

**Financial Statements
For the Year Ended June 30, 2013**

Town of Sylva, North Carolina

Mayor

Maurice Moody

Board of Commissioners

Danny Allen

Barbara Hamilton

Harold Hensley

Christina Matheson

Lynda Sossamon

Management

Paige Roberson, Town Manager

Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Sylva ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Sylva ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

POST OFFICE BOX 2125 ♦ CANDLER, NC 28715
902 SAND HILL ROAD ♦ ASHEVILLE, NC 28806
TELEPHONE: (828) 251-2846 ♦ FAX: (828) 251-1144

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 37 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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 Sylva, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Burlison & Earley, P.A.
Certified Public Accountants
October 30, 2013

Town of Sylva, North Carolina Management's Discussion and Analysis

As management of the Town of Sylva (the Town), we offer readers of the Town of Sylva's financial statements this narrative overview and analysis of the financial activities of the Town of Sylva for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Sylva *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,945,525 (net position).
- The government's total net position increased by \$371,560. Revenues decreased by 16% and expenses decreased by 2% from the prior year. The revenue decrease is primarily due to a prior year special revenue item of a building exchange with Jackson County in fiscal year 2012.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$6,816,330, a *decrease* of \$718,149 in comparison with the prior year's increase of \$172,709. This decrease resulted from the closeout of the Police Department Renovation Project. Approximately 34 percent, or \$2,314,767, is available for spending at the government's discretion (**unassigned general fund balance**).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,314,767, or 86 percent of the total general fund expenditures for the fiscal year. The Town of Sylva's Cash Management Policy states that the Town will maintain at least a 40 percent unassigned fund balance. The Town's general fund balance increased by \$329,350 compared to \$36,521 last year.
- Total long-term debt of \$2,102,921 decreased by \$160,461 from the previous year. This decrease resulted from repayments of a borrowing to purchase a new fire department ladder truck and the loan for the fire department renovation project, and net of increases in the liabilities for postemployment benefits.
- Taxes remained at \$.30 per \$100.

Overview of the Financial Statements

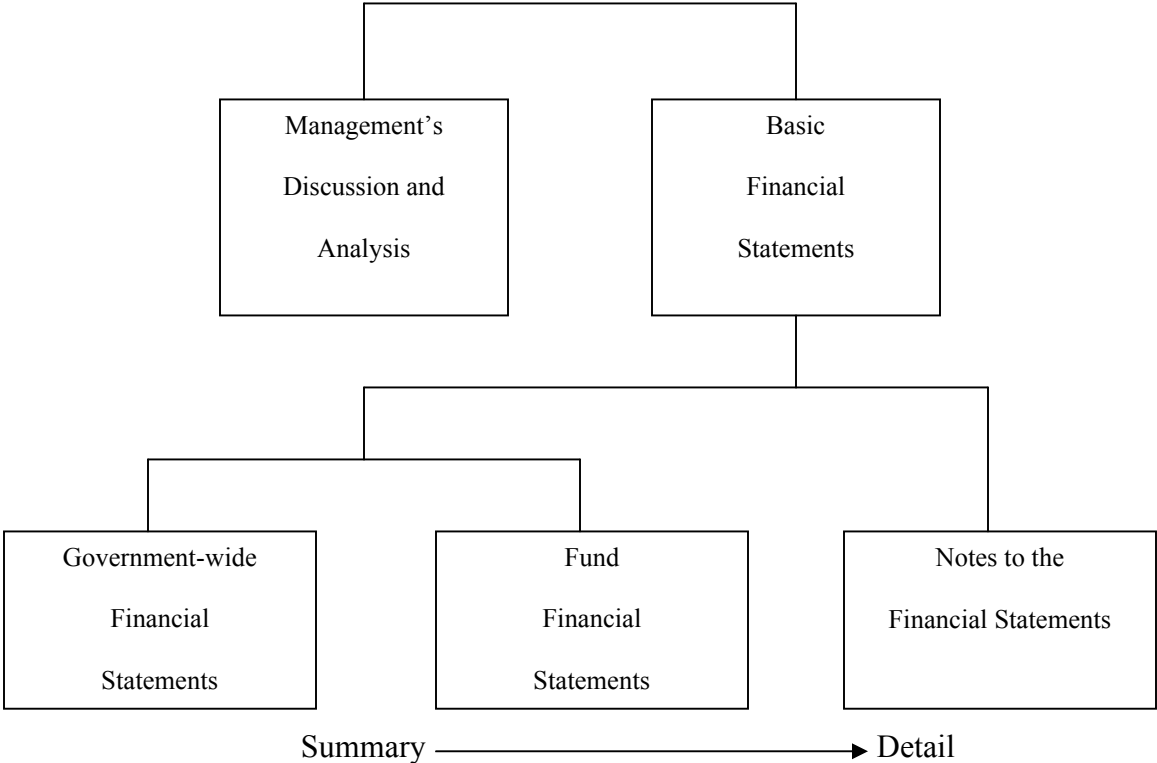
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

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 Sylva.

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 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. The governmental funds statements and the budgetary comparison statements are the two parts to the Fund Financial 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 (Exhibits 1 and 2) report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and its total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two types of categories:

Governmental activities - The governmental activities include most of the Town's basic services such as public safety, streets, sanitation and recreation. Property taxes and state revenues, such as local option sales taxes, finance most of these activities.

Component unit - Although legally separate from the Town, the Sylva ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the ABC Board is required to distribute a portion of its profits to the Town of Sylva and Jackson County.

Fund Financial Statements

The fund financial statements (Exhibits 3 through 6) 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, 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 Town's funds can be divided into governmental 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town 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.

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 18-36 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report, followed by other supplementary information.

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

Government-Wide Financial Analysis

**The Town of Sylva’s Net Position
Figure 2**

	Government Activities		Total	
	2013	2012	\$ Change	% Change
Current assets	\$ 6,969,540	\$ 7,723,001	\$ (753,461)	-10%
Noncurrent assets	8,155,667	7,221,859	933,808	13%
Total assets	15,125,207	14,944,860	180,347	1%
Deferred outflows of resources	-	-	-	-
Long-term liabilities outstanding	1,922,863	2,083,324	(160,461)	-8%
Other liabilities	247,426	281,876	(34,450)	-12%
Total liabilities	2,170,289	2,365,200	(194,911)	-8%
Deferred inflows of resources	9,393	5,695	3,698	65%
Net position:				
Net investment in capital assets	6,267,166	5,136,681	1,130,485	22%
Restricted	2,116,301	3,269,969	(1,153,668)	-35%
Unrestricted	4,562,058	4,167,315	394,743	9%
Total net position	\$ 12,945,525	\$ 12,573,965	\$ 371,560	3%

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources

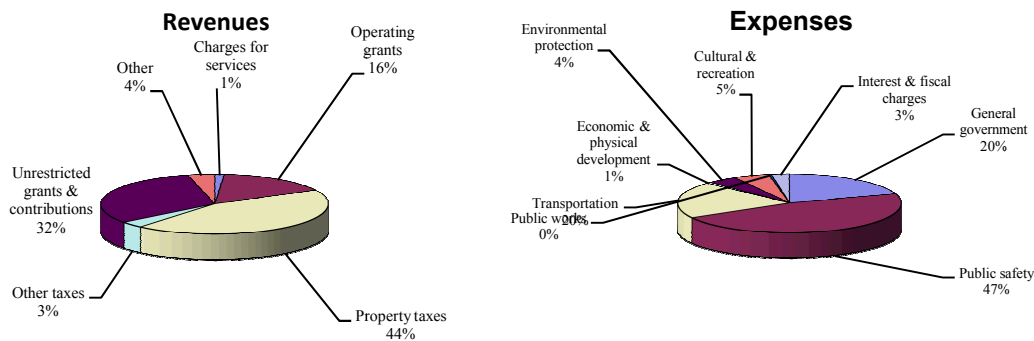
by \$12,945,525 as of June 30, 2013. The Town's net position *increased* by \$371,560 for the fiscal year ended June 30, 2013. The largest portion of net position, (48%) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva's net 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. The second largest portion (35%) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$2,116,301, (17%), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 10 percent on unrestricted net position. This gain was primarily a result of the Police Department Renovation Project being closed out and long term liabilities decreasing due to refinancing of the fire department loan.

