

**Financial Statements
For the Year Ended June 30, 2014**

Town of Sylva, North Carolina

Mayor

Maurice Moody

Board of Commissioners

Danny Allen

Mary Gelbaugh

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, 2014, 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.

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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, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds 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 on pages 3 - 11, 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
November 6, 2014

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, 2014. 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 \$13,244,575 (net position).
- The government's total net position increased by \$299,050. Revenues increased by 4% and expenses increased by 8% from the prior year. The revenue increase is primarily due to a merger between the Sylva ABC Store and the Jackson County ABC Store.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$7,415,782, an *increase* of \$599,452 in comparison with the prior year's decrease of \$718,149. This increase resulted from the final distribution from Sylva ABC Board and loan proceeds received in fiscal year 2014 for the purchase of a pumper truck for the fire department in fiscal year 2015. Approximately 34 percent, or \$2,544,863, 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 \$2,544,863, or 95 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 \$521,779 compared to \$329,350 last year.
- Total long-term debt of \$2,228,268 increased by \$125,348 from the previous year. This increase resulted from a new loan for the purchase of a fire department pumper truck, net of repayments of the loan for a fire department ladder truck and the loan for the fire department renovation project. There were increases in the liabilities for postemployment benefits.
- Taxes remained at \$.30 per \$100.

Overview of the Financial Statements

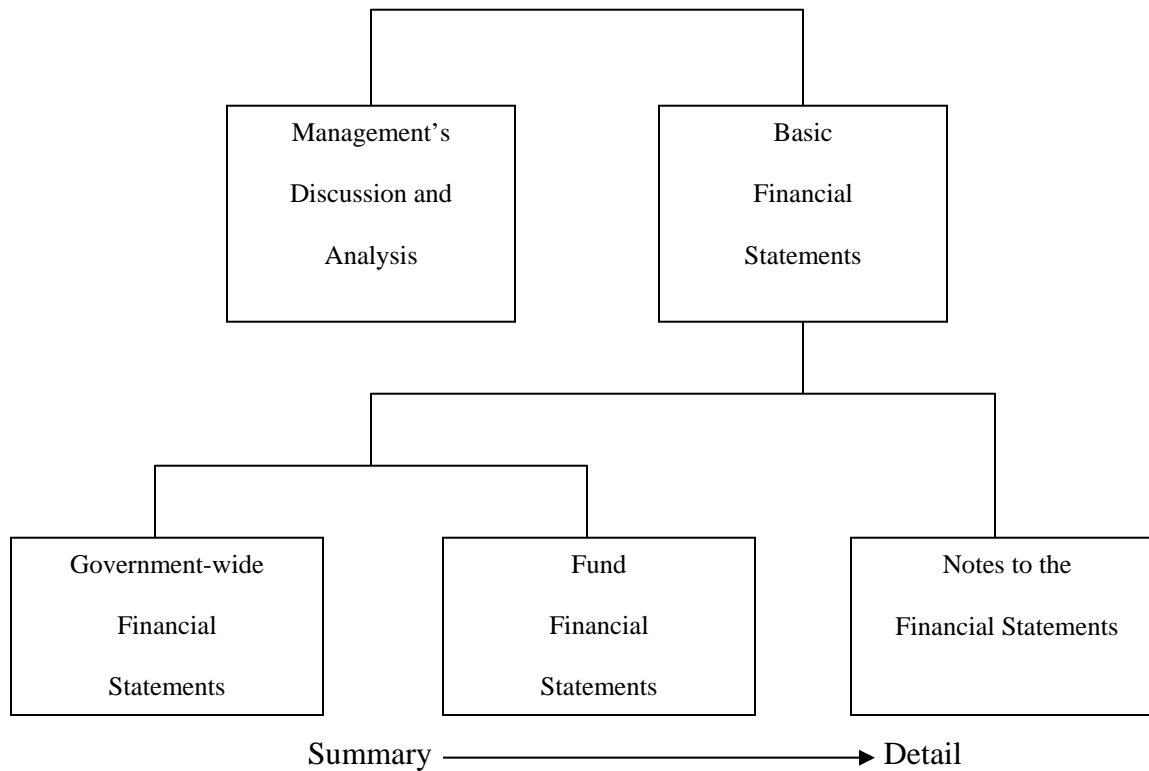
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

- 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, changes 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 19-37 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 38 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	
	2014	2013	\$ Change	% Change
Current assets	\$ 7,578,733	\$ 6,969,540	\$ 609,193	9%
Noncurrent assets	7,992,424	8,155,667	(163,243)	-2%
Total assets	15,571,157	15,125,207	445,950	3%
Deferred outflows of resources	-	-	-	-
Long-term liabilities outstanding	2,025,480	1,922,863	102,617	5%
Other liabilities	269,356	247,426	21,930	9%
Total liabilities	2,294,836	2,170,289	124,547	6%
Deferred inflows of resources	31,746	9,393	22,353	238%
Net position:				
Net investment in capital assets	6,283,983	6,267,166	16,817	0%
Restricted	2,284,016	2,116,301	167,715	8%
Unrestricted	4,676,576	4,562,058	114,518	3%
Total net position	\$ 13,244,575	\$ 12,945,525	\$ 299,050	2%

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

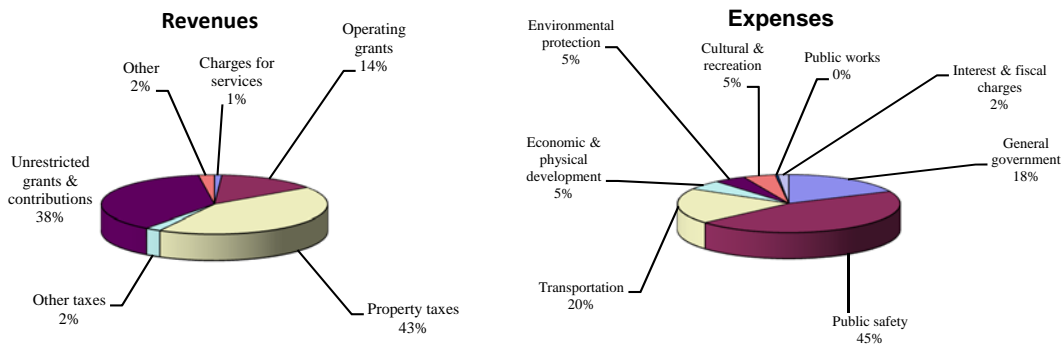
by \$13,244,575 as of June 30, 2014. The Town's net position *increased* by \$299,050 for the fiscal year ended June 30, 2014. The largest portion of net position, (47%) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles 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, \$2,284,016, (18%), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 2 percent on unrestricted net position. This gain was primarily a result of the merger of the Town of Sylva ABC Store with the Jackson County ABC Store.

