



**Financial Statements
For the Year Ended June 30, 2024**

Town of Sylva, North Carolina

Mayor

Johnny Phillips

Board of Commissioners

Jonathan Brown

Mary Gelbaugh

Blitz Estridge

Mark Jones

Brad Waldrop

Management

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Sylva, North Carolina

Opinions

I 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 (Town of Sylva), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements as listed in the table of contents.

In my opinion, based on my 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, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Sylva and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sylva's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Sylva's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sylva's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 50 and 51, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and as a Percentage of Covered Payroll on pages 52 through 53, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 54, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sylva's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures

of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards 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 me and other auditors. In my opinion, based on my audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 27, 2024 on my consideration of the Town of Sylva's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Town of Sylva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sylva's internal control over financial reporting and compliance.

Sheila Gahagan, CPA
November 27, 2024

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, 2024. 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 \$27,422,674 (net position).
- The government's total net position increased by \$2,601,502. The primary reason for this increase is work in progress for four capital/grant projects.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported a combined ending fund balance of \$15,641,045, a *decrease* of \$917,627 in comparison with the prior year's increase of \$1,298,369. Contributing to this decrease was the expenditure of Bryson Park Grant funding received by the Town in the prior fiscal year. Approximately 33.9 percent, or \$5,305,808, 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 \$5,305,808, or 111 percent of the total general fund expenditures for the fiscal year. The unassigned fund balance decreased by less than 0.1 percent from the prior year due to budgeted expenditures exceeding expected revenue but offset by conservative spending at a departmental level. The Town of Sylva's updated Fund Balance Policy states that the Town shall maintain an unassigned minimum fund balance threshold of 40% of the general operating budget with a target goal of 73%. The Town's general fund balance *increased* by \$1,162,671 compared to an increase of \$1,372,038 last year.
- Total long-term debt of \$3,239,289 *decreased* by \$131,365 from the previous year due to the fire department renovation loan and pumper truck loan being paid in full.

Overview of the Financial Statements

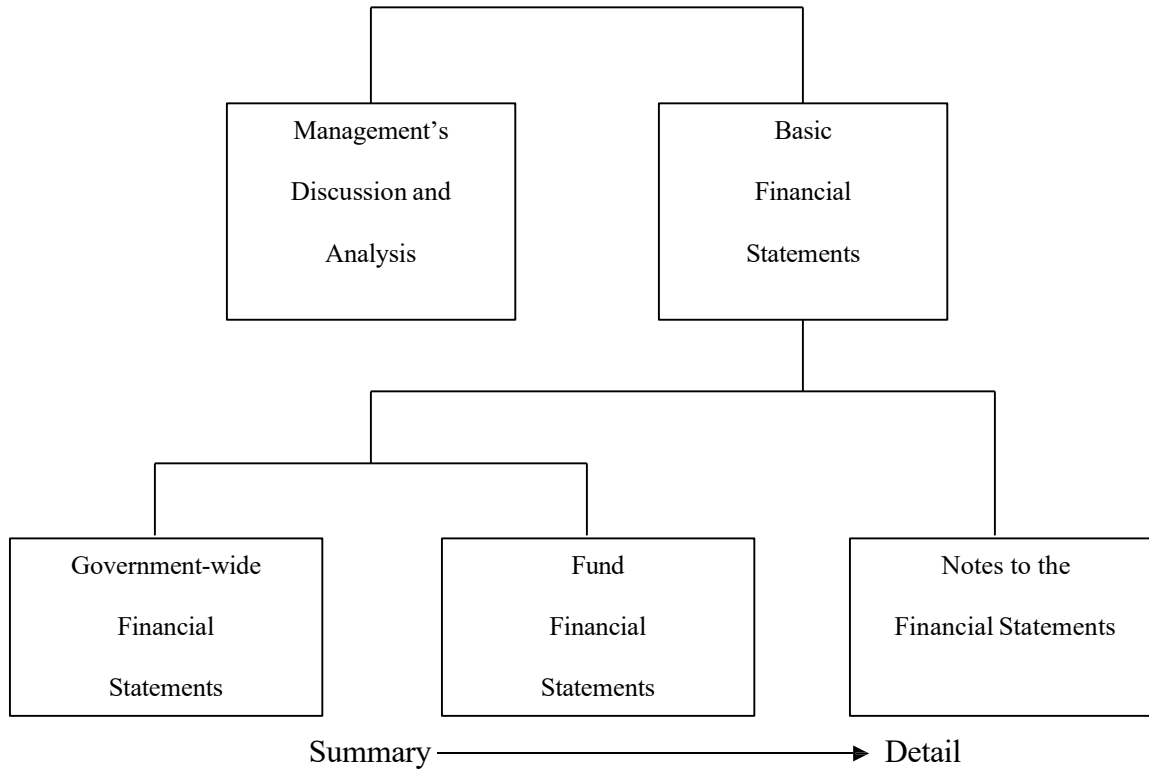
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

- 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 with 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 data contained in those statements in detail. 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.

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 assess 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 the Town's funds are 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 North Carolina 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 20-49 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 50 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

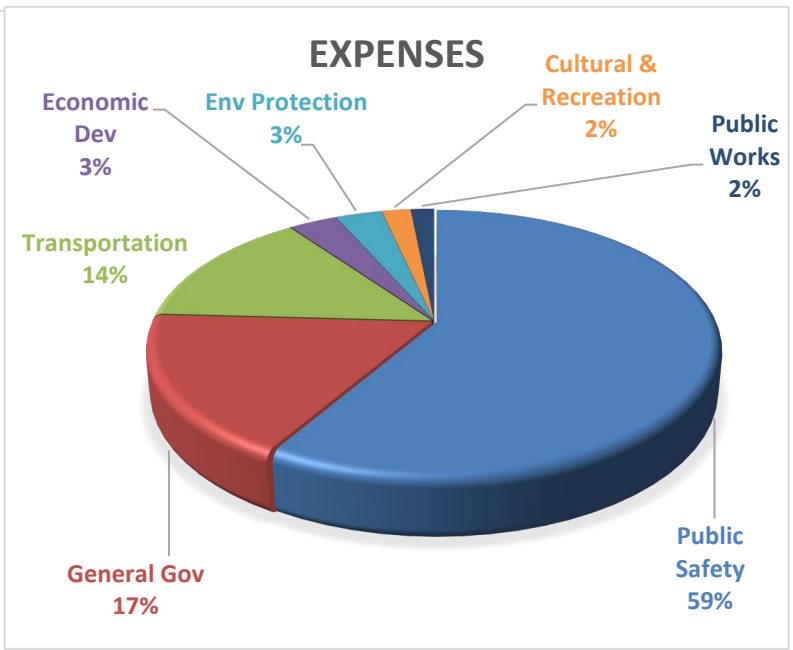
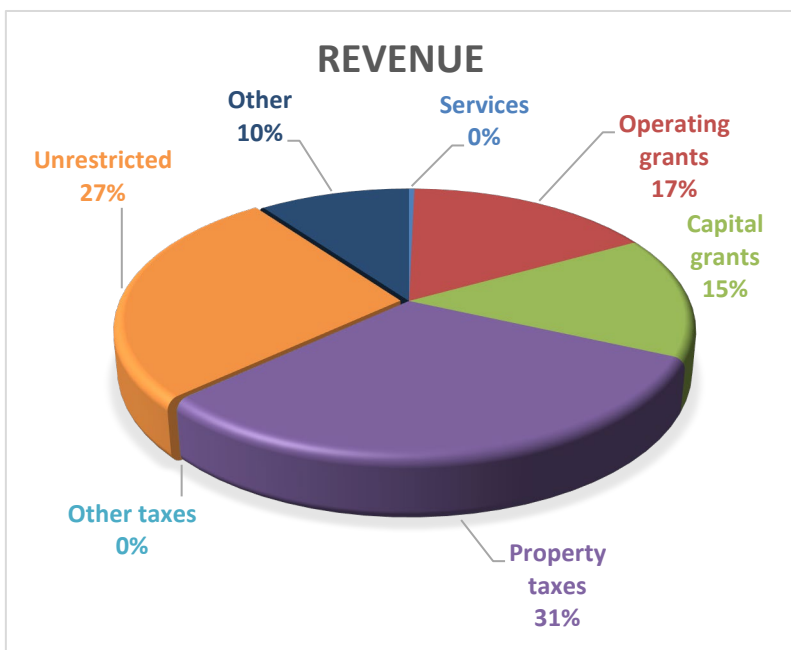
	2024	2023	\$ Change	%Change
Current assets	\$ 16,093,849	\$ 16,760,637	\$ (666,788)	-4%
Capital assets	14,010,570	10,401,427	3,609,143	35%
Noncurrent assets	52,435	52,435	-	0%
Total assets	30,156,854	27,214,499	2,942,355	11%
Deferred outflows of resources	1,625,321	1,368,961	256,360	19%
Long-term liabilities outstanding	3,239,289	3,273,946	(34,657)	-1%
Other liabilities	387,522	148,856	238,666	160%
Total liabilities	3,626,811	3,422,802	204,009	6%
Deferred inflows of resources	732,690	339,487	393,203	116%
Net position:				
Net investment in capital assets	14,006,576	10,263,600	3,742,976	36%
Restricted	5,148,459	5,491,712	(343,253)	-6%
Unrestricted	8,267,639	9,065,860	(798,221)	-9%
Total net position	\$ 27,422,674	\$ 24,821,172	\$ 2,601,502	10%

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 \$27,422,674 as of June 30, 2024. The Town's net position *increased* by \$2,601,502 for the fiscal year ended June 30, 2024. The largest portion of net position (51 percent) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (30 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$5,148,459 (19 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced a decrease of 9 percent in unrestricted net position. Contributing to this decrease was the expenditure of Bryson Park Grant funding received by the Town in the prior fiscal year.

