



**Financial Statements
For the Year Ended June 30, 2020**

Town of Sylva, North Carolina

Mayor

Lynda Sossamon

Board of Commissioners

Mary Gelbaugh

Ben Guiney

Barbara Hamilton

Greg McPherson

David Nestler

Management

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

POST OFFICE BOX 2125 ♦ CANDLER, NC 28715
902 SAND HILL ROAD ♦ ASHEVILLE, NC 28806
TELEPHONE: (828) 251-2846 ♦ FAX: (828) 665-8079

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and Fisher Creek Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 12, the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 47, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 48 and 49, respectively, and the Law Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sylva's basic financial statements. The combining and individual fund 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 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 us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Town of Sylva, North Carolina's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, North Carolina's internal control over financial reporting and compliance.

Burlison & Earley, P.A.
Certified Public Accountants
December 11, 2020

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, 2020. 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 \$17,410,410 (net position).
- The government's total net position increased by \$2,725,824. Contributing to this increase was the purchase of 441.18 acres of real property located off of Black Rock Road in Whittier, NC at a total cost of \$2,108,765. The purchase was funded with a state grant of \$1,021,600, a contribution from Jackson County of \$250,000, a contribution of value of \$586,225 from the Conservation Fund, with the remaining \$253,940 from Town funds.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$9,703,997, an *increase* of \$905,178 in comparison with the prior year's increase of \$726,505. Contributing to this increase, was the receipt of Coronavirus Relief Fund money in the amount of \$316,157 that covered most police department salaries from March through June. Additionally, continued contributions into non-trust fund postemployment benefits and LEO separation allowance was a contributing factor. Approximately 37.6 percent, or \$3,648,708, 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 \$3,648,708, or 119 percent of the total general fund expenditures for the fiscal year. This is reflective of departmental savings at year end. The Town of Sylva's Cash Management Policy states that the Town will maintain at least a 40 percent unassigned fund balance. In addition, a target goal is set forth to maintain an average fund balance equal to other units similar in size across North Carolina. Currently that target goal is 77.89 percent. The Town's general fund balance *increased* by \$939,801 compared to an increase of \$567,198 last year.
- Total long-term debt of \$2,689,935 *decreased* by \$91,205 from the previous year. This decrease resulted from the scheduled payments on the existing loans exceeding the net increase in the liabilities for pensions and postemployment benefits.
- Taxes remained consistent at \$.425 per \$100.

Overview of the Financial Statements

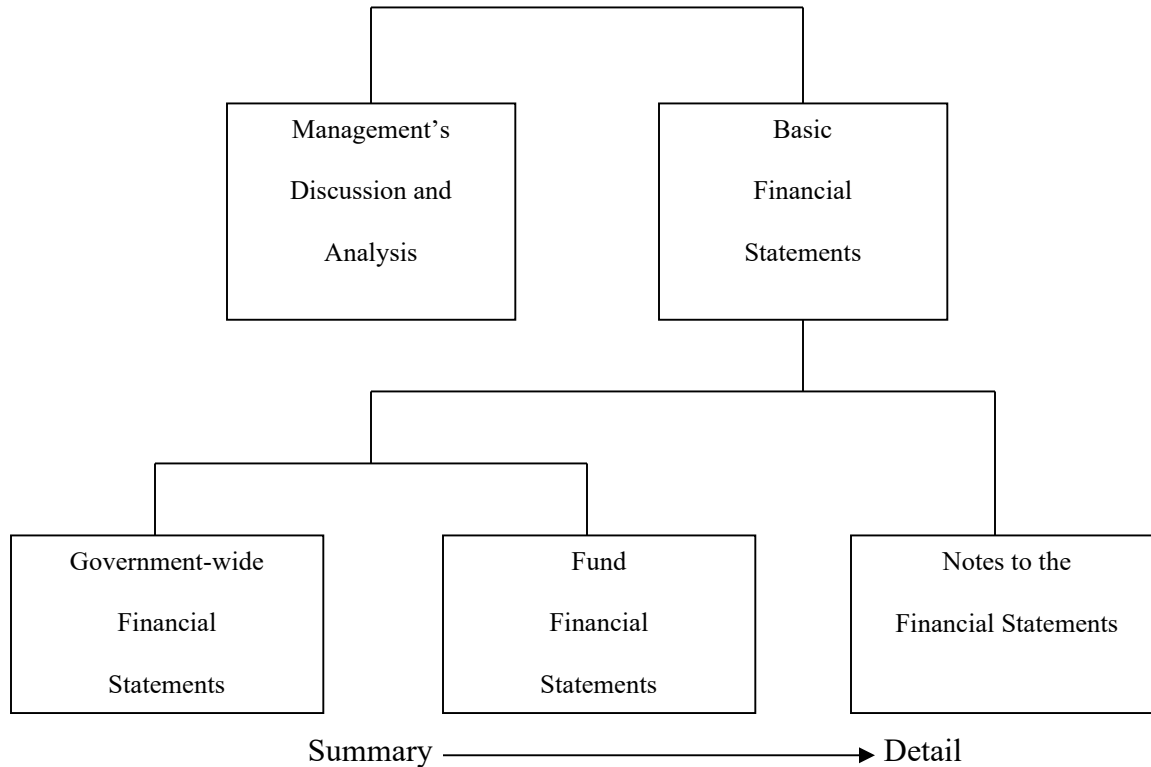
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