Town of Sylva Changes in Net Position

Figure 3

	Government Activities		Total	
	2013	2012	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 39,132	\$ 29,070	\$ 10,062	35%
Operating grants and contributions	488,943	564,085	(75,142)	-13%
Capital grants and contributions	-	500	(500)	-100%
General Revenues:				
Property taxes	1,302,240	1,325,103	(22,863)	-2%
Other taxes	99,926	69,343	30,583	44%
Grants and contributions not restricted to specific programs	940,368	988,983	(48,615)	-5%
Other	112,862	(44,890)	157,752	-351%
Special Items	-	624,027	(624,027)	-100%
Total Revenues	2,983,471	3,556,221	(572,750)	-16%
Expenses:				
General government	519,424	577,736	(58,312)	-10%
Public safety	1,224,673	1,313,197	(88,524)	-7%
Transportation	524,940	499,342	25,598	5%
Economic and physical development	15,808	14,564	1,244	9%
Environmental protection	115,785	122,072	(6,287)	-5%
Cultural and recreation	134,502	69,028	65,474	95%
Public works	9,828	9,578	250	3%
Interest and fiscal charges	66,951	74,947	(7,996)	-11%
Total Expenses	2,611,911	2,680,464	(68,553)	-3%
Change in net position	371,560	875,757	(504,197)	-58%
Net position, July 1	12,573,965	11,698,208	875,757	7%
Net position, June 30	\$ 12,945,525	\$ 12,573,965	\$ 371,560	3%



Governmental activities: Governmental activities increased the Town’s net position by \$371,560 thereby accounting for 3 percent growth in the net position of the Town of Sylva. Contributing to net position growth was a decrease in long-term liabilities due to refinancing the Fire Department Renovation Loan and an increase in total assets due to additional capital purchases.

Financial Analysis of the Town’s Funds

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

Governmental Funds – The focus of the Town’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’s financing requirements. Specifically, unassigned 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. At the end of the current fiscal year, fund balance available in the General Fund was \$2,314,767, while total fund balance reached \$3,194,800. As a measure of the general fund’s liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 86% of total General Fund expenditures.

At June 30, 2013, the governmental funds of Town of Sylva reported a combined fund balance of \$6,816,330, a 10% decrease from last year. This decrease is primarily from the renovations to the old public library for use as the new police station. Since a healthy fund balance helps to avoid cash flow interruptions, reduces the need for short-term borrowing and provides a financial buffer for emergencies or unforeseen events, the Town’s Reserve Policy requires that the Town will maintain an unassigned fund of at least forty percent (40%) of the general operating budget. In addition a target goal has been established for the Town; this goal sets forth that the Town maintain an average available fund balance equal to other units similar in size.

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.

The Town of Sylva estimates revenues, especially intergovernmental revenues, with a conservative approach due to their volatile nature. Several General Fund revenues proved to be greater than originally budgeted. The most notable increase came from Franchise Tax, ABC Profit Distribution and Local Option Sales Tax. Total General Fund expenditures came in 9 percent under the original budget. All departments realized a savings in

their budget at year end. These savings in expenditures proved to be a major factor in fund balance growth at year end.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2013, totals \$8,130,667 (net of accumulated depreciation). These assets include land, construction in progress, buildings, other improvements, infrastructure, equipment, and vehicles.

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

- Completed renovations of the old library building as the new location of the police department.
- Purchase of 5 vehicles.
- Painting of town hall.
- Purchase of a used water truck for the fire department.
- Paving the training ground for the fire department.
- Purchase of a new mower and an edger for the street department.

**Town of Sylva’s Capital Assets
(net of accumulated depreciation)
Figure 4**

	Government Activities		Total	
	2013	2012	\$ Change	% Change
Land	\$ 2,105,181	\$ 1,316,749	\$ 788,432	59.88%
Construction in progress	-	831,328	(831,328)	-100.00%
Buildings	3,404,865	2,484,379	920,486	37.05%
Other improvements	135,600	148,804	(13,204)	-8.87%
Computer equipment	-	1,742	(1,742)	-100.00%
Equipment	26,608	68,712	(42,104)	-61.28%
Vehicles and motorized equipment	1,013,380	852,104	161,276	18.93%
Infrastructure	1,445,033	1,518,041	(73,008)	-4.81%
Total	\$ 8,130,667	\$ 7,221,859	\$ 908,808	12.58%

Additional information on the Town’s capital assets can be found on page 26 in notes to the Basic Financial Statements.

Long-term Debt

As of June 30, 2013, the Town of Sylva had a long-term debt outstanding of \$2,102,921. Of this, \$180,058 is due within one year and \$1,922,863 is due in subsequent years. Debt decreased from the previous year by 7 percent. This decrease resulted from net repayments of the loans for the ladder truck and the fire department renovation project, net of increases in the liabilities for postemployment benefits.

Additional information regarding the Town’s debt can be found starting on Page 33 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The current recovering economy continues to provide challenges for North Carolina and the Nation as a whole. Locally, the housing market and unemployment numbers are of concern. With an unstable, unpredictable, and sluggish economy, economic forecasting remains a challenge as well. Fortunately the Town of Sylva continues

to provide efficient, effective and high quality services at the same level its taxpayers have come to expect without raising the tax rate. This has been accomplished through conservative budgeting, maintaining a sufficient fund balance, and keeping debt to a minimal level.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities:

The Town of Sylva has approved a \$3,178,753 budget for fiscal year 2014, which represents a 9% percent increase from the 2013 final budget. The increase is due in part to an installment purchase for a new pumper truck in the Fire Department.

Revenues:

- The tax rate remained at 30 cents per \$100 valuation. This is the tenth year in a row that the governing body has either held the line on the tax rate or actually reduced it. The levy on real property, vehicles, and personal property comprise 46 percent of the General Fund Revenues. The amount of value subject to levy is \$422,568,105 which is a slight increase of less than 1 percent from the 2012 fiscal year estimated levy. Most of this anticipated gain is from an increase in real property values as a result of new construction.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, and Telecommunication, as well as Powell Bill for street maintenance make up a significant part of the General Fund budget. Due to the unstable economic conditions, minimal, flat and no growth was used to estimate revenues for fiscal year end 2014. This conservative approach combined with mid-year actual comparisons led to a \$49,000 increase from the 2013 fiscal year budget, with the greatest increase anticipated in Franchise Tax on Power.
- A significant revenue decrease is anticipated in the ABC Profit Distributions due to Jackson County's creation of a separate ABC Board for county alcohol sales.
- A noteworthy decrease of revenue resulted in the elimination of video gaming sweepstakes by the State.
- General Fund Investment earnings once again are projected to be very minimal. With interest rates remaining at less than .25 percent annual yield.

Expenditures:

- Town employees received a 2.1 percent cost of living raise. This increase equals to the Consumer Price Index for our area. Due to a proposed rate of increase of 19.5% by the NCLM, the Town switched to a high deductible insurance plan with Blue Cross Blue Shield. By changing health insurance providers, raising the deductible, and funding a Health Savings Account of \$1,600 for employees and retirees, the Town realized a savings of approximately \$60,000. Dental and Life Insurance premiums remained the same. The Town continues to pay these benefits for all full time employees. The Town also continues to match employee contributions to the 401K plan up to 5 percent of their wages. The Local Government Employees' Retirement System (LGERS) rates decreased slightly for Law Enforcement Officers. As a result of House Bill 4, the Town will now be required to maintain a 1 percent reserve in unemployment insurance. The Town continues to set

money aside to prefund retiree health insurance. This money is accounted for in the General Fund and has not been invested in a legally binding trust account.