The Town of Sylva's Statement of Activities

	2024	2023	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 28,039	\$ 48,915	\$ (20,876)	-43%
Operating grants and contributions	1,296,550	1,811,696	(515,146)	-28%
Capital grants and contributions	1,157,757	200,000	957,757	479%
General Revenues:				
Property taxes	2,457,207	2,356,759	100,448	4%
Other taxes	1,105	1,400	(295)	-21%
Grants and contributions not restricted to specific programs	2,098,754	2,025,798	72,956	4%
Other	784,815	509,165	275,650	54%
Total Revenues	7,824,227	6,953,733	870,494	12%
Expenses:				
General government	908,332	806,148	102,184	13%
Public safety	3,052,778	2,890,333	162,445	6%
Transportation	744,834	744,465	369	0%
Economic and physical development	169,299	14,163	155,136	1095%
Environmental protection	162,730	201,546	(38,816)	-19%
Cultural and recreation	101,417	166,542	(65,125)	-39%
Public works	81,508	23,400	58,108	248%
Interest and fiscal charges	1,827	6,252	(4,425)	-71%
Total Expenses	5,222,725	4,852,849	369,876	8%
 Change in net position	 2,601,502	 2,100,884	 500,618	 24%
 Net position, July 1	 24,821,172	 22,720,288	 2,100,884	 9%
Net position, June 30	\$ 27,422,674	\$ 24,821,172	\$ 2,601,502	11%



Governmental activities: Governmental activities increased the Town’s net position by \$2,601,502 thereby accounting for a 10 percent growth in the net position of the Town of Sylva. A primary reason for this increase was funding received from NCDOT for the Allen Street Capital Project and the Jackson County TDA for the Bridge Park Capital Project.

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. 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, the fund balance available in the General Fund was \$5,305,808 while total fund balance reached \$9,591,508. 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 111 percent of total General Fund expenditures, while total fund balance represents 201 percent of the same amount.

On June 30, 2024, the governmental funds of Town of Sylva reported a combined fund balance of \$15,641,045, a 6 percent decrease from last year. The primary reason for this decrease in fund balance was spending Grant Capital funding on their designated projects.

The Town’s Fund Balance Policy requires that the Town maintains an unassigned fund balance of at least 40 percent of the general operating budget with a goal of 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 budgetary revenue increase was a 14.88 percent increase in Local Option Sales Tax. Additionally, the ABC profit distribution was \$32,469 above the original budget due to an unanticipated additional disbursement. Investment earnings came in at \$269,362 over budget. This was due in part to negotiating with our central depository bank to increase their rate of return.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2024, totals \$14,010,570 (net of accumulated depreciation). These assets include land, buildings, other improvements, infrastructure, equipment, and vehicles.

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

- Sylva Supply Mural
- Lennox HVAC – Highway Patrol Station
- Paving: Oakwood Lane, 2nd Avenue, 1st Avenue
- Painting Town Hall and Public Works Building
- 52” SCAG Mower
- 2023 Ford Explorer Equipped – Police Department
- 2023 Ford F-150 Equipped – Street Department
- 2024 Ford F-250 EMR Equipped – Fire Department
- 2 Interview Room Cameras – Police Department
- 5HP Air Compressor
- 5HP 35 GPM Submersible Pump

**Town of Sylva’s Capital Assets
(Net of Accumulated Depreciation)**

	2024	2023	\$ Change	% Change
Land	\$ 3,934,299	\$ 3,922,599	\$ 11,700	0%
Construction in progress	4,853,071	1,146,312	3,706,759	323%
Buildings	3,168,852	3,118,379	50,473	2%
Other improvements	248,958	187,599	61,359	33%
Computer equipment	-	5,898	(5,898)	-100%
Equipment	228,785	145,878	82,907	57%
Vehicles and motorized equipment	723,955	893,020	(169,065)	-19%
Infrastructure	848,757	975,392	(126,635)	-13%
Right to use leased assets	3,893	6,350	(2,457)	-39%
Total	\$ 14,010,570	\$ 10,401,427	\$ 3,609,143	35%

Additional information on the Town’s capital assets can be found on page 30 in notes to the financial statements.

Long-term Debt

As of June 30, 2024, the Town of Sylva had long-term debt outstanding of \$3,239,289. Debt decreased from the previous year by 1 percent. This decrease resulted from repayments of direct placement installment purchases and decreases in postemployment benefits.

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Direct placement installment purchase	\$ 131,365	\$ -	\$ 131,365	\$ -
Leases	6,461	-	2,467	3,994
Compensated absences	149,232	53,541	80,359	122,414
Total pension liability (LEO)	623,190	11,859	-	635,049
Total pension liability (LGERS)	1,073,564	583,069	-	1,656,633
Total OPEB liability	1,290,134	-	468,935	821,199
	\$ 3,273,946	\$ 648,469	\$ 683,126	\$ 3,239,289

Additional information regarding the Town’s debt can be found starting on page 45 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Currently the economic outlook is volatile with the looming threat of a recession; high inflation, supply chain concerns, labor availability, rising fuel and food costs, war in Ukraine, low inventory of existing homes, and lagging recovery in a post-covid era are contributing to uncertainties in the local, state and world economies.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities:

The Town of Sylva has approved a \$5,969,219 budget for the fiscal year 2024-2025, this represents a slight increase of \$1,730 or .000028 percent from the 2023-2024 original budget which totaled \$5,967,489.

Revenues:

- The tax rate remained at \$0.45 per \$100. Jackson County will reevaluate property values as of January 1, 2025, with the new values reflected in the fiscal year 2025-2026. The levy on real property, vehicles, and personal property comprises 51 percent of the General Fund Revenues. The estimated amount of the value subject to levy is \$522,153,145 (including vehicles).
- 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 31 percent of the General Fund budget. Minimal to no growth is anticipated in most of these revenue sources.
- It is anticipated that the Federal Reserve will decrease interest rates in the coming year.

Expenditures:

- Employees received a 3 percent cost of living adjustment for all employees and up to a 2 percent merit increase for full-time employees based on performance. A classification and pay study were conducted in March 2022. The North Carolina Local Employees' Retirement System rates increased from the prior year. Currently, the General Government, including the Fire Department, contribution rate is 13.64%, and the Law Enforcement contribution rate is 15.04%.
- The Town continued their health insurance coverage with BCBS of North Carolina. Due to the high deductible plan coverage, the Town contributes \$1,600 into a Health Savings Account (HSA) and up to \$2,750 in a Health Reimbursement Arrangement (HRA) account for each employee.
- The annual contribution appropriated into non-legally binding, Board assigned funds were \$125,000 for the post-retirement health insurance fund, the same as the previous year, and the Separation Allowance for Law Enforcement contribution decreased from \$125,000 to \$50,000 due to a change in actuarial assumptions. The Town Board is commended for their acknowledgment of this future expense and their proactive approach to lessening the impact of the Town's retiring workforce on future budgets.
- Capital expenditures in the 2024-2025 Budget include two fully equipped police vehicles, an equipment trailer, tire machine, and welder for the Public Works Department.

- The 2024-2025 Budget appropriated \$44,750 from the General Fund Capital Reserve Fund and \$40,706 from the Fire Department Capital Reserve Fund. No appropriations were made from the Capital Reserve Fund in the prior years' budget.
- Powell Bill Fund Balance was appropriated into the budget at \$32,000 compared to the prior year appropriations of \$35,000. Additionally, no General Fund Balance appropriations or rollovers were made in the 2024-2025 Budget, compared to \$24,650 the prior year.
- Currently, the available fund balance minus ARPA Related Funds is 86.89 percent of the current year expenditures. The Town's Fund Balance Policy states that the Town shall maintain 40 percent of fund balance for expenditures, with a goal of 73 percent. The Fund Balance Policy allows monies over the stated goal to be transferred into the General Fund Capital Reserve Fund. This year management recommends in lieu of a Capital Reserve transfer that \$829,500 be transferred into the Scotts Creek Slope Stabilization Project (Stabilization Project) instead. The Stabilization Project authorized is for the planning, budgeting, and procurement of a qualified contractor to repair the wall at Scott's Creek retaining wall failure. The Town has applied for public assistance from FEMA for damages caused by Hurricane Helene. The Town must budget for the necessary repairs regardless of potential grant funding. If federal or other funds are awarded and received in the future, staff will recommend to the Board of Commissioners whether the reimbursement should roll into the Capital Reserve Fund, a Capital Project Fund or fund balance. Additional information about the Scotts Creek Slope Stabilization Project can be found on page 48 in the notes to the financial statements.

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
Sylva, NC 28779
(828) 586-2719
lbryant@townofsylva.org

BASIC FINANCIAL STATEMENTS

Town of Sylva, North Carolina
Statement of Net Position
June 30, 2024

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 10,727,175
Receivables (net)	
Taxes receivable	64,331
Accrued interest	26,275
Due from other governments	437,794
Prepaid expenses	40,131
Restricted cash and cash equivalents	4,798,143
Total current assets	16,093,849
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	8,787,370
Other capital assets, net of depreciation	5,219,307
Right to use assets, net of amortization	3,893
Total capital assets	14,010,570
Real estate held for resale	52,435
Total noncurrent assets	14,063,005
Total Assets	30,156,854
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	1,235,174
OPEB deferrals	390,147
Total deferred outflows of resources	1,625,321
LIABILITIES	
Current liabilities:	
Accounts payable	297,266
Accrued liabilities	90,256
Current portion of long-term liabilities	2,510
Total current liabilities	390,032
Long-term liabilities:	
Due in more than one year	3,236,779
Total liabilities	3,626,811
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	26,573
Prepaid licenses	540
Pension deferrals	88,166
OPEB deferrals	617,411
Total deferred inflows of resources	732,690
NET POSITION	
Net investment in capital assets	14,006,576
Restricted for:	
Capital projects	1,155,516
Culture and recreation	36,423
Economic development	130,082
Stabilization by state statute	424,254
Transportation (Powell Bill)	253,141
Public safety	44,495
Capital reserves	1,817,656
Water quality	1,286,892
Unrestricted	8,267,639
Total net position	\$ 27,422,674

See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Statement of Activities
For the Year Ended June 30, 2024

Exhibit 2

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
Primary government:					
Governmental activities:					
General government	\$ 908,332	\$ 9,970	\$ -	\$ 750,000	\$ (148,362)
Public safety	3,052,778	10,707	1,197,191	-	(1,844,880)
Transportation	744,834	-	79,359	-	(665,475)
Economic and physical development	169,299	-	20,000	40,000	(109,299)
Environmental protection	162,730	-	-	-	(162,730)
Culture and recreation	101,417	7,362	-	367,757	273,702
Public works	81,508	-	-	-	(81,508)
Interest and fiscal charges	1,827	-	-	-	(1,827)
Total primary government	5,222,725	28,039	1,296,550	1,157,757	(2,740,379)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					2,457,207
Other taxes and licenses					1,105
Grants and contributions not restricted to specific programs					2,098,754
Unrestricted investment earnings					655,099
Miscellaneous, unrestricted					129,716
Total general revenues and transfers					5,341,881
Change in net position					2,601,502
Net position, beginning					24,821,172
Net position, ending					\$ 27,422,674