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

The basic financial statements present two different views of the Town 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 can be divided into governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the 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 20-46 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 46 of this report, followed by other supplementary information.

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

Government-Wide Financial Analysis

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

	Government Activities		Total	
	2020	2019	\$ Change	% Change
Current assets	\$ 9,770,536	\$ 8,871,801	\$ 898,735	10%
Noncurrent assets	10,033,642	8,315,953	1,717,689	21%
Total assets	<u>19,804,178</u>	<u>17,187,754</u>	<u>2,616,424</u>	<u>15%</u>
Deferred outflows of resources	<u>451,120</u>	<u>427,976</u>	<u>23,144</u>	<u>5%</u>
Long-term liabilities outstanding	2,689,935	2,781,140	(91,205)	-3%
Other liabilities	45,935	42,601	3,334	8%
Total liabilities	<u>2,735,870</u>	<u>2,823,741</u>	<u>(87,871)</u>	<u>-3%</u>
Deferred inflows of resources	<u>109,018</u>	<u>107,403</u>	<u>1,615</u>	<u>2%</u>
Net position:				
Net investment in capital assets	9,212,476	7,245,984	1,966,492	27%
Restricted	2,510,799	2,022,268	488,531	24%
Unrestricted	5,687,135	5,416,334	270,801	5%
Total net position	<u>\$ 17,410,410</u>	<u>\$ 14,684,586</u>	<u>\$ 2,725,824</u>	<u>19%</u>

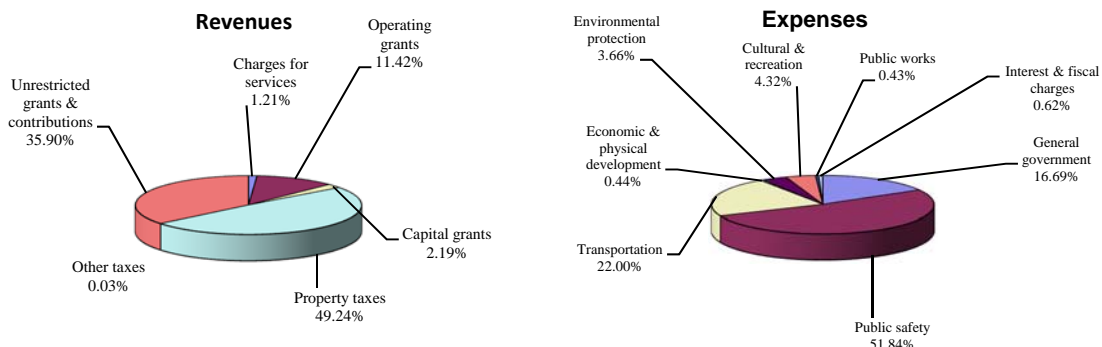
As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$17,410,410 as of June 30, 2020. The Town’s net position *increased* by \$2,725,824 for the fiscal year ended June 30, 2020. The largest portion of net position (53 percent) reflects the Town’s net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by

other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (33 percent) reflects the Town’s unrestricted net position. An additional portion of the Town of Sylva’s net position, \$2,510,799 (14 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 5 percent in unrestricted net position. The primary reason for the net position increase resulted from revenues being greater than expected and expenditures were less than anticipated.

