



**Financial Statements
For the Year Ended June 30, 2016**

Town of Sylva, North Carolina

Mayor

Lynda Sossamon

Board of Commissioners

Mary Gelbaugh
Barbara Hamilton
Harold Hensley
Greg McPherson
David Nestler

Management

Paige R. Dowling, Town Manager
Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2016, 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, 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, 2016, 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. In our opinion, based on our audit, the procedures performed as described above, 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, 2016

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, 2016. 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 \$13,420,233 (net position).
- The government's total net position increased by \$244,703. Revenues increased by 5 percent and expenses increased by 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 manner so that money remained unspent at year end. Revenues increased due to the fact that Harris Regional Hospital went from tax-exempt to non-exempt which allowed for an increase in both real and personal property taxes.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$6,965,507, an *increase* of \$164,461 in comparison with the prior year's decrease of \$594,258. This increase resulted from additional gains in revenue and holding expenditures to the prior years' spending level. Approximately 39 percent, or \$2,748,493, 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 \$2,748,493, or 96 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 *increased* by \$216,359 compared to a decrease of \$409,203 last year.
- Total long-term debt of \$2,063,524 *decreased* by \$73,939 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

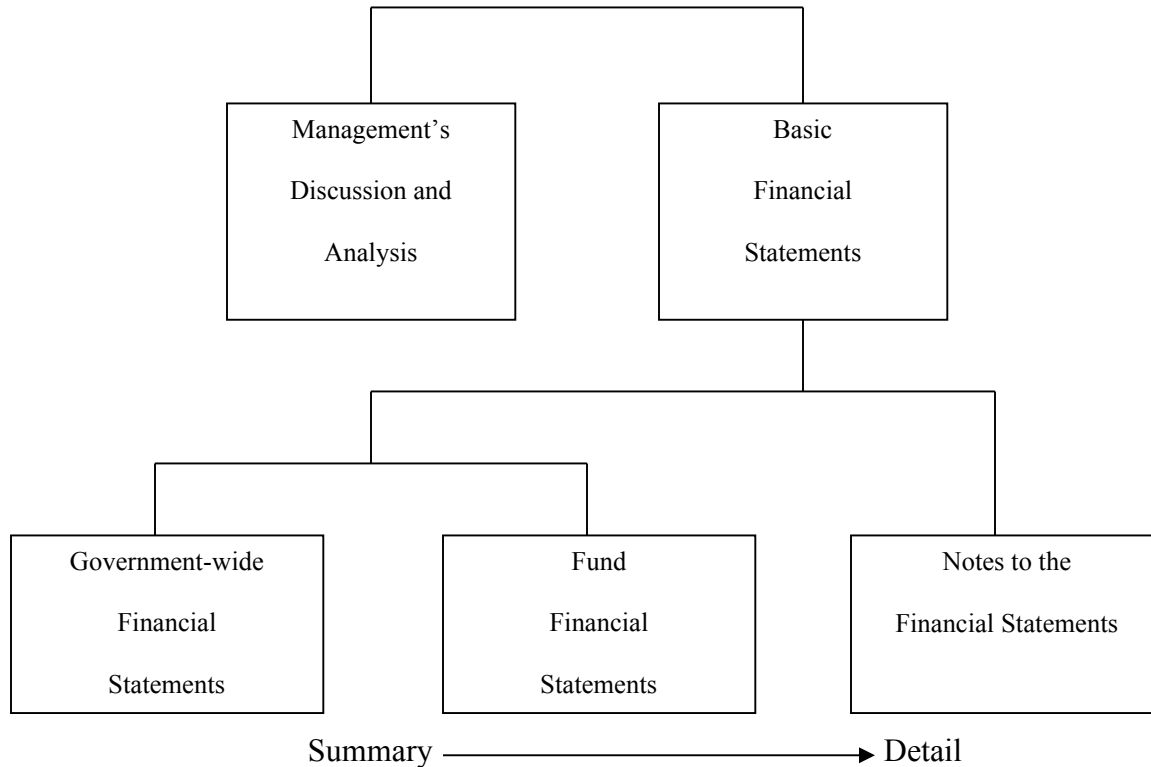
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

- 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 5) 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 5) 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	
	2016	2015	\$ Change	% Change
Current assets	\$ 7,086,682	\$ 6,927,227	\$ 159,455	2%
Noncurrent assets	8,526,606	8,652,805	(126,199)	-1%
Total assets	15,613,288	15,580,032	33,256	0%
Deferred outflows of resources	73,459	73,998	(539)	-1%
Long-term liabilities outstanding	1,942,978	1,933,357	9,621	0%
Other liabilities	262,044	266,817	(4,773)	-2%
Total liabilities	2,205,022	2,200,174	4,848	0%
Deferred inflows of resources	61,492	278,325	(216,833)	-78%
Net position:				
Net investment in capital assets	6,963,430	6,774,439	188,991	3%
Restricted	1,924,673	2,030,992	(106,319)	-5%
Unrestricted	4,532,130	4,370,100	162,030	4%
Total net position	\$ 13,420,233	\$ 13,175,531	\$ 244,702	2%

