

**Financial Statements
For the Year Ended June 30, 2015**

Town of Sylva, North Carolina

Mayor

Maurice Moody

Board of Commissioners

Danny Allen

Mary Gelbaugh

Barbara Hamilton

Harold Hensley

Lynda Sossamon

Management

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

Table Of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position (Exhibit 1)	12
Statement of Activities (Exhibit 2)	13
Fund Financial Statements	
Balance Sheet – Governmental Funds (Exhibit 3)	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 3)	15
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds (Exhibit 4)	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of the Governmental Fund to the Statement of Activities (Exhibit 4)	17
Statement of Revenues, Expenses, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Funds (Exhibit 5)	18
Notes to the Financial Statements	19 - 40
Required Supplemental Financial Data	
Schedule of Funding Progress, Schedule of Employer Contributions and Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance	41
Schedule of Funding Progress and Schedule of Employer Contributions for Other Postemployment Benefits	42
Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System	43
Schedule of the Town's Contributions – Local Government Employees' Retirement System	44

	<u>Page(s)</u>
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	45 - 49
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Capital Reserve Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Fire Department Capital Reserve Fund	51
Combining Balance Sheet - Non Major Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non Major Governmental Funds	53
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Non- Major Governmental Fund-Finch Street Improvement Project Fund	54
Non- Major Governmental Fund-Signage Capital Project Fund	55
Non-Major Governmental Fund – Revolving Loan Fund	56
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	57
Analysis of Current Tax Levy	58

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, 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, 2015, 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 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.

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, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of June 30, 2015, 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 on page 41, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on page 42, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sylva, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Burlison & Earley, P.A.
Certified Public Accountants
October 28, 2015

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, 2015. 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 \$13,175,531 (net position).
- The government's total net position increased by \$112,855. Revenues decreased by 6 percent and expenses increased by less than 1 percent from the prior year. Contributing to the net position growth was the fact that total expenses increased only slightly from the previous year. This was achieved by department heads managing their budgets in a conservative way so that money remained unspent at year end.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$6,801,046, a *decrease* of \$594,258 in comparison with the prior year's increase of \$599,452. This decrease resulted from loan proceeds received in the prior fiscal year that were expended in the current fiscal year for a new pumper fire truck and the Finch Street Capital Project expenditures. Approximately 35 percent, or \$2,407,761, 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 \$2,407,761, or 71 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. In addition, a target goal is set forth to maintain an average fund balance equal to other units similar in size across North Carolina. Currently that target goal is 73 percent. The Town's general fund balance decreased by \$409,203 compared to an increase of \$521,779 last year.
- Total long-term debt of \$2,137,463 decreased by \$90,806 from the previous year. This decrease resulted from net repayments of the loans for a fire department ladder truck, pumper truck, and the loan for the fire department renovation project. This was in excess of increases in the liabilities for postemployment benefits.
- Taxes remained at \$.30 per \$100.

Overview of the Financial Statements

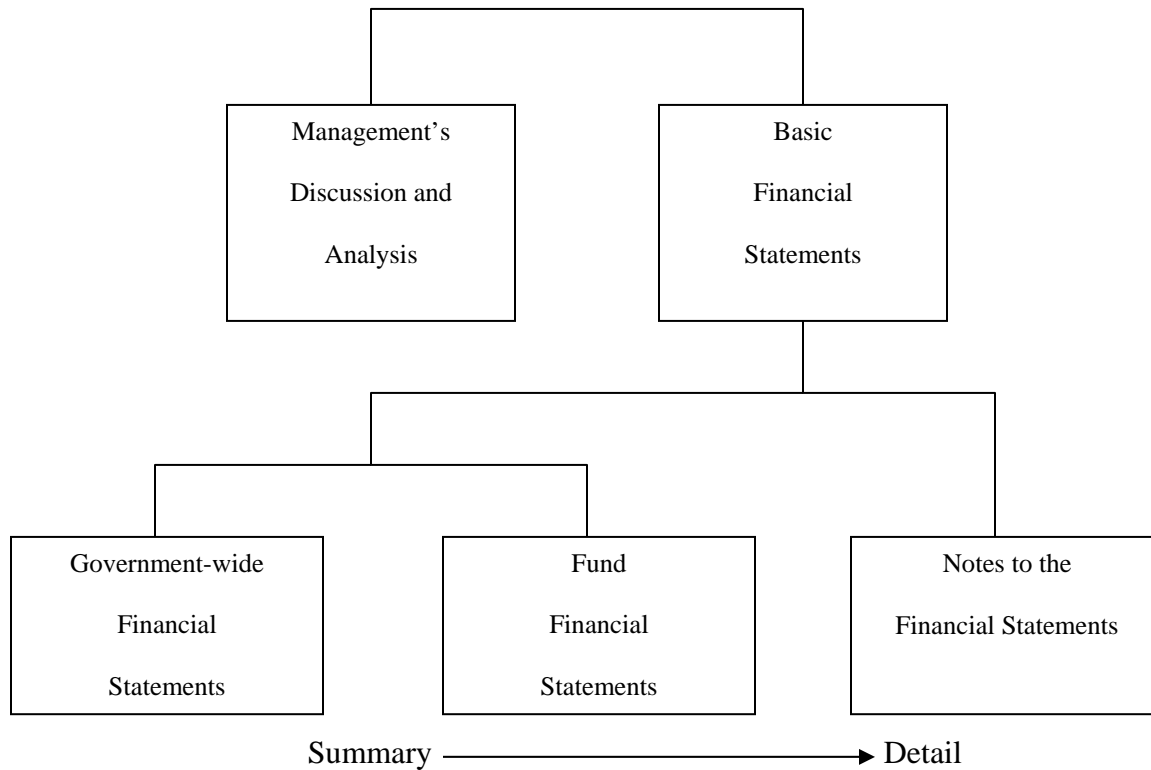
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

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

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the Town of Sylva.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. The governmental funds statements and the budgetary comparison statements are the two parts to the Fund Financial Statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town’s individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements (Exhibits 1 and 2) report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and its total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are presented as one category type:

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.

