924</u>	<u>\$ -</u>	<u>\$ 140,000</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets--beginning of year				
Net assets--end of year				

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Town of Maggie Valley ABC Board
\$ (403,980)	\$ -	\$ (403,980)	\$ -
(509,996)	-	(509,996)	-
(209,567)	-	(209,567)	-
22,887	-	22,887	-
268	-	268	-
<u>(2,679)</u>	<u>-</u>	<u>(2,679)</u>	<u>-</u>
<u>(1,103,067)</u>	<u>-</u>	<u>(1,103,067)</u>	<u>-</u>
-	172,026	172,026	-
<u>-</u>	<u>53,925</u>	<u>53,925</u>	<u>-</u>
<u>-</u>	<u>225,951</u>	<u>225,951</u>	<u>-</u>
<u>(1,103,067)</u>	<u>225,951</u>	<u>(877,116)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>117,263</u>
827,297	-	827,297	-
258,594	-	258,594	-
164,241	-	164,241	-
8,199	14,247	22,446	28
4,355	11,532	15,887	-
<u>22,300</u>	<u>(22,300)</u>	<u>-</u>	<u>-</u>
<u>1,284,986</u>	<u>3,479</u>	<u>1,288,465</u>	<u>28</u>
181,919	229,430	411,349	117,291
<u>2,859,673</u>	<u>4,701,017</u>	<u>7,560,690</u>	<u>427,508</u>
<u>\$ 3,041,592</u>	<u>\$ 4,930,447</u>	<u>\$ 7,972,039</u>	<u>\$ 544,799</u>

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Balance Sheet
Governmental Fund

June 30, 2005

	General Fund
Assets:	
Cash and cash equivalents	\$ 207,385
Investments	454,068
Receivables (net):	
Taxes	54,510
Governmental	32,925
Due from other funds	128,036
Total assets	\$ 876,924
Liabilities:	
Accounts payable and accrued liabilities	\$ 54,015
Deferred revenue	64,434
Total liabilities	118,449
Fund balance:	
Reserved for:	
State statute	160,961
Streets--Powell Bill	51,370
Unreserved:	
Undesignated	458,698
Designated for capital improvements	87,446
Total fund balance	758,475
Total liabilities and fund balance	\$ 876,924
Amounts reported for government activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balance	\$ 758,475
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,832,788
Accumulated depreciation on capital assets is not a use of current financial resources and therefore is not reported in the funds.	(507,439)
Liabilities for earned but deferred revenues in fund statements.	54,510
Some liabilities, including installment contracts payable, are not due and payable in the current period and therefore are not reported in the funds.	(96,742)
Net assets of governmental activities	\$ 3,041,592

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance--
Governmental Fund

For the Year Ended June 30, 2005

	General Fund
Revenues:	
Ad valorem taxes	\$ 840,507
Other taxes and licenses	331,128
Unrestricted intergovernmental revenues	75,940
Restricted intergovernmental revenues	76,281
Permits and fees	149,707
Sales and service	4,065
Miscellaneous	<u>20,980</u>
Total revenues	<u>1,498,608</u>
Expenditures:	
Current:	
General government	410,294
Public safety	625,036
Transportation	337,479
Parks and recreation	2,565
Debt service:	
Principal retirement	36,138
Interest and fees	<u>2,679</u>
Total expenditures	<u>1,414,191</u>
Revenues over expenditures	<u>84,417</u>
Other financing sources:	
Installment purchase obligations issued	22,500
Proceeds from sale of capital assets	6,000
Transfers to other funds	(57,000)
Transfers from other funds	<u>80,000</u>
Total financing sources	<u>50,800</u>
Net change in fund balance	135,217
Fund balance:	
Beginning of year	<u>623,258</u>
End of year	\$ <u><u>758,475</u></u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2005

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

Net change in fund balance--General Fund	\$ 135,217
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(75,235)
Capital asset additions are a use of current financial resources and therefore, are reported as expenditures in the governmental fund statements.	111,156
Capital assets acquired through annexation	28,000
Loss on disposal of capital assets	(12,489)
Property tax revenue and accrued interest in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenue in the fund statements.	(13,210)
Long-term receivables do not provide current financial resources, and therefore, are not reported in the governmental fund statements.	(13,325)
Proceeds from long-term debt that provide current financial resources and are reported as other financing sources in the fund statements.	(22,500)
Debt service payments use current financial resources and are reported in the governmental fund statements but are a reduction in a liability on the government-wide statements.	36,138
Adjustment to other long-term obligations that do not require current financial resources and, therefore, are not reported as expenditures in the governmental fund statements.	<u>8,167</u>
Change in net assets of governmental activities	<u>\$ 181,919</u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance-- Budget and Actual General Fund

For the Year Ended June 30, 2005

	General Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Ad Valorem taxes	\$ 810,315	\$ 852,739	\$ 840,507	\$ (12,232)
Other taxes and licenses	275,135	285,243	331,128	45,885
Unrestricted intergovernmental	13,100	74,460	75,940	1,480
Restricted intergovernmental	172,573	217,937	76,281	(141,656)
Permits and fees	103,995	134,655	149,707	15,052
Sales and services	7,400	6,400	4,065	(2,335)
Miscellaneous	<u>22,020</u>	<u>25,006</u>	<u>20,980</u>	<u>(4,026)</u>
Total revenues	<u>1,404,538</u>	<u>1,596,440</u>	<u>1,498,608</u>	<u>(97,832)</u>
Expenditures:				
Current:				
General government	415,368	532,620	410,294	122,326
Public safety	486,256	634,742	625,036	9,706
Transportation	375,786	423,246	337,479	85,767
Parks and recreation	196,700	208,782	2,565	206,217
Debt service:				
Principal retirement	34,428	43,318	36,138	7,180
Interest and fees	<u>3,500</u>	<u>3,620</u>	<u>2,679</u>	<u>941</u>
Total expenditures	<u>1,512,038</u>	<u>1,846,328</u>	<u>1,414,191</u>	<u>432,137</u>
Revenues over (under) expenditures	<u>(107,500)</u>	<u>(249,888)</u>	<u>84,417</u>	<u>334,305</u>
Other financing sources:				
Installment purchase obligations issued	22,500	45,000	22,500	(22,500)
Sale of capital assets	5,000	7,000	6,000	(1,000)
Appropriation of fund balance	-	175,588	-	(175,588)
Transfers from (to) other funds:				
Festival grounds enterprise fund	-	(57,700)	(57,000)	-
Sewer enterprise fund	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total financing sources	<u>107,500</u>	<u>249,888</u>	<u>50,800</u>	<u>(199,088)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	135,217	<u>\$ 135,217</u>
Fund balance:				
Beginning of year			<u>623,258</u>	
End of year			<u>\$ 758,475</u>	

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Fund Net Assets
Proprietary Funds