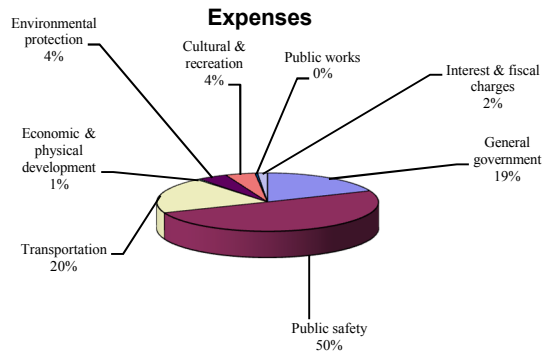
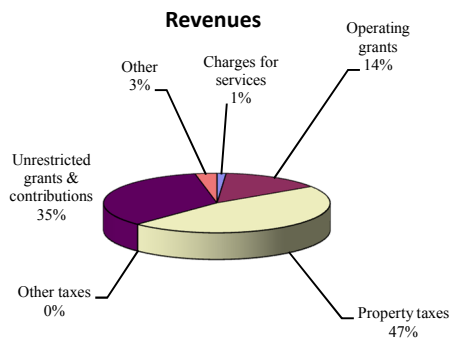
As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$13,420,233 as of June 30, 2016. The Town’s net position *increased* by \$244,703 for the fiscal year ended June 30, 2016. The largest portion of net position (52 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 (34 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$1,948,256, (14 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 4 percent in unrestricted net position. The main reason for this increase was additional tax revenues received the local hospital changing from a non-profit to a for-profit status.

Town of Sylva Changes in Net Position
Figure 3

	Government Activities		Total	
	2016	2015	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 39,699	\$ 30,553	\$ 9,146	30%
Operating grants and contributions	442,977	437,215	5,762	1%
General Revenues:				
Property taxes	1,432,482	1,303,412	129,070	10%
Other taxes	2,371	68,264	(65,893)	-97%
Grants and contributions not restricted to specific programs	1,063,543	1,029,587	33,956	3%
Other	95,585	55,125	40,460	73%
Total Revenues	3,076,657	2,924,156	152,501	5%
Expenses:				
General government	530,549	629,632	(99,083)	-16%
Public safety	1,422,587	1,280,710	141,877	11%
Transportation	568,373	570,084	(1,711)	0%
Economic and physical development	12,072	11,522	550	5%
Environmental protection	124,734	131,023	(6,289)	-5%
Cultural and recreation	122,749	132,456	(9,707)	-7%
Public works	9,828	9,828	-	0%
Interest and fiscal charges	41,062	46,046	(4,984)	-11%
Total Expenses	2,831,954	2,811,301	20,653	1%
Change in net position	244,703	112,855	131,848	117%
Net position, July 1	13,175,531	13,062,676	112,855	1%
Net position, June 30	\$ 13,420,234	\$ 13,175,531	\$ 244,703	2%



Governmental activities: Governmental activities increased the Town's net position by \$244,703 thereby accounting for a 2 percent growth in the net position of the Town of Sylva. Contributing to net position growth was the fact that the Town received additional tax revenue from Duke Life Point Hospital and 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 \$2,748,493, while total fund balance reached \$3,523,735. 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 96 percent of total General Fund expenditures, while total fund balance represents 123 percent of the same amount.

At June 30, 2016, the governmental funds of Town of Sylva reported a combined fund balance of \$6,965,507, a 2 percent increase from last year. This increase is primarily from conservative budgeting and economical spending. 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. Currently that target goal is 73 percent

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 intergovernmental revenue increase came from Franchise Tax which was 20 percent higher than originally budgeted. Ad Valorem Taxes reflected a 6 percent favorable increase at year end due to the local hospital going from a tax-exempt to a non-tax-exempt status. The Town would have realized an even greater revenue increase had they not loss \$66,000 in privilege license due to S.L. 2014-3. Total General Fund expenditures came in 9 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, 2016, totals \$8,503,410 (net of accumulated depreciation). These assets include land, construction in progress, buildings, other improvements, infrastructure, equipment, and vehicles.

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

- Purchase of 3 new police vehicles
- Purchase Peterson Demonstrator Freightliner Knuckleboom Truck
- Resurface King and Edgewood Streets
- Completed construction on the Finch Street Improvement Project

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

	Government Activities		Total	
	2016	2015	\$ Change	% Change
Land	\$ 2,362,054	\$ 2,362,054	\$ -	0%
Construction in progress	-	119,082	(119,082)	-100%
Buildings	3,292,571	3,383,794	(91,223)	-3%
Other improvements	7,336	8,493	(1,157)	-14%
Computer equipment	-	-	-	0%
Equipment	98,633	114,590	(15,957)	-14%
Vehicles and motorized equipment	1,285,645	1,208,946	76,699	6%
Infrastructure	1,457,171	1,321,454	135,717	10%
Total	<u>\$ 8,503,410</u>	<u>\$ 8,518,413</u>	<u>\$ (15,003)</u>	0%

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

Long-term Debt

As of June 30, 2016, the Town of Sylva had a long-term debt outstanding of \$2,063,524. Of this, \$204,740 is due within one year and \$1,858,784 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 a much anticipated tax revaluation. Due to the 2008 recession, Jackson County opted to extend the four year revaluation cycle to eight years. During this time, the tax rate did not increase and minimal tax value was gained. This combined with a decline in sales tax and other state revenues, decreased interest rates, loss of privilege license and video gaming revenues made the eight years a budget challenge. Although the economy is improving both nationally and locally, the rebound process is slow. The Town continues to be faced with the pressure to operate with less and provide efficient, effective and high

quality services that their taxpayers have come to expect. These accomplishments continue to be realized through conservative budgeting, maintaining a sufficient fund balance and keeping debt to a minimal level.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities:

The Town of Sylva has approved a \$3,599,868 budget for fiscal year 2016-2017, which represents a 9 percent increase from the 2015-2016 original budget. The increase is due in part to an increase in prefunding of post-employment benefits and financing a garbage truck and used backhoe.