Figure 3

	Government Activities		Total	
	2020	2019	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 32,306	\$ 45,862	\$ (13,556)	-30%
Operating grants and contributions	771,866	432,810	339,056	78%
Capital grants and contributions	1,854,825	83,093	1,771,732	2132%
General Revenues:				
Property taxes	1,928,463	1,866,370	62,093	3%
Other taxes	1,160	1,260	(100)	-8%
Grants and contributions not restricted to specific programs	1,358,400	1,360,628	(2,228)	0%
Other	194,028	235,379	(41,351)	-18%
Total Revenues	6,141,048	4,025,402	2,115,646	53%
Expenses:				
General government	569,885	623,943	(54,058)	-9%
Public safety	1,770,356	1,654,409	115,947	7%
Transportation	751,440	699,865	51,575	7%
Economic and physical development	15,047	23,290	(8,243)	-35%
Environmental protection	125,087	103,343	21,744	21%
Cultural and recreation	147,614	154,214	(6,600)	-4%
Public works	14,665	7,200	7,465	104%
Interest and fiscal charges	21,130	26,186	(5,056)	-19%
Total Expenses	3,415,224	3,292,450	122,774	4%
Change in net position	2,725,824	732,952	1,992,872	272%
Net position, July 1	14,684,586	13,951,634	732,952	5%
Net position, June 30	\$ 17,410,410	\$ 14,684,586	\$ 2,725,824	19%



Governmental activities: Governmental activities increased the Town’s net position by \$2,725,824 thereby accounting for a 19 percent growth in the net position of the Town of Sylva. Contributing to net position

growth was the purchase of 441.18 acres of real property located off of Blackrock Road in Whittier, NC as a conservation easement.

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$3,648,708, while total fund balance reached \$6,192,678. 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 119 percent of total General Fund expenditures, while total fund balance represents 202 percent of the same amount.

At June 30, 2020, the governmental funds of Town of Sylva reported a combined fund balance of \$9,703,997, a 10 percent increase from last year. . Contributing to this increase, was the receipt of Coronavirus Relief Fund money in the amount of \$316,157 that covered most police department salaries from March through June. Additionally, continued contributions into non-trust fund postemployment benefits and LEO separation allowance as well as conservative budgeting and economical spending at a departmental level helped with this increase. A healthy fund balance helps to avoid cash flow interruptions, reduces the need for short-term borrowing and provides a financial buffer for emergencies or unforeseen events.

The Town's Reserve Policy requires that the Town will maintain an unassigned fund balance of at least 40 percent of the general operating budget. Additionally, the Town's target goal is to maintain an average available fund balance equal to other units similar in size across North Carolina. Currently, that target goal is 77.89 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 revenue increase was a 5.5 percent increase in Ad Valorem taxes due to additional value in commercial real property. Additionally, there was a 35 percent increase from investment earnings over the original budget. This was the result of better interest rates and diligence in investment options. Intergovernmental revenue increases came mainly from Local Option Sale and Franchise Taxes which were respectively 7.5 percent and 7 percent higher than originally budgeted. All departments realized a savings in their budget at year end.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$9,967,874 (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:

- Purchase of 441.18 acres of real property on Black Rock Road
- Purchase of 1 new police vehicle, fully equipped
- Purchase of a new heat pump and air handler at Town Hall
- Purchase of a boiler system and sewer pump at the Fire Department

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

	Government Activities		Total	
	2020	2019	\$ Change	% Change
Land	\$ 3,885,799	\$ 1,777,034	\$ 2,108,765	119%
Buildings	3,415,031	3,515,080	(100,049)	-3%
Other improvements	223,745	254,348	(30,603)	-12%
Computer equipment	-	-	-	0%
Equipment	193,047	208,178	(15,131)	-7%
Vehicles and motorized equipment	1,027,337	1,177,542	(150,205)	-13%
Infrastructure	1,222,915	1,313,003	(90,088)	-7%
Total	\$ 9,967,874	\$ 8,245,185	\$ 1,722,689	21%

Additional information on the Town’s capital assets can be found on page 29 in notes to the Basic Financial Statements.

Long-term Debt

As of June 30, 2020, the Town of Sylva had a long-term debt outstanding of \$2,689,935. Of this, \$245,220 is due within one year and \$2,444,715 is due in subsequent years. Debt decreased from the previous year by less than 1 percent. This decrease resulted from repayments of direct placement installment purchases exceeding the net increase in the liabilities for pensions and postemployment benefits.