June 30, 2005

	<u>Major Funds</u>		<u>Total Proprietary Funds</u>
	<u>Sewer Enterprise Fund</u>	<u>Festival Grounds Enterprise Fund</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 263,932	\$ -	\$ 263,932
Investments	539,829	109,680	649,509
Accounts receivable, net	69,026	2,538	71,564
Deposits	<u>800</u>	<u>-</u>	<u>800</u>
Total current assets	<u>873,587</u>	<u>112,218</u>	<u>985,805</u>
Non current assets:			
Capital assets, net	<u>3,897,047</u>	<u>635,975</u>	<u>4,533,022</u>
Total assets	<u>4,770,634</u>	<u>748,193</u>	<u>5,518,827</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	18,212	2,869	21,081
Accrued interest payable	558	-	558
Current portion of general obligation bonds	50,000	-	50,000
Current portion of installment purchase contracts	<u>6,387</u>	<u>39,643</u>	<u>46,030</u>
Total current liabilities	<u>75,157</u>	<u>42,512</u>	<u>117,669</u>
Non-current liabilities:			
Due to other funds	-	128,036	128,036
General obligation bonds payable	50,000	-	50,000
Installment purchase contracts payable	-	283,561	283,561
Compensated absences payable	<u>9,114</u>	<u>-</u>	<u>9,114</u>
Total non-current liabilities	<u>59,114</u>	<u>411,597</u>	<u>470,711</u>
Total liabilities	<u>134,271</u>	<u>454,109</u>	<u>588,380</u>
Net assets:			
Invested in capital assets net of related debt	3,790,660	312,771	4,103,431
Unrestricted	<u>845,703</u>	<u>(18,687)</u>	<u>827,016</u>
Total net assets	<u>\$ 4,636,363</u>	<u>\$ 294,084</u>	<u>\$ 4,930,447</u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended June 30, 2005

	<u>Major Funds</u>		
	<u>Sewer Enterprise Fund</u>	<u>Festival Grounds Enterprise Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Charges for services	\$ 656,883	\$ 5,801	\$ 662,684
Operating expenses:			
Administration	163,088	-	163,088
Festival ground maintenance	-	30,438	30,438
Waste collection and treatment	199,111	-	199,111
Depreciation	<u>111,247</u>	<u>8,176</u>	<u>119,423</u>
Total operating expenses	<u>473,446</u>	<u>38,614</u>	<u>512,060</u>
Operating income (loss)	<u>183,437</u>	<u>(32,813)</u>	<u>150,624</u>
Non-operating revenues (expenses):			
Interest earned on investments	11,354	2,893	14,247
Miscellaneous	10,143	1,389	11,532
Interest and expense	<u>(11,411)</u>	<u>(13,925)</u>	<u>(25,336)</u>
Total non-operating revenue (expense)	<u>10,086</u>	<u>(9,643)</u>	<u>443</u>
Transfers and capital contributions:			
Transfers from (to) other funds	(80,000)	57,700	(22,300)
Capital contributions	<u>-</u>	<u>100,663</u>	<u>100,663</u>
Total transfers and capital contributions	<u>(80,000)</u>	<u>158,363</u>	<u>78,363</u>
Change in net assets	113,523	115,907	229,430
Net assets:			
Beginning of year	<u>4,522,840</u>	<u>178,177</u>	<u>4,701,017</u>
End of year	<u>\$ 4,636,363</u>	<u>\$ 294,084</u>	<u>\$ 4,930,447</u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2005

	<u>Major Funds</u>		
	<u>Sewer Enterprise Fund</u>	<u>Festival Grounds Enterprise Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 649,772	\$ 6,401	\$ 656,173
Cash paid for goods and services	(277,207)	(12,864)	(290,071)
Cash paid to employees for services	(112,163)	-	(112,163)
Other	<u>10,143</u>	<u>1,388</u>	<u>11,531</u>
Net cash provided (used) by operating activities	<u>270,545</u>	<u>(5,075)</u>	<u>265,470</u>
Cash flows from non-capital financing activities:			
Advances from other funds	-	33,415	33,415
Transfers from other funds	-	57,700	57,700
Transfers to other funds	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(80,000)</u>	<u>91,115</u>	<u>11,115</u>
Cash flows from capital and related financing activities:			
Cash paid for capital assets	(137,234)	(57,700)	(194,934)
Principal paid on bonds	(50,000)	-	(50,000)
Principal paid on installment purchase contracts	(6,122)	(38,205)	(44,327)
Interest paid on bonds	(11,672)	(13,925)	(25,597)
Cash received from capital grants	<u>71,029</u>	<u>-</u>	<u>71,029</u>
Net cash used by capital and related financing activities	<u>(133,999)</u>	<u>(109,830)</u>	<u>(243,829)</u>
Cash flows from investing activities:			
Interest on investments	11,354	2,893	14,247
Purchase of investments	<u>(539,829)</u>	<u>(143,095)</u>	<u>(682,924)</u>
Total cash used by investing activities	<u>(528,475)</u>	<u>(140,202)</u>	<u>(668,677)</u>
Net decrease in cash and cash equivalents	(471,929)	(163,992)	(635,921)
Cash and cash equivalents, beginning of year	<u>735,861</u>	<u>163,992</u>	<u>899,853</u>
Cash and cash equivalents, end of year	<u>\$ 263,932</u>	<u>\$ -</u>	<u>\$ 263,932</u>

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds, Continued

For the Year Ended June 30, 2005

	Major Funds		Total Proprietary Funds
	Sewer Enterprise Fund	Festival Grounds Enterprise Fund	
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 183,437	\$ (32,813)	\$ 150,624
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	111,247	8,176	119,423
Other non-operating receipts	10,143	1,388	11,531
Increase (decrease) in:			
Accounts receivable	(5,039)	(9)	(5,048)
Deposits	-	600	600
Accounts payable and accrued liabilities	<u>(29,243)</u>	<u>17,583</u>	<u>(11,660)</u>
Net cash provided (used) by operating activities	<u>\$ 270,545</u>	<u>\$ (5,075)</u>	<u>\$ 265,470</u>

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

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2005

1. **Summary of Significant Accounting Policies**

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

A. **Reporting Entity**

The Town of Maggie Valley is a municipal corporation that is governed by an elected mayor and a four-member board of aldermen. As required by accounting principles generally accepted in the United States of America, 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 Maggie Valley ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Maggie Valley ABC Board, U.S. Highway 19, Maggie Valley, North Carolina, 28751.

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. 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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. This year the Town did not have any non-major funds.

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

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state shared tax revenues. The primary expenditures are for public safety, streets and sidewalks, sanitation, parks and recreation and general government services.

The Town reports the following major enterprise funds:

Sewer Fund is used to account for the activities associated with operating and maintaining the Town's sewer and surface drainage systems.

Festival Grounds Fund is used to account for the activities associated with the operations of the Town's festival grounds.

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

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

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

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 60 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 Maggie Valley. 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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the June 30, 2005, apply to the 2005-2006 fiscal year and are not

shown as receivables at June 30, 2005. For those vehicles which are registered and billed under the annual system, taxes are due May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005, because they are intended to finance the Town's operations during the 2006 fiscal year.

Other taxes and licenses, intergovernmental revenues and sales and services are recognized as revenue when received and are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by accounting principles generally accepted in the United States of America, the Town had elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, that do not contradict Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting practices for its proprietary operations and governmental activities.