Revenues:

- The tax rate increased from 30 cents per \$100 valuation to 42.5 cents per \$100 valuation. The tax rate increase resulted from a tax revaluation where property values were estimated to decrease by 6.5 percent within Sylva's Town limits. In addition Duke Life Point Hospital, the largest taxpayer, filed an appeal on their valuation. The Budget was built under the assumption that the hospital would not pay taxes until the appeal was settled. The levy on real property, vehicles, and personal property comprise 44 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$378,082,710 which is a 13 percent decrease from the 2015 levy.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance contribute to 26 percent of the General Fund budget. Growth is anticipated for Local Sales and Franchise Tax revenues for fiscal year end 2017. Sales on Telecommunication and Local Video Programming anticipate a loss from the prior fiscal year end. Powell Bill is estimated to remain the same. Overall moderate growth is anticipated in State-collected revenues.
- General Fund Investment earnings once again are projected to be minimal. Although a slight increase is anticipated, interest rates remain at less than .50 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 increased from the prior year. Currently the General Government contribution rate is 7.34 percent and the Law Enforcement contribution rate is 8.00 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 increased from the prior year by 22 percent. Retired employee's rates remain high. 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 increased this year; however, not to the actuarial estimates. The Town Board has expressed concerns for this future expense and has made a commitment to use unbudgeted tax revenues once the Duke Life Point Hospital appeal is resolved.

- Capital expenditures in the 2016-2017 Budget include two new police vehicles fully equipped and the replacement of a sign machine and mower in the Public Works Department. In addition a garbage truck and used backhoe will be financed over a five-year period.
- The 2016-2017 Budget will reduce the available Fund Balance by \$6,000 compared to the prior year's budgeted appropriation of \$144,500. This minimal Fund Balance appropriation was a result of a roll-over revenue from the previous fiscal year. As a result of the revaluation, the Town Board was able to set a tax rate that would allow for monies not to be appropriated from the fund balance in order to balance the budget. This is a practice that has not been accomplished since the recession. Currently the available Fund Balance is 76 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. Additionally, the Fund Balance Policy allows monies over the stated goal to transfer into a capital reserve fund. This year, \$100,000 will be transferred to the General Fund Capital Reserve Fund. 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, 2016

	Primary Government Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,498,433
Receivables (net)	
Taxes receivable	48,367
Accrued interest	11,905
Accounts	59,750
Due from other governments	94,595
Prepaid expenses	23,583
Real estate held for resale	52,435
Restricted cash and cash equivalents	297,614
Total current assets	7,086,682
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	2,362,054
Other capital assets, net of depreciation	6,141,356
Total capital assets	8,503,410
Notes receivable	23,196
Total noncurrent assets	8,526,606
Total assets	15,613,288
Deferred Outflows of Resources	
Contributions to pension plan in current fiscal year	73,459
Liabilities	
Current liabilities:	
Accounts payable	12,208
Accrued liabilities	45,096
Current portion of long-term liabilities	204,740
Total current liabilities	262,044
Long-term liabilities:	
Pension liability	84,194
Due in more than one year	1,858,784
Total liabilities	2,205,022
Deferred Inflows of Resources	
Prepaid taxes	8,309
Prepaid licenses	975
Pension deferrals	52,208
Total deferred inflows of resources	61,492
Net Position	
Net investment in capital assets	6,963,430
Restricted for:	
Capital projects	10,871
Economic development	176,134
Stabilization by state statute	154,346
Transportation (Powell Bill)	109,034
Capital reserves	160,765
Water quality	1,285,708
Bridge Park	27,815
Unrestricted	4,532,130
Total net position	\$ 13,420,233

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, 2016**

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	\$ 530,550	\$ 21,452	\$ 9,514	\$ -	\$ (499,584)
Public safety	1,422,587	10,017	334,529	-	(1,078,041)
Transportation	568,373	-	98,847	-	(469,526)
Economic and physical development	12,072	-	87	-	(11,985)
Environmental protection	124,734	1,697	-	-	(123,037)
Culture and recreation	122,749	6,533	-	-	(116,216)
Public works	9,828	-	-	-	(9,828)
Interest and fiscal charges	41,062	-	-	-	(41,062)
Total primary government	\$ 2,831,955	\$ 39,699	\$ 442,977	\$ -	\$ (2,349,279)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					1,432,482
Other taxes and licenses					2,371
Grants and contributions not restricted to specific programs					1,063,543
Unrestricted investment earnings					14,199
Miscellaneous, unrestricted					46,033
Gain on disposal of assets					35,353
Total general revenues					2,593,981
Change in net position					244,702
Net position, beginning					13,175,531
Net position, ending					\$ 13,420,233

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,109,096	\$ 3,228,767	\$ 160,570	\$ 6,498,433
Receivables, net:				
Taxes	48,367	-	-	48,367
Accounts	59,750	-	-	59,750
Due from other governments	94,595	-	-	94,595
Prepaid Expenses	23,583	-	-	23,583
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	297,614	-	-	297,614
Total current assets	3,633,005	3,228,767	213,005	7,074,777
Other assets				
Note receivable	-	-	23,196	23,196
Total assets	\$ 3,633,005	\$ 3,228,767	\$ 236,201	\$ 7,097,973
Liabilities				
Current liabilities:				
Accounts payable	\$ 12,152	\$ -	\$ -	\$ 12,152
Accrued liabilities	39,467	-	-	39,467
Total current liabilities	51,619	-	-	51,619
Longterm liabilities:				
Unearned revenue	-	-	23,196	23,196
Total liabilities	51,619	-	23,196	74,815
Deferred Inflows of Resources				
Property taxes receivable	48,367	-	-	48,367
Prepaid licenses	975	-	-	975
Prepaid taxes	8,309	-	-	8,309
Total deferred inflows of resources	57,651	-	-	57,651
Fund Balances				
Nonspendable:				
Prepaid items	23,583	-	-	23,583
Restricted for:				
Stabilization by state statute	154,346	-	-	154,346
Streets	109,034	-	-	109,034
Capital reserve for fire department	136,010	-	-	136,010
Capital reserve for general operations	24,755	-	-	24,755
Capital projects	-	-	10,871	10,871
Economic development	-	-	176,134	176,134
Water quality	-	1,285,708	-	1,285,708
Bridge Park	27,815	-	-	27,815
Committed				
Economic development	-	-	-	-
Conservation	-	1,926,059	-	1,926,059
Assigned				
Subsequent year's expenditures	6,000	17,000	26,000	49,000
Other postemployment benefits	246,520	-	-	246,520
LEO separation allowance	47,179	-	-	47,179
Unassigned	2,748,493	-	-	2,748,493
Total fund balances	3,523,735	3,228,767	213,005	6,965,507
Total liabilities, deferred inflows of resources and fund balances	\$ 3,633,005	\$ 3,228,767	\$ 236,201	\$ 7,097,973