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 changes. 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 19-40 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 41 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	
	2015	2014	\$ Change	% Change
Current assets	\$ 6,927,227	\$ 7,578,733	\$ (651,506)	-9%
Noncurrent assets	8,652,805	7,992,424	660,381	8%
Total assets	15,580,032	15,571,157	8,875	0%
Deferred outflows of resources	73,998	-	-	-
Long-term liabilities outstanding	1,933,357	2,025,480	(92,123)	-5%
Other liabilities	266,817	269,356	(2,539)	-1%
Total liabilities	2,200,174	2,294,836	(94,662)	-4%
Deferred inflows of resources	278,325	31,746	246,579	777%
Net position:				
Net investment in capital assets	6,774,439	6,283,983	490,456	8%
Restricted	2,032,827	2,284,016	(251,189)	-11%
Unrestricted	4,368,265	4,676,576	(308,311)	-7%
Total net position	\$ 13,175,531	\$ 13,244,575	\$ (69,044)	-1%

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 \$13,175,531 as of June 30, 2015. The Town’s net position *increased* by \$112,855 for the fiscal year ended June 30, 2015. The largest portion of net position (51 percent) 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

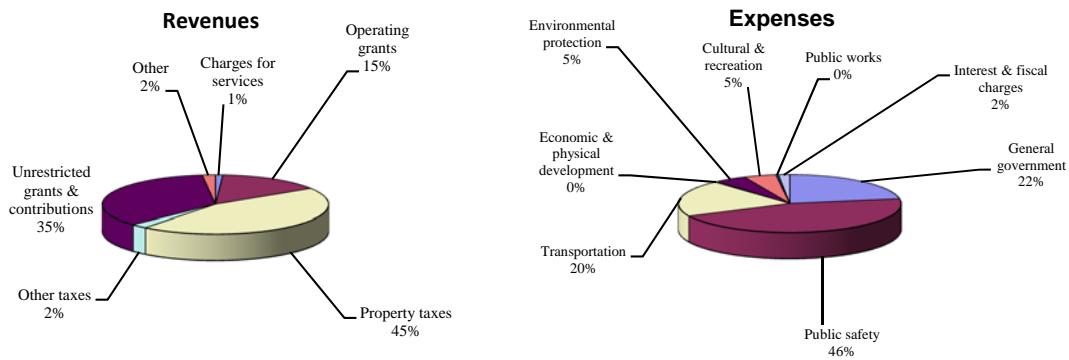
assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (33 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$2,032,827, (15 percent), represents resources that are subject to external restrictions on how they may be used. Also, the Town of Sylva implemented GASB Statement 68 this year. With the new reporting change the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance *decreased* beginning net position by \$161,421. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town's management.

The Town experienced a decrease of 7 percent in unrestricted net position. This decrease resulted from the sum of a prior period adjustment for the correction of an error and the restatement that was required by the GASB Statement 68 for the reporting of the Local Government Employee Retirement System (LGERS) being in excess of the \$112,855 of positive change in net position from current year operations.

Town of Sylva Changes in Net Position

Figure 3

	Government Activities		Total	
	2015	2014	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 30,553	\$ 32,704	\$ (2,151)	-7%
Operating grants and contributions	437,215	446,274	(9,059)	-2%
Capital grants and contributions	-	-	-	0%
General Revenues:				
Property taxes	1,303,412	1,328,335	(24,923)	-2%
Other taxes	68,264	69,225	(961)	-1%
Grants and contributions not restricted to specific programs	1,029,587	1,169,239	(139,652)	-12%
Other	55,125	71,087	(15,962)	-22%
Total Revenues	2,924,156	3,116,864	(192,708)	-6%
Expenses:				
General government	629,632	510,710	118,922	23%
Public safety	1,280,710	1,278,470	2,240	0%
Transportation	570,084	560,854	9,230	2%
Economic and physical development	11,522	149,807	(138,285)	-92%
Environmental protection	131,023	130,609	414	0%
Cultural and recreation	132,456	132,478	(22)	0%
Public works	9,828	9,828	-	0%
Interest and fiscal charges	46,046	45,058	988	2%
Total Expenses	2,811,301	2,817,814	(6,513)	0%
Change in net position	112,855	299,050	(186,195)	-62%
Net position, July 1, as previously reported	13,244,575	12,945,525	299,050	2%
Prior period adjustments	(20,478)	-	(20,478)	
Restatement	(161,421)	-	(161,421)	
Net position, July 1, as restated	13,062,676	12,945,525	117,151	
Net position, June 30	\$ 13,175,531	\$ 13,244,575	\$ (69,044)	-1%



Governmental activities: Governmental activities increased the Town’s net position by \$112,855 thereby accounting for less than 1 percent growth in the net position of the Town of Sylva. Contributing to net position growth was the fact that total expenses increased only slightly from the previous year. This was achieved by department heads managing their budgets in a conservative way so that money remained unspent at year end.

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 \$2,407,761, while total fund balance reached \$3,307,376. 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 that represents 71 percent of total General Fund expenditures, while total fund balance represents 97 percent of the same amount.

At June 30, 2015, the governmental funds of Town of Sylva reported a combined fund balance of \$6,801,046, an 8 percent decrease from last year. This decrease is primarily from loan proceeds received in the prior fiscal year that were expended in the current year for a new pumper fire truck and the Finch Street Capital Project expenditures. 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 40 percent 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 across North Carolina.

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 Local Option Sales Tax. Total General Fund expenditures came in 8 percent under the original budget. All departments realized a savings in their budget 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, 2015, totals \$8,518,413 (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 2 new police vehicles
- Purchase of Sutphen Pumper truck and extrication equipment for the fire department
- Purchase of Railroad Avenue Parking Lot
- Sidewalk on Municipal Drive by the Sylva Pool
- Continued construction on the Finch Street Improvement Project

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

	Government Activities		Total	
	2015	2014	\$ Change	% Change
Land	\$ 2,362,054	\$ 2,105,181	\$ 256,873	12%
Construction in progress	119,082	5,325	113,757	2136%
Buildings	3,383,794	3,475,017	(91,223)	-3%
Other improvements	8,493	2,910	5,583	192%
Computer equipment	-	-	-	0%
Equipment	114,590	135,182	(20,592)	-15%
Vehicles and motorized equipme	1,208,946	865,189	343,757	40%
Infrastructure	1,321,454	1,378,620	(57,166)	-4%
Total	\$ 8,518,413	\$ 7,967,424	\$ 550,989	7%

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

Long-term Debt

As of June 30, 2015, the Town of Sylva had a long-term debt outstanding of \$2,137,463. Of this, \$204,106 is due within one year and \$1,933,357 is due in subsequent years. Debt decreased from the previous year by 3 percent. This decrease resulted from net of repayment on installment purchases contracts in excess of increases in the liabilities for postemployment benefits.