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 Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund which are consolidated with the operating funds for recording purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and the total project level for each project authorization. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget totaling approximately \$392,000 and \$127,000 were necessary to increase the General Fund and decrease the Enterprise Funds respectively. 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.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- July 1 - The budget ordinance shall be adopted by the governing board.

E. **Assets, Liabilities, and Net Assets/Fund Balances**

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), a SEC-registered (2a-7) money market mutual fund. The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents - The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and equivalents. The ABC Board considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

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, 2004. 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.

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.

Inventories - The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The ABC Board's inventory consists of merchandise held for resale.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 on the straight-line basis over the estimated useful lives of the assets as follows:

	<u>Useful Life</u>
Infrastructure	15-50 years
Buildings and other improvements	25 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	6 to 10 years

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

	<u>Useful Life</u>
Store building	30 years
Building improvements	5-10 years
Office and store equipment	5-10 years

Long-Term Debt - In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund.

Compensated Absences - The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Employees of the ABC Board receive vacation pay based on a scale determined by the Board. Vacation is earned in one year to be taken in the following year. If it is not taken by the end of the following year, it is paid to the employee. No liability for vacation pay existed as of June 30, 2005.

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 determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave for the Town employees has been made.

Employees of the ABC Board can accumulate up to 130 days of sick leave at the rate of one day per month. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the ABC Board has no obligations for accumulated sick leave until it is actually taken, no accrual for sick leave for the ABC Board employees has been made.

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

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

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance or fund equity 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 by State statute - portion of fund balance not available for appropriation after remaining reserves not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that have not been offset by deferred revenues.

Reserved for streets--Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance. It represents the balance of the total unexpended Powell Bill funds.

Unreserved

Designated for capital improvements - portion of total fund balance available for appropriation that has been designated for capital improvements.

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

F. Revenues, Expenditures, and Expenses

Revenues - 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.

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

Other Resources - The proprietary funds provide substantial resources to the general fund. In addition, the general fund provides the basis of local resources for other governmental funds. These transactions are recorded as "transfers to other funds" in the

disbursing fund and “transfers from other funds” in the receiving fund. The ABC Board makes quarterly transfers to the Town’s general fund. These transfers represent the Town’s portion of the Board’s surpluses that the ABC Board is required by State statute to distribute to the Town.

2. **Detail Notes on All Funds and Account Groups**

A. **Assets**

Deposits - All of the deposits of the Town and of 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 are collateralized with securities held by the Town’s or the ABC Board’s agent in the Town’s or ABC Board’s name. Under the Pooling Method, 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 or ABC Board’s agent in the Town’s or ABC Board’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2005, the Town’s deposits had a carrying amount of \$1,005,401, and a bank balance of \$1,020,200. Of the bank balance, \$454,375 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$105 at June 30, 2005. The ABC Board’s deposits had a carrying value of \$187,670 and a bank balance of \$240,303 at June 30, 2005. Of the ABC Board’s bank balance, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments - At June 30, 2005, the Town had \$569,388 invested with the North Carolina Capital Management Trust’s Cash Portfolio which carried a credit rating of AAAM by Standard and Poor’s. The Town has no policy regarding credit risk. Other investments totaled \$534,189, and consisted exclusively of certificates of deposit with a pooling method financial institution (see discussion of deposits above).

Capital Assets - Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,411,100	\$ -	\$ -	\$ 1,411,100
Total capital assets not being depreciated	<u>1,411,100</u>	<u>-</u>	<u>-</u>	<u>1,411,100</u>
Capital assets being depreciated:				
Buildings	406,546	56,181	-	462,727
Machinery and equipment	208,917	18,995	-	227,912
Vehicles	233,486	23,078	20,477	236,087
Infrastructure	<u>454,060</u>	<u>40,902</u>	<u>-</u>	<u>494,962</u>
Total capital assets being depreciated	<u>1,303,009</u>	<u>139,156</u>	<u>20,477</u>	<u>1,421,688</u>
Less accumulated depreciation for:				
Buildings	102,791	13,291	-	116,082
Machinery and equipment	96,410	17,595	-	114,005
Vehicles	64,373	26,032	7,988	82,417
Infrastructure	<u>176,618</u>	<u>18,317</u>	<u>-</u>	<u>194,935</u>
Total accumulated depreciation	<u>440,192</u>	<u>75,235</u>	<u>7,988</u>	<u>507,439</u>
Total capital assets being depreciated, net	<u>862,817</u>	<u>63,921</u>	<u>12,489</u>	<u>914,249</u>
Governmental activities capital assets, net	\$ <u>2,273,917</u>			\$ <u>2,325,349</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 598,062	-	-	\$ 598,062
Total capital assets not being depreciated	<u>598,062</u>	<u>-</u>	<u>-</u>	<u>598,062</u>
Capital assets being depreciated:				
Buildings and system	4,692,360	62,299	-	4,754,659
Improvements other than buildings	15,980	-	-	15,980
Machinery and equipment	125,083	57,700	-	182,783
Vehicles	<u>60,689</u>	<u>-</u>	<u>-</u>	<u>60,689</u>
Total capital assets being depreciated	<u>4,894,112</u>	<u>119,999</u>	<u>-</u>	<u>5,014,111</u>
Less accumulated depreciation for:				
Buildings and system	924,016	96,388	-	1,020,404
Improvements other than buildings	177	1,065	-	1,242
Machinery and equipment	15,638	12,360	-	27,998
Vehicles	<u>19,897</u>	<u>9,610</u>	<u>-</u>	<u>29,507</u>
Total accumulated depreciation	<u>959,728</u>	<u>119,423</u>	<u>-</u>	<u>1,079,151</u>
Total capital assets being depreciated, net	<u>3,934,384</u>	<u>576</u>	<u>-</u>	<u>3,934,960</u>
Business-type activities capital assets, net	\$ <u>4,532,446</u>			\$ <u>4,533,022</u>

Increases to capital assets for governmental activities were as follows:

Capital outlay expenditures	\$ 111,156
Infrastructure acquired by annexation	<u>28,000</u>
	<u>\$ 139,156</u>

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

Governmental activities:	
General government	\$ 13,717
Public safety	24,043
Transportation	36,243
Parks and recreation	<u>1,232</u>
Total depreciation expense--governmental activities	<u>\$ 75,235</u>
Business-type activities:	
Sewer	\$ 111,247
Festival grounds	<u>8,176</u>
Total depreciation expense--business-type activities	<u>\$ 119,423</u>

Capital Assets--Maggie Valley ABC Board

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Land	-	\$ 126,418	\$ -	\$ 126,418
Construction in progress	-	69,812	-	69,812
Store building	30 yrs.	130,545	74,338	56,207
Building improvements	10 yrs.	6,056	4,252	1,804
Office and store equipment	5-10 yrs.	<u>51,288</u>	<u>27,459</u>	<u>23,829</u>
		<u>\$ 384,119</u>	<u>\$ 106,049</u>	<u>\$ 278,070</u>

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
	<u>General</u>	<u>Sewer Fund</u>	<u>Festival Grounds Fund</u>
Payable to vendors	\$ 29,467	\$ 12,370	\$ 2,869
Accrued payroll and related liabilities	<u>24,548</u>	<u>5,842</u>	<u>-</u>
	<u>\$ 54,015</u>	<u>\$ 18,212</u>	<u>\$ 2,869</u>

Interfund Balances

At June 30, 2005 the Festival Grounds Fund owed the General Fund \$128,036 for initial construction costs paid by the General Fund on behalf of the Festival Grounds Fund. Management expects that this balance will be repaid in more than one year; therefore, it has been classified as a long-term payable in the Festival Grounds Fund.