See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Fisher Creek Fund	Bryson Park Grant Project Fund	Other Non- Major Funds	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 7,186,272	\$ 1,930,306	\$ -	\$ 1,610,597	\$ 10,727,175
Receivables, net:					
Taxes	64,331	-	-	-	64,331
Due from other governments	402,242	32	13,510	22,012	437,796
Prepaid expenses	-	-	-	40,131	40,131
Restricted cash and cash equivalents	2,176,306	1,286,892	1,073,985	260,960	4,798,143
Total current assets	<u>9,829,151</u>	<u>3,217,230</u>	<u>1,087,495</u>	<u>1,933,700</u>	<u>16,067,576</u>
Other assets					
Real estate held for resale	-	-	-	52,435	52,435
Total assets	<u>9,829,151</u>	<u>3,217,230</u>	<u>1,087,495</u>	<u>1,986,135</u>	<u>16,120,011</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable	55,943	-	111,076	130,247	297,266
Accrued liabilities	90,256	-	-	-	90,256
Total liabilities	<u>146,199</u>	<u>-</u>	<u>111,076</u>	<u>130,247</u>	<u>387,522</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	64,331	-	-	-	64,331
Prepaid licenses	540	-	-	-	540
Prepaid taxes	26,573	-	-	-	26,573
Total deferred inflows of resources	<u>91,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,444</u>
FUND BALANCES					
Restricted for:					
Stabilization by state statute	424,254	-	-	-	424,254
Streets	253,141	-	-	-	253,141
Public safety	44,495	-	-	-	44,495
Grant capital projects	-	-	976,419	179,097	1,155,516
Capital reserve for fire department	736,962	-	-	-	736,962
Capital reserve for general operations	1,080,694	-	-	-	1,080,694
Economic development	-	-	-	130,082	130,082
Water quality	-	1,286,892	-	-	1,286,892
Bridge Park	30,899	-	-	-	30,899
Culture and recreation	1,308	-	-	4,216	5,524
Committed:					
Sidewalks	-	-	-	205,020	205,020
Economic development	-	-	-	935,932	935,932
Culture and recreation	-	-	-	101,541	101,541
Conservation	-	1,866,778	-	-	1,866,778
Assigned:					
Subsequent years expenditures	-	63,560	-	300,000	363,560
Other postemployment benefits	1,123,865	-	-	-	1,123,865
LEO seperation allowance	590,082	-	-	-	590,082
Unassigned:	5,305,808	-	-	-	5,305,808
Total fund balances	<u>9,591,508</u>	<u>3,217,230</u>	<u>976,419</u>	<u>1,855,888</u>	<u>15,641,045</u>
Total liabilities, deferred inflow of resources fund balances	<u>\$ 9,829,151</u>	<u>\$ 3,217,230</u>	<u>\$ 1,087,495</u>	<u>\$ 1,986,135</u>	<u>\$ 16,120,011</u>

See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 15,641,045
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 21,957,063	
Accumulated depreciation	<u>(7,950,386)</u>	14,006,677
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	\$ 11,267	
Accumulated amortization	<u>(7,374)</u>	3,893
Accrued interest receivable on ad valorem taxes		26,275
Deferred outflows of resources are not reported in the funds		
Related to pensions		1,235,174
Related to OPEB		390,147
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Property taxes receivable		64,331
Long term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long term debt		(126,410)
Net pension liability		(1,656,633)
Total pension liability		(635,049)
OPEB liability		(821,199)
Deferred inflows of resources related are not reported in the funds		
Related to pensions		(88,166)
Related to OPEB		<u>(617,411)</u>
Net position of governmental activities		<u><u>\$ 27,422,674</u></u>

See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year ended June 30, 2024

Exhibit 4

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Fisher Creek Fund</u>	<u>Bryson Park Grant Project Fund</u>	<u>Other Non-Major Funds</u>	
REVENUES					
Ad valorem taxes	\$ 2,443,212	\$ -	\$ -	\$ -	\$ 2,443,212
Other taxes and licenses	1,105	-	-	-	1,105
Unrestricted intergovernmental	3,101,635	-	-	-	3,101,635
Restricted intergovernmental	163,391	-	-	1,177,757	1,341,148
Permits and fees	26,839	-	-	-	26,839
Investment earnings	405,613	123,607	48,722	77,157	655,099
Miscellaneous	85,040	216	-	10,399	95,655
Total revenues	<u>6,226,835</u>	<u>123,823</u>	<u>48,722</u>	<u>1,265,313</u>	<u>7,664,693</u>
EXPENDITURES					
Current:					
General government	870,751	-	-	-	870,751
Public safety	2,748,648	-	-	-	2,748,648
Transportation	728,490	-	-	1,341,105	2,069,595
Economic and physical development	13,135	134,246	-	13,282	160,663
Environmental protection	162,133	-	-	-	162,133
Public works	24,700	-	-	-	24,700
Culture and recreation	78,912	-	1,379,099	986,620	2,444,631
Debt service:					
Principal	133,832	-	-	-	133,832
Interest and fees	1,827	-	-	-	1,827
Total expenditures	<u>4,762,428</u>	<u>134,246</u>	<u>1,379,099</u>	<u>2,341,007</u>	<u>8,616,780</u>
Excess (deficiency) of revenues over expenditures	1,464,407	(10,423)	(1,330,377)	(1,075,694)	(952,087)
OTHER FINANCING SOURCES (USES)					
Proceeds from disposal of assets	34,460	-	-	-	34,460
Transfers from other funds	-	-	-	336,196	336,196
Transfers to other funds	(336,196)	-	-	-	(336,196)
Total other financing sources	<u>(301,736)</u>	<u>-</u>	<u>-</u>	<u>336,196</u>	<u>34,460</u>
Net change in fund balance	1,162,671	(10,423)	(1,330,377)	(739,498)	(917,627)
Fund balances					
Beginning of year, July 1	8,428,837	3,227,653	2,306,796	2,595,386	16,558,672
End of year, June 30	<u>\$ 9,591,508</u>	<u>\$ 3,217,230</u>	<u>\$ 976,419</u>	<u>\$ 1,855,888</u>	<u>\$ 15,641,045</u>

See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Exhibit 4

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ (917,627)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 4,048,562	
Depreciation expense for governmental assets	(438,738)	
Amortization expense for intangible assets	<u>(2,457)</u>	3,607,367

Governmental funds report proceeds from the sale of capital assets or insurance proceeds as revenues. However, in the Statement of Activities the gain or loss from the sale is recorded as revenue. This is the amount by which gains exceed revenues

-

Contributions to the pension plan and administrative expenses made in the current fiscal year are not included in the Statement of Activities.	269,438
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Benefit payments paid and administrative expenses for the LEOSSA are not included in Statement of Activities.	41,681
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OPEB benefit payments and administrative expenses made in the current fiscal year are not included in the Statement of Activities	74,057
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Revenue in Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

Change in unavailable revenue from taxes		3,242
Change in unrestricted contributions		66,468

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long term debt		133,832
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences		(26,818)
Pension liabilities		(577,899)
OPEB liability		<u>(72,239)</u>

Total changes in net position of governmental activities	<u><u>\$ 2,601,502</u></u>
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See independent auditor's report and accompanying notes.

Town of Sylva, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2024

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 2,318,925	\$ 2,318,925	\$ 2,443,212	\$ 124,287
Other taxes and licenses	1,200	1,000	1,105	105
Unrestricted intergovernmental	3,063,139	2,849,606	3,101,635	252,029
Restricted intergovernmental	136,485	142,989	163,391	20,402
Permits and fees	22,000	28,650	26,839	(1,811)
Investment earnings	64,590	84,223	353,585	269,362
Miscellaneous	56,000	68,932	85,040	16,108
Total revenues	<u>5,662,339</u>	<u>5,494,325</u>	<u>6,174,807</u>	<u>680,482</u>
EXPENDITURES				
Current:				
General government	1,745,767	1,021,996	870,751	151,245
Public safety	2,906,410	3,181,060	2,748,648	432,412
Transportation	622,751	829,783	728,490	101,293
Economic and physical development	22,300	22,300	13,135	9,165
Environmental protection	186,181	191,781	162,133	29,648
Public works	23,400	24,700	24,700	-
Culture and recreation	105,590	111,090	78,912	32,178
Debt service:				
Principal	130,917	133,832	133,832	-
Interest and fees	2,173	1,828	1,827	1
Total expenditures	<u>5,745,489</u>	<u>5,518,370</u>	<u>4,762,428</u>	<u>755,942</u>
Revenues over (under) expenditures	(83,150)	(24,045)	1,412,379	1,436,424
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	-	20,000	34,460	14,460
Transfers to other funds	-	(336,196)	(336,196)	-
Transfers to capital reserves	-	(952,817)	(952,817)	-
Appropriated fund balances	83,150	1,293,058	-	(1,293,058)
Total other financing sources	<u>83,150</u>	<u>24,045</u>	<u>(1,254,553)</u>	<u>(1,278,598)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	157,826	157,826
General Fund fund balance				
Beginning of year, July 1			<u>7,616,028</u>	
End of year, June 30			<u>7,773,854</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			52,029	
Transfers from general fund			<u>952,817</u>	
			1,004,846	
Consolidated Fund balance, beginning			812,808	
Consolidated Fund balance, ending			<u>\$ 9,591,508</u>	

See independent auditor's report and accompanying notes.

I. 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 American as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Sylva is a municipal corporation that is governed by an elected mayor and a five-member board of commissioners. As required by accounting principles, 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. 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 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 Town has no fiduciary funds to report. 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, Capital Reserve Fund and Fire Department Capital Reserve Fund, for future capital needs 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.

Bryson Park and Playground Equipment Grant Project Fund. This fund was established to account for revenues and expenses for the engineering, repair, construction, facility upgrades and playground equipment at Bryson Park.

The Town reports the following non-major governmental funds:

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.

Public Art Special Revenue Fund. This fund was established to enhance and enrich the culture of the Town through public art.

Sidewalk Special Revenue Fund. This fund was established to account for the financial resources to be used for sidewalk improvements.

Façade Special Revenue Fund. The fund was established to account for and expend grant funds received or Town funds appropriated to promote growth and development by supporting small business owners in transforming their commercial buildings into vibrant, attractive spaces.

Allen Street Landslide Capital Project Fund. This fund was established for the engineering, building and repairing of a landslide area along Allen Street.

Public Restrooms Grant Project Fund. This fund was established for the engineering and construction of public restrooms downtown.

Bridge Park Stormwater Capital Project Fund. This fund was established to install stormwater improvements adjacent to Bridge Park.

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 Fund 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 all 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 and IT subscriptions 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 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 and general revenues. Thus, when program expenses are incurred, there is 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, if allowable by the terms of the grant.