Additional information regarding the Town’s debt can be found starting on Page 37 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The current budget acknowledges the impact that the 2008 recession continues to have on our taxpayers, businesses, and residents. Although the economy is improving both nationally and locally, the rebound process is slow. Interest rates continue to remain low. Sylva's State collected revenue projections look stable with some anticipated growth for the upcoming year. Locally, economic changes are still ahead, particularly with the Jackson County property tax revaluation in 2016. The Town continues to be 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. These accomplishments are realized through conservative budgeting, maintaining a sufficient fund balance, appropriating from fund balance reserves, delaying capital needs, and keeping debt to a minimal level.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities:

The Town of Sylva has approved a \$3,302,622 budget for fiscal year 2015-2016, which represents a 6.2 percent decrease from the 2014-2015 original budget. The decrease is due in part to not appropriating money for the purchase of a pumper truck in the Fire Department which took place the previous budget year.

Revenues:

- The tax rate remained at 30 cents per \$100 valuation. This is the twelfth 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 38 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$433,974,075 which is a 5 percent increase from the 2014 levy. This anticipated growth in real property value is a result of Harris Regional Hospital being sold to Duke Life Point. Prior to the sale, most of the hospital's property had been exempted from property taxes.
- 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. Growth is anticipated for Sales and Franchise Tax revenues for fiscal year end 2016. Other State revenues such as Telecommunication and Powell Bill anticipate a loss from the prior fiscal year end. Overall a 1 percent growth is anticipated in State-collected revenues.
- HB1050 took away all local government's authority to charge businesses for the privilege of conducting business within their jurisdiction. This equates to a \$66,500 loss for the Town of Sylva. This combined with the Gaming Machine license that was repealed two years ago, has taken away a significant revenue source for the Town.
- General Fund Investment earnings once again are projected to be very minimal. Interest rates remain at less than .25 percent annual yield. Since the recession, Sylva has realized a \$60,000 annual loss from this revenue source.

Expenditures:

- Town employees received a 1.7 percent cost of living adjustment. This increase equals to the Consumer Price Index for our area. The North Carolina Local Employees' Retirement System decreased from the prior year. Currently the General Government contribution rate is 6.75 percent

and the Law Enforcement contribution rate is 7.15 percent. The Town once again opted to participate with Blue Cross Blue Shield as its medical insurance carrier. Due to the high deductible, the Town contributed \$1,600 into an H-S-A to help offset costs to the employees. Active employee's health insurance rates decreased from the prior year due to the nature of the claims being filed. On the other hand, retired employee's rates increased significantly. Although the Town has set some money aside to prefund retiree health insurance, the aging workforce of the Town is quickly becoming a realization. The annual contributions that are being appropriated into a non-legally binding postemployment fund have been decreased due to more immediate budget needs. This combined with the enormous costs of retiree insurance rates, should warrant concern for future budgeting needs in this area.

- Capital expenditures in the 2015-2016 Budget include three new police vehicles fully equipped, as well as a knuckle boom brush truck, a replacement vehicle lift, and a mower in the Public Works Department.
- The 2015-2016 Budget will reduce the available Fund Balance by \$144,500 compared to the prior year's budgeted appropriation of \$124,860. This Fund Balance reduction will bring the available Fund Balance to 68 percent of current year expenditures. The Town's Fund Balance policy states that the Town must maintain a 40 percent fund balance to expenditures with a goal set to maintain the average of other Town's our size which is 73 percent. 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, 2015

	Primary Government Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,442,485
Receivables (net)	
Taxes receivable	55,431
Accrued interest	12,711
Accounts	47,750
Due from other governments	88,240
Inventories	-
Prepaid expenses	-
Real estate held for resale	52,435
Restricted cash and cash equivalents	228,175
Total current assets	6,927,227
Noncurrent assets:	
Pension asset	110,165
Capital assets:	
Land and other non-depreciable assets	2,481,136
Other capital assets, net of depreciation	6,037,277
Total capital assets	8,518,413
Notes receivable	24,227
Total noncurrent assets	8,652,805
Total assets	15,580,032
Deferred Outflows of Resources	
Contributions to pension plan in current fiscal year	73,998
Liabilities	
Current liabilities:	
Accounts payable	5,080
Accrued liabilities	57,631
Current portion of long-term liabilities	204,106
	266,817
Long-term liabilities:	
Due in more than one year	1,933,357
Total liabilities	2,200,174
Deferred Inflows of Resources	
Prepaid taxes	1,755
Prepaid licenses	80
Pension deferrals	276,490
Total deferred inflows of resources	278,325
Net Position	
Net investment in capital assets	6,774,439
Restricted for:	
Capital projects	143,549
Economic development	175,545
Stabilization by state statute	134,155
Transportation (Powell Bill)	87,522
Capital reserves	140,653
Water quality	1,321,865
Bridge Park	27,703
Other purposes	-
Unrestricted	4,370,100
Total net position	\$ 13,175,531

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, 2015

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 Government Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 629,632	\$ 13,199	\$ 8,980	\$ -	\$ (607,453)
Public safety	1,280,710	10,414	331,400	-	(938,896)
Transportation	570,084	-	87,502	-	(482,582)
Economic and physical development	11,522	-	-	-	(11,522)
Environmental protection	131,023	1,705	9,333	-	(119,985)
Culture and recreation	132,456	5,235	-	-	(127,221)
Public works	9,828	-	-	-	(9,828)
Interest and fiscal charges	46,046	-	-	-	(46,046)
Total primary government	\$ 2,811,301	\$ 30,553	\$ 437,215	\$ -	\$ (2,343,533)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					1,303,412
Other taxes and licenses					68,264
Grants and contributions not restricted to specific programs					1,029,587
Unrestricted investment earnings					9,488
Miscellaneous, unrestricted					32,909
Gain on disposal of assets					12,728
Total general revenues					2,456,388
Change in net position					112,855
Net position, beginning, as previously reported					13,244,575
Prior period adjustment					(20,478)
Restatement					(161,421)
Net position, beginning, as restated					13,062,676
Net position, ending					\$ 13,175,531