	Beginning Balances	Increase	Decreases	Ending Balances
Governmental Activities:				
Direct placement installment purchase	\$ 999,201	\$ -	\$ 243,803	\$ 755,398
Compensated absences	95,214	47,655	48,840	94,029
Total pension liability (LEO)	442,710	40,351	-	483,061
Total pension liability (LGERS)	445,051	80,105	-	525,156
Total OPEB liability	798,964	33,327	-	832,291
	\$ 2,781,140	\$ 201,438	\$ 292,643	\$ 2,689,935

Additional information regarding the Town’s debt can be found starting on page 42 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Currently, the national economy is sluggish. The COVID-19 pandemic has had a negative impact on most activities with an uncertain recovery time frame. This is often described as a crisis like no other. Globally, we are in a period of unprecedented economic uncertainty. Unemployment claims are dramatically higher than ever before. Consumer spending has dropped in most sectors due to job losses and shutdowns. Locally, Sylva is facing a significant revenue shortfall in the FY 2020-2021 budget due to COVID-19 virus. Many Sylva businesses are being negatively impacted as well. Investment earnings are anticipated to decrease significantly. Even with all this uncertainty, the Town strives to provide efficient, effective, high-quality services, encourage partnerships and proactively plan for future needs. These accomplishments continue to be realized through conservative budgeting, monitoring of expenditures, maintaining a sufficient fund balance and keeping debt to a minimal level.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The Town of Sylva has approved a \$4,162,129 budget for fiscal year 2020-2021, this represents an increase of \$102,286 or 2.5 percent from the 2019-2020 original budget which totaled \$4,059,843. The increase is attributed to purchasing more capital equipment and an increase in Fire Department revenues due to discoveries.

- The tax rate remained \$0.425 cents per \$100 valuation. Jackson County performed a revaluation in 2016. The levy on real property, vehicles, and personal property comprise 56 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$423,501,681 which is a 4 percent increase from the 2019 levy.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance contribute to 30 percent of the General Fund budget. A significant loss of \$152,800 is anticipated for Local Option Sales Tax which is the largest state revenue.
- There is anticipation that the Federal Reserve will continue to drop interest rates over the coming year. General Fund investment earnings are projected to decline by 90% for an estimated loss of \$52,000.

Expenditures:

- Employees received a 2.3 percent cost of living adjustment. The budget did not include merit increases. The last pay and classification study were performed in 2017. The North Carolina Local Employees' Retirement System increased from the prior year. Currently, the General Government contribution rate is 10.22% and the Law Enforcement contribution rate is 10.84%.
- The Town opted to continue participating with the NC League of Municipalities insurance pool. A 20 percent rate increase was realized. Due to the high deductible plan, the Town contributed \$1,600 into a H-S-A for each employee to help offset costs.

- The annual contribution appropriated into a non-legally binding post-retirement fund for health insurance decreased by \$25,000 and the Separation Allowance for Law Enforcement remained the same from the prior year. The Town Board is commended on their acknowledgment of this future expense and their proactive approach to lessen the impact of the Town's retiring workforce on future budgets.
- Capital expenditures in the 2020-2021 Budget include two fully equipped patrol vehicles.
- The 2020-2021 Budget will reduce the Fund Balance by \$190,000 and \$81,243 will be appropriated from the Capital Reserve Fund. This compares to the prior year's original budgeted appropriation of \$50,000 from fund balance and \$0 transfer in from capital reserves. Currently, the available fund balance is 88.40 percent of current year expenditures. This percentage does account for subsequent year appropriations as well as budget amendments that have occurred up to this report. The Town's Fund Balance policy states that the Town must maintain a 40 percent fund balance to expenditures, with a goal set to maintain the average fund balance percentage of other towns our size, which is 77.89 percent. This is a decrease of 3.71 percent from the previous year and equates to approximately \$166,000 difference. The Fund Balance Policy allows monies over the stated goal to transfer into a capital reserve fund. This year, \$426,000 could be transferred to the General Fund Capital Reserve Fund. However, due to significant damage to Allen Street, management will recommend to the board that this money be earmarked for Allen Street capital improvement and repair instead. As always, fund balances will continue to be monitored to ensure adequate cash flow and to have funds available for unforeseen emergencies or economic downturns.