- Capital equipment expenditures included two new police vehicles, a F-150 truck for public works and a new pumper truck for the Fire Department. Additionally, \$65,000 has been earmarked for the future purchase of a knuckle boom truck.
- The 2013-2014 Budget will reduce the available Fund Balance by \$109,830 compared to the prior year's budgeted appropriation of \$107,427. This Fund Balance reduction will bring the available Fund Balance to 69% of expenditures. The Town's Fund Balance policy is that the Town must maintain a 40% fund balance to expenditures with a goal set to maintain the average of other Town's our size which is currently 69%. Fund balances will continue to be monitored to ensure adequate cash flow and to have funds available for unforeseen emergencies or economic down turns.

Requests for Information

This report is designed to provide a summary of the Town of Sylva'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:

Lynn Allen Bryant
Finance Officer
83 Allen Street
(828)586-2719
Sylva, NC 28779
lbryant@townofsylva.org

BASIC FINANCIAL STATEMENTS

Town of Sylva, North Carolina
Statement of Net Position
June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Town of Sylva</u> <u>ABC Board</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,319,929	\$ 643,700
Receivables (net)		
Taxes receivable	70,630	-
Accrued interest	13,344	-
Accounts	20,813	32
Due from other governments	86,137	-
Due from component unit	73,941	-
Inventories	-	226,486
Prepaid expenses	-	3,166
Real estate held for resale	52,435	-
Restricted cash and cash equivalents	332,311	-
Total current assets	<u>6,969,540</u>	<u>873,384</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2,101,541	-
Other capital assets, net of depreciation	6,029,126	207,750
Total capital assets	<u>8,130,667</u>	<u>207,750</u>
Notes receivable	25,000	-
Total noncurrent assets	<u>8,155,667</u>	<u>207,750</u>
Total assets	<u>15,125,207</u>	<u>1,081,134</u>
Deferred Outflows of Resources	-	-
Liabilities		
Current liabilities:		
Accounts payable	16,256	135,687
Accrued liabilities	51,112	133,924
Due to primary government	-	73,941
Current portion of long-term liabilities	180,058	-
	<u>247,426</u>	<u>343,552</u>
Long-term liabilities:		
Due in more than one year	1,922,863	-
Total liabilities	<u>2,170,289</u>	<u>343,552</u>
Deferred Inflows of Resources		
Prepaid taxes	8,920	-
Prepaid licenses	473	-
Total deferred inflows of resources	<u>9,393</u>	<u>-</u>
Net Position		
Net investment in capital assets	6,267,166	207,750
Restricted for:		
Capital projects	4,782	-
Economic development	262,475	-
Stabilization by state statute	160,413	-
Transportation (Powell Bill)	65,098	-
Capital reserves	267,213	-
Water quality	1,322,587	-
Bridge Park	33,733	-
Other purposes	-	229,715
Unrestricted	4,562,058	300,117
Total net position	<u>\$ 12,945,525</u>	<u>\$ 737,582</u>

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

Town of Sylva, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Town of Sylva ABC Board
Primary government:						
Governmental Activities:						
General government	\$ 519,424	\$ 21,001	\$ 32,536	\$ -	\$ (465,887)	\$ -
Public safety	1,224,673	11,189	340,419	-	(873,065)	-
Transportation	524,940	-	72,289	-	(452,651)	-
Economic and physical development	15,808	-	9,999	-	(5,809)	-
Environmental protection	115,785	1,684	-	-	(114,101)	-
Culture and recreation	134,502	5,258	33,700	-	(95,544)	-
Public works	9,828	-	-	-	(9,828)	-
Interest and fiscal charges	66,951	-	-	-	(66,951)	-
Total primary government	\$2,611,911	\$ 39,132	\$ 488,943	\$ -	\$ (2,083,836)	\$ -
Component unit:						
ABC Board	\$2,793,154	\$ 2,775,322	\$ -	\$ -		\$ (17,832)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					1,302,240	-
Other taxes and licenses					99,926	-
Grants and contributions not restricted to specific programs					940,368	-
Unrestricted investment earnings					13,313	1,304
Miscellaneous, unrestricted					69,462	-
Gain on disposal of assets					30,087	-
Total general revenues					2,455,396	1,304
Change in net position					371,560	(16,528)
Net position, beginning					12,573,965	754,110
Net position, ending					\$ 12,945,525	\$ 737,582

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Police Department Renovation Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,771,312	\$ -	\$ 3,317,095	\$ 231,522	\$ 6,319,929
Receivables, net:					
Taxes	70,630	-	-	-	70,630
Accounts	335	-	20,478	-	20,813
Due from other governments	86,137	-	-	-	86,137
Due from component funds	73,941	-	-	-	73,941
Real estate held for resale	-	-	-	52,435	52,435
Restricted cash and cash equivalents	332,311	-	-	-	332,311
Total current assets	<u>3,334,666</u>	<u>-</u>	<u>3,337,573</u>	<u>283,957</u>	<u>6,956,196</u>
Other assets					
Note receivable	-	-	-	25,000	25,000
Total assets	<u>\$ 3,334,666</u>	<u>\$ -</u>	<u>\$ 3,337,573</u>	<u>\$ 308,957</u>	<u>\$ 6,981,196</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 16,256	\$ -	\$ -	\$ -	\$ 16,256
Accrued liabilities	43,586	-	-	-	43,586
Total current liabilities	<u>59,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,842</u>
Longterm liabilities:					
Unearned revenue	-	-	-	25,000	25,000
Total liabilities	<u>59,842</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>84,842</u>
Deferred Inflows of Resources					
Property taxes receivable	70,630	-	-	-	70,630
Prepaid licenses	474	-	-	-	474
Prepaid taxes	8,920	-	-	-	8,920
Total deferred inflows of resources	<u>80,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,024</u>
Fund Balances					
Restricted for:					
Stabilization by state statute	160,413	-	-	-	160,413
Streets	65,098	-	-	-	65,098
Capital reserve for fire department	178,157	-	-	-	178,157
Capital reserve for general operations	89,056	-	-	-	89,056
Capital projects	-	-	-	4,782	4,782
Economic development	-	-	-	262,475	262,475
Water quality	-	-	1,322,587	-	1,322,587
Bridge Park	33,733	-	-	-	33,733
Committed					
Economic development	-	-	-	-	-
Conservation	-	-	1,979,536	-	1,979,536
Assigned					
Subsequent year's expenditures	109,830	-	35,450	16,700	161,980
Other postemployment benefits	209,044	-	-	-	209,044
LEO separation allowance	34,702	-	-	-	34,702
Unassigned	2,314,767	-	-	-	2,314,767
Total fund balances	<u>3,194,800</u>	<u>-</u>	<u>3,337,573</u>	<u>283,957</u>	<u>6,816,330</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,334,666</u>	<u>\$ -</u>	<u>\$ 3,337,573</u>	<u>\$ 308,957</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	8,130,667
Accrued interest receivable on ad volarem taxes receivable	13,344
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	70,630
Notes receivable	25,000
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Accrued interest on long-term debt	(7,526)
Long-term debt	(2,102,920)
Net position of governmental activities	<u>\$ 12,945,525</u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Police Department Renovation Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:					
Ad valorem taxes	\$ 1,309,107	\$ -	\$ -	\$ -	\$ 1,309,107
Other taxes and licenses	99,335	-	-	-	99,335
Unrestricted intergovernmental revenues	1,280,292	-	141	-	1,280,433
Restricted intergovernmental revenues	168,912	-	-	1,048	169,960
Permits and fees	16,447	-	-	-	16,447
Investment earnings	4,024	197	7,965	81	12,267
Miscellaneous	72,696	-	-	4,010	76,706
Total revenues	2,950,813	197	8,106	5,139	2,964,255
Expenditures:					
Current:					
General government	490,245	-	-	-	490,245
Public safety	1,335,437	947,286	-	-	2,282,723
Transportation	450,015	-	-	-	450,015
Economic and physical development	10,480	-	515	4,831	15,826
Environmental protection	111,278	-	-	-	111,278
Public works	9,828	-	-	-	9,828
Culture and recreation	58,623	-	-	-	58,623
Debt service:					
Principal	180,058	-	-	41,621	221,679
Interest and fees	51,788	-	-	17,478	69,266
Total expenditures	2,697,752	947,286	515	63,930	3,709,483
Revenues over (under) expenditures	253,061	(947,089)	7,591	(58,791)	(745,228)
Other financing sources (uses):					
Proceeds from sale of assets	14,579	-	-	12,500	27,079
Transfers from other funds	61,710	-	24,118	-	85,828
Transfers to other funds	-	(24,118)	-	(61,710)	(85,828)
Total other financing sources (uses)	76,289	(24,118)	24,118	(49,210)	27,079
Net change in fund balance	329,350	(971,207)	31,709	(108,001)	(718,149)
Fund balances					
Beginning of year, July 1	2,865,450	971,207	3,305,864	391,958	7,534,479
End of year, June 30	\$ 3,194,800	\$ -	\$ 3,337,573	\$ 283,957	\$ 6,816,330