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,001,249	\$ 3,149,576	\$ 291,659	\$ 6,442,484
Receivables, net:				
Taxes	55,431	-	-	55,431
Accounts	47,750	-	-	47,750
Due from other governments	88,240	-	-	88,240
Due from component funds	-	-	-	-
Prepaid Expenses	-	-	-	-
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	228,175	-	-	228,175
Total current assets	<u>3,420,845</u>	<u>3,149,576</u>	<u>344,094</u>	<u>6,914,515</u>
Other assets				
Note receivable	-	-	24,227	24,227
Total assets	<u>\$ 3,420,845</u>	<u>\$ 3,149,576</u>	<u>\$ 368,321</u>	<u>\$ 6,938,742</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 5,080	\$ -	\$ -	\$ 5,080
Accrued liabilities	51,123	-	-	51,123
Total current liabilities	<u>56,203</u>	<u>-</u>	<u>-</u>	<u>56,203</u>
Longterm liabilities:				
Unearned revenue	-	-	24,227	24,227
Total liabilities	<u>56,203</u>	<u>-</u>	<u>24,227</u>	<u>80,430</u>
Deferred Inflows of Resources				
Property taxes receivable	55,431	-	-	55,431
Prepaid licenses	80	-	-	80
Prepaid taxes	1,755	-	-	1,755
Total deferred inflows of resources	<u>57,266</u>	<u>-</u>	<u>-</u>	<u>57,266</u>
Fund Balances				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Stabilization by state statute	134,155	-	-	134,155
Streets	87,522	-	-	87,522
Capital reserve for fire department	90,934	-	-	90,934
Capital reserve for general operations	49,719	-	-	49,719
Capital projects	-	-	143,549	143,549
Economic development	-	-	175,545	175,545
Water quality	-	1,321,865	-	1,321,865
Bridge Park	27,703	-	-	27,703
Committed				
Economic development	-	-	-	-
Conservation	-	1,825,211	-	1,825,211
Assigned				
Subsequent year's expenditures	223,550	2,500	25,000	251,050
Other postemployment benefits	241,197	-	-	241,197
LEO separation allowance	43,000	-	-	43,000
Unassigned	2,409,596	-	-	2,409,596
Total fund balances	<u>3,307,376</u>	<u>3,149,576</u>	<u>344,094</u>	<u>6,801,046</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,420,845</u>	<u>\$ 3,149,576</u>	<u>\$ 368,321</u>	<u>\$ 6,938,742</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, 2015

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

Total Fund Balance, Governmental Funds	\$ 6,801,046
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	8,518,413
Accrued interest receivable on ad volarem taxes receivable	12,711
Net pension asset	110,165
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	73,998
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	55,431
Notes receivable	24,227
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	(6,507)
Long-term debt	(2,137,463)
Pension related deferrals	(276,490)
Net position of governmental activities	<u>\$ 13,175,531</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 Balance
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,307,950	\$ -	\$ -	\$ 1,307,950
Other taxes and licenses	67,830	-	-	67,830
Unrestricted intergovernmental revenues	1,363,894	151	-	1,364,045
Restricted intergovernmental revenues	119,347	-	-	119,347
Permits and fees	18,449	-	-	18,449
Investment earnings	3,955	5,028	505	9,488
Miscellaneous	28,857	-	772	29,629
Total revenues	2,910,282	5,179	1,277	2,916,738
Expenditures:				
Current:				
General government	766,890	-	-	766,890
Public safety	1,702,780	-	-	1,702,780
Transportation	481,037	-	113,757	594,794
Economic and physical development	11,135	826	-	11,961
Environmental protection	129,693	-	-	129,693
Public works	9,828	-	-	9,828
Culture and recreation	57,498	-	-	57,498
Debt service:				
Principal	202,698	-	-	202,698
Interest and fees	47,582	-	-	47,582
Total expenditures	3,409,141	826	113,757	3,523,724
Revenues over (under) expenditures	(498,859)	4,353	(112,480)	(606,986)
Other financing sources (uses):				
Proceeds from disposal of assets	12,728	-	-	12,728
Transfers from other funds	78,400	-	1,472	79,872
Transfers to other funds	(1,472)	(55,000)	(23,400)	(79,872)
Total other financing sources (uses)	89,656	(55,000)	(21,928)	12,728
Net change in fund balance	(409,203)	(50,647)	(134,408)	(594,258)
Fund balances				
Beginning of year, July 1, as previously reported	3,716,579	3,220,701	478,502	7,415,782
Prior period adjustment	-	(20,478)	-	(20,478)
Beginning of year, July 1, as restated	3,716,579	3,200,223	478,502	7,395,304
End of year, June 30	\$ 3,307,376	\$ 3,149,576	\$ 344,094	\$ 6,801,046

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, 2015

Exhibit 4

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

Net changes in fund balances - governmental fund	\$ (594,258)
<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	917,579
Depreciation expense for governmental assets	(366,590)
<p>Cost of capital assets disposed of during the year, not recognized on the modified accrual basis</p>	
	-
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	73,998
<p>Payments received on long-term note receivable</p>	
	(772)
<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>	
Repayment of long-term debt	202,698
<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	-
Change in unavailable revenue for tax revenues	(4,539)
<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	7,476
Net pension obligation	(9,397)
OPEB liability	(109,971)
Pension expense	(4,904)
Accrued interest payable	1,535
	1,535
Total change in net position of governmental activities	\$ 112,855