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, 2016

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

Total Fund Balance, Governmental Funds	\$ 6,965,507
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	8,503,410
Accrued interest receivable on ad volarem taxes receivable	11,905
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	73,459
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	48,367
Notes receivable	23,196
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(84,194)
Accrued interest on long-term debt	(5,685)
Long-term debt	(2,063,524)
Pension related deferrals	(52,208)
Net position of governmental activities	<u>\$ 13,420,233</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, 2016

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,440,351	\$ -	\$ -	\$ 1,440,351
Other taxes and licenses	1,100	-	-	1,100
Unrestricted intergovernmental revenues	1,395,716	632	-	1,396,348
Restricted intergovernmental revenues	115,351	-	-	115,351
Permits and fees	25,530	-	-	25,530
Investment earnings	6,486	7,402	311	14,199
Miscellaneous	57,226	-	2,264	59,490
Total revenues	3,041,760	8,034	2,575	3,052,369
Expenditures:				
Current:				
General government	501,459	-	-	501,459
Public safety	1,307,750	-	-	1,307,750
Transportation	477,160	-	66,890	544,050
Economic and physical development	11,716	208	662	12,586
Environmental protection	257,417	-	-	257,417
Public works	9,828	-	-	9,828
Culture and recreation	44,291	-	-	44,291
Debt service:				
Principal	203,994	-	-	203,994
Interest and fees	41,886	-	-	41,886
Total expenditures	2,855,501	208	67,552	2,923,261
Revenues over (under) expenditures	186,259	7,826	(64,977)	129,108
Other financing sources (uses):				
Proceeds from disposal of assets	35,353	-	-	35,353
Transfers from other funds	-	71,365	5,253	76,618
Transfers to other funds	(5,253)	-	(71,365)	(76,618)
Total other financing sources (uses)	30,100	71,365	(66,112)	35,353
Net change in fund balance	216,359	79,191	(131,089)	164,461
Fund balances				
Beginning of year, July 1	3,307,376	3,149,576	344,094	6,801,046
End of year, June 30	\$ 3,523,735	\$ 3,228,767	\$ 213,005	\$ 6,965,507

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, 2016

Exhibit 4

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

Net changes in fund balances - governmental fund	\$ 164,461
<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	369,096
Depreciation expense for governmental assets	(384,100)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	73,459
<p>Payments received on long-term note receivable</p>	
	(1,031)
<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	203,994
<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	(806)
Change in unavailable revenue for tax revenues	(7,064)
<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	3,798
Net pension obligation	(13,468)
OPEB liability	(120,385)
Pension expense	(44,075)
Accrued interest payable	823
	823
Total change in net position of governmental activities	\$ 244,702

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, 2016

Exhibit 5

	General Fund				Fisher Creek			
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes	\$ 1,345,775	\$ 1,353,775	\$ 1,440,351	\$ 86,576	\$ -	\$ -	\$ -	\$ -
Other tax and licenses	1,000	1,000	1,100	100	-	-	-	-
Unrestricted intergovernmental revenues	1,323,094	1,328,094	1,395,716	67,622	-	-	632	632
Restricted intergovernmental revenues	124,416	123,189	115,351	(7,838)	-	-	-	-
Permits and fees	21,500	21,500	25,530	4,030	-	-	-	-
Investment earnings	3,050	3,050	6,392	3,342	3,500	3,500	7,402	3,902
Miscellaneous	20,526	39,141	57,226	18,085	-	-	-	-
Total revenues	<u>2,839,361</u>	<u>2,869,749</u>	<u>3,041,666</u>	<u>171,917</u>	<u>3,500</u>	<u>3,500</u>	<u>8,034</u>	<u>4,534</u>
Expenditures:								
General government	604,131	570,383	501,459	68,924	-	-	-	-
Public safety	1,369,323	1,419,912	1,307,750	112,162	-	-	-	-
Transportation	516,181	546,480	477,160	69,320	-	-	-	-
Economic and physical development	12,950	12,950	11,716	1,234	6,000	6,000	208	(5,792)
Environmental protection	277,020	277,020	257,417	19,603	-	-	-	-
Public works	9,850	9,850	9,828	22	-	-	-	-
Culture and recreation	54,800	54,800	44,291	10,509	-	-	-	-
Debt service:								
Principal	196,245	203,996	203,994	2	-	-	-	-
Interest and fees	41,911	41,887	41,886	1	-	-	-	-
Total expenditures	<u>3,082,411</u>	<u>3,137,278</u>	<u>2,855,501</u>	<u>281,777</u>	<u>6,000</u>	<u>6,000</u>	<u>208</u>	<u>(5,792)</u>
Revenues over (under) expenditures	(243,050)	(267,529)	186,165	453,694	(2,500)	(2,500)	7,826	(1,258)
Other financing sources (uses):								
Proceeds from sale of assets	25,000	25,000	35,353	10,353	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Transfers from other funds	45,000	-	25,000	25,000	-	71,365	71,365	-
Transfers to other funds	-	(7,501)	(50,272)	(42,771)	-	-	-	-
Appropriated fund balance	173,050	250,030	-	(250,030)	2,500	(68,865)	-	68,865
Total other financing sources (uses):	<u>243,050</u>	<u>267,529</u>	<u>10,081</u>	<u>(257,448)</u>	<u>2,500</u>	<u>2,500</u>	<u>71,365</u>	<u>68,865</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	196,246	\$ 196,246	<u>\$ -</u>	<u>\$ -</u>	79,191	<u>\$ 67,607</u>
Fund balances								
Beginning of year, July 1, as previously reported			<u>3,166,724</u>				<u>3,149,576</u>	
End of year, June 30			<u>\$ 3,362,970</u>				<u>\$3,228,767</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:								
Investment earnings			94					
Transfers to the general fund			(25,000)					
Transfers from the general fund			45,019					
			<u>20,113</u>					
Fund balance, beginning			<u>140,652</u>					
Fund balance, ending (Exhibit 4)			<u>\$ 3,523,735</u>					