Town of Sylva Changes in Net Position

Figure 3

	Government Activities		Total	
	2014	2013	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 32,704	\$ 39,132	\$ (6,428)	-16%
Operating grants and contributions	446,274	488,943	(42,669)	-9%
Capital grants and contributions	-	-	-	0%
General Revenues:				
Property taxes	1,328,335	1,302,240	26,095	2%
Other taxes	69,225	99,926	(30,701)	-31%
Grants and contributions not restricted to specific programs	1,169,239	940,368	228,871	24%
Other	71,087	112,862	(41,775)	-37%
Total Revenues	3,116,864	2,983,471	133,393	4%
Expenses:				
General government	510,710	519,424	(8,714)	-2%
Public safety	1,278,470	1,224,673	53,797	4%
Transportation	560,854	524,940	35,914	7%
Economic and physical development	149,807	15,808	133,999	848%
Environmental protection	130,609	115,785	14,824	13%
Cultural and recreation	132,478	134,502	(2,024)	-2%
Public works	9,828	9,828	-	0%
Interest and fiscal charges	45,058	66,951	(21,893)	-33%
Total Expenses	2,817,814	2,611,911	205,903	8%
Change in net position	299,050	371,560	(72,510)	-20%
Net position, July 1	12,945,525	12,573,965	371,560	3%
Net position, June 30	\$ 13,244,575	\$ 12,945,525	\$ 299,050	2%



Governmental activities: Governmental activities increased the Town’s net position by \$299,050 thereby accounting for 2 percent growth in the net position of the Town of Sylva. Contributing to net position growth was a merger between the Town of Sylva ABC Store and the Jackson County ABC Store. This merger allowed for assets to be divided equally when the Town of Sylva ABC Store was dissolved.

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 \$2,544,863, while total fund balance reached \$3,716,579. 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. The Town currently has an available fund balance represents 95% of total General Fund expenditures, while total fund balance represents 139% of the same amount.

At June 30, 2014, the governmental funds of Town of Sylva reported a combined fund balance of \$7,415,782, a 9% increase from last year. This increase is primarily from loan proceeds received but not expended for a new pumper fire truck that is being custom built. 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 balance 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 and ABC Profit Distribution. Total General Fund expenditures came in 19 percent under the original budget. All departments realized a savings in their budget at year end. These savings in expenditures proved to be a 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, 2014, totals \$7,967,424 (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:

- Purchase of 3 new police vehicles
- Purchase of a Ford F350 Truck for public works
- Paving of Harold Street
- Replaced an engine on dump truck

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

	Government Activities		Total	
	2014	2013	\$ Change	% Change
Land	\$ 2,105,181	\$ 2,105,181	-	0%
Construction in progress	5,325	-	5,325	100%
Buildings	3,475,017	3,566,240	(91,223)	-3%
Other improvements	2,910	3,328	(418)	-13%
Computer equipment	-	-	-	0%
Equipment	135,182	167,956	(32,774)	-20%
Vehicles and motorized equipme	865,189	857,670	7,519	1%
Infrastructure	1,378,620	1,430,292	(51,672)	-4%
Total	\$ 7,967,424	\$ 8,130,667	\$ (163,243)	-2%

Additional information on the Town’s capital assets can be found on pages 27-28 in notes to the Basic Financial Statements.

Long-term Debt

As of June 30, 2014, the Town of Sylva had a long-term debt outstanding of \$2,228,269. Of this, \$202,789 is due within one year and \$2,025,480 is due in subsequent years. Debt increased from the previous year by 6 percent. This increase resulted from a new loan for the purchase of a pumper truck for the fire department, net of repayments of the loans for the ladder truck and the fire department renovation project. Additionally there were increases in the liabilities for postemployment benefits.

Additional information regarding the Town’s debt can be found starting on Page 34 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The current budget acknowledges the impact the recession continues to have on our taxpayers, businesses, and

residents. Statewide the economic outlook is improving. Unemployment rates, income and sales continue to recover, Sylva's State collected revenue projections look stable for the upcoming year. The economy is picking up; however, Jackson County's unemployment rate remains above 6 percent and the delayed revaluation has impacted revenues. The Town is constantly faced with the pressure to operate with less and provide efficient, effective and high quality services at the level its taxpayers have come to expect without raising the tax rate. This continues to be 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, 2015

Governmental Activities:

The Town of Sylva has approved a \$3,522,786 budget for fiscal year 2014-2015, which represents a 4% decrease from the 2013-2014 final budget. The decrease is due in part to not appropriating money for a capital project (Finch Street).

Revenues:

- The tax rate remained at 30 cents per \$100 valuation. This is the eleventh 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 36 percent of the General Fund Revenues. The amount of value subject to levy is \$411,784,932 which is a slight decrease from the 2013 fiscal year estimated levy. This anticipated loss is from a decrease in personal property and utility values realized in the 2013 billing. The budgeted revenue for taxes remained the same as the prior year due to a higher estimated rate of collection.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance make up a significant part of the General Fund budget. Flat or minimal growth rates were used to estimate revenues for fiscal year end 2015. This conservative approach combined with mid-year actual comparisons led to a \$14,000 increase from the 2013 fiscal year budget.
- A revenue increase is anticipated in the ABC profit distributions due to the merger of the Sylva ABC Store and Jackson County's ABC Store. Last year, this revenue source was significantly decreased due to the uncertainty of the merger between the two governments.
- General Fund Investment earnings once again are projected to be very minimal. Interest rates remain at less than .25 percent annual yield.