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, 2015

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,282,925	\$ 1,288,425	\$ 1,307,950	\$ 19,525
Other tax and licenses	68,300	68,300	67,830	(470)
Unrestricted intergovernmental revenues	1,260,702	1,260,702	1,363,894	103,192
Restricted intergovernmental revenues	113,633	121,438	119,347	(2,091)
Permits and fees	19,000	19,000	18,449	(551)
Investment earnings	3,050	3,050	3,811	761
Miscellaneous	23,850	30,000	28,857	(1,143)
Total revenues	2,771,460	2,790,915	2,910,138	119,223
Expenditures:				
General government	567,395	873,018	766,890	106,128
Public safety	1,657,587	1,771,373	1,702,780	68,593
Transportation	517,350	519,150	481,037	38,113
Economic and physical development	12,950	12,350	11,135	1,215
Environmental protection	219,150	217,350	129,693	87,657
Public works	9,850	9,850	9,828	22
Culture and recreation	74,900	74,900	57,498	17,402
Debt service:				
Principal	202,225	202,700	202,698	2
Interest and fees	48,253	47,111	47,582	(471)
Total expenditures	3,309,660	3,727,802	3,409,141	318,661
Revenues over (under) expenditures	(538,200)	(936,887)	(499,003)	437,884
Other financing sources (uses):				
Proceeds from sale of assets	7,000	9,000	12,728	3,728
Loan proceeds	263,230	-	-	-
Transfers from other funds	182,610	300,210	300,210	-
Transfers to other funds	-	(224,326)	(51,428)	172,898
Appropriated fund balance	85,360	876,459	-	(876,459)
Total other financing sources (uses):	538,200	961,343	261,510	(699,833)
Net change in fund balance	\$ -	\$ 24,456	(237,493)	\$ (261,949)
Fund balances				
Beginning of year, July 1, as previously reported			3,404,216	
Prior period adjustment			-	
Beginning of year, July 1, as restated			<u>3,404,216</u>	
End of year, June 30			<u>\$ 3,166,723</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			144	
Transfers to the general fund			(221,810)	
Transfers from the general fund			49,956	
			<u>(171,710)</u>	
Fund balance, beginning			312,363	
Fund balance, ending (Exhibit 4)			<u>\$ 3,307,376</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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	151	151
-	-	-	-
-	-	-	-
6,000	6,000	5,028	(972)
-	-	-	-
<u>6,000</u>	<u>6,000</u>	<u>5,179</u>	<u>(821)</u>
-	-	-	-
-	-	-	-
-	-	-	-
6,000	61,000	826	60,174
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>6,000</u>	<u>61,000</u>	<u>826</u>	<u>60,174</u>
-	(55,000)	4,353	59,353
-	-	-	-
-	-	-	-
-	-	(55,000)	(55,000)
-	55,000	-	(55,000)
<u>-</u>	<u>55,000</u>	<u>(55,000)</u>	<u>(110,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(50,647)</u>	<u>\$ (50,647)</u>
		3,220,701	
		(20,478)	
		<u>3,200,223</u>	
		<u>\$ 3,149,576</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Sylva, North Carolina (the Town) 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.

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. Sales taxes are considered a shared revenue for the Town of Sylva because the tax is levied by Jackson County and then remitted to and distributed by the State. Most 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 are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate, as an official depository, any bank or saving association whose principal office is located in North Carolina. Also, the Town 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 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.

Restricted Cash: 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	\$ 87,522
Capital Reserve for Fire Department	90,934
Capital Reserve for General Operations	49,719
Total Restricted Cash - Governmental Activities	\$ 228,175

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, 2014.

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.

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

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 has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 several items that meet the criterion for this category – prepaid taxes, prepaid licenses, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

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. 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. 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 the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 funds.

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

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

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

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

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

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

Pensions: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Sylva's employer contributions are recognized when due and the Town of Sylva has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 – Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town 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 agents in the unit's 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, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or their escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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.

On June 30, 2015, the Town's deposits had a carrying amount of \$4,518,000 and a bank balance of \$4,644,781. Of this balance, \$750,000 was covered by federal depository insurance and \$3,894,781 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2015.

Investments

At June 30, 2015, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 535,513	N/A	AAAm
NC Capital Management Trust – Term Portfolio	<u>1,617,146</u>	.19 years	Unrated
Total:	<u>\$ 2,152,659</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, 2015. 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>\$ 36,500</u>
---------------------------------	------------------

Note Receivable

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

On February 14, 2013, the Town and County sold the collateral assets, excluding the land, to Balsam West Fibernet, LLC for a cash down payment 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, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,105,181	\$ 256,873	\$ -	\$ 2,362,054
Construction in progress	5,325	113,757	-	119,082
Total capital assets not being depreciated	2,110,506	370,630	-	2,481,136
Capital Assets Being Depreciated:				
Buildings	4,405,713	-	-	4,405,713
Other improvements	332,311	6,001	-	338,312
Computer Equipment	8,165	-	-	8,165
Equipment	929,679	13,387	-	943,066
Vehicles and motorized equipment	1,897,625	492,446	44,447	2,345,624
Infrastructure	2,659,787	35,115	-	2,694,902
Total capital assets being depreciated	10,233,280	546,949	44,447	10,735,782
Less Accumulated Depreciation For:				
Buildings	930,696	91,223	-	1,021,919
Other improvements	329,401	418	-	329,819
Computer Equipment	8,165	-	-	8,165
Equipment	794,497	33,979	-	828,476
Vehicles and motorized equipment	1,032,437	148,688	44,447	1,136,678
Infrastructure	1,281,166	92,282	-	1,373,448
Total accumulated depreciation	4,376,362	366,590	44,447	4,698,505
Total capital assets being depreciated, net	5,856,918			6,037,277
Governmental Activities Capital Assets, Net	\$ 7,967,424			\$ 8,518,413

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

General government	\$ 90,565
Public safety	108,939
Transportation	149,972
Environmental protection	5,361
Culture and recreation	11,752
Total depreciation expense	\$ 366,590

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Sylva is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Sylva employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Sylva's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and

firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sylva were \$73,998 for the year ended June 30, 2015.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported an asset of \$110,165 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town’s proportion was 0.0187%, which was an increase of 0.0004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,904. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,037
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	256,461
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	7,992
Town contributions subsequent to the measurement date	73,998	-
Total	<u>\$ 73,998</u>	<u>\$ 276,490</u>

\$73,998 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	(69,135)
2017		(69,135)
2018		(69,135)
2019		(69,085)
2020		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.0 percent
Salary increases		4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return		7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 373,946	\$ (110,165)	\$ (517,770)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not yet receiving benefits	-
Active plan members	<u>16</u>
Total	<u>17</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 and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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, 2014 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	\$ 29,855
Interest on net pension obligation	(61)
Adjustment to annual required contribution	103
Annual pension cost	<u>29,897</u>
Contributions made	<u>20,500</u>
Increase (decrease) in net pension obligation	9,397
Net pension obligation beginning of year	<u>(1,221)</u>
Net pension obligation end of year	<u><u>\$ 8,176</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 22,622	103.88%	\$ (5,709)
2014	\$ 24,988	82.04%	\$ (1,221)
2015	\$ 29,897	68.57%	\$ 8,176

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 15.15 percent funded. The actuarial accrued liability for benefits was \$263,246, and the actuarial value of assets was \$39,884, which are designated monies in the general fund, resulting in an unfunded actuarial accrued liability (UAAL) of \$223,362.