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

Town of Sylva, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2013

Exhibit 5

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

Net changes in fund balances - governmental fund	\$ (718,149)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	1,238,990
Depreciation expense for governmental assets	(308,192)

Cost of capital assets disposed of during the year, not recognized on the modified accrual basis	(21,998)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:

Repayment of long-term debt	221,679
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable	(4,884)
Change in unavailable revenue for tax revenues	(1,984)
Change in unearned revenue	25,000

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

Compensated absences	(8,716)
Net pension obligation	878
OPEB liability	(53,379)
Accrued interest payable	2,315

Total change in net position of governmental activities	\$ 371,560
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The accompanying notes are an integral part of the financial statements.

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2013

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,248,900	\$ 1,257,100	\$ 1,309,107	\$ 52,007
Other tax and licenses	91,800	96,800	99,335	2,535
Unrestricted intergovernmental revenues	1,251,390	1,195,422	1,280,292	84,870
Restricted intergovernmental revenues	163,610	126,210	168,912	42,702
Permits and fees	21,975	13,775	16,447	2,672
Investment earnings	1,684	1,684	3,783	2,099
Miscellaneous	14,500	11,700	33,079	21,379
Total revenues	<u>2,793,859</u>	<u>2,702,691</u>	<u>2,910,955</u>	<u>208,264</u>
Expenditures:				
General government	605,710	567,018	490,245	76,773
Public safety	1,314,261	1,479,263	1,335,437	143,826
Transportation	509,900	511,358	450,015	61,343
Economic and physical development	12,850	12,850	10,480	2,370
Environmental protection	127,500	128,183	111,278	16,905
Public works	9,850	9,850	9,828	22
Culture and recreation	63,250	78,250	58,623	19,627
Debt service:				
Principal	180,075	180,075	180,058	17
Interest and fees	73,390	51,830	51,788	42
Total expenditures	<u>2,896,786</u>	<u>3,018,677</u>	<u>2,697,752</u>	<u>320,925</u>
Revenues over (under) expenditures	(102,927)	(315,986)	213,203	529,189
Other financing sources (uses):				
Proceeds from sale of assets	5,000	10,000	14,579	4,579
Loan proceeds	-	-	-	-
Transfers from other funds	80,000	167,000	167,000	-
Transfers to other funds	(65,000)	(152,000)	(57,184)	94,816
Appropriated fund balance	82,927	290,986	-	(290,986)
Total other financing sources (uses):	<u>102,927</u>	<u>315,986</u>	<u>124,395</u>	<u>(191,591)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	337,598	<u>\$ 337,598</u>
Fund balances				
Beginning of year, July 1, as corrected			<u>2,589,990</u>	
End of year, June 30			<u>\$ 2,927,588</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			240	
Miscellaneous revenue			39,617	
Transfers to the general fund			(152,000)	
Transfers from the general fund			<u>103,895</u>	
			<u>(8,248)</u>	
Fund balance, beginning, as corrected			<u>275,460</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 3,194,800</u>	

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

Fisher Creek

Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	141	141
-	-	-	-
-	-	-	-
18,000	5,000	7,965	2,965
-	-	-	-
<u>18,000</u>	<u>5,000</u>	<u>8,106</u>	<u>3,106</u>
-	-	-	-
-	-	-	-
-	-	-	-
32,000	9,000	515	8,485
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>32,000</u>	<u>9,000</u>	<u>515</u>	<u>8,485</u>
(14,000)	(4,000)	7,591	11,591
14,000	4,000	24,118	24,118
-	-	-	(4,000)
<u>14,000</u>	<u>4,000</u>	<u>24,118</u>	<u>20,118</u>
<u>\$ -</u>	<u>\$ -</u>	31,709	<u>\$ 31,709</u>
		<u>3,305,864</u>	
		<u>\$ 3,337,573</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a five-member board of commissioners. 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 statement in order to emphasize that it is legally separate from the Town.

Town of Sylva 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 and Jackson County. 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 office located at Town of Sylva ABC Board, 50-D West Main Street, Sylva, N.C., 28779.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, transportation, and general government services. The Town also has two separate capital reserve funds that are consolidated with the general fund in accordance with the guidance of GASB 54.

Police Department Renovation Fund. The fund was established to account for the financial resources to be used for the renovation of the old library building contributed by Jackson County into the new police department.

Fisher Creek Special Revenue Fund. This fund was established to account for revenues and expenses associated with the conservation easement for the Fisher Creek Watershed Property.

The Town reports the following non-major governmental funds:

Fire Department Renovation Fund. The fund was established to account for the financial resources to be used for the renovation of the Fire Department.

Signage Fund. The fund was established to account for the financial resources to be used for the installation of way finding and information signage in downtown Sylva.

Revolving Loan Special Revenue Fund. This fund was established to provide low interest loans to businesses that will in turn, generate employment and economic growth. The fund was established with moneys from the Urban Development Assistance Grant (UDAG) Special Revenue Fund. The fund sustains itself through the repayment of the loans and interest.

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

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

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 accrued vacation, 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 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, Jackson 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 Sylva. 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 Jackson County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General fund, the Revolving Loan Special Revenue fund, and the Fisher Creek Special Revenue fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all other project specific Special Revenue and Capital Project Funds. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The governing board must approve any revision of the original budget. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 saving 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio's are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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

Restricted Cash: The restricted cash and cash equivalents in the Governmental Funds represents the balance of proceeds available under the loan agreement to finance the renovations at the fire department. Investment earnings are payable to the Town. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S 136-41.1 through 136-41.4.

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012.

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 and Prepaid Expenses: The inventories of the ABC Board are valued at the lower of cost (first-in, first-out) or market, which consists of merchandise held for resale. The cost of these inventories is expensed when consumed rather than when purchased.

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

Capital Assets: Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. It is the policy of the Town to capitalize all capital assets costing more than \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Building	50 years
Other improvements	10-20 years
Equipment	5-15 years
Vehicles and motorized equipment	5-15 years
Infrastructure	20-50 years

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

Asset Class	Estimated Useful Lives
Buildings	20 years
Equipment	3-10 years
Leasehold improvements	10 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, prepaid licenses and property taxes receivable.