Pension Plan Obligations

- (1) **Local Governmental Employees' Retirement System** - *Plan Description.* The Town of Maggie Valley contributes 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, 3512 Bush Street, Raleigh, North Carolina, 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 6.98% and 6.96%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 10.04% of annual covered payroll. The contribution requirements of members and of the Town of Maggie Valley 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, 2005, 2004, and 2003 were \$35,514, \$36,047, and \$34,322, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$7,161, \$8,443, and \$8,992, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

- (2) **Law Enforcement Officers Special Separation Allowance** - *Plan Description.* The Town of Maggie Valley 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, 2004, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
 Total	 <u><u>7</u></u>

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 Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The Town of Maggie Valley is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay as you go basis. The Town paid benefits of \$10,200 and \$7,650 for the years ended June 30, 2005 and 2004, respectively. The Town’s obligation to make these payments was

established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2005, were \$19,680, which consisted of \$9,992 from the Town and \$9,688 from the law enforcement officers.

- (4) **Post-employment Benefits** - The Town has elected to provide death benefits to employees through the Death Trust 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. Currently, the Town has no retirees and terminated employees who are eligible to receive death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's twelve highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the Town made contributions to the State for death benefits of \$268. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented -0-% and .14% of covered payroll, respectively.

Unearned/Deferred Revenues - The balance in unearned/deferred revenue on the government-wide and fund statements at year-end is composed of the following amounts:

	<u>General Fund</u>	<u>Accrual Adjustments</u>	<u>Government-wide</u>
Prepaid taxes	\$ 9,924	\$ -	\$ 9,924
Taxes receivable	<u>54,510</u>	<u>(54,510)</u>	<u>-</u>
	<u>\$ 64,434</u>	<u>\$ (54,510)</u>	<u>\$ 9,924</u>

Risk Management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, worker's compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town of Maggie Valley ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

Long-Term Obligations

Proprietary Fund Type Debt - General Obligation Indebtedness - The general obligation bonds issued to finance the construction of facilities utilized in the operations of the sewer system and which are being retired by its resources are reported as long-term debt in the sewer fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2005 are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Business-Type Activities</u>
\$900,000 sewer serial bonds due in annual installments as scheduled below, through June 1, 2007; interest at 6.00% to 6.70%.	\$ <u>100,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30,		
2006	\$ 50,000	\$ 6,550
2007	<u>50,000</u>	<u>3,275</u>
Total	<u>\$ 100,000</u>	<u>\$ 9,825</u>

Installment Purchases - The Town has also entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2005 are as follows:

<u>Financing Agreements</u>	<u>Interest Rate</u>	<u>Date Debt Matures</u>	<u>Amount of Original Debt</u>	<u>Balance at June 30, 2005</u>	
				<u>Governmental Activities</u>	<u>Business-type Activities</u>
Purchase of Police vehicles	3.17%	12/2007	\$ 46,985	\$ 30,059	\$ -
Purchase of Police car	3.26%	01/2009	22,500	20,291	-
Purchase of Police cars	4.39%	02/2006	44,000	7,880	-
Purchase of Police car	3.91%	10/2006	22,897	8,033	-
Purchase of office equipment	4.07%	08/2005	3,822	1,325	-
Purchase of sewer equipment	4.29%	02/2006	24,000	-	6,387
Purchase of festival ground property	4.09%	08/2012	400,000	<u>-</u>	<u>323,204</u>
Total				<u>\$ 67,588</u>	<u>\$ 329,591</u>

Annual debt service requirements to maturity for installment purchase contracts are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 32,355	\$ 974	\$ 46,030	\$ 12,693
2007	19,770	418	41,295	10,835
2008	11,996	216	43,016	9,114
2009	3,467	38	44,809	7,322
2010	-	-	46,676	5,454
2011-2013	-	-	107,765	5,036
Total	<u>\$ 67,588</u>	<u>\$ 1,646</u>	<u>\$ 329,591</u>	<u>\$ 50,454</u>

At June 30, 2005, the Town's legal debt margin was approximately \$16,060,000.

Changes in Long-Term Liabilities - Changes in long-term liabilities for the fiscal year ended June 30, 2005, were as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within 1-Year</u>
Governmental activities:					
Installment purchase contracts	\$ 81,226	\$ 22,500	\$ 36,138	\$ 67,588	\$ 32,355
Compensated absences	<u>37,321</u>	<u>19,920</u>	<u>28,086</u>	<u>29,154</u>	<u>-</u>
Total governmental activities	<u>\$ 118,547</u>	<u>\$ 42,420</u>	<u>\$ 64,224</u>	<u>\$ 96,742</u>	<u>\$ 32,355</u>
Business-type activities:					
General obligation bonds payable	\$ 150,000	\$ -	\$ 50,000	\$ 100,000	\$ 50,000
Installment purchases	373,918	-	44,327	329,591	46,030
Compensated absences	<u>11,030</u>	<u>6,512</u>	<u>8,428</u>	<u>9,114</u>	<u>-</u>
Total business-type activities	<u>\$ 534,948</u>	<u>\$ 6,512</u>	<u>\$ 102,755</u>	<u>\$ 438,705</u>	<u>\$ 96,030</u>

- C. **Federal and State Assisted Programs** - The Town has received proceeds from State and federal 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

3. **Schedule of Interfund Transfers**

	Transfers	
	<u>From</u>	<u>To</u>
Transfers from/to other funds:		
General fund:		
Festival grounds fund	\$ -	\$ 57,700
Sewer fund	80,000	-
Sewer fund:		
General fund	-	80,000
Festival grounds fund:		
General fund	<u>57,700</u>	<u>-</u>
Total transfers to/from other funds	<u>\$ 137,700</u>	<u>\$ 137,700</u>

Transfers were made from the Sewer Fund to cover administrative costs incurred in the General Fund which benefit the Sewer Fund. Transfers were made from the General Fund to the Festival Grounds Fund to support operations of the festival grounds.

4. **Commitments**

The Town of Maggie Valley ABC Board has construction in progress at June 30, 2005. Due to this project the ABC Board has the following commitments at June 30, 2005.

Burgin Construction Company Inc. will be due \$51,885 once the remaining construction for the warehouse expansion is complete. The total contract was \$111,285 with \$59,400 earned through June 30, 2005.

Mountain Design Architects will be due \$2,012 or 20% of their fee once the project is complete.

Rack Worx Corporation has been paid 50% of the total contracted amount for the purchase and installation of shelving. The balance on this contract amounts to \$2,126.