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 budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revolving Loan Special Revenue fund, the Fisher Creek Special Revenue fund, the Sidewalk Special Revenue fund, the Capital Reserve fund, the Fire Department Capital Reserve fund, the Public Art Special Revenue Fund and the American Rescue Plan Special Revenue Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Bryson Park and Playground Equipment Grant Project Fund, and the Bridge Park Stormwater Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. 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

1. 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 savings 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 non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

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. The Bridge Park fund cash is restricted as its use was restricted by the

original donor to the fund. Funds received from donors are restricted for cultural and economic development purposes based on donor stipulations. 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 136-14.1 through 136-41.4.

<u>Town of Sylva Restricted Cash</u>	
<u>Governmental Activities</u>	
General Fund	
Streets	\$ 253,141
Public Safety	44,495
Capital Reserve for fire protection	765,768
Capital reserve for general operations	1,080,693
Culture and recreation	36,423
Economic development	77,649
Water quality – Fisher Creek	1,286,892
Capital Projects:	
Bryson Park and playground equipment	1,073,985
Public restrooms	179,097
<hr/>	
Total Restricted Cash	<u>\$ 4,798,143</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022.

5. 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.

6. Prepaid Items

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

7. 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.

The Town's capital assets also include a right to use lease. The right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term. Subscription payments, as well as payments for the capitalizable implementation costs made before the start of the subscription term should be reported as prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term. The Town does not currently have any IT subscription assets under the requirements of GASB 96.

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

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

8. 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 pension and OPEB deferrals for the 2024 fiscal year, which meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category – prepaid taxes, prepaid licenses, property

taxes receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), OPEB and pension deferrals.

9. 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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide statements an expense and a 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 policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in 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.

11. Net Position/Fund Balances

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 statute.

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 – North Carolina G.S. 159-8 prohibits units of governments from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Restricted for Transportation (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 Public Safety (Police) – portion of fund balance that is restricted by revenue source for law enforcement use.

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 Grant Capital Projects – the portion of fund balance restricted by the grantors for the Bryson Park and Playground Equipment Grant Project and the Public Restrooms Grant Project Fund.

Restricted for Economic Development – the portion of fund balance restricted for economic development. This amount is in the Revolving Loan Fund and Façade Grant 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 Bridge Park – portion of fund balance that is restricted by revenue source for Bridge Park.

Restricted for Cultural and Recreation – portion of the general fund balance that is restricted by a donor for the Main Street department and the fund balance of Public Art Fund.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sylva’s Board of Aldermen (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 conservation – the portion of fund balance received for the conservation easement at Fisher Creek

Committed for sidewalks – Sidewalk Special Revenue Fund – portion of fund balance that is restricted by the Board for sidewalk improvement project.

Committed for streets – portion of fund balance that is committed by the Board for the Allen Street Landslide Capital Project.

Committed for culture and recreation – portion of fund balance that is committed by the Board for the Bridge Park stormwater improvements.

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 the 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 unassigned fund balance of 73%. Once this goal is met, the Board may transfer funds to the general fund capital reserve.

Defined Benefit Cost-Sharing Plans

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 Government Employee’s 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.

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

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 these units' names. 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 these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the 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 have no formal policy regarding custodial credit risk for deposits, but they rely on the State Treasurer to enforce standards of minimum compliance 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.

At June 30, 2024, the Town's deposits had a carrying amount of \$15,524,018 and a bank balance of \$15,699,140. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$15,449,140 was covered by collateral held under the pooling method. Included in the bank balance is \$1,183,631 invested with the North Carolina Capital Management Trust’s Government Portfolio, which carried a credit rating of AAAM by Standard and Poor’s (S&P). The Town has no policy regarding credit risk. At June 30, 2024, the Town’s petty cash fund totaled \$1,300.

2. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Statement of Net Position includes interest levied and outstanding in the amount of \$26,275. The accounts receivable amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>Allowance</u>
General fund:	
Property taxes receivable	\$ 47,254

3. Capital Assets

Capital Asset Activity for the Primary Government for the year ended June 30, 2024 was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,922,599	\$ 11,700	\$ -	\$ 3,934,299
Construction in progress	1,146,312	3,706,759	-	4,853,071
Total capital assets not being Depreciated	5,068,911	3,718,459	-	8,787,370
Capital assets being depreciated:				
Buildings	5,109,006	32,829	-	5,141,835
Other improvements	789,837	-	-	789,837
Equipment	652,448	46,986	36,229	663,205
Infrastructure	2,921,822	87,425	-	3,009,247
Vehicles and motorized Equipment	3,604,770	162,863	202,064	3,565,569
Total capital assets being depreciated	13,077,883	330,103	238,293	13,169,693
Less accumulated depreciation for:				
Buildings	1,906,733	66,250	-	1,972,983
Other improvements	540,254	625	-	540,879
Equipment	223,010	247,640	36,229	434,421
Infrastructure	2,084,506	75,983	-	2,160,489
Vehicles and motorized Equipment	2,995,438	48,240	202,064	2,841,614
Total accumulated depreciation	7,749,941	438,738	238,293	7,950,386
Total capital assets being depreciated, net	5,327,942			5,219,307
Capital assets being amortized:				
Right to use assets:				
Leased equipment	11,266	-	-	11,266
Less accumulated depreciation	4,916	2,457	-	7,373
	6,350	2,457	-	3,893
Governmental activity capital assets, net	\$ 10,403,203			\$ 14,010,570

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

General government	\$ 8,456
Public safety	259,230
Transportation	102,257
Public works	15,904
Economic development	14,689
Environmental protection	597
Cultural and recreational	37,605
Total depreciation expense	\$ 438,738

Construction Commitments

The Town has active construction projects as of June 30, 2024. At year-end, the governments commitments with contractors are as follows:

Project	Spent- to-date	Remaining Commitment
Restroom facilities	\$ 210,902	\$ 369,194
Landslide area repair	1,714,592	128,775

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Government 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), firefighters and rescue squad workers 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 or 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 retirements 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 5 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. This plan does not provide for automatic post-retirement benefits 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 North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers and 12.89% 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 \$269,582.

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, 2024, the Town reported a liability of \$1,656,633 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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 of participating LGERS employers, actuarially determined. At June 30, 2023 (the measurement date), the Town's proportion was .02501% which was an increase of .00598% for the Town of the proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$509,306. At June 30, 2024, 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 expense	\$ 184,598	\$ 3,974
Changes of assumptions	70,397	-
Net difference between projected and actual earnings on pension plan investments	443,387	-
Changes in proportion and differences between contributions and proportionate share of contributions	121,624	8,636
Town's contributions subsequent to the measurement date	269,438	-
Total	\$ 1,089,444	\$ 12,610

The \$269,438 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	292,435
2026	163,801
2027	332,412
2028	18,749
2029	-
	<u>\$ 807,397</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.10 percent, including a 3.25% inflation and productivity factor
Investment rate of return	6.5 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, 2022 valuations were based on the results of an actuarial experience study for LGERS prepared December 31, 2019.

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 forgoing 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 or arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Projection	6.0%	4.3%
Total	100%	

The information above is based on 30-year expectations developed with an investment consulting firm's long term capital market assumptions. 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 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2023 Annual Comprehensive Financial Report published on website of the NC Office of the State Controller.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. This 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 statutory required rates, actuarially determined. Based on those 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 6.5 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 (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town’s proportionate share of the net pension liability (asset)	2,870,051	1,656,633	657,633

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.

b. Law Enforcement Officers Special Separation Allowance

1. *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 under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2022, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>18</u>

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	4.00%
Projected salary increases	3.25 – 8.25%
Inflation	2.50%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$41,681 as benefits came due for the reporting period.

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

At June 30, 2024 the Town reported a total pension liability of \$635,049. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024 the Town recognized pension expense of \$91,033.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 53,149	\$ 5,788
Changes of assumptions	50,900	69,768
Benefit payments and administrative expenses subsequent to the measurement date	<u>41,681</u>	<u>-</u>
Total	\$ 145,730	\$ 75,556

\$41,681 paid as benefits came due subsequent to the measurement date have been reported as deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 35,565
2025	8,690
2026	(12,478)
2027	(4,056)
2028	772
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following represents the Town's total pension liability calculated using the discount rate of 4.00%, as well as what the Town's total pension liability would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(3.00%)</u>	Discount Rate <u>(4.31%)</u>	1% Increase <u>(5.31%)</u>
Total pension liability	\$ 681,154	\$ 635,049	\$ 592,978

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

Beginning balance	\$623,190
Service cost	25,034
Interest	25,897
Change in benefit terms	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(6,994)
Changes in assumptions and other inputs	12,586
Benefit payments	(44,664)
Other changes	<u>-</u>
Ending balance of the total pension liability	\$635,049

The plan currently uses mortality tables that vary by age, 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, 2022 valuation was based on the results of an actuarial experience study for the five-year period ending December 30, 2019.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	509,306	91,033	600,339
Pension Liability	1,656,633	635,049	2,291,682
Proportionate share of the net pension liability	.02501%	n/a	

Deferred Outflows of Resources	LGERS	LEOSSA	Total
Differences between expected and actual experience	184,598	53,149	237,747
Change of Assumptions	70,397	50,900	121,297
Net difference between projected and actual earnings on plan investments	443,387	-	443,387
Changes in proportion and differences between contributions and proportionate share of contributions	121,624	-	121,624
Benefit payments and administrative cost paid subsequent to the measurement date	269,438	41,681	311,119
Deferred Inflows of Resources	LGERS	LEOSSA	Total
Differences between expected and actual experience	3,974	5,788	9,762
Change of assumptions	-	69,768	69,768
Net difference between projected and actual earnings on plan investments	-	-	-
Change in proportion and differences between contributions and proportionate share of contributions	8,636	-	8,636

c. 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 Sections 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 27699-1410, 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 five percent of each officer's salary and up to five percent for participating general employees, and all amounts contributed are vested immediately. Also, the general employees and law enforcements officers may make voluntary contributions to the plan.

The Town made contributions of \$38,487 for law enforcement and \$34,732 for general employees for the reporting year. No amounts were forfeited.

d. Firemen's and Rescue Squad Worker's Pension Fund (FRSWPF)

Plan members of the FRSWPF are required to contribute \$10 per month to the plan. For the year ended June 30, 2024, the Town contributed the required pension amount for 9 paid employees and 24 volunteers. The Town makes the plan member required contributions on January 1 of each year for the active fire department roster. Total contributions by the Town for fiscal year 2024 were \$3,380.