The covered payroll (annual payroll of active employees covered by the plan) was \$629,761, and the ratio of the UAAL to the covered payroll was 35.47 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, 2015, were \$35,766, which consisted of \$28,295 from the Town and \$7,471 from the law enforcement officers.

Firemen's and Rescue Squad Workers' Pension Fund (FRSWPF)

Plan members of the FRSWPF are required to contribute \$10 per month to the plan. All members of the Town's fire department are volunteer. The Town makes the plan member required contributions on January 1st of each year for the active fire department roster. Total contributions for fiscal year 2015 were \$3,780.

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, 2015, total contributions were \$41,180, which consisted of \$19,878 from the Town and \$21,302 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, 2015, the Town made payments for post-retirement health benefit premiums of \$19,283. 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 obligation exceeds the assigned amount by \$46,507 at June 30, 2015.

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	\$ 124,283
Interest on net OPEB obligation	4,971
Annual OPEB cost (expense)	<u>129,254</u>
Contributions made	<u>(19,283)</u>
Increase in net OPEB obligation	109,971
Net OPEB obligation, beginning of year	<u>177,733</u>
Net OPEB obligation, end of year	<u><u>\$ 287,704</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, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 89,066	40.07%	\$ 159,216
2014	\$ 49,230	62.39%	\$ 177,733
2015	\$ 129,254	14.92%	\$ 287,704

Fund Status and Funding Progress. As of December 31, 2014, the actuarial accrued liability for benefits was \$669,421, all of which were unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$998,323, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 67.05 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 2014 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Inflation Rate. The expected long-term inflation assumption related to health insurance cost of 6.8 percent was used.

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, 2015, was thirty years.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 73,998

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

Source	Amount
Property taxes receivable (General Fund)	\$ 55,431
Prepaid licenses (General Fund)	80
Prepaid taxes (General Fund)	1,755
Pension deferrals	276,490

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 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, 2015, are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 204,106	\$ 36,063
2017	204,740	31,891
2018	205,391	27,702
2019	206,059	23,497
2020	206,745	19,273
2021-2024	716,933	34,491
Total installment purchase payments	\$ 1,743,974	\$ 172,917

At June 30, 2015, the Town had an approximate legal debt margin of \$33.9 million.

Changes in Long-Term Liabilities

	Beginning Balances	Increase	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Installment purchase contracts	\$ 1,946,672	\$ -	\$ 202,698	\$ 1,743,974	\$ 204,106
Compensated absences	105,084	31,929	39,404	97,609	-
Net pension obligation (LEO)	(1,221)	29,897	20,500	8,176	-
Net pension obligation (LGERS)	230,228		230,228	-	
Other postemployment benefits	177,733	129,254	3,399	303,588	-
	\$ 2,458,496	\$ 191,080	\$ 496,229	\$ 2,153,347	\$ 204,106

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 8,518,413
Less capital debt	1,743,974
Capital assets, net of related debt	<u>\$ 6,774,439</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, 2015, consisted of the following:

From the Revolving Loan Fund to the General Fund	<u>\$ 23,400</u>
From the Fisher Creek Fund to the General Fund	<u>\$ 55,000</u>
From General Fund to Signage Fund	<u>\$ 1,472</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.

Prior Period Adjustment

During the fiscal year ended June 30, 2015, the Town determined that total assets for the Fisher Creek fund were overstated by the amount of sales tax receivable, as the amount was received and recorded as revenue rather than reducing the receivable as of June 30, 2014. This overstatement affected both the full accrual and modified accrual bases of accounting. Therefore, adjustments to beginning net position and fund balance have been recorded to correct the error, the net effect of which decreased beginning net position and fund balance by \$20,478.

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	\$ 3,307,376
Less:	
Stabilization by State Statute	135,990
Streets-Powell Bill	87,522
Appropriated Fund Balance in 2015 Budget	223,550
Capital reserve for fire department	90,934
Capital reserve for general operations	49,719
Other Postemployment Benefits	241,197
LEO Separation Allowance	43,000
Bridge Park	27,703
Fund Balance Policy	1,124,396
Remaining Fund Balance	<u><u>\$ 1,283,365</u></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

Construction Commitments

At June 30, 2015, the Town had outstanding commitments for engineering services for the Finch Street Improvement Project in the amount of \$62,932.

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.

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, 2015. 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.

Litigation

The Town is routinely involved in litigation related to tax foreclosures in the normal course of business. On March 2, 2015, a former employee filed a wrongful termination lawsuit against the Town. While the outcome of this litigation cannot be predicted with certainty at this time, the Town intends to vigorously defend its position. The Town attorney expects that this will likely go to trial in early 2016.

Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$161,421.

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%
12/31/2014	43,000	*	263,246	223,362	15.15%	629,761	35.47%

* Represents fund balance assigned in the General Fund.

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	22,622	103.88%
2014	24,988	82.04%
2015	29,897	68.57%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16 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%
12/31/2014	-	669,421	669,421	0.00%	998,323	67.05%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	89,066	40.07%
2014	49,230	62.39%
2015	129,254	14.92%

Town of Sylva, North Carolina
Town of Sylva's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years *

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Sylva's proportion of the net pension liability (asset) (%)	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ (110,165)	\$230,228
Sylva's covered-employee payroll	\$1,003,334	\$957,295
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.98%)	24.05%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Sylva, North Carolina
Town of Sylva's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	73,998	68,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$1,003,334	\$957,295
Contributions as a percentage of covered-employee payroll	7.38%	7.19%