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

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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 are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents: The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and 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	\$ 109,034
Capital Reserve for Fire Department	136,010
Capital Reserve for General Operations	24,755
Bridge Park	27,815
Total Restricted Cash - Governmental Activities	\$ 297,614

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, 2015.

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.

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

Capital Assets: It is the policy of the Town to capitalize all capital assets costing more than \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Asset Class	Estimated Useful Lives
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 2016 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 liability, 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, 2016, the Town's deposits had a carrying amount of \$4,418,033 and a bank balance of \$4,650,652. Of this balance, \$750,000 was covered by federal depository insurance and \$3,900,652 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2016.

Investments

At June 30, 2016, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at June 30, 2016	Maturity	Rating
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 755,535	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,622,180	0.14 years	Unrated
		<u>\$ 2,377,715</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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, 2016. 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>\$ 35,000</u>
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Note Receivable

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

On February 14, 2013, the Town and County sold the collateral assets, excluding the land, to Balsam West Fibernet, LLC for a cash 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 recorded a long-term note receivable for \$25,000. In the fund financial statements, the Town recognizes the cash received as

income. Payments received during fiscal year 2016 totaled \$1,031. In the government-wide statements, at year end, the balance in the receivable was \$23,196.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,362,054	\$ -	\$ -	\$ 2,362,054
Construction in progress	119,082	66,890	185,972	-
Total capital assets not being depreciated	2,481,136	66,890	185,972	2,362,054
Capital Assets Being Depreciated:				
Buildings	4,405,713	-	-	4,405,713
Other improvements	338,312	-	-	338,312
Computer Equipment	8,165	-	-	8,165
Equipment	943,066	8,330	4,452	946,944
Vehicles and motorized equipment	2,345,624	251,418	108,135	2,488,907
Infrastructure	2,694,902	228,431	-	2,923,333
Total capital assets being depreciated	10,735,782	488,179	112,587	11,111,374
Less Accumulated Depreciation For:				
Buildings	1,021,919	91,223	-	1,113,142
Other improvements	329,819	1,157	-	330,976
Computer Equipment	8,165	-	-	8,165
Equipment	828,476	24,287	4,452	848,311
Vehicles and motorized equipment	1,136,678	174,719	108,135	1,203,262
Infrastructure	1,373,448	92,714	-	1,466,162
Total accumulated depreciation	4,698,505	384,100	112,587	4,970,018
Total capital assets being depreciated, net	6,037,277			6,141,356
Governmental Activities Capital Assets, Net	\$ 8,518,413			\$ 8,503,410

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

General government	\$ 94,891
Public safety	114,143
Transportation	157,136
Environmental protection	5,617
Culture and recreation	12,313
Total depreciation expense	\$ 384,100

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, 2016, was 7.15% of compensation for law enforcement officers and 6.75% 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 \$73,459 for the year ended June 30, 2016.

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, 2016, the Town reported a liability of \$84,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability 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, 2015, the Town’s proportion was 0.01876%, which was an increase of 0.00008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$44,075. At June 30, 2016, 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	\$ -	\$ 19,790
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	23,970
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	8,448
Town contributions subsequent to the measurement date	73,459	-
Total	\$ 73,459	\$ 52,208

\$73,459 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 liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (30,576)
2018	(30,576)
2019	(30,525)
2020	39,469
2021	-
Thereafter	-
	<u>\$ (52,208)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

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 liability to changes in the discount rate. The following presents the Town’s proportionate share of the net pension liability 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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 587,097	\$ 84,194	\$ (339,490)

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, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>16</u>

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual of basis of accounting. Benefits 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, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50 – 7.35% 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	\$ 34,277
Interest on net pension obligation	409
Adjustment to annual required contribution	(718)
Annual pension cost	<u>33,968</u>
Contributions made	<u>20,500</u>
Increase (decrease) in net pension obligation	13,468
Net pension obligation beginning of year	<u>8,176</u>
Net pension obligation end of year	<u><u>\$ 21,644</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 24,988	82.04%	\$ (1,221)
2015	\$ 29,897	68.57%	\$ 8,176
2016	\$ 33,968	60.35%	\$ 21,644

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was 10.61 percent funded. The actuarial accrued liability for benefits was \$405,163, and the actuarial value of assets was \$47,179, which are designated monies in the general fund, resulting in an unfunded actuarial accrued liability (UAAL) of \$362,163.