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 766,445	\$ 764,322	\$ (2,123)
Prior years	78,994	68,991	(10,003)
Penalties and interest	<u>7,300</u>	<u>7,194</u>	<u>(106)</u>
Total	<u>852,739</u>	<u>840,507</u>	<u>(12,232)</u>
Other taxes and licenses:			
Local option sales tax	183,108	222,737	39,629
Privilege licenses	10,550	15,464	4,914
Beer and wine licenses	585	690	105
Cable TV franchise tax	21,000	20,393	(607)
Utility franchise tax	<u>70,000</u>	<u>71,844</u>	<u>1,844</u>
Total	<u>285,243</u>	<u>331,128</u>	<u>45,885</u>
Unrestricted intergovernmental revenues:			
Beer and wine tax distribution	3,500	4,980	1,480
ABC profit distribution	<u>70,960</u>	<u>70,960</u>	<u>-</u>
Total	<u>74,460</u>	<u>75,940</u>	<u>1,480</u>
Restricted intergovernmental revenues:			
Traffic safety grant	5,767	5,827	60
Governor's highway safety program supplies grant	6,581	6,157	(424)
Safety equipment grant	6,602	6,591	(11)
COPS grant	2,505	2,505	-
Crime control grant	6,986	7,254	268
ABC law enforcement revenues	17,740	17,740	-
NCLM Safety Grant	1,000	-	(1,000)
T-21 Grant	140,000	-	(140,000)
Powell Bill street aid	29,656	29,656	-
Drug Recovery funds	500	-	(500)
Court/officer fees	<u>600</u>	<u>551</u>	<u>(49)</u>
Total	<u>217,937</u>	<u>76,281</u>	<u>(141,656)</u>

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual,
Continued

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues, Continued:			
Permits and fees:			
Building permits	\$ 52,391	\$ 66,961	\$ 14,570
Zoning permits	2,370	2,800	430
Sign permits	320	280	(40)
Solid waste fee	<u>79,574</u>	<u>79,666</u>	<u>92</u>
Total	<u>134,655</u>	<u>149,707</u>	<u>15,052</u>
Sales and services:			
Rental fees	<u>6,400</u>	<u>4,065</u>	<u>(2,335)</u>
Miscellaneous:			
Investment earnings	7,638	9,044	1,406
Greenways donations	1,000	-	(1,000)
Other contributions and donations	2,000	1,091	(909)
Other miscellaneous	<u>14,368</u>	<u>10,845</u>	<u>(3,523)</u>
Total	<u>25,006</u>	<u>20,980</u>	<u>(4,026)</u>
Total revenues	<u>1,596,440</u>	<u>1,498,608</u>	<u>(97,832)</u>
Expenditures:			
General government:			
Administration/governing board:			
Salaries and employee benefits	212,005	169,310	
Professional services	51,900	51,494	
Operating	188,120	176,695	
Capital outlay	<u>80,595</u>	<u>12,795</u>	
Total general government	<u>532,620</u>	<u>410,294</u>	<u>122,326</u>

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual,
Continued

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures, Continued:			
Public safety:			
Police:			
Salaries and employee benefits	\$ 385,653	\$ 383,531	\$
Operating	82,219	83,596	
Capital outlay	<u>24,166</u>	<u>23,078</u>	
Total	<u>492,038</u>	<u>490,205</u>	<u>1,833</u>
Code enforcement:			
Salaries and employee benefits	35,479	35,476	
Operating	<u>16,959</u>	<u>14,592</u>	
Total	<u>52,438</u>	<u>50,068</u>	<u>2,370</u>
Building inspector:			
Salaries and employee benefits	70,517	68,782	
Professional services	900	581	
Operating	<u>18,849</u>	<u>15,400</u>	
Total	<u>90,266</u>	<u>84,763</u>	<u>5,503</u>
Total public safety	<u>634,742</u>	<u>625,036</u>	<u>9,706</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	90,254	89,276	
Operating	199,202	165,411	
Capital outlay	<u>79,990</u>	<u>62,381</u>	
Total	<u>369,446</u>	<u>317,068</u>	<u>52,378</u>
Powell Bill:			
Operating	16,300	7,509	
Capital outlay	<u>37,500</u>	<u>12,902</u>	
Total	<u>53,800</u>	<u>20,411</u>	<u>33,389</u>
Total transportation	<u>423,246</u>	<u>337,479</u>	<u>85,767</u>

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual,
Continued

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures, Continued:			
Parks and recreation:			
Professional services	\$ 5,000	\$ -	\$
Operating expenses	7,135	2,565	
Capital outlay	<u>196,647</u>	<u>-</u>	
Total parks and recreation	<u>208,782</u>	<u>2,565</u>	<u>206,217</u>
Debt service:			
Principal retirement	43,318	36,138	7,180
Interest and fees	<u>3,620</u>	<u>2,679</u>	<u>941</u>
Total	<u>46,938</u>	<u>38,817</u>	<u>8,121</u>
Total expenditures	<u>1,846,328</u>	<u>1,414,191</u>	<u>432,137</u>
Revenues over (under) expenditures	<u>(249,888)</u>	<u>84,417</u>	<u>334,305</u>
Other financing sources:			
Proceeds from installment purchase	45,000	22,500	(22,500)
Proceeds from the sale of capital assets	7,000	6,000	(1,000)
Appropriated fund balance	175,588	-	(175,588)
Transfers from (to) other funds:			
Festival grounds enterprise fund	(57,700)	(57,700)	-
Sewer enterprise fund	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total other financing sources	<u>249,888</u>	<u>50,800</u>	<u>(199,088)</u>
Net change in fund balance	<u>\$ -</u>	135,217	<u>\$ 135,217</u>
Fund balance:			
Beginning of year		<u>623,258</u>	
End of year		<u>\$ 758,475</u>	

See the accompanying Independent Auditors' Report.

MAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services. The Town maintains the following Enterprise Funds:

Major Enterprise Funds:

Sewer Fund - accounts for the Town's sewer operation.

Festival Grounds Fund - accounts for the rental activities of the Town's festival grounds.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Sewer Fund

Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sewer charges	\$ 414,000	\$ 427,288	\$ 13,288
Sewer tap fees	<u>143,250</u>	<u>229,595</u>	<u>86,345</u>
Total operating revenues	<u>557,250</u>	<u>656,883</u>	<u>99,633</u>
Non-operating revenues:			
Interest on investments	3,900	11,354	7,454
Miscellaneous	<u>6,100</u>	<u>10,143</u>	<u>4,043</u>
Total non-operating revenues	<u>10,000</u>	<u>21,497</u>	<u>11,497</u>
Total revenues	<u>567,250</u>	<u>678,380</u>	<u>111,130</u>
Expenditures:			
Administration:			
Salaries and employee benefits	120,780	112,759	8,021
Contractual services	30,600	34,201	(3,601)
Operating	<u>18,500</u>	<u>16,128</u>	<u>2,372</u>
Total	<u>169,880</u>	<u>163,088</u>	<u>6,792</u>
Operations:			
Utilities	47,415	46,715	700
Maintenance and repairs	88,130	64,426	23,704
Contractual services	73,482	63,084	10,398
Insurance	4,244	3,637	607
Miscellaneous	<u>32,886</u>	<u>21,249</u>	<u>11,637</u>
Total	<u>246,157</u>	<u>199,111</u>	<u>47,046</u>
Debt service:			
Principal retirement	56,122	56,122	-
Interest and fees	<u>11,672</u>	<u>11,411</u>	<u>261</u>
Total	<u>67,794</u>	<u>67,533</u>	<u>261</u>