The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statue 58-86 and may be amended only by the North Carolina General Assembly. The State's contributions recognized for accounting purposes for the fiscal year ending June 3, 2024, were \$19,702,208. The Town has determined that its share of the net pension liability and the State's contribution to the plan on its behalf are immaterial at June 30, 2024.

e. Other Post-Employment Benefit Obligations
Healthcare Benefits

Plan Description: Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan (the HCB Plan). The Town Board has the authority to establish and amend the benefits terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

Benefits Provided: Town employees who retire from the North Carolina Local Government Employee’s Retirement System (NCLGERS) and meet the following service requirements by the Town are eligible to receive premium reimbursement for healthcare coverage obtained outside of the Town’s healthcare plan.

Employees hired before July 1, 2015 must meet one of the following:

- 1) Attain age 60 and have at least 10 years of continuous service with the Town, or
- 2) Have at least 30 years of continuous service with the Town at any age, or
- 3) Have at least 10 years of continuous service with the Town and qualify for disability retirement with NCLGERS, or
- 4) Retire at age 55 or over as a sworn in law enforcement officer with the Town with at least 10 years of continuous service to the Town

Employees hired on or after July 1, 2015 must meet one of the following:

- 1) Attain age 60 and accumulation of 20 years of cumulative vesting service with the Town, or
- 2) Any age and have at least 30 years of cumulative vesting service with NCLGERS, with 20 of the 30 vesting years with the Town, or
- 3) Have at least 15 years of cumulative vesting service with the Town and qualify for disability retirement with NCLGERS, or
- 4) Retire at age 55 or over as a sworn law enforcement officer with the Town with at least 20 years of cumulative vesting service with the Town.

The Town will cover the full cost of the eligible retiree’s health premium until the retiree reaches age 65, or becomes eligible for Medicare. No dependent coverage is available. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	5
Terminated plan members entitled to but not yet receiving Benefits	-
Active plan members	30
Total	35

Total OPEB Liability

The Town’s total OPEB liability of \$821,199 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Discount rate	3.65%
Healthcare Cost Trends	7.00% for 2023, decreasing to an ultimate rate of 4.50% by 2033

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	1,290,134
Changes for the year	
Service cost	59,314
Interest	46,365
Changes of benefit terms	-
Differences between expected and actual experience	(508,135)
Changes in assumptions or other inputs	13,615
Benefit payments and implicit subsidy credit	<u>(80,094)</u>
Balance at June 30, 2023	821,199

The discount rate used to measure TOL was based on the June Bond Buyer 20-year General Obligation Bond Index and the Municipal Bond Index Rates as of the measurement date.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$896,900	\$821,199	\$755,066

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$748,462	\$821,199	\$910,022

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Town recognized OPEB expense of \$72,239. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 118,931	\$ 462,206
Changes of assumptions	197,159	155,205
Benefit payments and administrative costs made subsequent to the measurement date	<u>74,057</u>	<u>-</u>
Total	\$ 390,147	\$ 617,411

\$74,057 of deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	(33,440)
2026	(31,892)
2027	(28,081)
2028	(26,202)
2029	(25,917)
Thereafter	(155,789)

2. Other Employment Benefits

- a. 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 months' salary in a row during the 24 months prior to the employee's benefits, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of 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.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year end is composed of the following:

Contributions to pension plan subsequent to the measurement date	\$ 269,438
Benefit payments made and administrative costs for LEOSSA made subsequent to measurement date	41,681
Benefit payments made and administrative costs for OPEB made subsequent to measurement date	74,057
Difference between expected and actual experience	356,678
Changes of assumption	318,456
Net difference between projected and actual share of earnings on plan investments	443,387
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>121,624</u>
Total	\$1,625,321

Deferred inflows of resources at year end is composed of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 27,113	\$ 27,113
Taxes receivable, less penalties		64,331
Differences between expected and actual expense	471,968	-
Change in assumptions	224,973	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>8,636</u>	<u>-</u>
Total	\$ 732,690	\$ 91,444

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss. The Town obtains general liability coverage of \$1 million per occurrence and \$10 million in the aggregate, auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property, worker’s compensation coverage up to statutory limits, and employee health coverage. There have been no significant reductions in insurance coverage during the year. 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 \$651,000 and \$400,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$32,000.

5. Long-Term Obligations

a. Leases

The Town has entered into agreements to lease certain office equipment. The agreement qualify as other than short-term leases under GASB 87 and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed in January 2021 to lease a copier for the police department and requires 60 monthly payments of \$213. The lease liability is measured at a discount rate of 1.76%, an inputted rate. The liability balance as of June 30, 2024 is \$3,994.

The future minimum lease obligation and net present value of these minimum payments as of June 30, 2024 is as follows:

<u>Year ending June 30</u>	Principal	Interest
2025	\$ 2,510	\$ 50
2026	1,484	9
2027	<u>-</u>	<u>-</u>
Totals	\$ 3,994	\$ 59

Installment Purchases – In May 2009, the Town entered into a \$2,131,114 direct placement 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 direct placement contract related to the Fire department facility expansion. This loan was paid off in the current year.

In April 2014, the Town entered a \$263,230 direct placement 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 loan was paid off in the current year.

At June 30, 2024, the Town had approximately legal debt margin of \$39.7 million.

d. Changes in Long-Term Liabilities

The following is a summary of changes in the Town’s long-term obligations for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct borrowings	131,365	-	131,365	-	-
Compensated absences	149,232	53,541	80,359	122,414	-
Lease liability	6,461	-	2,467	3,994	2,510
Total pension liability (LEO)	623,190	11,859	-	635,049	-
Net pension liability OPEB	1,073,564	583,069	-	1,656,633	-
	1,290,134	-	468,935	821,199	-
Governmental activity long-term liabilities	\$ 3,273,946	\$ 648,469	\$ 683,126	\$ 3,239,289	\$ 2,510

D. Net Investment in Capital Assets

Capital and right of use assets	\$ 14,010,570
Less: long-term debt	<u>3,994</u>
Net investment in capital assets	\$ 14,006,576

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, 2024 consisted of the following:

From General Fund to Capital Reserve Fund	\$ 823,731
Fund for future capital needs	
From General Fund to Bridge Park Stormwater Fund	98,447
Fund capital project needs	
From General Fund to Public Restroom Fund	237,749
Fund capital project needs	
From General Fund to Fire Department Capital Reserve Fund	129,086
Fund for future capital needs	

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.

E. Fund Balances

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

Total fund balance – General Fund	\$ 9,591,508
Less:	
Stabilization by state statute	424,254
Streets-Powell Bill	253,141
Public safety	44,495
Appropriated Fund Balance in 25 Budget	-
Capital reserve for Fire Dept.	736,962
Capital reserve for general operations	1,080,694
Bridge Park	30,899
Cultural and recreation	1,308
Other Postemployment Benefits	1,123,865
LEO Separation Allowance	590,082
Fund Balance Policy - Goal	4,357,530
Remaining fund balance	\$ 948,278

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, with a goal of 73%.

III. 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 (ABC Board). Jackson County and the Town of Sylva participated in the capitalization of the new ABC Board by providing an initial combined contribution of \$360,000. The County contributed \$216,000 and the Town contributed \$144,000. The ABC Board is considered a component unit of and is included in the annual audit of Jackson County. The distribution of the profits is currently 60% to the County and 40% to the Town. The Town was “held harmless” against a possible decline in profits from the merger by requiring a guaranteed distribution of at least \$160,000 annually. The County and the Town were to review this guarantee at the end of five years to determine if it should continue. At the date of these financial statement, the terms of the guarantee continue as per the original agreement. Complete financial statements for the ABC Board may be obtained by contacting the Jackson County Alcoholic Beverage Control Board General Manager, 30 E. Sylva Shopping Center, Sylva, North Carolina, 28779.

IV. Transportation Improvement Project – Municipal Agreement

On September 15, 2017 the Town and the North Carolina Department of Transportation (NCDOT) entered into a municipal agreement. The NCDOT plans to make certain street and highway construction and improvements within the Town. Constructing a sidewalk along Skyland Drive increases safety and benefits citizens of the Town of Sylva. The Town will assume all maintenance responsibilities for the betterments. On July 22, 2019, a supplemental agreement was executed once project plans were completed. On March 27, 2020 a third agreement was executed because a drainage system needed to be replaced and the purchase of an additional right-of-way was required. This increased the estimated project cost as well as the Town's financial commitment to the project. Construction was delayed multiple times due to a lack of bidders. The sidewalk project was finally combined with a project in a nearby jurisdiction to attract contractors to bid the project. The original Skyland Drive sidewalk agreement had a total estimated cost of \$1,406,000, with the Town committed to a 20% local match in the amount of \$281,200. Since then, overages occurred in right-of-way, engineering, and construction phases, which the Town will be responsible for 20% of the costs. As of June 30, 2024, the Town has a fund balance committed of \$347,308 and assigned for subsequent year's expenditures of \$300,000. There were expenditures of \$10,282 for the year ended June 30, 2024, with cumulative expenditures totaling \$114,974.

V. Sylva Fire Department and Jackson County Mutual Aid Agreement

The Town and Jackson County operate under a Mutual Aid Agreement whereby fire protection and emergency services are provided within the boundaries of the Sylva Fire District by the Sylva Fire Department. Effective July 1, 2024, the department consists of nine paid members and volunteers. The Town of Sylva and Jackson County entered into an agreement where Jackson County provides annual funding for a combination of full paid fire department staff and volunteers. The Town also has fire department funding and service agreements with two adjacent municipalities within the Sylva Fire District to share costs and provide a better service to their citizens.

VI. 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, 2024. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustee's 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.

VIII. Related Organization

The Town of Sylva has partnered with Sylva Partners in Renewal, Inc., dba Main Street Sylva Association, a nonprofit organization dedicated to promoting the revitalization and economic development of downtown Sylva. The Town has appointed a town employee to coordinate and fulfill the intent of the national Main Street program and implement a strategic economic development plan for Sylva. The Town and the Main Street Association work together to meet the requirements of the NC Main Street Annual Agreement and promote downtown revitalization through community and economic development within the context of historic preservation. The agreement between the Town and the Main Street Association currently requires all grant monies received and accounting functions of the Main Street Association be accounted for within the Town's accounting system, through the Main Street department. Sylva Partners in Renewal, Inc. is a nonprofit organization that exists to support and promote the economic development of downtown Sylva.

IX. Summary Disclosure of Significant Contingencies**Federal and State Assisted Programs**

The Town has received proceeds from several federal and State 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 moneys.

X. Litigation

The Town is routinely involved in litigation related to tax foreclosures or other issues in the normal course of business. At June 30, 2024, the Town was involved in a complaint, which is being managed by attorneys for the Town's insurance carrier. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any existing legal matters will not have a material adverse effect on the Town's financial position.

XI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 27, 2024, the date the financial statements were available to be issued.