The covered payroll (annual payroll of active employees covered by the plan) was \$656,335, and the ratio of the UAAL to the covered payroll was 55.18 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 general employees and law enforcement officers may make voluntary contributions to the plan.

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 2016 were \$3,480.

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%.

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, 2016, the Town made payments for post-retirement health benefit premiums of \$21,990. 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 of \$246,520 by \$161,569 at June 30, 2016.

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	\$ 136,899
Interest on net OPEB obligation	5,476
Annual OPEB cost (expense)	142,375
Contributions made	(21,990)
Increase in net OPEB obligation	120,385
Net OPEB obligation, beginning of year	287,704
Net OPEB obligation, end of year	<u>\$ 408,089</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, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 49,230	62.39%	\$ 177,733
2015	\$ 129,254	14.92%	\$ 287,704
2016	\$ 142,375	15.45%	\$ 408,089

Fund Status and Funding Progress. As of December 31, 2015, the actuarial accrued liability for benefits was \$796,657, all of which were unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,010,163, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 78.86 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 2015 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 2.58 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, 2016, 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:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 73,459

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

<u>Source</u>	<u>Amount</u>
Property taxes receivable (General Fund)	\$ 48,367
Prepaid licenses (General Fund)	975
Prepaid taxes (General Fund)	8,309
Pension deferrals	52,208

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 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.

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. 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, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 204,740	\$ 36,849
2018	205,391	31,798
2019	206,059	26,730
2020	206,745	21,644
2021	207,448	16,541
2022-2024	509,597	20,106
Total installment purchase payments	<u>\$ 1,539,980</u>	<u>\$ 153,668</u>

At June 30, 2016, the Town had an approximate legal debt margin of \$37.3 million.

Changes in Long-Term Liabilities

	Beginning Balances	Increase	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Installment purchase contracts	\$ 1,743,974	\$ -	\$ 203,994	\$ 1,539,980	\$ 204,740
Compensated absences	97,609	31,938	35,736	93,811	-
Net pension obligation (LEO)	8,176	33,968	20,500	21,644	-
Net pension obligation (LGERS)	-	84,194	-	84,194	-
Other postemployment benefits	287,704	142,375	21,990	408,089	-
	<u>\$ 2,137,463</u>	<u>\$ 292,475</u>	<u>\$ 282,220</u>	<u>\$ 2,147,718</u>	<u>\$ 204,740</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2016, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 8,503,410
Less capital debt	<u>1,539,980</u>
Capital assets, net of related debt	<u>\$ 6,963,430</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, 2016, consisted of the following:

From the Finch Street Improvement Project Fund to the Fisher Creek Fund	<u>\$ 71,365</u>
From General Fund to Signage Fund	<u>\$ 5,253</u>

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

Fund Balance

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

Total Fund Balance - General Fund	\$ 3,523,735
Less:	
Prepaid items	23,583
Stabilization by State Statute	154,346
Streets-Powell Bill	109,034
Appropriated Fund Balance in 2017 Budget	6,000
Capital reserve for fire department	136,010
Capital reserve for general operations	24,755
Other Postemployment Benefits	246,520
LEO Separation Allowance	47,179
Bridge Park	27,815
Fund Balance Policy	1,409,494
Remaining Fund Balance	<u>\$ 1,338,999</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.

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, 2016. 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. The case went to trial in May 2016, at which time the trial judge dismissed the plaintiff's case at the close of evidence. The plaintiff has filed a notice of appeal with the North Carolina Court of Appeals, and the matter remains in the early stages of appeal. While the outcome of this litigation cannot be predicted with certainty at this time, the Town will continue to vigorously defend its position.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Funded 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%
12/31/2015	\$ 47,179	* \$ 405,163	\$ 362,163	10.61%	\$ 656,335	55.18%

* Represents fund balance assigned in the General Fund.

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 24,988	82.04%
2015	\$ 29,897	68.57%
2016	\$ 33,968	60.35%

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	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.57%
Projected salary increases	3.50-7.35%
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%
12/31/2015	-	\$ 796,657	\$ 796,657	0.00%	\$ 1,010,163	78.86%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 49,230	62.39%
2015	\$ 129,254	14.92%
2016	\$ 142,375	15.45%

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sylva's proportion of the net pension liability (asset) (%)	0.01876%	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ 84,194	\$ (110,165)	\$230,228
Sylva's covered-employee payroll	\$1,049,438	\$1,003,334	\$957,295
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.02%	(10.98%)	24.05%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 Three Fiscal Years