Expenditures:

- Town employees received a 1.5% cost of living adjustment. This increase equals to the Consumer Price Index for our area. The North Carolina Local Employees' Retirement System increased slightly from the prior year. Currently the General Government contribution rate is 7.15% and the Law Enforcement contribution rate is 7.55%. The Town opted once again to participate with Blue Cross Blue Shield as its insurance carrier. Due to the high deductible, the Town contributed \$1,600 into an H-S-A to help offset costs to the employees. Health insurance rates did increase from the prior year due to the number of claims filed. 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 expenditures included two new police vehicles fully equipped, a knuckle boom box replacement, custom pumper fire truck, and additional security camera's in the parks
- The 2014-2015 Budget will reduce the available Fund Balance by \$124,860 compared to the prior year's budgeted appropriation of \$109,830. This Fund Balance reduction will bring the available Fund Balance to 72% of current year expenditures. The Town's Fund Balance policy states 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 71%. Since the actual exceeded the goal, 1% or \$25,500 will be transferred into the General Fund Capital Reserve Fund per Town Policy. 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, 2014

	<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	\$ 6,698,793	\$ 589,564
Receivables (net)		
Taxes receivable	59,969	-
Accrued interest	12,711	-
Accounts	32,582	-
Due from other governments	73,585	-
Inventories	-	223,693
Prepaid expenses	3,550	23,923
Real estate held for resale	52,435	-
Restricted cash and cash equivalents	645,108	-
Total current assets	<u>7,578,733</u>	<u>837,180</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2,110,506	-
Other capital assets, net of depreciation	5,856,918	197,866
Total capital assets	<u>7,967,424</u>	<u>197,866</u>
Notes receivable	25,000	-
Total noncurrent assets	<u>7,992,424</u>	<u>197,866</u>
Total assets	<u>15,571,157</u>	<u>1,035,046</u>
Deferred Outflows of Resources		
	<u>-</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	221	143,171
Accrued liabilities	66,346	88,255
Current portion of long-term liabilities	202,789	-
	<u>269,356</u>	<u>231,426</u>
Long-term liabilities:		
Due in more than one year	2,025,480	-
Total liabilities	<u>2,294,836</u>	<u>231,426</u>
Deferred Inflows of Resources		
Prepaid taxes	7,851	-
Prepaid licenses	23,895	-
Total deferred inflows of resources	<u>31,746</u>	<u>-</u>
Net Position		
Net investment in capital assets	6,283,983	197,866
Restricted for:		
Capital projects	255,651	-
Economic development	204,451	-
Stabilization by state statute	85,690	-
Transportation (Powell Bill)	69,510	-
Capital reserves	312,363	-
Water quality	1,322,587	-
Bridge Park	33,764	-
Other purposes	-	81,494
Unrestricted	4,676,576	524,260
Total net position	<u>\$ 13,244,575</u>	<u>\$ 803,620</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, 2014

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	\$ 510,710	\$ 9,336	\$ 16,132	\$ -	\$ (485,242)	\$ -
Public safety	1,278,470	16,181	347,175	-	(915,114)	-
Transportation	560,854	-	75,077	-	(485,777)	-
Economic and physical development	149,807	-	-	-	(149,807)	-
Environmental protection	130,609	1,509	7,890	-	(121,210)	-
Culture and recreation	132,478	5,678	-	-	(126,800)	-
Public works	9,828	-	-	-	(9,828)	-
Interest and fiscal charges	45,058	-	-	-	(45,058)	-
Total primary government	\$ 2,817,814	\$ 32,704	\$ 446,274	\$ -	\$ (2,338,836)	\$ -
Component unit:						
ABC Board	\$ 2,293,612	\$ 2,358,569	\$ -	\$ -		\$ 64,957
General revenues:						
Taxes:						
Property taxes, levied for general purpose					1,328,335	-
Other taxes and licenses					69,225	-
Grants and contributions not restricted to specific programs					1,169,239	-
Unrestricted investment earnings					9,395	1,081
Miscellaneous, unrestricted					57,459	-
Gain on disposal of assets					4,233	-
Total general revenues					2,637,886	1,081
Change in net position					299,050	66,038
Net position, beginning					12,945,525	737,582
Net position, ending					\$ 13,244,575	\$ 803,620

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,072,503	\$ 3,200,223	\$ 426,067	\$ 6,698,793
Receivables, net:				
Taxes	59,969	-	-	59,969
Accounts	12,105	20,478	-	32,583
Due from other governments	73,585	-	-	73,585
Due from component funds	-	-	-	-
Prepaid Expenses	3,550	-	-	3,550
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	645,108	-	-	645,108
Total current assets	<u>3,866,820</u>	<u>3,220,701</u>	<u>478,502</u>	<u>7,566,023</u>
Other assets				
Note receivable	-	-	25,000	25,000
Total assets	<u>\$ 3,866,820</u>	<u>\$ 3,220,701</u>	<u>\$ 503,502</u>	<u>\$ 7,591,023</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 7,307	\$ -	\$ -	\$ 7,307
Accrued liabilities	51,219	-	-	51,219
Total current liabilities	<u>58,526</u>	<u>-</u>	<u>-</u>	<u>58,526</u>
Longterm liabilities:				
Unearned revenue	-	-	25,000	25,000
Total liabilities	<u>58,526</u>	<u>-</u>	<u>25,000</u>	<u>83,526</u>
Deferred Inflows of Resources				
Property taxes receivable	59,969	-	-	59,969
Prepaid licenses	23,895	-	-	23,895
Prepaid taxes	7,851	-	-	7,851
Total deferred inflows of resources	<u>91,715</u>	<u>-</u>	<u>-</u>	<u>91,715</u>
Fund Balances				
Nonspendable:				
Prepaid items	3,550	-	-	3,550
Restricted for:				
Stabilization by state statute	85,690	-	-	85,690
Streets	69,510	-	-	69,510
Capital reserve for fire department	223,225	-	-	223,225
Capital reserve for general operations	89,138	-	-	89,138
Fire department capital acquisitions	263,235	-	-	263,235
Capital projects	-	-	255,651	255,651
Economic development	-	-	204,451	204,451
Water quality	-	1,322,587	-	1,322,587
Bridge Park	33,764	-	-	33,764
Committed				
Economic development	-	-	-	-
Conservation	-	1,898,114	-	1,898,114
Assigned				
Subsequent year's expenditures	124,860	-	18,400	143,260
Other postemployment benefits	239,968	-	-	239,968
LEO separation allowance	38,776	-	-	38,776
Unassigned	2,544,863	-	-	2,544,863
Total fund balances	<u>3,716,579</u>	<u>3,220,701</u>	<u>478,502</u>	<u>7,415,782</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,866,820</u>	<u>\$ 3,220,701</u>	<u>\$ 503,502</u>	<u>\$ 7,591,023</u>