Long-Term Obligations: In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Compensated Absences: The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The ABC Board’s vacation policy provides for accumulation of up to two weeks of vacation each year; however, any unused vacation accrued at December 31 each year may not be carried over and is canceled. For the Town’s government-wide statements an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated time, assuming that employees are taking leave time as it is earned.

The Town’s sick leave policy provides for an unlimited accumulation of earned sick leave and the ABC Board’s policy provides for accumulation of up to thirty (30) days. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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

The governmental fund types classify fund balances as follows:

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

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

 Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute (G.S. 159-8(a)).

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

 Restricted for Capital Reserve for Fire Department – the portion of fund balance restricted by the Board for the fire department capital needs.

 Restricted for Capital Reserve for General Operations – the portion of fund balance restricted by the Board for Town capital needs.

 Restricted for Economic Development – the portion of fund balance restricted for economic development. This amount is in the Revolving Loan Fund.

 Restricted for water quality – Fisher Creek – portion of fund balance that is restricted for water quality related to the Fisher Creek conservation easement. This amount represents 40% of the initial grant less expenditures up to year end.

 Restricted for capital projects – portion of fund balance that is restricted by revenue source for capital projects.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

 Committed for Economic Development – the portion of fund balance assigned by the Board for economic development.

 Committed for conservation – the portion of fund balance received for the conservation easement at Fisher Creek.

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes.

 Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations; however the budget ordinance authorizes the manager to modify the appropriations between objects of expenditures within a department without limitations. The

authority also permits the transfer of amounts up to \$2,000 between departments with an official report provided to the board at their next meeting.

Other postemployment benefits – portion of fund balance that is appropriated for other postemployment benefits for retirees.

LEO separation allowance – portion of fund balance that is appropriated for law enforcement officers' special separation allowance.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. In addition, the Town has set a target goal of maintaining an average available fund balance for similar sized municipalities. Once this goal is met the Board may transfer funds to the general fund capital reserve.

Note 2 – Detail Notes on All Funds

A. Assets

Deposits

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

On June 30, 2013, the Town's deposits had a carrying amount of \$5,366,070 and a bank balance of \$5,378,514. Of this balance, \$1,000,000 was covered by federal depository insurance and \$4,378,514 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2013. The ABC Board's deposits had a carrying amount of \$641,500 and a bank balance of \$619,046. All of this balance was covered by the federal depository insurance. The ABC Board also has cash on hand of \$2,200 at June 30, 2013.

Investments

At June 30, 2013, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 335,299	N/A	AAAm
NC Capital Management Trust – Term Portfolio	<u>950,869</u>	.23 years	Unrated
Total:	<u>\$ 1,286,168</u>		

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Receivables – Allowances for Doubtful Accounts

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

	<u>June 30, 2013</u>
General Fund - Taxes receivable	<u>\$ 36,500</u>

Note Receivable

A note receivable representing a loan made to one company from Urban Development Action Grant revenues went into default during the 2012 year. The receivable was collateralized by a deed of trust on the Company's property and by a security interest in machinery, equipment, furniture and fixtures acquired for use in the business. The Town and Jackson County had equal interest in the collateral. Foreclosure occurred against the collateral in January 2012.

On February 14, 2013, the Town and County sold the collateral assets, excluding the land, to Balsam West Fibernet, LLC for a cash downpayment of \$25,000 and a promissory note of \$50,000. The terms of the note provide for sixty monthly payments of \$833, beginning February 14, 2018. The Town's share is 50% of the proceeds of the sale. The Town received \$12,500 of the down payment and has recorded a long-term note receivable for \$25,000. In the fund financial statements, the Town recognizes the cash received as income. Future payments on the note will be recognized as revenue when they are received. In the government-wide statement of activities the Town has recognized a gain on sale of assets of \$37,500.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,316,749	\$ 796,940	\$ 8,508	\$ 2,105,181
Construction in progress	831,328	950,927	1,782,255	-
Total capital assets not being depreciated	<u>2,148,077</u>	<u>1,747,867</u>	<u>1,790,763</u>	<u>2,105,181</u>
Capital Assets Being Depreciated:				
Buildings	3,211,335	981,677	-	4,193,012
Other improvements	526,749	14,625	-	541,374
Computer Equipment	44,865	-	36,700	8,165
Equipment	245,466	23,941	26,797	242,610
Vehicles and motorized equipment	2,288,406	235,858	55,926	2,468,338
Infrastructure	2,598,119	17,280	-	2,615,399
Total capital assets being depreciated	<u>8,914,940</u>	<u>1,273,381</u>	<u>119,423</u>	<u>10,068,898</u>
Less Accumulated Depreciation For:				
Buildings	726,956	61,191	-	788,147
Other improvements	377,945	27,829	-	405,774
Computer Equipment	43,343	-	35,178	8,165
Equipment	176,534	58,435	18,967	216,002
Vehicles and motorized equipment	1,436,302	70,449	51,793	1,454,958
Infrastructure	1,080,078	90,288	-	1,170,366
Total accumulated depreciation	<u>3,841,158</u>	<u>308,192</u>	<u>105,938</u>	<u>4,043,412</u>
Total capital assets being depreciated, net	<u>5,073,782</u>			<u>6,025,486</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,221,859</u>			<u>\$ 8,130,667</u>

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

General government	\$ 76,138
Public safety	91,585
Transportation	126,082
Environmental protection	4,507
Culture and recreation	9,880
Total depreciation expense	<u>\$ 308,192</u>

Component Unit:

The capital assets of the ABC Board for the year ended June 30, 2013 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 12,301	\$ -	\$ -	\$ 12,301
Total capital assets not being depreciated	<u>12,301</u>	<u>-</u>	<u>-</u>	<u>12,301</u>
Capital Assets Being Depreciated:				
Buildings	288,800	-	-	288,800
Equipment	86,556	-	-	86,556
Leasehold Improvements	19,634	-	-	19,634
Total capital assets being depreciated	<u>394,990</u>	<u>-</u>	<u>-</u>	<u>394,990</u>
Less accumulated depreciation for:				
Buildings	129,399	8,057	-	137,456
Equipment	45,097	10,088	-	55,185
Leasehold Improvements	5,257	1,643	-	6,900
Total accumulated depreciation	<u>179,753</u>	<u>19,788</u>	<u>-</u>	<u>199,541</u>
Total capital assets being depreciated, net	<u>215,237</u>	<u>(19,788)</u>	<u>-</u>	<u>195,449</u>
ABC Board Capital Assets, Net	<u>\$ 227,538</u>			<u>\$ 207,750</u>

B. Liabilities**Pension Plan Obligations****Local Governmental Employees' Retirement System**

Plan Description. The Town and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries.

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74% of annual covered payroll. The contribution requirements of members

and of the Town 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, 2013, 2012, and 2011 were \$60,179, \$106,683, and \$102,595, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$14,123, \$15,664, and \$14,290, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Sylva 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, 2012, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>15</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 of basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenditures are paid as they come due.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. For the current year, the Town paid no benefits. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-retirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The Town’s annual pension cost and net pension obligation to the separation allowance for the current year were as follows:

Annual required contribution	\$ 22,563
Interest on net pension obligation	(242)
Adjustment to annual required contribution	301
Annual pension cost	<u>22,622</u>
Contributions made	<u>23,500</u>
Increase (decrease) in net pension obligation	(878)
Net pension obligation beginning of year	<u>(4,831)</u>
Net pension obligation end of year	<u><u>\$ (5,709)</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 20,883	123.19%	\$ 155
2012	\$ 18,514	126.93%	\$ (4,831)
2013	\$ 22,622	103.88%	\$ (5,709)

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 13.61 percent funded. The actuarial accrued liability for benefits was \$232,061, and the actuarial value of assets was \$31,580, which are designated monies in the general fund, resulting in an unfunded actuarial accrued liability (UAAL) of \$200,481.