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 73,459	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	73,459	73,998	68,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$1,049,438	\$1,003,334	\$957,295
Contributions as a percentage of covered-employee payroll	7.00%	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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,346,850	\$ 1,430,023	\$ 83,173
Penalties and interest	6,925	10,328	3,403
Total ad valorem taxes	<u>1,353,775</u>	<u>1,440,351</u>	<u>86,576</u>
Other taxes and licenses:			
ABC licenses	<u>1,000</u>	<u>1,100</u>	<u>100</u>
Unrestricted intergovernmental revenues			
Local option sales tax	414,000	414,586	586
Excise tax on natural gas	6,500	7,246	746
Franchise tax	240,000	288,598	48,598
Beer and wine tax	11,500	11,741	241
Fire Department sales tax	4,000	4,504	504
Telecommunications sales tax	57,500	53,602	(3,898)
Cable franchise fees	16,000	15,386	(614)
Sales tax refund	9,450	11,376	1,926
Fire protection	309,544	315,205	5,661
Hold harmless	98,000	103,286	5,286
Solid waste disposal tax	1,600	1,697	97
ABC profit distribution	160,000	160,000	-
Substance tax distribution	-	8,489	8,489
Total	<u>1,328,094</u>	<u>1,395,716</u>	<u>67,622</u>
Restricted intergovernmental revenues			
Grants and contributions	31,495	26,590	(4,905)
ABC revenues for law enforcement	8,000	6,753	(1,247)
ABC revenues for education	11,200	9,514	(1,686)
Powell Bill allocation	72,494	72,494	-
Total	<u>123,189</u>	<u>115,351</u>	<u>(7,838)</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, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
Permits and fees			
Building permits	\$ 9,500	\$ 11,280	\$ 1,780
Recreation fees	4,000	6,533	2,533
Parking fines	8,000	7,717	(283)
Total	21,500	25,530	4,030
Investment earnings	3,050	6,392	3,342
Miscellaneous	39,141	57,226	18,085
Total revenues	2,869,749	3,041,666	171,917
 Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	26,700	26,529	171
Operating expenditures	96,249	59,556	36,693
Professional services	67,684	57,773	9,911
Total	190,633	143,858	46,775
 Administration:			
Salaries and employees benefits	196,825	196,036	789
Operating expenditures	48,471	42,686	5,785
Capital outlay	-	-	-
Total	245,296	238,722	6,574
 Main Street:			
Salaries and employee benefits	43,585	43,585	-
Operating benefits	35,919	23,457	12,462
Total	79,504	67,042	12,462
 Taxes:			
Collection fees	-	4,418	(4,418)
 Facilities maintenance:			
Salaries and employee benefits	9,300	9,582	(282)
Operating benefits	45,650	37,837	7,813
Capital outlay	-	-	-
Total	54,950	47,419	7,531
Total general government	570,383	501,459	68,924

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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Police:			
Salaries and employee benefits	\$ 903,862	\$ 867,370	\$ 36,492
Operating expenditures	185,933	151,723	34,210
Capital outlay	107,519	107,014	505
Total	<u>1,197,314</u>	<u>1,126,107</u>	<u>71,207</u>
Fire:			
Salaries and employee benefits	59,815	59,497	318
Operating expenditures	152,783	122,146	30,637
Capital outlay	10,000	-	10,000
Total	<u>222,598</u>	<u>181,643</u>	<u>40,955</u>
Total public safety	<u>1,419,912</u>	<u>1,307,750</u>	<u>112,162</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	283,290	267,328	15,962
Operating expenditures	200,898	151,346	49,552
Capital outlay	62,292	58,486	3,806
Total transportation	<u>546,480</u>	<u>477,160</u>	<u>69,320</u>
Economic and physical development:			
Operating expenditures	12,950	11,716	1,234
Total economic and physical development	<u>12,950</u>	<u>11,716</u>	<u>1,234</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Environmental protection:			
Sanitation:			
Salaries and employees benefits	\$ 89,895	\$ 81,480	\$ 8,415
Operating expenditures	46,525	39,231	7,294
Capital outlay	140,600	136,706	3,894
Total environmental protection	<u>277,020</u>	<u>257,417</u>	<u>19,603</u>
 Public works:			
Cemetary:			
Contracted services	<u>9,850</u>	<u>9,828</u>	<u>22</u>
 Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	24,250	20,076	4,174
Operating expenditures	25,550	19,215	6,335
Library contribution	5,000	5,000	-
Total culture and recreation	<u>54,800</u>	<u>44,291</u>	<u>10,509</u>
 Debt service:			
Principal	203,996	203,994	2
Interest and fees	41,887	41,886	1
Total debt service	<u>245,883</u>	<u>245,880</u>	<u>3</u>
 Total expenditures	<u>3,137,278</u>	<u>2,855,501</u>	<u>281,777</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, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	<u>\$ (267,529)</u>	<u>\$ 186,165</u>	<u>\$ 453,694</u>
Other financing sources (uses):			
Proceeds from disposal of assets	25,000	35,353	10,353
Transfers from other funds	25,000	25,000	-
Transfers to other funds	(7,501)	(50,272)	(42,771)
Appropriated fund balance	<u>225,030</u>	<u>-</u>	<u>(225,030)</u>
Total	<u>267,529</u>	<u>10,081</u>	<u>(257,448)</u>
Net change in fund balance	<u>\$ -</u>	196,246	<u>\$ 196,246</u>
Fund balances:			
Beginning year, July 1		<u>3,166,724</u>	
End of year, June 30		<u>\$ 3,362,970</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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 36	\$ 36
	-	36	36
 Expenditures	-	-	-
 Revenues over (under) expenditures	-	36	36
 Other financing sources (uses):			
Transfers from general fund	-	-	-
Transfers to general fund	(25,000)	(25,000)	-
Appropriated fund balance	25,000	-	(25,000)
 Net change in fund balance	\$ -	(24,964)	\$ (24,964)
 Fund balance:			
Beginning year, July 1		49,719	
End of year, June 30		\$ 24,755	

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 58	\$ 58
	-	58	58
Expenditures	-	-	-
Revenues over (under) expenditures	-	58	58
Other financing sources:			
Transfers to general fund	(2,248)	-	2,248
Transfers from general fund	2,248	45,019	42,771
Appropriated fund balance	-	-	-
	-	45,019	45,019
Net change in fund balance	\$ -	45,077	\$ 45,077
Fund balance:			
Beginning year, July 1		90,933	
End of year, June 30		\$ 136,010	

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	<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	\$ -	\$ 10,871	\$ 149,699	\$ 160,570
Real estate held for resale	-	-	52,435	52,435
Restricted cash and cash equivalents	-	-	-	-
Total current assets	-	10,871	202,134	213,005
Other assets				
Note receivable	-	-	23,196	23,196
Total assets	\$ -	\$ 10,871	\$ 225,330	\$ 236,201
Liabilities				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
Longterm liabilities:				
Unearned revenue	-	-	23,196	23,196
Total liabilities	-	-	23,196	23,196
Fund Balances				
Assigned				
Subsequent year's expenditures	-	-	26,000	26,000
Restricted for:				
Economic development	-	-	176,134	176,134
Capital projects	-	10,871	-	10,871
Total fund balances	-	10,871	202,134	213,005
Total liabilities and fund balance	\$ -	\$ 10,871	\$ 225,330	\$ 236,201