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

Town of Sylva, North Carolina
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

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

Total Fund Balance, Governmental Funds	\$ 7,415,782
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	7,967,424
Accrued interest receivable on ad volarem taxes receivable	12,711
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	59,969
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	(8,042)
Long-term debt	(2,228,269)
Net position of governmental activities	\$ 13,244,575

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,339,629	\$ -	\$ -	\$ 1,339,629
Other taxes and licenses	68,719	-	-	68,719
Unrestricted intergovernmental revenues	1,501,606	20,731	-	1,522,337
Restricted intergovernmental revenues	128,435	-	-	128,435
Permits and fees	21,859	-	-	21,859
Investment earnings	3,938	5,018	439	9,395
Miscellaneous	33,551	-	-	33,551
Total revenues	3,097,737	25,749	439	3,123,925
Expenditures:				
Current:				
General government	470,698	-	-	470,698
Public safety	1,276,093	-	-	1,276,093
Transportation	497,547	-	5,325	502,872
Economic and physical development	4,830	1,040	-	5,870
Environmental protection	125,690	-	-	125,690
Public works	9,828	-	-	9,828
Culture and recreation	56,825	-	-	56,825
Debt service:				
Principal	180,058	-	-	180,058
Interest and fees	44,538	-	-	44,538
Total expenditures	2,666,107	1,040	5,325	2,672,472
Revenues over (under) expenditures	431,630	24,709	(4,886)	451,453
Other financing sources (uses):				
Proceeds from disposal of assets	28,769	-	-	28,769
Contribution to Jackson County ABC Store	(144,000)	-	-	(144,000)
Loan proceeds	263,230	-	-	263,230
Transfers from other funds	42,150	-	256,131	298,281
Transfers to other funds	(100,000)	(141,581)	(56,700)	(298,281)
Total other financing sources (uses)	90,149	(141,581)	199,431	147,999
Net change in fund balance	521,779	(116,872)	194,545	599,452
Fund balances				
Beginning of year, July 1	3,194,800	3,337,573	283,957	6,816,330
End of year, June 30	\$ 3,716,579	\$ 3,220,701	\$ 478,502	\$ 7,415,782

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, 2014

Exhibit 4

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

Net changes in fund balances - governmental fund	\$ 599,452
<p>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.</p>	
Capital outlay expenditures which were capitalized	197,710
Depreciation expense for governmental assets	(336,415)
<p>Cost of capital assets disposed of during the year, not recognized on the modified accrual basis</p>	
	(24,535)
<p>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:</p>	
Loan proceeds	(263,230)
Repayment of long-term debt	180,058
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in accrued interest receivable	(633)
Change in unavailable revenue for tax revenues	(10,661)
Change in unearned revenue	-
<p>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:</p>	
Compensated absences	(19,171)
Net pension obligation	(4,488)
OPEB liability	(18,517)
Accrued interest payable	(520)
Total change in net position of governmental activities	<u>\$ 299,050</u>

The accompanying notes are an integral part of these 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, 2014

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,273,925	\$ 1,278,925	\$ 1,339,629	\$ 60,704
Other tax and licenses	71,800	71,800	68,719	(3,081)
Unrestricted intergovernmental revenues	1,179,645	1,196,445	1,501,607	305,162
Restricted intergovernmental revenues	106,322	112,195	128,435	16,240
Permits and fees	15,375	23,289	21,859	(1,430)
Investment earnings	3,050	3,050	3,745	695
Miscellaneous	17,685	26,131	33,551	7,420
Total revenues	<u>2,667,802</u>	<u>2,711,835</u>	<u>3,097,545</u>	<u>385,710</u>
Expenditures:				
General government	550,378	526,876	470,696	56,180
Public safety	1,480,632	1,737,846	1,276,094	461,752
Transportation	494,430	521,271	497,547	23,724
Economic and physical development	6,350	7,100	4,830	2,270
Environmental protection	127,390	129,085	125,690	3,395
Public works	9,850	9,850	9,828	22
Culture and recreation	60,900	72,900	56,825	16,075
Debt service:				
Principal	180,059	180,059	180,058	1
Interest and fees	44,539	44,539	44,538	1
Total expenditures	<u>2,954,528</u>	<u>3,229,526</u>	<u>2,666,106</u>	<u>563,420</u>
Revenues over (under) expenditures	(286,726)	(517,691)	431,439	949,130
Other financing sources (uses):				
Proceeds from sale of assets	2,500	31,269	28,769	(2,500)
Loan proceeds	185,000	263,230	263,230	-
Contribution to Jackson County ABC Store	-	(144,000)	(144,000)	-
Transfers from other funds	57,150	126,360	126,360	-
Transfers to other funds	246	(249,210)	(229,169)	20,041
Appropriated fund balance	41,830	490,042	-	(490,042)
Total other financing sources (uses):	<u>286,726</u>	<u>517,691</u>	<u>45,190</u>	<u>(472,501)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	476,629	<u>\$ 476,629</u>
Fund balances				
Beginning of year, July 1			<u>2,927,587</u>	
End of year, June 30			<u>\$ 3,404,216</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			191	
Transfers to the general fund			(84,210)	
Transfers from the general fund			<u>129,169</u>	
			<u>45,150</u>	
Fund balance, beginning			267,213	
Fund balance, ending (Exhibit 4)			<u>\$ 3,716,579</u>	