On September 27, 2024 portions of the Town of Sylva was affected by heavy rains from Hurricane Helene. The flooding caused significant damage to the retaining wall supporting Town Hall and Public Works. Sections of the wall separated from the parking lot and washed into Scotts Creek. The bridge on Allen Street separated from the Maintenance building during the flooding. Flooding damaged the parking lot and storage area for the Street, Sanitation and Public Works department's vehicles and equipment. The Town will obtain bids for a comprehensive cost estimate to reinforce the retaining wall but a total cost of over \$1,500,000 is anticipated. The Town's insurance company advised the retaining wall is not covered by the Town's insurance policy. Subsequent to June 30, 2024, the Town has created a Scotts Creek Slope Stabilization

Capital Project to plan for the needed construction but are currently exploring all options for funding the project.

XII. Reclassifications

Certain prior year amounts have been reclassified for comparison purposes to current year presentation.

Town of Sylva, North Carolina
Schedule of Proportionate Share of the Net Pension Liability
Required Supplementary Information
Local Government Employees' Retirement System
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset) %	0.02501%	0.01903%	0.01808%	0.01743%	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%	0.01868%
Town's proportion of the net pension liability (asset)	\$ 1,656,633	\$1,073,564	\$ 277,274	\$ 622,848	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194	\$ (110,165)
Town's covered-employee payroll	1,830,317	1,282,591	\$ 1,255,924	\$ 1,161,531	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334	\$ 957,295
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.51%	83.70%	22.08%	53.62%	43.32%	39.16%	26.23%	34.52%	8.39%	-11.51%
Plan fiduciary net position as a percentage of the total pension liability	85.17%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

Town of Sylva, North Carolina
Schedule of Contributions
Required Supplementary Information
Local Government Employees' Retirement System
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 269,438	\$ 229,506	\$150,837	\$130,288	\$109,190	\$99,335	\$90,387	\$80,271	\$73,459	\$73,998
Contribution in relation to the contractually required contribution	269,438	229,506	150,837	130,288	109,190	99,335	90,387	80,271	73,459	73,998
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	\$ 2,018,063	\$ 1,830,317	\$1,282,591	\$1,255,924	\$1,161,531	\$1,212,382	\$1,136,364	\$1,048,443	\$1,049,438	\$1,003,334
Contributions as a percentage of covered-employee payroll	13.35%	12.54%	11.76%	10.37%	9.40%	8.19%	7.95%	7.66%	7.00%	7.38%

Town of Sylva, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Eight Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 623,190	\$ 701,656	\$ 702,737	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024	\$ 405,163
Service cost	25,034	33,184	33,814	18,635	18,394	16,554	15,870	18,967
Interest on the total pension liability	25,897	15,181	13,086	15,055	15,569	13,072	15,653	14,191
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(6,994)	24,929	18,795	87,726	22,683	24,074	(27,907)	-
Changes of assumptions or other inputs	12,586	(97,829)	(17,326)	140,775	13,691	(15,289)	22,396	(8,979)
Benefit payments	(44,664)	(53,931)	(49,450)	(42,515)	(29,986)	(18,713)	(17,024)	(15,318)
Other changes	-	-	-	-	-	-	-	-
Ending Balance of the total pension liability	<u>\$ 635,049</u>	<u>\$ 623,190</u>	<u>\$ 701,656</u>	<u>\$ 702,737</u>	<u>\$ 483,061</u>	<u>\$ 442,710</u>	<u>\$ 423,012</u>	<u>\$ 414,024</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Sylva, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Eight Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 635,049	\$ 623,190	\$ 701,656	\$ 702,737	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024
Covered payroll	839,669	705,191	684,884	587,641	676,722	628,820	641,241	656,335
Total pension liability as a percentage of covered payroll	75.63%	88.37%	102.45%	119.59%	71.38%	70.40%	65.97%	63.08%

Notes to the schedule:

The Town of Sylva has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Sylva, North Carolina
Schedule of Changes in Total OPEB
Liability and Related Ratios
Last Seven Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 59,314	\$ 78,320	\$ 65,688	\$ 45,616	\$ 44,773	\$ 46,284	\$ 50,033
Interest	46,365	31,519	24,681	29,855	30,579	27,017	22,443
Changes of benefit terms	-	-	-	66,790	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(508,135)	20,723	136,222	25,790	(33,468)	3,760	6,133
Changes of assumptions or other inputs	13,615	(182,824)	168,282	127,683	17,419	(26,793)	(44,491)
Benefit payments and implicit subsidy credit	(80,094)	(76,616)	(53,638)	(50,248)	(25,976)	(20,243)	(21,436)
Net change in total OPEB liability	<u>(468,935)</u>	<u>(128,878)</u>	<u>341,235</u>	<u>245,486</u>	<u>33,327</u>	<u>30,025</u>	<u>12,682</u>
Total OPEB liability - beginning	<u>1,290,134</u>	<u>1,419,012</u>	<u>1,077,777</u>	<u>832,291</u>	<u>798,964</u>	<u>768,939</u>	<u>756,257</u>
Total OPEB liability - ending	<u><u>\$ 821,199</u></u>	<u><u>\$ 1,290,134</u></u>	<u><u>\$ 1,419,012</u></u>	<u><u>\$ 1,077,777</u></u>	<u><u>\$ 832,291</u></u>	<u><u>\$ 798,964</u></u>	<u><u>\$ 768,939</u></u>
Covered payroll	1,618,722	1,113,387	1,113,387	1,012,139	1,012,139	975,419	975,419
Total OPEB liability as a percentage of covered payroll	50.73%	115.87%	127.45%	106.49%	82.23%	81.91%	78.83%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2024	3.65%
2023	3.54%
2022	2.16%
2021	3.50%
2020	3.50%
2019	3.89%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 2,307,525	\$ 2,427,504	\$ 119,979
Penalties and interest	11,400	15,708	4,308
Total ad valorem taxes	<u>2,318,925</u>	<u>2,443,212</u>	<u>124,287</u>
Other taxes and licenses:			
ABC licenses	1,000	1,105	105
Total other taxes and licenses	<u>1,000</u>	<u>1,105</u>	<u>105</u>
Unrestricted intergovernmental:			
Local option sales taxes	865,000	993,764	128,764
Excise tax on natural gas	8,000	9,927	1,927
Franchise tax	285,000	333,995	48,995
Beer and wine tax	11,500	11,996	496
Fire protection	1,113,642	1,113,159	(483)
Telecommunications sales tax	21,600	25,291	3,691
Cable franchise fees	10,000	10,094	94
Sales tax refund	15,264	21,727	6,463
Fire department sales tax	10,600	11,620	1,020
Hold harmless	185,000	215,638	30,638
Solid waste disposal tax	2,000	1,955	(45)
ABC profit distribution	320,000	352,469	32,469
Substance tax distribution	2,000	-	(2,000)
Total unrestricted intergovernmental	<u>2,849,606</u>	<u>3,101,635</u>	<u>252,029</u>
Restricted intergovernmental:			
Grants and contributions	59,989	49,940	(10,049)
ABC revenues for law enforcement	4,500	14,205	9,705
ABC revenues for education	6,500	19,887	13,387
Powell Bill allocation	72,000	79,359	7,359
Total restricted intergovernmental	<u>142,989</u>	<u>163,391</u>	<u>20,402</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (continued)			
Permits and fees			
Building permits	\$ 200	\$ 1,510	\$ 1,310
Business registrations	5,000	4,860	(140)
Recreation fees	4,000	4,997	997
Other fees	9,200	10,790	1,590
Parking fines/fees	10,250	4,682	(5,568)
Total permits and fees	<u>28,650</u>	<u>26,839</u>	<u>(1,811)</u>
Investment earnings	<u>84,223</u>	<u>353,585</u>	<u>269,362</u>
Miscellaneous:			
Contributions	27,582	22,250	(5,332)
Main street	37,650	40,622	2,972
Other miscellaneous	3,700	22,168	18,468
Total miscellaneous	<u>68,932</u>	<u>85,040</u>	<u>16,108</u>
Total revenues	<u>\$ 5,494,325</u>	<u>\$ 6,174,807</u>	<u>\$ 680,482</u>
Expenditures:			
General government:			
Governing body			
Salaries and employee benefits	\$ 24,550	\$ 24,060	\$ 490
Operating expenditures	136,611	114,816	21,795
Professional services	76,661	44,641	32,020
Total governing body	<u>237,822</u>	<u>183,517</u>	<u>54,305</u>
Administration:			
Salaries and employee benefits	408,061	400,958	7,103
Operating expenditures	132,080	82,048	50,032
Total administration	<u>540,141</u>	<u>483,006</u>	<u>57,135</u>
Main street:			
Salaries and employee benefits	61,295	58,725	2,570
Operating expenditures	78,848	66,057	12,791
Capital outlay	11,700	11,700	-
Total main street	<u>151,843</u>	<u>136,482</u>	<u>15,361</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Taxes			
Collection fees	\$ 7,500	\$ 6,522	\$ 978
Facilities maintenance			
Salaries and employee benefits	4,510	4,478	32
Operating benefits	47,350	46,348	1,002
Capital outlay	32,830	32,829	1
Total facilities maintenance	<u>84,690</u>	<u>83,655</u>	<u>1,035</u>
Total general government	<u>1,021,996</u>	<u>893,182</u>	<u>128,814</u>
Public safety:			
Police:			
Salaries and employee benefits	1,342,907	1,187,486	155,421
Operating expenditures	561,945	405,583	156,362
Capital outlay	72,629	72,628	1
Total police	<u>1,977,481</u>	<u>1,665,697</u>	<u>311,784</u>
Fire:			
Salaries and employee benefits	685,331	645,091	40,240
Operating expenditures	424,128	360,558	63,570
Capital outlay	94,120	89,415	4,705
Total fire	<u>1,203,579</u>	<u>1,095,064</u>	<u>108,515</u>
Total public safety	<u>3,181,060</u>	<u>2,760,761</u>	<u>420,299</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	384,990	350,667	34,323
Operating expenditures	298,830	242,592	56,238
Capital outlay	145,963	135,231	10,732
Total transportation	<u>829,783</u>	<u>728,490</u>	<u>101,293</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Economic and physical development:			
Operating expenditures	\$ 22,300	\$ 13,135	\$ 9,165
Environmental protection:			
Sanitation:			
Salaries and employee benefits	109,316	102,141	7,175
Operating expenditures	82,465	59,992	22,473
Total environmental protection	<u>191,781</u>	<u>162,133</u>	<u>29,648</u>
Public works:			
Cemetery:			
Contracted services	24,700	24,700	-
Culture and recreation			
Parks and recreation:			
Salaries and employee benefits	31,990	21,774	10,216
Operating expenditures	73,600	52,016	21,584
Capital outlay	-	-	-
Library contribution	5,500	5,500	-
Total culture and recreation	<u>111,090</u>	<u>79,290</u>	<u>31,800</u>
Debt service:			
Principal	133,832	133,832	-
Interest and fees	1,828	1,827	1
Total debt service	<u>135,660</u>	<u>135,659</u>	<u>1</u>
Total expenditures	<u>\$ 5,518,370</u>	<u>\$ 4,797,350</u>	<u>\$ 721,020</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (24,045)	\$ 1,377,457	\$ 1,401,502
Other financing sources (uses):			
Proceeds from disposal of assets	20,000	34,460	14,460
Transfer to other funds			
Capital reserve fund	(823,731)	(823,731)	-
Fire department capital reserve fund	(129,086)	(129,086)	-
Bridge Park stormwater capital project fund	(98,447)	(98,447)	-
Public restrooms grant project fund	(237,749)	(237,749)	-
Appropriated fund balance	1,293,058	-	(1,293,058)
Total	24,045	(1,254,553)	(1,278,598)
Net change in fund balance	-	122,904	122,904
Fund balances:			
Beginning year, July 1		7,616,028	
Adjustment from budget to modified accrual:			
Sales tax receivable		34,922	
End of year, June 30		\$ 7,773,854	