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, 2016

	<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	63	6	242	311
Miscellaneous	906	-	1,358	2,264
Total revenues	969	6	1,600	2,575
Expenditures:				
Current:				
Transportation	66,890	-	-	66,890
Economic and physical development	-	651	11	662
Total expenditures	66,890	651	11	67,552
Revenues over (under) expenditures	(65,921)	(645)	1,589	(64,977)
Other financing sources (uses):				
Transfers from other funds	-	5,253	-	5,253
Transfers to other funds	(71,365)	-	-	(71,365)
Total other financing sources (uses)	(71,365)	5,253	-	(66,112)
Net change in fund balance	(137,286)	4,608	1,589	(131,089)
Fund balances				
Beginning of year, July 1	137,286	6,263	200,545	344,094
End of year, June 30	\$ -	\$ 10,871	\$ 202,134	\$ 213,005

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, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 237	\$ 63	\$ 300	\$ 300
Sales tax refund	-	-	906	906	906
Total revenues	-	237	969	1,206	1,206
Expenditures:					
Transportation:					
Construction	256,131	119,082	66,890	185,972	70,159
Total expenditures	256,131	119,082	66,890	185,972	70,159
Revenues under expenditures	(256,131)	(118,845)	(65,921)	(184,766)	71,365
Other financing sources (uses):					
Transfers from other funds	256,131	-	-	-	256,131
Transfers to other funds	-	-	(71,365)	(71,365)	(71,365)
Net change in fund balance	\$ -	\$ (118,845)	(137,286)	\$ (256,131)	\$ 256,131
Fund balance:					
Beginning of year, July 1			137,286		
End of year, June 30			\$ -		

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Capital Project Fund - Signage Fund
For the Year Ended June 30, 2016

	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		36	6	42	42
Total revenues	<u>9,000</u>	<u>9,078</u>	<u>6</u>	<u>9,084</u>	<u>84</u>
Expenditures:					
Directional signage	<u>9,000</u>	<u>4,287</u>	<u>650</u>	<u>4,937</u>	<u>4,063</u>
Revenues under expenditures	<u>-</u>	<u>4,791</u>	<u>(644)</u>	<u>4,147</u>	<u>4,147</u>
Other financing sources (uses):					
Transfers from other funds	<u>-</u>	<u>1,472</u>	<u>5,253</u>	<u>6,725</u>	<u>6,725</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,263</u>	<u>4,609</u>	<u>\$ 10,872</u>	<u>\$ 10,872</u>
Fund balance:					
Beginning of year, July 1			<u>6,263</u>		
End of year, June 30			<u>\$ 10,872</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ 250	\$ 242	\$ (8)
Miscellaneous	750	1,358	608
	<u>1,000</u>	<u>1,600</u>	<u>600</u>
Expenditures			
Economic development	<u>6,000</u>	<u>11</u>	<u>5,989</u>
Revenues over (under) expenditure:	<u>(5,000)</u>	<u>1,589</u>	<u>6,589</u>
Other financing sources:			
Transfers to other funds	-	-	-
Appropriated fund balance	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>1,589</u>	<u><u>\$ 1,589</u></u>
Fund balance:			
Beginning year, July 1		<u>200,545</u>	
End of year, June 30		<u><u>\$ 202,134</u></u>	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 1,401,219	\$ 1,371,819	\$ 29,400
2014-2015	34,532		22,122	12,410
2013-2014	18,102		9,286	8,816
2012-2013	6,538		1,977	4,561
2011-2012	4,851		703	4,148
2010-2011	6,650		752	5,898
2009-2010	4,397		49	4,348
2008-2009	2,520		212	2,308
2007-2008	8,792		30	8,762
2006-2007	2,854		137	2,717
2005-2006	1,902		1,902	-
2004-2005	793		793	-
	<u>\$ 91,931</u>	<u>\$ 1,401,219</u>	<u>\$ 1,409,782</u>	<u>\$ 83,368</u>
Less: allowance for uncollectible accounts - general fund				<u>(35,000)</u>
Ad valorem taxes receivable - net				<u>\$ 48,368</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,440,351
<u>Reconciliation items</u>				
Penalties and interest collected				(10,328)
Rental vehicle tax				(17,764)
Write-offs				(2,477)
Subtotal				<u>(30,569)</u>
Total collections and credits				<u>\$ 1,409,782</u>

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2016**

	<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	\$ 465,542,707	0.30	\$ 1,396,628	\$ 1,347,220	\$ 49,408
	<u>465,542,707</u>		<u>1,396,628</u>	<u>1,347,220</u>	<u>49,408</u>
Discoveries					
Prior year taxes	3,491,133	0.30	10,473	10,473	
	<u>3,491,133</u>		<u>10,473</u>	<u>10,473</u>	<u>-</u>
Abatements	<u>(1,960,777)</u>	0.30	<u>(5,882)</u>	<u>(5,521)</u>	<u>(361)</u>
Total property valuation	<u>\$ 467,073,063</u>				
Net levy			1,401,219	1,352,172	49,047
Uncollected taxes at June 30, 2016			<u>(29,400)</u>	<u>(29,400)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,371,819</u>	<u>\$ 1,322,772</u>	<u>\$ 49,047</u>
Current levy collection percentage			<u>97.90%</u>	<u>97.83%</u>	<u>100.00%</u>