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, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 8,430,356
Receivables (net)	
Taxes receivable	62,667
Accrued interest	11,703
Accounts	1,000
Due from other governments	532,629
Restricted cash and cash equivalents	732,181
Total current assets	<u>9,770,536</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	3,885,799
Other capital assets, net of depreciation	6,082,075
Total capital assets	<u>9,967,874</u>
Real estate held for resale	52,435
Notes receivable	13,333
Total noncurrent assets	<u>10,033,642</u>
Total assets	<u>19,804,178</u>
Deferred Outflows of Resources	
Pension deferrals	383,310
OPEB deferrals	67,810
Total deferred outflows of resources	<u>451,120</u>
Liabilities	
Current liabilities:	
Accounts payable	3,844
Accrued liabilities	42,091
Current portion of long-term liabilities	245,220
Total current liabilities	<u>291,155</u>
Long-term liabilities:	
Net pension liability	525,156
Total pension liability	483,061
Total OPEB liability	832,291
Due in more than one year	604,207
Total long-term liabilities	<u>2,444,715</u>
Total liabilities	<u>2,735,870</u>
Deferred Inflows of Resources	
Prepaid taxes	473
Prepaid licenses	600
Pension deferrals	28,568
OPEB deferrals	79,377
Total deferred inflows of resources	<u>109,018</u>
Net Position	
Net investment in capital assets	9,212,476
Restricted for:	
Economic development	79,801
Stabilization by state statute	532,379
Transportation (Powell Bill)	83,856
Public safety	19,006
Capital reserves	510,272
Water quality	1,246,559
Bridge Park	28,966
Other purposes	9,960
Unrestricted	5,687,135
Total net position	<u>\$ 17,410,410</u>

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

Town of Sylva, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 569,885	\$ 10,895	\$ 47,906	\$ -	\$ (511,084)
Public safety	1,770,356	15,308	650,595	-	(1,104,453)
Transportation	751,440	-	70,199	-	(681,241)
Economic and physical development	15,047	-	-	-	(15,047)
Environmental protection	125,087	2,070	-	-	(123,017)
Culture and recreation	147,614	4,033	3,166	1,854,825	1,714,410
Public works	14,665	-	-	-	(14,665)
Interest and fiscal charges	21,130	-	-	-	(21,130)
Total primary government	\$ 3,415,224	\$ 32,306	\$ 771,866	\$ 1,854,825	\$ (756,227)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					1,928,463
Other taxes and licenses					1,160
Grants and contributions not restricted to specific programs					1,358,400
Unrestricted investment earnings					151,811
Miscellaneous, unrestricted					46,919
Gain on disposal of assets					(4,702)
Total general revenues					3,482,051
Change in net position					2,725,824
Net position, beginning					14,684,586
Net position, ending					\$ 17,410,410

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,972,722	\$ 3,075,557	\$ 382,077	\$ 8,430,356
Receivables, net:				
Taxes	62,667	-	-	62,667
Accounts	1,000	-	-	1,000
Due from other governments	531,379	-	1,250	532,629
Restricted cash and cash equivalents	732,181	-	-	732,181
Total current assets	<u>6,299,949</u>	<u>3,075,557</u>	<u>383,327</u>	<u>9,758,833</u>
Other assets				
Real estate held for resale	-	-	52,435	52,435
Note receivable	-	-	13,333	13,333
Total assets	<u>\$ 6,299,949</u>	<u>\$ 3,075,557</u>	<u>\$ 449,095</u>	<u>\$ 9,824,601</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,844	\$ -	\$ -	\$ 3,844
Accrued liabilities	39,687	-	-	39,687
Total current liabilities	<u>43,531</u>	<u>-</u>	<u>-</u>	<u>43,531</u>
Longterm liabilities:				
Unearned revenue	-	-	13,333	13,333
Total liabilities	<u>43,531</u>	<u>-</u>	<u>13,333</u>	<u>56,864</u>
Deferred Inflows of Resources				
Property taxes receivable	62,667	-	-	62,667
Prepaid licenses	600	-	-	600
Prepaid taxes	473	-	-	473
Total deferred inflows of resources	<u>63,740</u>	<u>-</u>	<u>-</u>	<u>63,740</u>
Fund Balances				
Restricted for:				
Stabilization by state statute	532,379	-	-	532,379
Streets	83,856	-	-	83,856
Public safety	19,006	-	-	19,006
Capital reserve for fire department	250,774	-	-	250,774
Capital reserve for general operations	259,498	-	-	259,498
Economic development	-	-	79,801	79,801
Water quality	-	1,246,559	-	1,246,559
Bridge Park	28,966	-	-	28,966
Cultural	7,665	-	2,295	9,960
Committed				
Sidewalks	-	-	158,466	158,466
Conservation	-	1,791,598	-	1,791,598
Assigned				
Subsequent year's expenditures	281,366	37,400	195,200	513,966
Other postemployment benefits	808,436	-	-	808,436
LEO separation allowance	272,024	-	-	272,024
Unassigned	3,648,708	-	-	3,648,708
Total fund balances	<u>6,192,678</u>	<u>3,075,557</u>	<u>435,762</u>	<u>9,703,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,299,949</u>	<u>\$ 3,075,557</u>	<u>\$ 449,095</u>	<u>\$ 9,824,601</u>

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

Town of Sylva, North Carolina
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