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Sewer Fund

Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP), Continued

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Other expenditures:			
Capital outlay	\$ <u>69,419</u>	\$ <u>62,299</u>	\$ <u>7,120</u>
Total expenditures	<u>553,250</u>	<u>492,031</u>	<u>61,219</u>
Excess of revenues over expenditures	14,000	186,349	172,349
Other financing sources (uses):			
Transfers to other funds	(80,000)	(80,000)	-
Appropriation of fund balance	<u>66,000</u>	<u>-</u>	<u>(66,000)</u>
Total	<u>(14,000)</u>	<u>(80,000)</u>	<u>(66,000)</u>
Revenues and other financing sources over expenditures	\$ <u>-</u>	106,349	\$ <u>106,349</u>
Reconciliation from modified accrual to full accrual:			
Reconciling items:			
Principal retirement		56,122	
Capital outlay		62,299	
Depreciation		<u>(111,247)</u>	
Change in net assets		\$ <u>113,523</u>	

See the accompanying Independent Auditors' Report.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Festival Grounds Fund
Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Rental fees	\$ 28,500	\$ 5,801	\$ (22,699)
Non-operating revenues:			
Interest on investments	2,625	2,893	268
Miscellaneous	1,388	1,389	1
Private donations	10,000	-	(10,000)
Total non-operating revenues	<u>14,013</u>	<u>4,282</u>	<u>(9,731)</u>
Total revenues	<u>42,513</u>	<u>10,083</u>	<u>(32,430)</u>
Expenditures:			
Operations:			
Maintenance and repairs	11,178	10,242	936
Contractual services	9,187	9,187	-
Insurance and bonding	5,257	4,762	495
Utilities	2,310	1,922	388
Supplies	1,400	1,290	110
Miscellaneous	9,197	3,035	6,162
Total	<u>38,529</u>	<u>30,438</u>	<u>8,091</u>
Debt service:			
Principal	38,057	38,205	(148)
Interest expense	14,074	13,925	149
Total debt service	<u>52,131</u>	<u>52,130</u>	<u>1</u>
Other expenditures:			
Capital outlay	<u>54,450</u>	<u>17,127</u>	<u>37,323</u>
Total expenditures	<u>145,110</u>	<u>99,695</u>	<u>45,415</u>
Revenues under expenditures	(102,597)	(89,612)	12,985

(continued)

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Festival Grounds Fund
Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Transfers and capital contributions:			
Transfer from funds	\$ 63,847	\$ 57,700	\$ (6,147)
Capital contribution	20,000	100,663	80,663
Appropriation of fund balance	<u>18,750</u>	<u>-</u>	<u>(18,750)</u>
Total	<u>102,597</u>	<u>158,363</u>	<u>55,766</u>
Revenues and other financing sources under expenditures	\$ <u><u>-</u></u>	68,751	\$ <u><u>68,751</u></u>
Reconciliation from modified accrual basis to full accrual basis:			
Reconciling items:			
Principal retirement		38,205	
Capital outlay		17,127	
Depreciation		<u>(8,176)</u>	
Change in net assets		<u>\$ 115,907</u>	

See the accompanying Independent Auditors' Report.

OTHER SUPPLEMENTAL INFORMATION

This section contains additional information on capital assets, property taxes and interfund transfers.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2005

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2004</u>	<u>Additions</u>	<u>Collections and Adjustments</u>	<u>Uncollected Balance June 30, 2005</u>
2004-2005	\$ -	\$ 852,469	\$ 829,124	\$ 23,345
2003-2004	22,864	-	13,713	9,151
2002-2004	13,102	-	8,324	4,778
2001-2002	7,027	-	2,573	4,454
2000-2001	7,365	-	1,388	5,977
1999-2000	9,739	-	737	9,002
1998-1999	3,699	-	1,831	1,868
1997-1998	4,634	-	721	3,913
1996-1997	3,277	-	473	2,804
1995-1996	1,761	-	543	1,218
1994-1995	<u>1,252</u>	<u>-</u>	<u>1,252</u>	<u>-</u>
	\$ <u>74,720</u>	\$ <u>852,469</u>	\$ <u>860,679</u>	66,510
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(12,000)</u>
Ad valorem taxes receivable--net				\$ <u>54,510</u>
Reconcilement with revenues:				
Taxes, net ad valorem--General Fund				\$ 840,507
Reconciling items:				
Amounts written off for tax year 1994-1995 per statute of limitations				731
Prior year releases, refunds and other adjustments				<u>14,156</u>
Subtotal				<u>14,887</u>
Less:				
Interest and penalties collected				7,194
Other adjustments				<u>12,479</u>
Total collections and adjustments				\$ <u>860,679</u>

See the accompanying Independent Auditors' Report.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Analysis of Current Tax Levy

For the Year Ended June 30, 2005

	<u>Town Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 198,417,436	\$ 0.39	\$ 773,828	\$ 746,481	\$ 27,347
Discoveries:					
Current year taxes	7,298,205	0.39	28,463	28,463	-
Prior year taxes	<u>-</u>		<u>50,178</u>	<u>50,178</u>	<u>-</u>
Total property valuation	<u>\$ 205,715,641</u>				
Net levy			852,469	825,122	27,347
Less uncollected tax at June 30, 2005			<u>(23,345)</u>	<u>(19,977)</u>	<u>(3,368)</u>
Current year's taxes collected			<u>\$ 829,124</u>	<u>\$ 805,145</u>	<u>\$ 23,979</u>
Percent current year collected			<u>97.26%</u>	<u>97.58%</u>	<u>87.68%</u>

See the accompanying Independent Auditors' Report.

STATISTICAL SECTION

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Government Expenditures by Function⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Code Enforcement</u>	<u>Public Safety</u>	<u>Transportation</u>
1996	\$ 107,966	\$ -	\$ 103,941	\$ 65,727
1997	159,964	-	202,313	81,405
1998	190,713	-	252,584	108,134
1999	179,230	54,845	241,250	152,945
2000	205,828	-	349,943	158,032
2001	258,252	-	347,223	200,226
2002	341,824	-	426,358	198,003
2003	428,778 *	-	447,271	391,254
2004	310,253	-	550,598	283,428
2005	410,294	-	625,036	337,479

* Includes General and Capital Projects Funds.

Source: Town of Maggie Valley Financial Statements.