The covered payroll (annual payroll of active employees covered by the plan) was \$510,119, and the ratio of the UAAL to the covered payroll was 39.30 percent.

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

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 28699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$30,869, which consisted of \$25,327 from the Town and \$5,542 from the law enforcement officers.

Firemen's and Rescue Squad Workers' Pension Fund

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

Funding Policy. The state, a non-employer contributor, funds the plan through appropriations. The Town contributes \$10 per month for each member of the fire department. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Defined Contribution 401(k) Plan

The Town contributes to a defined contribution 401(k) plan, in which the Town has pledged to match, as funds are available, 100% of non-law enforcement employee contributions. For the year ended June 30, 2013, total contributions were \$38,607, which consisted of \$19,273 from the Town and \$19,334 from the non-law enforcement employees.

Other Postemployment Benefits

Healthcare Benefits

Plan Description. In addition to providing pension benefits, the Town has elected to provide healthcare benefits to retirees of the Town. The plan provides postemployment healthcare benefits to retirees of the Town provided they are 60 years of age (or age 55 for law enforcement officers) and have at least 10 years of continuous service with the Town or have at least 30 years of continuous service to the Town at any age. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town management may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on a modified accrual basis of accounting. These expenditures are paid as they come due. For the fiscal year ended June 30, 2013, the Town made payments for post-retirement health benefit premiums of \$35,687. No funds have been set aside in a legally binding trust account. However, the Town has money assigned within their fund balance for this purpose. The assigned amount exceeds the obligation by \$49,828 at June 30, 2013.

Annual OPEB Cost and Net Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual retirement contribution of the employer* (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components to the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 85,641
Interest on net OPEB obligation	3,425
Annual OPEB cost (expense)	<u>89,066</u>
Contributions made	<u>(35,687)</u>
Increase in net OPEB obligation	53,379
Net OPEB obligation, beginning of year	<u>105,837</u>
Net OPEB obligation, end of year	<u><u>\$ 159,216</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 71,981	44.77%	\$ 80,876
2012	\$ 66,336	62.37%	\$ 105,837
2013	\$ 89,066	40.07%	\$ 159,216

Fund Status and Funding Progress. As of December 31, 2012, the actuarial accrued liability for benefits was \$469,522, all of which were unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$966,976, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 48.56 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial liabilities for benefits.

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

The following simplifying assumptions were made:

Retirement Age for Active Employees. Based on the historical average retirement age for the covered group, active general plan members were assumed to retire at age 60 and active law enforcement officers plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Marital Status. Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality. Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Table for Males and for Females were used.

Turnover. Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health Insurance Premiums. The 2012 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate. The expected long-term payroll growth rate was assumed to be two percent.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of four percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized over working years. The remaining amortization period at June 30, 2013, was 30 years.

Other Employment Benefits

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

Deferred Inflows of Resources

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

	Deferred Inflows of Resources
Property taxes receivable	\$ 70,630
Prepaid licenses	474
Prepaid taxes	8,920
	<u>\$ 80,024</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss. There have been no significant reductions in insurance coverage during the year. The Town of Sylva 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 commercial property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage.

The Town carried flood insurance with an annual aggregate limit of \$500,000, excluding the police station and town hall.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The ABC Board, in accordance with G.S. 18B-700(i), provides bond coverage for each board member and the employees designated as general manager and the finance officer in the amount of \$50,000.

Long-Term Obligations

Installment Purchases – In May 2009, the Town entered into a \$2,131,114 installment purchase contract with Branch Banking and Trust Company (BB&T) to finance the acquisition and construction of a Fire Department facility expansion. The financing contract requires semi-annual principal payments of \$71,037 that began in fiscal year 2010. On March 26, 2013, the Town modified the interest rate on this loan, reducing it from 3.89% to 2.49% for the remaining term. The note is collateralized by a deed of trust. On February 16, 2009, the Town entered into an inter-local cooperation agreement with Jackson County (the "County") for the renovation, expansion and financing of improvements at the Sylva fire station. The County contracts and agrees to make an annual appropriation from its annual budget to the Town in an amount sufficient to fund the principal and interest payments on the installment purchase contract related to the Fire department facility expansion.

In January 2012, the Town entered into a \$379,840 installment purchase contract with Branch Banking and Trust Company (BB&T) to finance the purchase of a ladder truck for the fire department. The financing contract requires semi-annual principal payments of \$18,992. Interest is also payable semi-annually at a rate of 2.27%. The note is collateralized by the ladder truck

The future minimum payments of all installment purchase contracts as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 180,058	\$ 44,538
2015	180,058	40,138
2016	180,058	35,738
2017	180,058	31,338
2018	180,058	26,938
2019-2023	862,307	68,909
2024-2025	100,904	1,618
Total installment purchase payments	<u>\$ 1,863,501</u>	<u>\$ 249,217</u>

At June 30, 2013, the Town had an approximate legal debt margin of \$34.3 million.

Changes in Long-Term Liabilities

	Beginning Balances	Increase	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Installment purchase contracts	\$ 2,085,179	\$ -	\$ 221,678	\$ 1,863,501	\$ 180,058
Compensated absences	77,197	50,784	42,068	85,913	-
Net pension obligation	(4,831)	22,622	23,500	(5,709)	-
Other postemployment benefits	105,837	89,066	35,687	159,216	-
	<u>\$ 2,263,382</u>	<u>\$ 162,472</u>	<u>\$ 322,933</u>	<u>\$ 2,102,921</u>	<u>\$ 180,058</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2013, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 8,130,667
Less capital debt	1,863,501
Capital assets, net of related debt	<u>\$ 6,267,166</u>

Interfund Balances and Activity

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

Transfers to/from other funds at June 30, 2013, consisted of the following:

From the Police Department Renovation Fund to the General Fund	<u>\$ 46,710</u>
From the Police Department Renovation Fund to the Fisher Creek Fund	<u>\$ 24,118</u>
From the Revolving Loan Fund to the General Fund	<u>\$ 15,000</u>

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

Fund Balance

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

Total Fund Balance - General Fund	\$ 3,194,800
Less:	
Stabilization by State Statute	160,413
Streets-Powell Bill	65,098
Appropriated Fund Balance in 2013 Budget	109,830
Capital reserve for fire department	178,157
Capital reserve for general operations	89,056
Other Postemployment Benefits	209,044
LEO Separation Allowance	34,702
Bridge Park	33,733
Fund Balance Policy	1,299,781
Remaining Fund Balance	<u>\$ 1,014,986</u>

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures.

Jointly Governed Organization

Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The state passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected

in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State's Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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.

Change in Accounting Principles

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Sylva, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Financial Data - Schedule of Funding Progress
Schedule of Employer Contributions and Notes to the Required Schedules

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2001	\$ -	\$ 135,530	\$ 135,530	0.00%	\$ 323,923	41.84%
12/31/2002	-	134,283	134,283	0.00%	332,759	40.35%
12/31/2003	-	133,764	133,764	0.00%	336,586	39.74%
12/31/2004	-	141,713	141,713	0.00%	341,815	41.46%
12/31/2005	6,085	131,239	125,154	4.64%	393,874	31.78%
12/31/2006	17,322	109,109	91,787	15.88%	432,482	21.22%
12/31/2007	20,594	158,412	137,818	13.00%	419,320	32.87%
12/31/2008	20,860	181,966	161,106	11.46%	461,176	34.93%
12/31/2009	25,648 *	198,879	173,231	12.90%	494,398	35.04%
12/31/2010	31,236 *	177,054	145,474	17.84%	470,169	30.94%
12/31/2011	31,580 *	226,131	192,981	14.66%	496,702	38.85%
12/31/2012	34,702 *	232,061	200,481	13.61%	510,119	39.30%

* Represents fund balance assigned in the General Fund.