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

Fisher Creek

Budget		Actual Amounts	Variance with Final Budget
Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	20,731	20,731
-	-	-	-
-	-	-	-
6,000	6,000	5,018	(982)
-	-	-	-
<u>6,000</u>	<u>6,000</u>	<u>25,749</u>	<u>19,749</u>
-	-	-	-
-	-	-	-
-	-	-	-
41,450	147,581	1,040	146,541
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>41,450</u>	<u>147,581</u>	<u>1,040</u>	<u>146,541</u>
(35,450)	(141,581)	24,709	166,290
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
35,450	141,581	(141,581)	(283,162)
<u>35,450</u>	<u>141,581</u>	<u>(141,581)</u>	<u>(283,162)</u>
<u>\$ -</u>	<u>\$ -</u>	(116,872)	<u>\$ (116,872)</u>
		<u>3,337,573</u>	
		<u>\$ 3,220,701</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

During the period ended April 30, 2014, the Jackson County Board of Commissioners approved a consolidated ABC Board to serve both Jackson County and the Town of Sylva. Effective May 1, 2014, the Town of Sylva ABC Board merged into a single board known as the Jackson County Alcoholic Beverage Control Board. The Town will appoint two of the five members of the governing board and will receive a forty percent distribution of profits. The Jackson County Alcoholic Beverage Control Board is a component unit of Jackson County.

The Town of Sylva ABC Board, with final financial statements as of April 30, 2014, 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.

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:

Finch Street Improvement Project Fund. The fund was established to account for the financial resources to be used for the improvements to Finch Street in Sylva.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates 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 includes the balance of proceeds received under the loan agreement to finance the purchase of a pumper truck for the fire department. The cash and cash equivalent balances for both the Capital Reserve Fund and the Fire Department Capital Reserve Fund are classified as restricted as their use has been restricted to capital needs. 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.

Town of Sylva Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 69,510
Capital Reserve for Fire Department	223,225
Capital Reserve for General Operations	89,138
Fire Department Capital Acquisitions	263,235
Total Restricted Cash - Governmental Activities	\$ 645,108

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, 2013.

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 Fire Department Capital Acquisitions – the portion of fund balance derived from loan proceeds for the purchase of a pumper truck in fiscal year 2015.

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.

Restricted for Bridge Park – portion of fund balance that is restricted by revenue source for Bridge Park.

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, 2014, the Town’s deposits had a carrying amount of \$6,018,850 and a bank balance of \$6,031,384. Of this balance, \$1,000,000 was covered by federal depository insurance and \$5,031,384 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2014. At April 30, 2014, the ABC Board’s deposits had a carrying amount of \$587,364 and a bank balance of \$582,916. All of this balance was covered by the federal depository insurance.

Investments

At June 30, 2014, the Town’s investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 222,847	N/A	AAAm
NC Capital Management Trust – Term Portfolio	<u>1,101,904</u>	.23 years	Unrated
Total:	<u>\$ 1,324,751</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, 2014. 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:

General Fund - Taxes receivable	<u>\$ 33,000</u>
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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.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,105,181	\$ -	\$ -	\$ 2,105,181
Construction in progress	-	5,325	-	5,325
Total capital assets not being depreciated	2,105,181	5,325	-	2,110,506
Capital Assets Being Depreciated:				
Buildings	4,405,713	-	-	4,405,713
Other improvements	332,311	-	-	332,311
Computer Equipment	8,165	-	-	8,165
Equipment	929,679	-	-	929,679
Vehicles and motorized equipment	1,777,630	147,998	28,003	1,897,625
Infrastructure	2,615,400	44,387	-	2,659,787
Total capital assets being depreciated	10,068,898	192,385	28,003	10,233,280
Less Accumulated Depreciation For:				
Buildings	839,473	91,223	-	930,696
Other improvements	328,983	418	-	329,401
Computer Equipment	8,165	-	-	8,165
Equipment	761,723	32,774	-	794,497
Vehicles and motorized equipment	919,960	115,942	3,465	1,032,437
Infrastructure	1,185,108	96,058	-	1,281,166
Total accumulated depreciation	4,043,412	336,415	3,465	4,376,362
Total capital assets being depreciated, net	6,025,486			5,856,918
Governmental Activities Capital Assets, Net	\$ 8,130,667			\$ 7,967,424

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

General government	\$ 83,111
Public safety	99,972
Transportation	137,628
Environmental protection	4,919
Culture and recreation	<u>10,785</u>
Total depreciation expense	<u>\$ 336,415</u>

Component Unit:

The capital assets of the ABC Board for the period ended April 30, 2014 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	3,850	-	292,650
Equipment	86,556	2,822	-	89,378
Leasehold Improvements	19,634	-	-	19,634
Total capital assets being depreciated	<u>394,990</u>	<u>6,672</u>	<u>-</u>	<u>401,662</u>
Less accumulated depreciation for:				
Buildings	137,456	6,383	-	143,839
Equipment	55,185	8,809	-	63,994
Leasehold Improvements	6,900	1,364	-	8,264
Total accumulated depreciation	<u>199,541</u>	<u>16,556</u>	<u>-</u>	<u>216,097</u>
Total capital assets being depreciated, net	<u>195,449</u>	<u>(9,884)</u>	<u>-</u>	<u>185,565</u>
ABC Board Capital Assets, Net	<u>\$ 207,750</u>			<u>\$ 197,866</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 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 12.2% 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, 2014, 2013, and 2012 were \$68,805, \$60,179, and \$106,683, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$14,335, \$14,123, and \$15,664, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year and period, respectively.

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, 2013, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>16</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, 2013 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	\$ 24,808
Interest on net pension obligation	(285)
Adjustment to annual required contribution	465
Annual pension cost	<u>24,988</u>
Contributions made	20,500
Increase (decrease) in net pension obligation	4,488
Net pension obligation beginning of year	<u>(5,709)</u>
Net pension obligation end of year	<u><u>\$ (1,221)</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 18,514	126.93%	\$ (4,831)
2013	\$ 22,622	103.88%	\$ (5,709)
2014	\$ 24,988	82.04%	\$ (1,221)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 14.34 percent funded. The actuarial accrued liability for benefits was \$242,043, and the actuarial value of assets was \$34,702, which are designated monies in the general fund, resulting in an unfunded actuarial accrued liability (UAAL) of \$207,341.