Town of Sylva, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the year ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 33,989	\$ 33,989
Restricted intergovernmental	-	-	
	-	33,989	33,989
Expenditures:	-	-	-
Revenues over (under) expenditures	-	33,989	33,989
Other financing sources			
Transfers from general fund	823,731	823,731	-
Transfers to general fund	(823,731)	-	823,731
Appropriated fund balance	-	-	-
	-	823,731	823,731
Net change in fund balance	-	857,720	857,720
Fund balance:			
Beginning year, July 1		222,974	
End of year, June 30		\$ 1,080,694	

Town of Sylva, North Carolina
Fire Department Capital Reserve
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 18,040	\$ 18,040
Expenditures:	-	-	-
Revenues over (under) expenditures	-	18,040	18,040
Other financing sources:			
Transfers from general fund	129,086	129,086	-
Transfers to general fund	(129,086)	-	129,086
Appropriated fund balance	-	-	-
	-	129,086	129,086
Net change in fund balance	-	147,126	147,126
Fund balance:			
Beginning year, July 1		589,836	
End of year, June 30		\$ 736,962	

Town of Sylva, North Carolina
Major Governmental Fund - Fisher Creek Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ 35,000	\$ 123,607	\$ 88,607
Miscellaneous	-	216	216
	35,000	123,823	88,823
Expenditures:			
Economic and physical development	219,500	134,278	85,222
Revenues over (under) expenditures	(184,500)	(10,455)	(174,045)
Other financing sources			
Appropriated fund balance	184,500	-	(184,500)
Total other financing sources (uses)	184,500	-	(184,500)
Net change in fund balance	-	(10,455)	(10,455)
Fund balance:			
Beginning year, July 1		3,227,653	
Adjustment from budget to modified accrual:			
Sales tax receivable		32	
End of year, June 30		\$ 3,217,230	

Town of Sylva, North Carolina
Major Governmental Fund -
Bryson Park and Playground Equipment Grant Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
From Inception and For the Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 3,000,000	\$3,000,000	\$ -	3,000,000	\$ -
Investment earnings	-	54,216	48,722	102,938	102,938
Total revenues	<u>3,000,000</u>	<u>3,054,216</u>	<u>48,722</u>	<u>3,102,938</u>	<u>102,938</u>
Expenditures:					
Cultures and recreation		747,420	1,379,099	2,126,519	
Sales tax		-	13,510	13,510	
Total expenditures	<u>3,000,000</u>	<u>747,420</u>	<u>1,392,609</u>	<u>2,140,029</u>	<u>859,971</u>
Revenues over (under) expenditures	-	2,306,796	(1,343,887)	962,909	962,909
Other financing sources(uses)	-	-	-	-	-
Transfers from general fund	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>2,306,796</u>	<u>(1,343,887)</u>	<u>962,909</u>	<u>962,909</u>
Fund balance					
Beginning year, July 1			2,306,796		
Adjustment from budget to modified accrual:					
Sales tax receivable			<u>13,510</u>		
End of year, June 30			<u>\$ 976,419</u>		

Town of Sylva, North Carolina
Combining Balance Sheet (Non GAAP)
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Revolving Loan Special Revenue Fund	Public Art Special Revenue Fund	Sidewalk Special Revenue Fund	Façade Special Revenue Fund	Allen Street Landslide Capital Project Fund	Public Restrooms Grant Project Fund	Bridge Park Stormwater Capital Project Fund	Total Non- Major Governmental Funds
Assets:								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ 464,889	\$ -	\$ 740,935	\$ 309,834	\$ 94,939	\$ 1,610,597
Due from other government	-	-	-	-	14,151	1,259	6,602	22,012
Prepaid expenses	-	-	40,131	-	-	-	-	40,131
Restricted cash	50,186	4,216	-	27,461	-	179,097	-	260,960
Total current assets	<u>50,186</u>	<u>4,216</u>	<u>505,020</u>	<u>27,461</u>	<u>755,086</u>	<u>490,190</u>	<u>101,541</u>	<u>1,933,700</u>
Other assets								
Real estate held for resale	52,435	-	-	-	-	-	-	52,435
Total assets	<u>\$ 102,621</u>	<u>\$ 4,216</u>	<u>\$ 505,020</u>	<u>\$ 27,461</u>	<u>\$ 755,086</u>	<u>\$ 490,190</u>	<u>\$ 101,541</u>	<u>\$ 1,986,135</u>
Liabilities:								
Current liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 80,215	\$ 50,032	\$ -	\$ 130,247
Total current liabilities	-	-	-	-	80,215	50,032	-	130,247
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,215</u>	<u>50,032</u>	<u>-</u>	<u>130,247</u>
Fund balances								
Restricted for:								
Grant capital projects	-	-	-	-	-	179,097	-	179,097
Culture and recreation	-	4,216	-	-	-	-	-	4,216
Economic development	102,621	-	-	27,461	-	-	-	130,082
Committed								
Sidewalks	-	-	205,020	-	-	-	-	205,020
Capital projects	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	674,871	261,061	-	935,932
Culture and recreation	-	-	-	-	-	-	101,541	101,541
Assigned								
Subsequent year's expenditures	-	-	300,000	-	-	-	-	300,000
Total fund balances	<u>102,621</u>	<u>4,216</u>	<u>505,020</u>	<u>27,461</u>	<u>674,871</u>	<u>440,158</u>	<u>101,541</u>	<u>1,855,888</u>
Total liabilities and fund balances	<u>\$ 102,621</u>	<u>\$ 4,216</u>	<u>\$ 505,020</u>	<u>\$ 27,461</u>	<u>\$ 755,086</u>	<u>\$ 490,190</u>	<u>\$ 101,541</u>	<u>\$ 1,986,135</u>

Town of Sylva, North Carolina
Combining Schedule of Revenues, Expenditures and Change in Fund Balance (Non GAAP)
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Revolving Loan Special Revenue Fund	Public Art Special Revenue Fund	Sidewalk Special Revenue Fund	Façade Special Revenue Fund	Allen Street Landslide Capital Project Fund	Public Restrooms Grant Project Fund	Bridge Park Stormwater Capital Project Fund	Total Non- Major Governmental Funds
Revenues:								
Unrestricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-	20,000	750,000	40,000	367,757	1,177,757
Contributions	-	399	-	10,000	-	-	-	10,399
Investment earnings	1,668	134	16,802	461	30,211	16,435	11,446	77,157
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>1,668</u>	<u>533</u>	<u>16,802</u>	<u>30,461</u>	<u>780,211</u>	<u>56,435</u>	<u>379,203</u>	<u>1,265,313</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	1,341,105	-	-	1,341,105
Economic and physical development	-	-	10,282	3,000	-	-	-	13,282
Culture and recreation	-	65	-	-	-	185,496	801,059	986,620
Sales tax	-	-	-	-	14,151	1,259	6,602	22,012
Total expenditures	<u>-</u>	<u>65</u>	<u>10,282</u>	<u>3,000</u>	<u>1,355,256</u>	<u>186,755</u>	<u>807,661</u>	<u>2,363,019</u>
Revenue and other sources over (under) expenditures	1,668	468	6,520	27,461	(575,045)	(130,320)	(428,458)	(1,097,706)
Other Financing Sources (Uses)								
Transfers from general fund	-	-	-	-	-	237,749	98,447	336,196
Transfers to general fund	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,749</u>	<u>98,447</u>	<u>336,196</u>
Net change in fund balance	<u>1,668</u>	<u>468</u>	<u>6,520</u>	<u>27,461</u>	<u>(575,045)</u>	<u>107,429</u>	<u>(330,011)</u>	<u>(761,510)</u>
Fund balances								
Beginning of year, July	<u>100,953</u>	<u>3,748</u>	<u>498,500</u>	<u>-</u>	<u>1,235,765</u>	<u>331,470</u>	<u>424,950</u>	<u>2,595,386</u>
Adjustment from budget to modified accrual:								
Sales tax receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,151</u>	<u>1,259</u>	<u>6,602</u>	<u>22,012</u>
End of year, June 30	<u>\$ 102,621</u>	<u>\$ 4,216</u>	<u>\$ 505,020</u>	<u>\$ 27,461</u>	<u>\$ 674,871</u>	<u>\$ 440,158</u>	<u>\$ 101,541</u>	<u>\$ 1,855,888</u>

Town of Sylva, North Carolina
Non-Major Governmental Fund - Revolving Loan Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 1,668	\$ 1,668
Miscellaneous	-	-	-
	-	1,668	1,668
Expenditures:			
Economic development	6,000	-	6,000
Revenues over (under) expenditures	(6,000)	1,668	(4,332)
Other financing sources			
Appropriated fund balance	6,000	-	6,000
Total other financing sources (uses)	6,000	-	6,000
Net change in fund balance	-	1,668	1,668
Fund balance:			
Beginning year, July 1		100,953	
End of year, June 30		\$ 102,621	

Town of Sylva, North Carolina
Non-Major Governmental Fund - Public Art Fund
Schedule of Revenue, Expenditures and Change in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Unrestricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	-	134	134
Contributions and grants	-	399	399
Total revenues	-	533	533
Expenditures:			
Culture and recreation	2,000	65	1,935
Revenues over (under) expenditures	(2,000)	468	2,468
Other financing sources:			
Appropriated fund balance	2,000	-	(2,000)
Net change in fund balance	-	468	468
Fund balance			
Beginning year, July 1		3,748	
End of year, June 30		\$ 4,216	