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,279,900	\$ 1,297,292	\$ 17,392
Penalties and interest	8,525	10,658	2,133
Total ad valorem taxes	<u>1,288,425</u>	<u>1,307,950</u>	<u>19,525</u>
Other taxes and licenses:			
Privilege licenses	<u>68,300</u>	<u>67,830</u>	<u>(470)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	366,000	402,245	36,245
Excise tax on natural gas	8,500	8,029	(471)
Franchise tax	222,000	265,768	43,768
Beer and wine tax	11,500	12,753	1,253
Fire Department sales tax	4,000	4,364	364
Telecommunications sales tax	65,600	61,282	(4,318)
Cable franchise fees	16,500	16,132	(368)
Sales tax refund	7,450	16,264	8,814
Fire protection	311,852	318,286	6,434
Hold harmless	86,000	96,965	10,965
Solid waste disposal tax	1,300	1,706	406
ABC profit distribution	160,000	160,000	-
Substance tax distribution	-	100	100
Total	<u>1,260,702</u>	<u>1,363,894</u>	<u>103,192</u>
Restricted intergovernmental revenues			
Grants and contributions	30,538	30,854	316
ABC revenues for law enforcement	8,400	6,413	(1,987)
ABC revenues for education	11,500	8,978	(2,522)
Powell Bill allocation	71,000	73,102	2,102
Total	<u>121,438</u>	<u>119,347</u>	<u>(2,091)</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Permits and fees			
Building permits	\$ 3,000	\$ 4,100	\$ 1,100
Recreation fees	7,000	5,235	(1,765)
Parking fines	9,000	9,114	114
Total	<u>19,000</u>	<u>18,449</u>	<u>(551)</u>
Investment earnings	<u>3,050</u>	<u>3,811</u>	<u>761</u>
Miscellaneous	<u>30,000</u>	<u>28,857</u>	<u>(1,143)</u>
Total revenues	<u>2,790,915</u>	<u>2,910,138</u>	<u>119,223</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	25,450	24,848	602
Operating expenditures	133,800	91,783	42,017
Professional services	69,950	50,738	19,212
Total	<u>229,200</u>	<u>167,369</u>	<u>61,831</u>
Administration:			
Salaries and employees benefits	195,403	187,154	8,249
Operating expenditures	52,585	41,299	11,286
Capital outlay	266,900	262,874	4,026
Total	<u>514,888</u>	<u>491,327</u>	<u>23,561</u>
Main Street:			
Salaries and employee benefits	43,240	43,240	-
Operating benefits	32,940	22,160	10,780
Total	<u>76,180</u>	<u>65,400</u>	<u>10,780</u>
Facilities maintenance:			
Salaries and employee benefits	8,950	8,917	33
Operating benefits	43,800	33,877	9,923
Capital outlay	-	-	-
Total	<u>52,750</u>	<u>42,794</u>	<u>9,956</u>
Total general government	<u>873,018</u>	<u>766,890</u>	<u>106,128</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Police:			
Salaries and employee benefits	\$ 866,601	\$ 855,757	\$ 10,844
Operating expenditures	194,445	169,043	25,402
Capital outlay	74,470	71,846	2,624
Total	<u>1,135,516</u>	<u>1,096,646</u>	<u>38,870</u>
Fire:			
Salaries and employee benefits	55,512	55,568	(56)
Operating expenditures	157,165	129,966	27,199
Capital outlay	423,180	420,600	2,580
Total	<u>635,857</u>	<u>606,134</u>	<u>29,723</u>
Total public safety	<u>1,771,373</u>	<u>1,702,780</u>	<u>68,593</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	276,000	273,662	2,338
Operating expenditures	194,563	158,873	35,690
Capital outlay	48,587	48,502	85
Total transportation	<u>519,150</u>	<u>481,037</u>	<u>38,113</u>
Economic and physical development:			
Operating expenditures	12,350	11,135	1,215
Total economic and physical development	<u>12,350</u>	<u>11,135</u>	<u>1,215</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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Environmental protection:			
Sanitation:			
Salaries and employees benefits	\$ 88,100	\$ 88,610	\$ (510)
Operating expenditures	50,200	41,083	9,117
Capital outlay	79,050	-	79,050
Total environmental protection	217,350	129,693	87,657
Public works:			
Cemetery:			
Contracted services	9,850	9,828	22
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	23,900	19,609	4,291
Operating expenditures	46,000	32,889	13,111
Library contribution	5,000	5,000	-
Total culture and recreation	74,900	57,498	17,402
Debt service:			
Principal	202,700	202,698	2
Interest and fees	47,111	47,582	(471)
Total debt service	249,811	250,280	(469)
 Total expenditures	 3,727,802	 3,409,141	 318,661

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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	<u>\$ (936,887)</u>	<u>\$ (499,003)</u>	<u>\$ 437,884</u>
Other financing sources (uses):			
Proceeds from disposal of assets	9,000	12,728	3,728
Transfers from other funds	300,210	300,210	-
Transfers to other funds	(26,972)	(51,428)	(24,456)
Appropriated fund balance	<u>654,649</u>	<u>-</u>	<u>(654,649)</u>
Total	<u>936,887</u>	<u>261,510</u>	<u>(675,377)</u>
Net change in fund balance	<u>\$ -</u>	<u>(237,493)</u>	<u>\$ (237,493)</u>
Fund balances:			
Beginning year, July 1		<u>3,404,216</u>	
End of year, June 30		<u>\$ 3,166,723</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, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 81	\$ 81
	-	81	81
Expenditures	-	-	-
Revenues over (under) expenditures	-	81	81
Other financing sources (uses):			
Transfers from general fund	25,500	25,500	-
Transfers to general fund	(90,500)	(65,000)	25,500
Appropriated fund balance	65,000	-	(65,000)
Net change in fund balance	\$ -	(39,419)	\$ (39,419)
Fund balance:			
Beginning year, July 1		89,138	
End of year, June 30		\$ 49,719	

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, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 63	\$ 63
	-	63	63
Expenditures	-	-	-
Revenues over (under) expenditures	-	63	63
Other financing sources:			
Transfers to general fund	(156,810)	(156,810)	-
Transfers from general fund	-	24,456	24,456
Appropriated fund balance	156,810	-	(156,810)
	-	(132,354)	(132,354)
Net change in fund balance	\$ -	(132,291)	\$ (132,291)
Fund balance:			
Beginning year, July 1		223,225	
End of year, June 30		\$ 90,934	