<u>Cultural and Recreation</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Human Services</u>	<u>Total</u>
\$ -	\$ -	\$ 23,151	\$ 1,200	\$ 301,985
-	-	22,841	1,200	466,253
-	-	25,743	-	577,174
17,471	12,328	29,338	-	687,407
37,689	-	44,347	-	795,839
27,542	-	56,878	-	890,121
41,150	-	60,192	-	1,067,527
792	-	49,052	-	1,317,147
5,588	240,858	45,869	-	1,436,594
2,565	-	38,817	-	1,414,191

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Government Revenues by Source⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes and Licenses</u>	<u>Inter-Governmental Unrestricted</u>	<u>Inter-Governmental Restricted⁽²⁾</u>
1996	\$ 228,044	\$ 51,002	\$ 34,595	\$ 16,651
1997	315,548	89,930	44,859	81,454
1998	347,444	99,232	51,762	98,400
1999	409,429	149,835	19,166	96,562
2000	401,150	172,863	20,462	85,189
2001	471,426	190,017	19,220	90,210
2002	531,256	156,866	15,941	89,321
2003	607,921	201,145	2,642	231,499 *
2004	725,290	229,467	152,879	76,829
2005	840,507	331,128	75,940	76,281

⁽¹⁾Includes all Governmental Fund types.

⁽²⁾Capital Grant received in 2004 for the construction of the Greenway Street and Sidewalk Project.

* Includes General and Capital Projects Funds.

Source: Town of Maggie Valley Financial Statements.

<u>Permits and Fees</u>	<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Contributions Private Sources</u>	<u>Miscellaneous Revenues</u>	<u>Total</u>
\$ 240	\$ 3,010	\$ 4,129	\$ 373	\$ 5,046	\$ 343,090
16,093	4,695	5,622	425	20,167	578,793
12,813	4,240	10,139	39,040	1,802	661,872
6,301	3,510	-	-	46,705	731,538
468	3,405	-	-	41,937	725,474
320	3,290	-	-	60,989	835,472
3,580	2,040	-	-	81,067	880,071
53,703	6,100	-	-	57,914	1,160,924
102,651	5,400	-	-	165,777	1,458,293
149,707	4,065	-	-	20,980	1,498,608

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

General Government Tax Revenues by Source⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Ad Valorem</u> <u>Taxes</u>	<u>Intangibles</u>	<u>Local Sales</u> <u>Option</u>
1996	\$ 225,979	\$ 7,242	\$ 38,174
1997	315,548	7,231	71,262
1998	347,444	9,575	73,746
1999	409,429	10,335	78,540
2000	401,150	11,245	99,912
2001	471,426	10,329	105,862
2002	531,256	12,340	93,757
2003 ⁽²⁾	607,921	-	105,990
2004	725,290	-	136,241
2005	840,507	-	222,737

⁽¹⁾Includes General and Special Revenue Funds.

Source: Town of Maggie Valley Financial Statements.

	<u>Privilege License</u>	<u>Franchise</u>	<u>Beer and Wine</u>	<u>Inventory Tax</u>	<u>Food Stamp Tax</u>	<u>Total</u>
\$	5,016	\$ 29,100	\$ 2,061	\$ 3,864	\$ -	\$ 311,433
	6,541	41,396	2,694	4,387	253	449,312
	6,868	51,189	2,670	5,377	444	497,313
	8,170	63,125	2,716	5,676	439	578,430
	4,717	68,234	2,760	6,021	436	594,475
	8,045	76,110	2,819	5,368	434	680,663
	8,636	54,473	-	3,168	433	704,063
	8,203	86,952	2,642	-	-	811,708
	4,464	88,237	-	-	-	954,232
	15,464	92,237	690	-	-	1,171,635

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Property Tax Levies and Collections--General Fund

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Year Tax Collections</u>	<u>Percent of Levy Collected</u>	
1996	\$ 226,836	\$ 221,362	97.59%	
1997	323,697	308,428	95.28%	
1998	353,703	333,256	94.22%	*
1999	407,195	392,933	96.50%	
2000	423,512	396,513	93.62%	
2001	480,576	463,638	96.48%	
2002	549,290	529,320	96.36%	
2003	616,993	584,923	94.80%	
2004	703,539	680,674	96.75%	
2005	852,469	829,124	97.26%	

* Annexation

Source: Town of Maggie Valley Financial Statements.

<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
\$ 7,468	\$ 228,830	0.99	\$ 14,461
3,047	311,475	1.04	26,683
11,271	344,527	1.03	54,610
15,316	408,249	1.00	54,012
19,667	416,180	1.02	62,839
20,232	483,870	0.99	59,545
9,445	538,765	1.02	70,070
16,946	601,869	1.03	85,194
33,339	714,013	0.99	74,720
31,555	860,679	1.01	66,510

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Assessed Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Company Property</u>	<u>Total Assessed Value⁽¹⁾</u>
1996	\$ 46,303,282	\$ 3,480,076	\$ 624,631	\$ 50,407,989
1997	93,219,213	4,615,478	786,984	98,621,675
1998	99,658,075	6,317,046	1,207,863	107,182,984
1999	103,246,942	8,739,806	1,236,009	113,222,757
2000	108,313,718	8,399,409	929,106	117,642,233
2001	110,210,942	9,000,348	932,710	120,144,000
2002	111,247,595	9,852,019	964,902	122,064,516
2003	135,735,845	20,646,671	1,305,091	157,687,607
2004	167,696,470	11,250,166	1,477,979	180,394,615
2005	190,781,594	13,536,020	1,398,027	205,715,641

⁽¹⁾The Town's property tax rate is levied each July 1st on the assessed value listed as of the prior January 1st for all real and personal property located with the Town. Assessed valuations are established by Haywood County at 100% of estimated market value. Public Service Company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values.

A revaluation of real property is required by North Carolina General Statutes at least every eight years. The last revaluation was completed for tax year 2002.

Source: Haywood County Tax Listing Office.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Property Tax Rates--Direct and Overlapping Governments
(Per \$100 of Assessed Value)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Town of Maggie Valley</u>	<u>Haywood County</u>	<u>Fire District</u>
1996	0.45	0.74	0.095
1997	0.33	0.61	0.085
1998	0.33	0.61	0.045
1999	0.36	0.61	0.045
2000	0.36	0.61	0.050
2001	0.40	0.61	0.050
2002	0.45	0.61	0.050
2003	0.39	0.61	0.050
2004	0.39	0.61	0.050
2005	0.39	0.61	0.050

Source: Haywood County Tax Collections Office.

TOWN OF MAGGIE VALLEY, NORTH CAROLINARatio of Net General Obligation Bonded Debt to Assessed Value and
Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Assessed Value⁽¹⁾</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net General Obligation Bonded Debt to Assessed Value</u>	<u>Population⁽²⁾</u>	<u>Net General Obligation Bonded Debt Per Capita</u>
1996	\$48,581,238	\$ 572,000	1.18%	640	894
1997	92,609,691	511,000	0.55%	640	798
1998	102,419,261	450,000	0.44%	640	703
1999	109,616,835	400,000	0.36%	640	625
2000	123,128,535	350,000	0.28%	640	547
2001	115,159,716	300,000	0.26%	640	469
2002	115,239,375	250,000	0.22%	640	391
2003	157,687,607	200,000	0.13%	640	313
2004	180,394,615	150,000	0.08%	790	190
2005	205,715,641	100,000	0.04%	1,125	89

⁽¹⁾Haywood County Tax Listing Office.⁽²⁾North Carolina Department of Commerce/Office of State Planning.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Computation of Legal Debt Margin

June 30, 2005

Assessed value of taxable property	\$ <u>205,715,641</u>
Debt limit--eight percent (8%) if assessed value	\$ 16,457,251
Gross debt:	
Outstanding general obligation bonded debt	100,000
Other financing agreements	<u>397,179</u>
Total gross debt	<u>497,179</u>
Statutory deductions:	
General obligation debt*	(100,000)
Total amount of debt subject of limitation	<u>397,179</u>
Legal debt margin	\$ <u>16,060,072</u>

* General obligation debt reported in the Enterprise Fund is allowed to be excluded under G.S. 159 if revenues from the sewer system have exceeded expenditures in the Sewer Fund, including capital outlay and debt service, for the past three years.