Town of Sylva, North Carolina
Non-Major Governmental Fund - Sidewalk Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual (Non-GAAP)
For the year ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 16,802	\$ 16,802
Total revenues			
Expenditures:			
Transportation	347,308	10,282	337,026
Revenues over (under) expenditures	<u>(347,308)</u>	<u>6,520</u>	<u>353,828</u>
Other financing sources (uses):			
Transfer from general fund	-	-	-
Appropriated fund balance	347,308	-	(347,308)
	<u>347,308</u>	<u>-</u>	<u>(347,308)</u>
Net change in fund balance	<u>-</u>	6,520	<u>6,520</u>
Fund balance			
Beginning year, July 1		<u>498,500</u>	
End of year, June 30		<u><u>\$ 505,020</u></u>	

Town of Sylva, North Carolina
Non-Major Governmental Fund - Facade Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Restricted intergovernmental	\$ 20,000	\$ 20,000	\$ -
Contributions	10,000	10,000	-
Investment earnings	-	461	461
Total revenues	<u>30,000</u>	<u>30,461</u>	<u>461</u>
Expenditures:			
Economic development	<u>30,000</u>	<u>3,000</u>	<u>27,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>27,461</u>	<u>27,461</u>
Other financing sources (uses):			
Transfer from general fund	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>27,461</u>	<u>27,461</u>
Fund balance			
Beginning year, July 1		<u>-</u>	
End of year, June 30		<u><u>\$ 27,461</u></u>	

Town of Sylva, North Carolina
Non-Major Governmental Fund - Capital Project - Allen Street Landslide
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
From Inception and For the Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 750,000	\$ -	\$ 750,000	\$ 750,000	\$ -
Investment earnings	-	45,105	30,211	75,316	75,316
Total revenues	<u>750,000</u>	<u>45,105</u>	<u>780,211</u>	<u>825,316</u>	<u>75,316</u>
Expenditures:					
Transportation		373,487	1,341,105	1,714,592	
Sales tax		-	14,151	14,151	
Total expenditures	<u>2,314,147</u>	<u>373,487</u>	<u>1,355,256</u>	<u>1,728,743</u>	<u>585,404</u>
Revenues over (under) expenditures	<u>(1,564,147)</u>	<u>(328,382)</u>	<u>(575,045)</u>	<u>(903,427)</u>	<u>660,720</u>
Other financing sources (uses):					
Transfer from general fund	1,564,147	1,564,147	-	1,564,147	-
Appropriated fund balance	-	-	-	-	-
	<u>1,564,147</u>	<u>1,564,147</u>	<u>-</u>	<u>1,564,147</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>1,235,765</u>	<u>(575,045)</u>	<u>660,720</u>	<u>660,720</u>
Fund balance:					
Beginning year, July 1			1,235,765		
Adjustment from budget to modified accrual:					
Sales tax receivable			<u>14,151</u>		
End of year, June 30			<u><u>\$ 674,871</u></u>		

Town of Sylva, North Carolina
Non-Major Governmental Fund - Public Restroom Grant Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 390,000	\$ 350,000	\$ 40,000	\$ 390,000	\$ -
Investment earnings	8,900	6,876	16,435	23,311	14,411
Total revenues	<u>398,900</u>	<u>356,876</u>	<u>56,435</u>	<u>413,311</u>	<u>14,411</u>
Expenditures					
Culture and recreation		25,406	185,496	210,902	
Sales tax		-	1,259	1,259	
Total expenditures	<u>636,649</u>	<u>25,406</u>	<u>186,755</u>	<u>212,161</u>	<u>424,488</u>
Revenues over (under) expenditures	<u>(237,749)</u>	<u>331,470</u>	<u>(130,320)</u>	<u>201,150</u>	<u>438,899</u>
Other financing sources (uses):					
Transfer from general fund	<u>237,749</u>	<u>-</u>	<u>237,749</u>	<u>237,749</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>331,470</u>	<u>107,429</u>	<u>438,899</u>	<u>438,899</u>
Fund balance:					
Beginning year, July 1			331,470		
Adjustment from budget to modified accrual:					
Sales tax receivable			<u>1,259</u>		
End of year, June 30			<u><u>\$ 440,158</u></u>		

Town of Sylva, North Carolina
Non-Major Governmental Fund - Capital Project Fund - Bridge Park Stormwater
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non GAAP)
For the year ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 367,757	\$ -	\$ 367,757	\$ 367,757	\$ -
Investment earning	9,500	6,950	11,446	18,396	8,896
Total revenues	<u>377,257</u>	<u>6,950</u>	<u>379,203</u>	<u>386,153</u>	<u>8,896</u>
Expenditures:					
Culture and recreation		-	801,059	801,059	-
Sales tax		-	6,602	6,602	-
Total expenditures	<u>893,704</u>	<u>-</u>	<u>807,661</u>	<u>807,661</u>	<u>86,043</u>
Revenues over (under) expenditures	<u>(516,447)</u>	<u>6,950</u>	<u>(428,458)</u>	<u>(421,508)</u>	<u>94,939</u>
Other financing sources (uses):					
Transfer from general fund	<u>516,447</u>	<u>418,000</u>	<u>98,447</u>	<u>516,447</u>	<u>-</u>
Net change in fund balance	-	424,950	(330,011)	94,939	94,939
Fund balance					
Beginning year, July 1			424,950		
Adjustment from budget to modified accrual:					
Sales tax receivable			<u>6,602</u>		
End of year, June 30			<u>\$ 101,541</u>		

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

<u>Fiscal Year</u>	Uncollected Balance June 30, 2022	<u>Additions</u>	Collections And Credits	Uncollected Balance June 30, 2023
2023-2024	\$ -	\$ 2,420,719	2,372,051	\$ 48,668
2022-2023	54,618	-	33,952	20,666
2021-2022	19,248	-	8,030	11,218
2020-2021	14,713	-	5,535	9,178
2019-2020	6,779	-	677	6,102
2018-2019	5,799	-	422	5,377
2017-2018	5,182	-	555	4,627
2016-2017	2,906	-	180	2,726
2015-2016	1,924	-	177	1,747
2014-2015	1,453	-	177	1,276
2013-2014	4,575	-	4,575	-
	<u>\$ 117,197</u>	<u>\$ 2,420,719</u>	<u>\$ 2,426,331</u>	<u>\$ 111,585</u>

Less: allowance for uncollectible accounts:
General Fund (47,254)

Ad valorem taxes receivable - net \$ 64,331

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 2,443,212

Reconciling items:

Penalties and interest collected (15,708)

Rental vehicle tax (5,518)

Discounts allowed and releases (230)

Taxes written off 4,575

Subtotal (16,881)

Total collections and credits \$ 2,426,331

Town of Sylva, North Carolina
Analysis of Current Tax Levy
Town Wide-Levy
For the Year Ended June 30, 2024

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property - real and personal	503,234,222	0.45	\$ 2,264,554	\$ 2,264,554	\$ -
Registered motor vehicles	27,037,111	0.45	121,667	-	121,667
Advertising			2,816	2,816	-
Total			2,389,037	2,267,370	121,667
Discoveries:					
Current and prior years	7,082,667	0.45	31,872	31,872	-
Releases	42,222	0.45	(190)	(190)	-
Total property valuation	537,311,778				
Net levy			2,420,719	2,299,052	121,667
Uncollected taxes at June 30, 2024			(48,668)	(48,668)	-
Current year's taxes collected			\$ 2,372,051	\$ 2,250,384	\$ 121,667
Current levy collection percentage			97.99%	97.88%	100.00%

COMPLIANCE SECTION

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Sylva, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Sylva, North Carolina (Town of Sylva) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements and have issued my report thereon dated November 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Sylva's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sylva's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Sylva's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sylva's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheila Gahagan, CPA
November 27, 2024

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

Phone: 828-627-1040 Fax: 828-627-2329

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Sylva, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

I have audited the Town of Sylva, North Carolina's (Town of Sylva) compliance with the types of compliance requirements as described in the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission that could have a direct and material effect on each of the Town of Sylva's major state programs for the year ended June 30, 2024. The Town of Sylva's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, the Town of Sylva, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and as applicable the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Implementation Act*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Town of Sylva and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major state program. My audit does not provide a legal determination of the Town of Sylva's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Sylva's state programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Sylva's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS), *Government Auditing Standards*, the Uniform Guidance and the *State Single Audit Implementation Act* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Sylva's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, and the *State Single Audit Implementation Act* I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Sylva's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Town of Sylva's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Single Audit Implementation Act*, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sylva's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that are identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Implementation Act*. Accordingly, this report is not suitable for any other purpose.

Sheila Gahagan, CPA

November 27, 2024

**TOWN OF SYLVA, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness identified	_____ Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____ Yes	<u> X </u> None reported
Noncompliance material to financial statements noted	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weakness identified	_____ Yes	<u> X </u> No
Significant deficiency(s) identified	_____ Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major federal programs: None

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes	<u> X </u> No
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Identification of major federal programs: NONE

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

Auditee qualified as low-risk auditee?	_____ Yes	<u> X </u> No
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**TOWN OF SYLVA, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported

IV. State Award Findings and Questioned Costs

None reported

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**TOWN OF SYLVA, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

II. Financial Statement Finding

No prior year audit findings

III. Federal Award Findings and Questioned Costs

No prior year audit findings

IV. State Award Findings and Questioned Costs

No prior year audit findings

Town of Sylva, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Federal Expenditures	State Expenditures	State Number
Federal Grants				
Cash Assistance:				
US Department of Transportation				
Passed-through the N.C. Department of Public Safety				
Governor's Highway Safety Program				
State and Community Highway Safety				
	20.600	\$ 3,428		GHSP 2000067020
		<u>17,958</u>		GHSP2024-1000017490
		21,386		
State Grants				
Cash Assistance:				
NC Office of Management and Budget				
State Capital Improvement Fund				
		-	185,496	11611
State Capital Improvement Fund				
		-	1,379,099	11612
NC Department of Transportation				
Non-State System Street-Aid Allocation				
Powell Bill				
		-	92,447	4000048532
Contingency				
		-	750,000	Allen Street
Total expenditures of federal and state awards		<u>\$ 21,386</u>	<u>\$ 2,407,042</u>	

Notes to the Schedule of Expenditures of State Financial Awards:

1 Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Sylva under programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles & Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Implementation Act*. Because the Schedule only presents a selective portion of the Town of Sylva, it is not intended to and does not present the financial position, change in net assets or cash flows of the Town.

2 Summary of Significant Accounting Policies

Expenditures reported on the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State Single Audit Implementation Act, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

3 The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.