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

Total Fund Balance, Governmental Funds	\$ 9,703,997
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	9,967,874
Accrued interest receivable on advalorem taxes receivable	11,703
Deferred outflows of resources related to pensions are not reported in the funds	383,310
Deferred outflows of resources related to OPEB are not reported in the funds	67,810
Liabilities for unearned revenues in the fund statements	
Notes receivable	13,333
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	62,667
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(525,156)
Total pension liability	(483,061)
OPEB liability	(832,291)
Accrued interest on long-term debt	(2,404)
Long-term debt	(849,427)
Deferred inflows of resources related to pensions are not reported in the funds	(28,568)
Deferred inflows of resources related to OPEB are not reported in the funds	(79,377)
Net position of governmental activities	<u>\$ 17,410,410</u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,932,845	\$ -	\$ -	\$ 1,932,845
Other taxes and licenses	880	-	-	880
Unrestricted intergovernmental revenues	1,704,430	303	-	1,704,733
Restricted intergovernmental revenues	447,323	1,271,600	-	1,718,923
Permits and fees	27,980	-	-	27,980
Investment earnings	89,543	55,561	6,707	151,811
Miscellaneous	26,154	413	8,166	34,733
Total revenues	4,229,155	1,327,877	14,873	5,571,905
Expenditures:				
Current:				
General government	555,456	-	-	555,456
Public safety	1,521,629	-	-	1,521,629
Transportation	519,520	-	72,000	591,520
Economic and physical development	11,789	1,528,673	-	1,540,462
Environmental protection	118,434	-	-	118,434
Public works	14,665	-	-	14,665
Culture and recreation	56,487	-	1,387	57,874
Debt service:				
Principal	243,803	-	-	243,803
Interest and fees	22,884	-	-	22,884
Total expenditures	3,064,667	1,528,673	73,387	4,666,727
Revenues over (under) expenditures	1,164,488	(200,796)	(58,514)	905,178
Other financing sources (uses):				
Proceeds from disposal of assets	-	-	-	-
Transfers from other funds	-	-	224,687	224,687
Transfers to other funds	(224,687)	-	-	(224,687)
Total other financing sources (uses)	(224,687)	-	224,687	-
Net change in fund balance	939,801	(200,796)	166,173	905,178
Fund balances				
Beginning of year, July 1	5,252,877	3,276,353	269,589	8,798,819
End of year, June 30	\$ 6,192,678	\$ 3,075,557	\$ 435,762	\$ 9,703,997

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

Town of Sylva, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

Exhibit 4

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

Net changes in fund balances - governmental fund	\$ 905,178
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital outlay expenditures which were capitalized	1,601,970
Contribution of value of land by Conservation Fund	583,225
Depreciation expense for governmental assets	(457,803)
Net book value of assets disposed	(4,702)
Deferred outflows of resources related to pensions are not reported in the funds.	(13,850)
Deferred outflows of resources related to OPEB are not reported in the funds.	36,994
Payments received on long-term note receivable	(5,000)
Change in accrued interest receivable	725
Earned revenues considered deferred inflows of resources in the fund statements	(5,108)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Repayment of long-term debt	243,803
Accrued interest payable	858
Compensated absences	1,185
Net pension liability	(80,105)
Total pension liability	(40,351)
OPEB liability	(33,327)
Deferred inflows of resources related to pensions are not reported in the funds.	13,608
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(21,476)</u>
Total change in net position of governmental activities	<u><u>\$ 2,725,824</u></u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2020

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,819,056	\$ 1,830,356	\$ 1,932,845	\$ 102,489
Other tax and licenses	1,000	1,000	880	(120)
Unrestricted intergovernmental revenues	1,608,272	1,610,689	1,704,430	93,741
Restricted intergovernmental revenues	131,130	137,404	447,323	309,919
Permits and fees	23,500	23,500	27,980	4,480
Investment earnings	59,400	59,400	79,947	20,547
Miscellaneous	23,500	24,940	26,154	1,214
Total revenues	3,665,858	3,687,289	4,219,559	532,270
Expenditures:				
General government	665,121	671,826	555,456	116,370
Public safety	1,601,350	1,756,374	1,521,629	234,745
Transportation	621,035	632,425	519,520	112,905
Economic and physical development	14,275	14,275	11,789	2,486
Environmental protection	131,325	130,448	118,434	12,014
Public works	12,850	15,750	14,665	1,085
Culture and recreation	102,283	102,283	56,487	45,796
Debt service:				
Principal	244,732	245,659	243,803	1,856
Interest and fees	22,887	22,887	22,884	3
Total expenditures	3,415,858	3,591,927	3,064,667	527,260
Revenues over (under) expenditures	250,000	95,362	1,154,892	1,059,530
Other financing sources (uses):				
Transfers from other funds	-	50,000	-	(50,000)
Transfers to other funds	(50,000)	(348,599)	(404,364)	(55,765)
Appropriated fund balance	(200,000)	203,237	-	(203,237)
Total other financing sources (uses):	(250,000)	(95,362)	(404,364)	(309,002)
Net change in fund balance	\$ -	\$ -	750,528	\$ 750,528
Fund balances				
Beginning of year, July 1			4,850,635	
End of year, June 30			\$ 5,601,163	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			9,596	
Restricted intergovernmental			-	
Transfers to the general fund			-	
Transfers from the general fund			179,677	
			<u>189,273</u>	
Fund balance, beginning			402,242	
Fund balance, ending (Exhibit 4)			<u>\$ 6,192,678</u>	