TOWN OF MAGGIE VALLEY, NORTH CAROLINARatio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Total General Governmental Expenditures^o</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1996	\$ 10,000	\$ 1,600	\$ 11,600	\$ 301,985	3.84
1997	11,000	1,100	12,100	466,253	2.60
1998	11,000	550	11,550	577,174	2.00
1999	-	-	-	687,407	0.00
2000	-	-	-	795,839	0.00
2001	-	-	-	890,121	0.00
2002	-	-	-	1,067,527	0.00
2003	-	-	-	1,362,842	0.00
2004	-	-	-	1,436,594	0.00
2005	-	-	-	1,414,191	0.00

⁽¹⁾General obligation bonds reported in the Enterprise Fund have been excluded.⁽²⁾Includes all Governmental Fund types.

Source: Town of Maggie Valley Financial Statements.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Demographic Statistics

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>(County) Per Capita Income⁽¹⁾</u>	<u>Town's School Enrollment⁽²⁾</u>	<u>(County) Unemployment Rate⁽³⁾</u>
1996	640	\$ 17,769	382	5.1%
1997	640	Unavailable	448	4.5%
1998	640	18,252	470	6.4%
1999	640	19,891	435	4.4%
2000	640	21,694	457	4.0%
2001	640	21,494	423	4.6%
2002	640	22,571	414	5.8%
2003	640	Unavailable	403	6.6%
2004	790	23,243	387	4.3%
2005	1,125	24,261	400	4.3%

Sources: ⁽¹⁾N.C. Department of Commerce/Office of State Planning.

⁽²⁾Haywood County Schools.

⁽³⁾Employment Security Commission.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Construction Statistics

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
1996 ⁽¹⁾	Unavailable	Unavailable	Unavailable	Unavailable
1997 ⁽¹⁾	Unavailable	Unavailable	Unavailable	Unavailable
1998 ⁽¹⁾	Unavailable	Unavailable	Unavailable	Unavailable
1999 ⁽²⁾	9	\$ 719,000	13	\$ 545,200
2000 ⁽²⁾	8	724,600	21	1,181,682
2001 ⁽²⁾	14	2,796,750	20	2,709,460
2002 ⁽²⁾	9	770,540	32	2,053,550
2003 ⁽³⁾	2	3,203	17	374,000
2004	5	845,000	60	11,992,158
2005	4	595,000	87	16,402,000

Sources: ⁽¹⁾1994-1998 Haywood County handled inspections and information related to the Town could not be separated.

⁽²⁾1999-2002 Haywood County Building Inspector.

⁽³⁾2004 Town of Maggie Valley Building Inspector.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Ten Largest Taxpayers

For the Year Ended June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Maggie Valley Resort	Country Club	\$ 7,321,651	3.69%
J. Coburn, Inc.	Amusement Park	3,415,491	1.72
Maggie Valley Investors	Hotel	2,785,679	1.40
Peppertree	Time Share	2,690,770	1.36
Taylor Toggs	Entertainment/Motel	2,474,153	1.25
Jeffery Smith	Hotel/Vacation Rentals	2,132,903	1.07
Maggie Valley Development	Condominiums	2,127,410	1.07
Hunters Trace	Campground	1,919,987	1.00
DMR Lodging	Hotels	1,771,027	0.89
James E. Lindsey	Amusement Park	<u>1,679,693</u>	<u>0.85</u>
Total		\$ <u>28,318,764</u>	<u>14.27%</u>

Source: Haywood County Tax Assessor's Office.

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Miscellaneous Statistics

June 30, 2005

Date of Incorporation	1974
Date of adoption of City Charter	1987
Form of Government	Alderman/Manager
Municipal employees:	
Full-time permanent	18
Other	17
Area:	
Miles of streets	2.27
Streets:	
Graded	0
Paved	14
Unimproved	2
Non-conforming, paved	0
Sidewalks	10 miles
Number of street lights	184
Police protection:	
Number of stations	1
Number of employees:	
Sworn officers	21
Civilian	0
Number of patrol units	7
Recreation:	
Number of parks	2
Number of municipal golf courses	0
Sewer system:	
Number of customers	1,400
Miles of sanitary sewers	35.9
Miles of storm sewers	0
Average daily treatment	.379
Peak daily treatment	1.471
Peak monthly treatment	0.642
Plant capacity	750,000
Election information: ⁽¹⁾	
Registered voters	771
Number of votes cash last municipal election	306
Percentage of registered voters voting	40
Facilities and services not included in the reporting entity:	
Education ⁽²⁾	
Number of elementary schools	1
Number of elementary school instructors	21
Recreation and culture:	
Libraries	1
Museums	1

⁽¹⁾Haywood County Board of Elections.

⁽²⁾Haywood County Schools.

COMPLIANCE SECTION

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

To the Honorable Mayor and Members of the Board of Aldermen
Town of Maggie Valley, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Maggie Valley, North Carolina, as of and for the year ended June 30, 2005, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated August 19, 2005. We did not audit the financial statements of the Town of Maggie Valley 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 Maggie Valley ABC Board, is based solely on 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 Maggie Valley 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no

Honorable Mayor and Members of the Board of Aldermen
Town of Maggie Valley, North Carolina
Page Two

matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Maggie Valley, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 instance of non-compliance or other matters that is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the governing board, management, others within the organization, 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.

August 19, 2005

Dixon Hughes PLLC

TOWN OF MAGGIE VALLEY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA No. or Grant No.</u>	<u>Federal</u>	<u>State</u>
Federal Awards:			
<u>U.S. Department of Justice</u>			
Passed through the N. C. Department of Crime Control and Public Safety:			
Local Law Enforcement Block Grants	16.592	\$ 6,986	\$ -
Criminal Justice Agency Access Grant	16.592	6,424	-
Community Oriented Policing ("COPs") Grant	16.710	2,505	-
<u>U. S. Department of Transportation</u>			
Passed through the N.C. Department of Transportation:			
Passed through the Governor's Highway Safety Program:			
State and Community Highway Safety Grant	20.600	11,429	-
State Grants:			
<u>N.C. Parks and Recreation Trust Fund</u>			
High Unit Cost Grant	2004-292	-	100,663
<u>N.C. Department of Transportation</u>			
Powell Bill	-	-	29,656
Total Federal and State Awards		\$ <u>27,344</u>	\$ <u>130,319</u>

NOTE TO THE PRECEDING SCHEDULE:

The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Maggie Valley and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule will differ from amounts presented in, or used in, the preparation of the financial statements.

See the accompanying Independent Auditors' Report.