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	20,883	123.19%
2012	18,514	126.93%
2013	22,622	103.88%

Notes to Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25-7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

Town of Sylva, North Carolina
Other Postemployment Benefits
Required Supplementary Financial Data - Schedule of Funding Progress and
Schedule of Employer Contributions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	-	441,716	441,716	0.00%	948,225	46.58%
12/31/2011	-	373,615	373,615	0.00%	999,440	37.38%
12/31/2012	-	469,522	469,522	0.00%	966,976	48.56%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	71,981	44.77%
2012	66,336	62.37%
2013	89,066	40.07%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,247,200	\$ 1,295,588	\$ 48,388
Penalties and interest	9,900	13,519	3,619
Total ad valorem taxes	<u>1,257,100</u>	<u>1,309,107</u>	<u>52,007</u>
Other taxes and licenses:			
Privilege licenses	<u>96,800</u>	<u>99,335</u>	<u>2,535</u>
Unrestricted intergovernmental revenues			
Local option sales tax	339,000	351,146	12,146
Excise tax on natural gas	5,000	10,313	5,313
Franchise tax	190,000	218,734	28,734
Beer and wine tax	11,500	10,909	(591)
Fire Department sales tax	7,500	9,226	1,726
Telecommunications sales tax	80,350	70,251	(10,099)
Cable franchise fees	18,000	16,600	(1,400)
Sales tax refund	9,975	12,369	2,394
Fire protection	306,805	321,754	14,949
Hold harmless	85,000	83,174	(1,826)
Solid waste disposal tax	1,700	1,684	(16)
ABC profit distribution	135,592	174,085	38,493
Substance tax distribution	5,000	47	(4,953)
Total	<u>1,195,422</u>	<u>1,280,292</u>	<u>84,870</u>
Restricted intergovernmental revenues			
Grants and contributions	25,660	57,709	32,049
ABC revenues for law enforcement	14,550	16,214	1,664
ABC revenues for education	18,000	22,700	4,700
Powell Bill allocation	68,000	72,289	4,289
Total	<u>126,210</u>	<u>168,912</u>	<u>42,702</u>

**Town of Sylva, North Carolina
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
Permits and fees			
Building permits	\$ 500	\$ 1,600	\$ 1,100
Recreation fees	5,275	5,258	(17)
Parking fines	8,000	9,589	1,589
Total	13,775	16,447	2,672
Investment earnings	1,684	3,783	2,099
Miscellaneous	11,700	33,079	21,379
Total revenues	2,702,691	2,910,955	208,264
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	25,350	24,891	459
Operating expenditures	81,783	53,920	27,863
Professional services	44,900	35,486	9,414
Total	152,033	114,297	37,736
Administration:			
Salaries and employees benefits	193,622	185,940	7,682
Operating expenditures	66,624	46,275	20,349
Capital outlay	24,366	24,363	3
Total	284,612	256,578	28,034
Main Street:			
Salaries and employee benefits	39,798	39,798	-
Operating benefits	35,475	26,201	9,274
Total	75,273	65,999	9,274
Facilities maintenance:			
Salaries and employee benefits	7,250	6,400	850
Operating benefits	33,225	32,346	879
Capital outlay	14,625	14,625	-
Total	55,100	53,371	1,729
Total general government	567,018	490,245	76,773

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Police:			
Salaries and employee benefits	\$ 852,265	\$ 814,062	\$ 38,203
Operating expenditures	192,649	141,449	51,200
Capital outlay	106,065	104,984	1,081
Total	<u>1,150,979</u>	<u>1,060,495</u>	<u>90,484</u>
Fire:			
Salaries and employee benefits	53,334	53,004	330
Operating expenditures	171,745	127,692	44,053
Capital outlay	103,205	94,246	8,959
Total	<u>328,284</u>	<u>274,942</u>	<u>53,342</u>
Total public safety	<u>1,479,263</u>	<u>1,335,437</u>	<u>143,826</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	265,608	253,601	12,007
Operating expenditures	191,256	142,928	48,328
Capital outlay	54,494	53,486	1,008
Total transportation	<u>511,358</u>	<u>450,015</u>	<u>61,343</u>
Economic and physical development:			
Operating expenditures	12,850	10,480	2,370
Total economic and physical development	<u>12,850</u>	<u>10,480</u>	<u>2,370</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Environmental protection:			
Sanitation:			
Salaries and employees benefits	\$ 84,182	\$ 79,885	\$ 4,297
Operating expenditures	44,001	31,393	12,608
Capital outlay	-	-	-
Total environmental protection	<u>128,183</u>	<u>111,278</u>	<u>16,905</u>
Public works:			
Cemetery:			
Contracted services	<u>9,850</u>	<u>9,828</u>	<u>22</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	24,200	21,143	3,057
Operating expenditures	49,050	32,480	16,570
Total	<u>73,250</u>	<u>53,623</u>	<u>19,627</u>
Libraries:			
Donation to County library	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total culture and recreation	<u>78,250</u>	<u>58,623</u>	<u>19,627</u>
Debt service:			
Principal	180,075	180,058	17
Interest and fees	51,830	51,788	42
Total debt service	<u>231,905</u>	<u>231,846</u>	<u>59</u>
Total expenditures	<u>3,018,677</u>	<u>2,697,752</u>	<u>320,925</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues over (under) expenditures	\$ (315,986)	\$ 213,203	\$ 529,189
Other financing sources (uses):			
Proceeds from sale of assets	10,000	14,579	4,579
Loan proceeds	-	-	-
Transfers from other funds	167,000	167,000	-
Transfers to other funds	-	(57,184)	(57,184)
Appropriated fund balance	138,986	-	(138,986)
Total	<u>315,986</u>	<u>124,395</u>	<u>(191,591)</u>
Net change in fund balance	<u>\$ -</u>	337,598	<u>\$ 337,598</u>
Fund balances:			
Beginning year, July 1, as originally reported		2,733,633	
Correction for prior year transfer from general fund to capital reserve not presented on this supplementary schedule			
Capital reserve		(65,000)	
Fire department capital reserve		(78,643)	
Beginning year, July 1, as corrected		<u>2,589,990</u>	
End of year, June 30		<u>\$ 2,927,588</u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 146	\$ 146
	-	146	146
Expenditures	-	-	-
Revenues over (under) expenditures	-	146	146
Other financing sources:			
Transfers to general fund	(65,000)	(65,000)	-
Appropriated fund balance	65,000	-	(65,000)
	-	-	-
Net change in fund balance	\$ -	(64,854)	\$ (64,854)
Fund balance:			
Beginning year, July 1, as originally reported		88,910	
Correction for prior year transfer from general fund to capital reserve not presented on this supplementary schedule		65,000	
Beginning year, July 1, as corrected		153,910	
End of year, June 30		\$ 89,056	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire Department Capital Reserve Fund
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 95	\$ 95
Grant reimbursement (FEMA-2007)	-	39,617	39,617
	<u>-</u>	<u>39,712</u>	<u>39,712</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>39,712</u>	<u>39,712</u>
Other financing sources:			
Transfers to general fund	(87,000)	(87,000)	-
Transfers from other funds	-	103,895	103,895
Appropriated fund balance	87,000	-	(87,000)
	<u>-</u>	<u>16,895</u>	<u>16,895</u>
Net change in fund balance	<u>\$ -</u>	<u>56,607</u>	<u>\$ 56,607</u>
Fund balance:			
Beginning year, July 1, as originally reported		42,907	
Correction for prior year transfer from general fund to capital reserve not presented on this supplementary schedule		78,643	
Beginning year, July 1, as corrected		<u>121,550</u>	
End of year, June 30		<u>\$ 178,157</u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Project Fund - Police Department Renovation Fund
For the Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Unrestricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	1,100	-	1,100	1,100
Investment earnings	-	95	197	292	292
Total revenues	-	1,195	197	1,392	1,392
Expenditures:					
Public Safety:					
Other		74	454	528	(528)
Construction	1,004,474	34,388	946,832	981,220	23,254
Total expenditures	1,004,474	34,462	947,286	981,748	22,726
Revenues under expenditures	(1,004,474)	(33,267)	(947,089)	(980,356)	24,118
Other financing sources (uses):					
Transfers from other funds	1,004,474	1,004,474	-	1,004,474	-
Transfers to other funds	-	-	(24,118)	(24,118)	(24,118)
Net change in fund balance	\$ -	\$ 971,207	(971,207)	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			971,207		
End of year, June 30			\$ -		