The covered payroll (annual payroll of active employees covered by the plan) was \$521,969, and the ratio of the UAAL to the covered payroll was 39.72 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, 2014, were \$33,499, which consisted of \$26,542 from the Town and \$6,957 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, non-law enforcement employee contributions up to 5%. For the year ended June 30, 2014, total contributions were \$41,272, which consisted of \$20,082 from the Town and \$21,190 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, 2014, the

Town made payments for post-retirement health benefit premiums of \$30,713. 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 \$62,235 at June 30, 2014.

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	\$ 48,439
Interest on net OPEB obligation	791
Annual OPEB cost (expense)	<u>49,230</u>
Contributions made	<u>(30,713)</u>
Increase in net OPEB obligation	18,517
Net OPEB obligation, beginning of year	<u>159,216</u>
Net OPEB obligation, end of year	<u><u>\$ 177,733</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, 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 66,336	62.37%	\$ 105,838
2013	\$ 89,066	40.07%	\$ 159,216
2014	\$ 49,230	62.39%	\$ 177,733

Fund Status and Funding Progress. As of December 31, 2013, the actuarial accrued liability for benefits was \$239,581, all of which were unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$963,930, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.85 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 2013 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, 2014, 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:

	<u>Deferred Inflows of Resources</u>
Property taxes receivable	\$ 59,969
Prepaid licenses	23,895
Prepaid taxes	7,851
	<u>\$ 91,715</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

In April 2014, the Town entered into a \$263,230 installment purchase contract with Branch Banking and Trust Company (BB&T) to finance the purchase of a pumper truck for the fire department that will be received in fiscal year 2015. The proceeds are being maintained in an escrow account at BB&T until the truck is delivered to the Town. The financing contract requires semi-annual payments of \$15,041 including interest at a rate of 2.62%. The note is collateralized by the pumper truck

The future minimum payments of all installment purchase contracts as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 202,789	\$ 40,917
2016	204,106	36,063
2017	204,740	31,891
2018	205,391	27,702
2019	206,059	23,497
2020-2024	923,587	53,764
Total installment purchase payments	<u>\$ 1,946,672</u>	<u>\$ 213,834</u>

At June 30, 2014, 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	\$ 1,863,501	\$ 263,230	\$ 180,059	\$ 1,946,672	\$ 202,789
Compensated absences	85,913	19,171	-	105,084	-
Net pension obligation	(5,709)	4,488	-	(1,221)	-
Other postemployment benefits	159,216	18,517	-	177,733	-
	<u>\$ 2,102,921</u>	<u>\$ 305,406</u>	<u>\$ 180,059</u>	<u>\$ 2,228,268</u>	<u>\$ 202,789</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 7,967,424
Less capital debt	<u>1,683,441</u>
Capital assets, net of related debt	<u>\$ 6,283,983</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, 2014, consisted of the following:

From the Revolving Loan Fund to the General Fund	<u>\$ 6,700</u>
From the Fisher Creek Fund to the General Fund	<u>\$ 35,450</u>
From the General Fund to the Finch Street Improvement Project Fund	<u>\$ 100,000</u>
From the Fisher Creek Fund to the Finch Street Improvement Project Fund	<u>\$ 106,131</u>
From the Revolving Loan Fund to the Finch Street Improvement Project Fund	<u>\$ 50,000</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	\$ 3,716,579
Less:	
Prepaid items	3,550
Stabilization by State Statute	85,690
Streets-Powell Bill	69,510
Appropriated Fund Balance in 2015 Budget	124,860
Capital reserve for fire department	223,225
Capital reserve for general operations	89,138
Fire Department Capital Acquisitions	263,235
Other Postemployment Benefits	239,968
LEO Separation Allowance	38,776
Bridge Park	33,764
Fund Balance Policy	1,056,387
Remaining Fund Balance	<u>\$ 1,488,476</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.

Commitments

Purchase Commitment

In April 2014, the Town entered into a purchase agreement with Sutphen Corporation for the acquisition of a pumper truck for the fire department. The purchase price is \$367,440 and will be funded with a loan from a bank of \$263,230 and the remaining through Town funds. The loan proceeds were received in April 2014 and is presented as a component of restricted fund balance in these financial statements.

Construction Commitments

At June 30, 2014, the Town had outstanding commitments for engineering services for the Finch Street Improvement Project in the amount of \$26,750.

Jackson County Alcoholic Beverage Control Board

Effective May 1, 2014, the Town of Sylva ABC Board merged into a single board known as the Jackson County Alcoholic Beverage Control Board. Jackson County and the Town capitalized the new ABC system by providing an initial contribution of \$360,000. The County contributed \$216,000 and the Town contributed \$144,000. The distribution of the profits will be 60% to the County and 40% to the Town. The Town will be “held harmless” against a possible decline in profits from the merger by receiving a guaranteed distribution of at least \$160,000 annually. The County and the Town will review this guarantee at the end of five years to determine if it should continue.

As part of the merger agreement, once all obligations of the Town of Sylva ABC Board were settled, the remaining cash in the bank account was distributed on a 50/50 basis to the Town and Jackson County. Disbursements totaling \$585,428 were made on May 28, 2014, with the Town’s share being \$292,714.

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, 2014. 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.

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]
12/31/2008	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	145,935	17.58%	470,169	31.04%
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%
12/31/2013	38,776 *	242,043	207,341	14.34%	521,969	39.72%

* Represents fund balance assigned in the General Fund.