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	<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	\$ 137,286	\$ 6,263	\$ 148,110	\$ 291,659
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	-	-	-	-
Total current assets	<u>137,286</u>	<u>6,263</u>	<u>200,545</u>	<u>344,094</u>
Other assets				
Note receivable	-	-	24,227	24,227
Total assets	<u>\$ 137,286</u>	<u>\$ 6,263</u>	<u>\$ 224,772</u>	<u>\$ 368,321</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Longterm liabilities:				
Unearned revenue	-	-	24,227	24,227
Total liabilities	<u>-</u>	<u>-</u>	<u>24,227</u>	<u>24,227</u>
Fund Balances				
Assigned				
Subsequent year's expenditures	-	-	25,000	25,000
Restricted for:				
Economic development	-	-	175,545	175,545
Capital projects	137,286	6,263	-	143,549
Total fund balances	<u>137,286</u>	<u>6,263</u>	<u>200,545</u>	<u>344,094</u>
Total liabilities and fund balance	<u>\$ 137,286</u>	<u>\$ 6,263</u>	<u>\$ 224,772</u>	<u>\$ 368,321</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, 2015

	<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	178	5	322	505
Miscellaneous	-	-	772	772
Total revenues	<u>178</u>	<u>5</u>	<u>1,094</u>	<u>1,277</u>
Expenditures:				
Current:				
Transportation	113,757	-	-	113,757
Economic and physical development	-	-	-	-
Total expenditures	<u>113,757</u>	<u>-</u>	<u>-</u>	<u>113,757</u>
Revenues over (under) expenditures	(113,579)	5	1,094	(112,480)
Other financing sources (uses):				
Transfers from other funds	-	1,472	-	1,472
Transfers to other funds	-	-	(23,400)	(23,400)
Total other financing sources (uses)	<u>-</u>	<u>1,472</u>	<u>(23,400)</u>	<u>(21,928)</u>
Net change in fund balance	(113,579)	1,477	(22,306)	(134,408)
Fund balances				
Beginning of year, July 1	<u>250,865</u>	<u>4,786</u>	<u>222,851</u>	<u>478,502</u>
End of year, June 30	<u>\$ 137,286</u>	<u>\$ 6,263</u>	<u>\$ 200,545</u>	<u>\$ 344,094</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, 2015

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 59	\$ 178	\$ 237	\$ 237
Total revenues	-	59	178	237	237
Expenditures:					
Transportation:					
Construction	256,131	5,325	113,757	119,082	137,049
Total expenditures	256,131	5,325	113,757	119,082	137,049
Revenues under expenditures	(256,131)	(5,266)	(113,579)	(118,845)	137,286
Other financing sources (uses):					
Transfers from other funds	256,131	-	-	-	256,131
Transfers to other funds	-	-	-	-	-
Net change in fund balance	\$ -	\$ (5,266)	(113,579)	\$ (118,845)	\$ 393,417
Fund balance:					
Beginning of year, July 1			250,865		
End of year, June 30			\$ 137,286		

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, 2015

	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		31	5	36	36
Total revenues	<u>9,000</u>	<u>9,073</u>	<u>5</u>	<u>9,078</u>	<u>78</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>4,786</u>	<u>5</u>	<u>4,791</u>	<u>4,791</u>
Other financing sources (uses):					
Transfers from other funds	<u>-</u>	<u>-</u>	<u>1,472</u>	<u>1,472</u>	<u>1,472</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,786</u>	<u>1,477</u>	<u>\$ 6,263</u>	<u>\$ 6,263</u>
Fund balance:					
Beginning of year, July 1			<u>4,786</u>		
End of year, June 30			<u>\$ 6,263</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 322	\$ 322
Miscellaneous		772	772
	<u>-</u>	<u>1,094</u>	<u>1,094</u>
Expenditures			
Economic development	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Revenues over (under) expenditure:	<u>(5,000)</u>	<u>1,094</u>	<u>6,094</u>
Other financing sources:			
Transfers to other funds	(23,400)	(23,400)	-
Appropriated fund balance	<u>28,400</u>	<u>-</u>	<u>(28,400)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>(22,306)</u></u>	<u><u>\$ (22,306)</u></u>
Fund balance:			
Beginning year, July 1		<u>222,851</u>	
End of year, June 30		<u><u>\$ 200,545</u></u>	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 1,272,827	\$ 1,238,295	\$ 34,532
2013-2014	35,281		17,179	18,102
2012-2013	18,731		12,193	6,538
2011-2012	6,733		1,882	4,851
2010-2011	7,424		774	6,650
2009-2010	5,009		612	4,397
2008-2009	3,312		792	2,520
2007-2008	9,318		526	8,792
2006-2007	2,947		93	2,854
2005-2006	1,914		12	1,902
2004-2005	2,476		1,683	793
2003-2004	-		-	-
2002-2003	(35)		(35)	-
	<u>\$ 93,109</u>	<u>\$ 1,272,827</u>	<u>\$ 1,274,005</u>	<u>\$ 91,931</u>
Less: allowance for uncollectible accounts - general fund				<u>(36,500)</u>
Ad valorem taxes receivable - net				<u>\$ 55,431</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,307,950
<u>Reconciliation items</u>				
Penalties and interest collected				(10,658)
Rental vehicle tax				(17,708)
Tax lien reimbursement				(5,579)
Subtotal				<u>(33,945)</u>
Total collections and credits				<u>\$ 1,274,005</u>

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2015**

	<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	\$ 425,475,087	0.30	\$ 1,276,425	\$ 1,236,299	\$ 40,126
	<u>425,475,087</u>		<u>1,276,425</u>	<u>1,236,299</u>	<u>40,126</u>
Discoveries					
Prior year taxes	370,933	0.30	1,113	1,113	
	<u>370,933</u>		<u>1,113</u>	<u>1,113</u>	<u>-</u>
Abatements	<u>(1,570,210)</u>	0.30	<u>(4,711)</u>	<u>(4,350)</u>	<u>(361)</u>
Total property valuation	<u>\$ 424,275,810</u>				
Net levy			1,272,827	1,233,062	39,765
Uncollected taxes at June 30, 2015			<u>(34,532)</u>	<u>(34,532)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,238,295</u>	<u>\$ 1,198,530</u>	<u>\$ 39,765</u>
Current levy collection percentage			<u>97.29%</u>	<u>97.20%</u>	<u>100.00%</u>