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	<u>Capital Projects</u>			Total Non-Major Governmental Funds
	Fire Department Renovation Fund	Signage Fund	Revolving Loan Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 4,782	\$ 226,740	\$ 231,522
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	-	-	-	-
Total current assets	-	4,782	279,175	283,957
Other assets				
Note receivable	-	-	25,000	25,000
Total assets	\$ -	\$ 4,782	\$ 304,175	\$ 308,957
Liabilities				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
Longterm liabilities:				
Unearned revenue	-	-	25,000	25,000
Total liabilities	-	-	25,000	25,000
Fund Balances				
Assigned				
Subsequent year's expenditures	-	-	16,700	16,700
Restricted for:				
Economic development	-	-	262,475	262,475
Capital projects	-	4,782	-	4,782
Total fund balances	-	4,782	279,175	283,957
Total liabilities and fund balances	\$ -	\$ 4,782	\$ 304,175	\$ 308,957

Town of Sylva, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2013

	<u>Capital Projects</u>			Total Non-Major Governmental
	Fire Department Renovation	Signage Fund	Revolving Loan Fund	
Revenues:				
Unrestricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	1,048	1,048
Investment earnings	75	6	-	81
Miscellaneous	4,004	-	6	4,010
Total revenues	<u>4,079</u>	<u>6</u>	<u>1,054</u>	<u>5,139</u>
Expenditures:				
Current:				
Economic and physical development	-	-	4,831	4,831
Debt service:				
Principal	41,621			41,621
Interest and fees	17,478			17,478
Total expenditures	<u>59,099</u>	<u>-</u>	<u>4,831</u>	<u>63,930</u>
Revenues over (under) expenditures	(55,020)	6	(3,777)	(58,791)
Other financing sources (uses):				
Proceeds of sale	-	-	12,500	12,500
Transfers to other funds	(46,710)		(15,000)	(61,710)
Total other financing sources (uses)	<u>(46,710)</u>	<u>-</u>	<u>(2,500)</u>	<u>(49,210)</u>
Net change in fund balance	(101,730)	6	(6,277)	(108,001)
Fund balances				
Beginning of year, July 1	<u>101,730</u>	<u>4,776</u>	<u>285,452</u>	<u>391,958</u>
End of year, June 30	<u>\$ -</u>	<u>\$ 4,782</u>	<u>\$ 279,175</u>	<u>\$ 283,957</u>

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Capital Project Fund - Fire Department Renovation Fund
For the Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Unrestricted intergovernmental	\$ -	\$ 31,171	\$ -	\$ 31,171	\$ 31,171
Investment earnings		3,022	75	3,097	3,097
Sales tax refund		-	4,004	4,004	4,004
Total revenues	-	34,193	4,079	38,272	38,272
Expenditures:					
Public Safety:					
Other		2,117	-	2,117	(2,117)
Construction	2,131,114	2,006,102	-	2,006,102	125,012
Total expenditures	2,131,114	2,008,219	-	2,008,219	122,895
Revenues under expenditures	(2,131,114)	(1,974,026)	4,079	(1,969,947)	161,167
Other financing sources (uses):					
Transfers to other funds		(55,358)	(105,809)	(161,167)	(161,167)
Installment purchase contracts	2,131,114	2,131,114		2,131,114	-
Total other financing sources (uses)	2,131,114	2,075,756	(105,809)	1,969,947	(161,167)
Net change in fund balance	\$ -	\$ 101,730	(101,730)	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			101,730		
End of year, June 30			\$ -		

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Capital Project Fund - Signage Fund Fund
For the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental	\$ 9,000	\$ 9,042	\$ -	\$ 9,042	\$ 42
Investment earnings		21	6	27	27
Total revenues	<u>9,000</u>	<u>9,063</u>	<u>6</u>	<u>9,069</u>	<u>69</u>
Expenditures:					
Directional signage	<u>9,000</u>	<u>4,287</u>	<u>-</u>	<u>4,287</u>	<u>4,713</u>
Revenues under expenditures	<u>-</u>	<u>4,776</u>	<u>6</u>	<u>4,782</u>	<u>4,782</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,776</u>	<u>6</u>	<u>\$ 4,782</u>	<u>\$ 4,782</u>
Fund balance:					
Beginning of year, July 1			<u>4,776</u>		
End of year, June 30			<u>\$ 4,782</u>		

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Revolving Loan Fund
For the Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 1,048	\$ 1,048
Miscellaneous		6	6
	-	1,054	1,054
Expenditures			
Economic development	10,000	4,831	(5,169)
Revenues over (under) expenditures	(10,000)	(3,777)	6,223
Other financing sources:			
Proceeds of sale	-	12,500	12,500
Transfers to other funds	(15,000)	(15,000)	-
Appropriated fund balance	25,000	-	(25,000)
Net change in fund balance	\$ -	(6,277)	\$ (6,277)
Fund balance:			
Beginning year, July 1		285,452	
End of year, June 30		\$ 279,175	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 1,285,483	\$ 1,237,223	\$ 48,260
2011-2012	53,856		34,972	18,884
2010-2011	18,682		7,698	10,984
2009-2010	6,564		2,995	3,569
2008-2009	6,615		1,011	5,604
2007-2008	9,981		426	9,555
2006-2007	3,913		421	3,492
2005-2006	2,158		165	1,993
2004-2005	2,693		62	2,631
2003-2004	2,196		38	2,158
2002-2003	1,956		1,956	-
	\$ 108,614	\$ 1,285,483	\$ 1,286,967	\$ 107,130
Less: allowance for uncollectible accounts - general fund				(36,500)
Ad valorem taxes receivable - net				\$ 70,630
 <u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,309,107
 <u>Reconciliation items</u>				
Amounts written off for tax year 2002-2003 per statute of limitations				1,956
Prior year levy under appeal				3,032
Rental vehicle tax				(12,705)
Prior year releases, refunds, and other adjustments				(904)
Subtotal				(8,621)
Less:				
Penalties and interest collected				(13,519)
Total collections and credits				\$ 1,286,967

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2013**

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at current year's rate	\$ 428,781,457	0.30	\$ 1,286,344	\$ 1,242,299	\$ 44,046
	<u>428,781,457</u>		<u>1,286,344</u>	<u>1,242,299</u>	<u>44,046</u>
Discoveries					
Prior year taxes	718,977	0.30	2,157	2,157	
	<u>718,977</u>		<u>2,157</u>	<u>2,157</u>	<u>-</u>
Abatements	<u>(1,006,007)</u>	0.30	<u>(3,018)</u>	<u>(1,482)</u>	<u>(1,536)</u>
Total property valuation	<u>\$ 428,494,427</u>				
Net levy			1,285,483	1,242,973	42,510
Uncollected taxes at June 30, 2012			<u>(48,260)</u>	<u>(41,185)</u>	<u>(7,075)</u>
Current year's taxes collected			<u>\$ 1,237,223</u>	<u>\$ 1,201,788</u>	<u>\$ 35,435</u>
Current levy collection percentage			<u>96.25%</u>	<u>96.69%</u>	<u>83.36%</u>