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	18,514	126.93%
2013	22,622	103.88%
2014	24,988	82.04%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 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 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]
12/31/2010	-	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%
12/31/2013	-	239,581	239,581	0.00%	969,930	24.70%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	66,336	62.37%
2013	89,066	40.07%
2014	49,230	62.39%

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,269,400	\$ 1,327,057	\$ 57,657
Penalties and interest	9,525	12,572	3,047
Total ad valorem taxes	<u>1,278,925</u>	<u>1,339,629</u>	<u>60,704</u>
Other taxes and licenses:			
Privilege licenses	<u>71,800</u>	<u>68,719</u>	<u>(3,081)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	359,000	354,369	(4,631)
Excise tax on natural gas	8,500	11,437	2,937
Franchise tax	207,500	225,875	18,375
Beer and wine tax	11,500	11,723	223
Fire Department sales tax	4,000	4,039	39
Telecommunications sales tax	71,100	65,684	(5,416)
Cable franchise fees	16,500	16,206	(294)
Sales tax refund	11,775	11,826	51
Fire protection	314,770	319,255	4,485
Hold harmless	89,000	90,628	1,628
Solid waste disposal tax	1,300	1,509	209
ABC profit distribution	101,500	388,617	287,117
Substance tax distribution	-	439	439
Total	<u>1,196,445</u>	<u>1,501,607</u>	<u>305,162</u>
Restricted intergovernmental revenues			
Grants and contributions	31,933	28,209	(3,724)
ABC revenues for law enforcement	3,442	11,521	8,079
ABC revenues for education	4,820	16,128	11,308
Powell Bill allocation	<u>72,000</u>	<u>72,577</u>	<u>577</u>
Total	<u>112,195</u>	<u>128,435</u>	<u>16,240</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Permits and fees			
Building permits	\$ 1,000	\$ 735	\$ (265)
Recreation fees	6,375	5,678	(697)
Parking fines	15,914	15,446	(468)
Total	<u>23,289</u>	<u>21,859</u>	<u>(1,430)</u>
Investment earnings	3,050	3,745	695
Miscellaneous	26,131	33,551	7,420
Total revenues	<u>2,711,835</u>	<u>3,097,545</u>	<u>385,710</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	25,395	24,977	418
Operating expenditures	91,269	76,843	14,426
Professional services	44,900	35,676	9,224
Total	<u>161,564</u>	<u>137,496</u>	<u>24,068</u>
Administration:			
Salaries and employees benefits	173,250	172,416	834
Operating expenditures	57,370	41,787	15,583
Capital outlay	-	-	-
Total	<u>230,620</u>	<u>214,203</u>	<u>16,417</u>
Main Street:			
Salaries and employee benefits	41,754	41,754	-
Operating benefits	30,683	23,114	7,569
Total	<u>72,437</u>	<u>64,868</u>	<u>7,569</u>
Facilities maintenance:			
Salaries and employee benefits	8,455	8,069	386
Operating benefits	53,800	46,060	7,740
Capital outlay	-	-	-
Total	<u>62,255</u>	<u>54,129</u>	<u>8,126</u>
Total general government	<u>526,876</u>	<u>470,696</u>	<u>56,180</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Police:			
Salaries and employee benefits	\$ 823,483	\$ 789,731	\$ 33,752
Operating expenditures	200,106	174,679	25,427
Capital outlay	121,299	113,097	8,202
Total	<u>1,144,888</u>	<u>1,077,507</u>	<u>67,381</u>
Fire:			
Salaries and employee benefits	54,785	52,527	2,258
Operating expenditures	170,733	146,060	24,673
Capital outlay	367,440	-	367,440
Total	<u>592,958</u>	<u>198,587</u>	<u>394,371</u>
Total public safety	<u>1,737,846</u>	<u>1,276,094</u>	<u>461,752</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	263,036	257,811	5,225
Operating expenditures	176,623	160,448	16,175
Capital outlay	81,612	79,288	2,324
Total transportation	<u>521,271</u>	<u>497,547</u>	<u>23,724</u>
Economic and physical development:			
Operating expenditures	7,100	4,830	2,270
Total economic and physical development	<u>7,100</u>	<u>4,830</u>	<u>2,270</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, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
Environmental protection:			
Sanitation:			
Salaries and employees benefits	\$ 82,145	\$ 81,780	\$ 365
Operating expenditures	46,940	43,910	3,030
Capital outlay	-	-	-
Total environmental protection	129,085	125,690	3,395
Public works:			
Cemetery:			
Contracted services	9,850	9,828	22
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	25,450	19,059	6,391
Operating expenditures	47,450	37,766	9,684
Total culture and recreation	72,900	56,825	16,075
Debt service:			
Principal	180,059	180,058	1
Interest and fees	44,539	44,538	1
Total debt service	224,598	224,596	2
 Total expenditures	 3,229,526	 2,666,106	 563,420

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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	<u>\$ (517,691)</u>	<u>\$ 431,439</u>	<u>\$ 949,130</u>
Other financing sources (uses):			
Proceeds from disposal of assets	31,269	28,769	(2,500)
Loan proceeds	263,230	263,230	-
Contribution to Jackson County ABC Store	(144,000)	(144,000)	-
Transfers from other funds	126,360	126,360	-
Transfers to other funds	(100,000)	(229,169)	(129,169)
Appropriated fund balance	340,832	-	(340,832)
Total	<u>517,691</u>	<u>45,190</u>	<u>(472,501)</u>
Net change in fund balance	<u>\$ -</u>	476,629	<u>\$ 476,629</u>
Fund balances:			
Beginning year, July 1		<u>2,927,587</u>	
End of year, June 30		<u>\$ 3,404,216</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 82	\$ 82
	-	82	82
 Expenditures	-	-	-
 Revenues over (under) expenditures	-	82	82
 Other financing sources (uses):			
Transfers to general fund	(65,000)	-	65,000
Appropriated fund balance	65,000	-	(65,000)
 Net change in fund balance	\$ -	82	\$ 82
 Fund balance:			
Beginning year, July 1		89,056	
End of year, June 30		\$ 89,138	

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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 109	\$ 109
	-	109	109
 Expenditures	-	-	-
 Revenues over (under) expenditures	-	109	109
 Other financing sources:			
Transfers to general fund	(84,210)	(84,210)	-
Transfers from other funds	-	129,169	129,169
Appropriated fund balance	84,210	-	(84,210)
	-	44,959	44,959
 Net change in fund balance	\$ -	45,068	\$ 45,068
 Fund balance:			
Beginning year, July 1		178,157	
End of year, June 30		\$ 223,225	

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	<u>Capital Projects</u>			Total Non-Major Governmental Funds
	Finch Street Improvement Project	Signage Fund	Revolving Loan Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ 250,865	\$ 4,786	\$ 170,416	\$ 426,067
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	-	-	-	-
Total current assets	<u>250,865</u>	<u>4,786</u>	<u>222,851</u>	<u>478,502</u>
Other assets				
Note receivable	-	-	25,000	25,000
Total assets	<u>\$ 250,865</u>	<u>\$ 4,786</u>	<u>\$ 247,851</u>	<u>\$ 503,502</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Longterm liabilities:				
Unearned revenue	-	-	25,000	25,000
Total liabilities	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Fund Balances				
Assigned				
Subsequent year's expenditures	-	-	18,400	18,400
Restricted for:				
Economic development	-	-	204,451	204,451
Capital projects	250,865	4,786	-	255,651
Total fund balances	<u>250,865</u>	<u>4,786</u>	<u>222,851</u>	<u>478,502</u>
Total liabilities and fund balance	<u>\$ 250,865</u>	<u>\$ 4,786</u>	<u>\$ 247,851</u>	<u>\$ 503,502</u>

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, 2014

	<u>Capital Projects</u>			Total Non-Major Governmental Funds
	Finch Street Improvement Project	Signage Fund	Revolving Loan Fund	
Revenues:				
Unrestricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	-	-
Investment earnings	59	4	376	439
Miscellaneous	-	-	-	-
Total revenues	<u>59</u>	<u>4</u>	<u>376</u>	<u>439</u>
Expenditures:				
Current:				
Transportation	5,325	-	-	5,325
Economic and physical development	-	-	-	-
Total expenditures	<u>5,325</u>	<u>-</u>	<u>-</u>	<u>5,325</u>
Revenues over (under) expenditures	(5,266)	4	376	(4,886)
Other financing sources (uses):				
Transfers from other funds	256,131	-	0	256,131
Transfers to other funds	-	-	(56,700)	(56,700)
Total other financing sources (uses)	<u>256,131</u>	<u>-</u>	<u>(56,700)</u>	<u>199,431</u>
Net change in fund balance	250,865	4	(56,324)	194,545
Fund balances				
Beginning of year, July 1	<u>-</u>	<u>4,782</u>	<u>279,175</u>	<u>283,957</u>
End of year, June 30	<u>\$ 250,865</u>	<u>\$ 4,786</u>	<u>\$ 222,851</u>	<u>\$ 478,502</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 - Finch Street Improvement Project
For the Year Ended June 30, 2014

	<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:					
Investment earnings	\$ -	\$ -	\$ 59	\$ 59	\$ 59
Total revenues	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>	<u>59</u>
Expenditures:					
Transportation:					
Construction	256,131	-	5,325	5,325	250,806
Total expenditures	<u>256,131</u>	<u>-</u>	<u>5,325</u>	<u>5,325</u>	<u>250,806</u>
Revenues under expenditures	<u>(256,131)</u>	<u>-</u>	<u>(5,266)</u>	<u>(5,266)</u>	<u>250,865</u>
Other financing sources (uses):					
Transfers from other funds	256,131	-	256,131	256,131	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>250,865</u>	<u>\$ 250,865</u>	<u>\$ 250,865</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 250,865</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 - Signage Fund
For the Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 9,000	\$ 9,042	\$ -	\$ 9,042	\$ 42
Investment earnings		27	4	31	31
Total revenues	<u>9,000</u>	<u>9,069</u>	<u>4</u>	<u>9,073</u>	<u>73</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>4,782</u>	<u>4</u>	<u>4,786</u>	<u>4,786</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,782</u>	<u>4</u>	<u>\$ 4,786</u>	<u>\$ 4,786</u>
Fund balance:					
Beginning of year, July 1			<u>4,782</u>		
End of year, June 30			<u>\$ 4,786</u>		

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
Non-major Governmental Fund - Revolving Loan Fund
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 376	\$ 376
Miscellaneous		-	-
	-	376	376
Expenditures			
Economic development	10,000	-	10,000
Revenues over (under) expenditure:	(10,000)	376	10,376
Other financing sources:			
Transfers to other funds	(56,700)	(56,700)	-
Appropriated fund balance	66,700	-	(66,700)
Net change in fund balance	\$ -	(56,324)	\$ (56,324)
Fund balance:			
Beginning year, July 1		279,175	
End of year, June 30		\$ 222,851	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 1,300,059	\$ 1,264,778	\$ 35,281
2012-2013	48,260		29,529	18,731
2011-2012	18,884		12,151	6,733
2010-2011	10,984		3,560	7,424
2009-2010	3,569		271	3,298
2008-2009	5,604		722	4,882
2007-2008	9,555		237	9,318
2006-2007	3,492		545	2,947
2005-2006	1,993		79	1,914
2004-2005	2,631		155	2,476
2003-2004	2,158		2,158	-
2002-2003	-		34	(34)
	<u>\$ 107,130</u>	<u>\$ 1,300,059</u>	<u>\$ 1,314,220</u>	<u>\$ 92,969</u>
Less: allowance for uncollectible accounts - general fund				<u>(33,000)</u>
Ad valorem taxes receivable - net				<u>\$ 59,969</u>
 <u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,339,629
 <u>Reconciliation items</u>				
Penalties and interest collected				(12,572)
Rental vehicle tax				(14,878)
Taxes written off				2,041
Subtotal				<u>(25,409)</u>
Total collections and credits				<u>\$ 1,314,220</u>

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2014**

	<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	\$ 430,472,843	0.30	\$ 1,291,419	\$ 1,233,112	\$ 58,307
	<u>430,472,843</u>		<u>1,291,419</u>	<u>1,233,112</u>	<u>58,307</u>
Discoveries					
Prior year taxes	3,468,620	0.30	10,406	10,406	
	<u>3,468,620</u>		<u>10,406</u>	<u>10,406</u>	<u>-</u>
Abatements	<u>(588,540)</u>	0.30	<u>(1,766)</u>	<u>(1,018)</u>	<u>(748)</u>
Total property valuation	<u>\$ 433,352,923</u>				
Net levy			1,300,059	1,242,500	57,559
Uncollected taxes at June 30, 2014			<u>(35,281)</u>	<u>(31,565)</u>	<u>(3,716)</u>
Current year's taxes collected			<u>\$ 1,264,778</u>	<u>\$ 1,210,935</u>	<u>\$ 53,843</u>
Current levy collection percentage			<u>97.29%</u>	<u>97.46%</u>	<u>93.54%</u>