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

Fisher Creek

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other tax and licenses	-	-	-	-
Unrestricted intergovernmental revenues	-	-	303	303
Restricted intergovernmental revenues	1,271,600	1,271,600	1,271,600	-
Permits and fees	-	-	-	-
Investment earnings	55,000	55,000	55,561	561
Miscellaneous	-	-	413	413
Total revenues	<u>1,326,600</u>	<u>1,326,600</u>	<u>1,327,877</u>	<u>1,277</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	1,555,300	1,555,300	1,528,673	26,627
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,555,300</u>	<u>1,555,300</u>	<u>1,528,673</u>	<u>26,627</u>
	(228,700)	(228,700)	(200,796)	27,904
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Appropriated fund balance	228,700	228,700	-	(228,700)
Total other financing sources (uses):	<u>228,700</u>	<u>228,700</u>	<u>-</u>	<u>(228,700)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(200,796)	<u>\$ (200,796)</u>
Fund balances				
Beginning of year, July 1			<u>3,276,353</u>	
End of year, June 30			<u>\$ 3,075,557</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a five-member board of commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town.

B. Basis of Presentation

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental funds:

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.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accrued vacation, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General fund, the Revolving Loan Special Revenue fund, the Fisher Creek Special Revenue fund, the Sidewalk Special Revenue fund, the Capital Reserve fund, the Fire Department Capital Reserve fund, and the Public Art Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all other project specific Special Revenue and Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The governing board must approve any revision of the original budget. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments: All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate, as an official depository, any bank or saving association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). 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 is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents: The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Cash: The cash and cash equivalent balances for both the Capital Reserve Fund and the Fire Department Capital Reserve Fund are classified as restricted as their use has been restricted to capital needs. The Bridge Park fund cash is restricted as its use was restricted by the original donor to the fund. Funds received from a donor are restricted for cultural 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 136-41.1 through 136-41.4.

Town of Sylva Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 83,857
Public Safety	19,006
Capital Reserve for Fire Department	251,949
Capital Reserve for General Operations	340,738
Bridge Park	28,966
Cultural	7,665
Total Restricted Cash - Governmental Activities	\$ 732,181

Ad Valorem Taxes Receivable: In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

Allowances for Doubtful Accounts: All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

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

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

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

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

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid licenses, property taxes receivable, OPEB and pension deferrals.

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

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

Compensated Absences: The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town’s government-wide statements an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated time, assuming that employees are taking leave time as it is earned.

The Town’s sick leave policy provides for an unlimited accumulation of earned sick. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government 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 next 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 nonspendable. 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 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 – the portion of fund balance restricted by revenue source for public safety expenditures.

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

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

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

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

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

Restricted for cultural – 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 by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for 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.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations; however the budget ordinance authorizes the manager to modify the appropriations between objects of expenditures within a department without limitations. The authority also permits the transfer of amounts up to \$2,000 between departments with an official report provided to the board at their next meeting.

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

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

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

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

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 Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Sylva’s employer contributions are recognized when due and the Town of Sylva has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 – Detail Notes on All Funds

A. Assets

Deposits

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

On June 30, 2020, the Town's deposits had a carrying amount of \$4,853,849 and a bank balance of \$4,980,601. Of this balance, \$255,366 was covered by federal depository insurance and \$4,725,235 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2020.

Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 288,614	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,019,774	0.11 years *	Unrated
		<u>\$ 4,308,388</u>		

* This is the duration for the Term Portfolio

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

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

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2020. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Due from Other Governments

Due from other governments that is owed to the Town consists of the following:

Local option sales tax	\$ 130,751
Jackson County - CARES Act	316,157
State grant revenues	23,924
ABC Funds	46,350
Jackson County – other	<u>15,447</u>
	<u>\$ 532,629</u>

Receivables – Allowances for Doubtful Accounts

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

General Fund - Taxes receivable	\$ <u>46,000</u>
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Note Receivable

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

On February 14, 2013, the Town and County sold the collateral assets, excluding the land, to Balsam West Fibernet, LLC for a cash down payment of \$25,000 and a promissory note of \$50,000. The terms of the note provide for sixty monthly payments of \$833, beginning February 14, 2018. The Town’s share is 50% of the proceeds of the sale. The Town received \$12,500 of the down payment and recorded a long-term note receivable for \$25,000. In the fund financial statements, the Town reports the balance in the receivable of \$13,333 and a liability for unearned revenue of the same amount. The payments received as each year is reported as income. Payments received during fiscal year 2020 totaled \$5,000. In the government-wide statements, at year end, the balance in the receivable, net of current year payments, was \$13,333.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,777,034	\$ 2,108,765	\$ -	\$ 3,885,799
 Total capital assets not being depreciated	 1,777,034	 2,108,765	 -	 3,885,799
Capital Assets Being Depreciated:				
Buildings	4,990,733	-	-	4,990,733
Other improvements	643,239	-	-	643,239
Computer Equipment	4,627	-	-	4,627
Equipment	1,072,038	26,354	32,550	1,065,842
Vehicles and motorized equipment	2,854,223	50,076	-	2,904,299
Infrastructure	3,059,897	-	-	3,059,897
 Total capital assets being depreciated	 12,624,757	 76,430	 32,550	 12,668,637
Less Accumulated Depreciation For:				
Buildings	1,475,653	100,049	-	1,575,702
Other improvements	388,891	30,603	-	419,494
Computer Equipment	4,627	-	-	4,627
Equipment	863,860	36,782	27,847	872,795
Vehicles and motorized equipment	1,676,681	200,281	-	1,876,962
Infrastructure	1,746,894	90,088	-	1,836,982
 Total accumulated depreciation	 6,156,606	 457,803	 27,847	 6,586,562
 Total capital assets being depreciated, net	 6,468,151			 6,082,075
 Governmental Activities Capital Assets, Net	 <u>\$ 8,245,185</u>			 <u>\$ 9,967,874</u>

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

General government	\$ 54,651
Public safety	245,436
Transportation	140,594
Culture and recreation	<u>17,122</u>
Total depreciation expense	<u>\$ 457,803</u>

Purchase of Land

On December 16, 2019, the Town purchased, from the Conservation Fund, 441.18 acres of real property located off of Black Rock Road in Whittier, NC at a total cost of \$2,108,765. The North Carolina Clean Water Management Trust Fund (CWMTF) awarded \$1,021,600 towards the acquisition and easement maintenance costs associated with the purchase. The Town is the direct recipient of \$1,005,000 of the grant award, with \$16,600 to be paid directly to Mainspring Conservation Trust for the easement maintenance. Jackson County paid \$250,000 to the Town as their contribution to the purchase, with the remaining \$253,940 of the total cost paid by the Town. The Conservation Fund contributed \$583,225 of the value to the Town. The contribution of value is recorded in the government-wide financial statements, Exhibits 1 and 2.

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Sylva is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Sylva employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Sylva's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.03% for general employees,

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 \$109,190 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$525,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town’s proportion was 0.01923%, which was an increase of 0.00047% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$234,712. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,920	\$ -
Changes of assumptions	85,592	-
Net difference between projected and actual earnings on pension plan investments	12,809	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,134	1,730
Town contributions subsequent to the measurement date	109,190	-
Total	\$ 302,645	\$ 1,730

\$109,190 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 94,012
2022	30,911
2023	51,988
2024	14,815
2025	-
Thereafter	-
	\$ 191,726

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,201,128	\$ 525,156	\$ (36,714)

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Sylva administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 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 0.85 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 Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2018, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>15</u>

Summary of Significant Accounting Policies

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the S&P Municipal Bond 20 year high grade rate index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 the General Fund. The Town paid \$29,986 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, 2020, the Town reported a total pension liability of \$483,061. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$39,353.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,408	\$ 13,522
Changes of assumptions	22,373	13,316
Town benefit payments and plan administrative expense made subsequent to the measurement date	22,884	-
Total	\$ 80,665	\$ 26,838

\$22,884 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 4,726
2022	4,789
2023	6,404
2024	7,180
2025	6,060
Thereafter	1,784

\$22,884 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 521,655	\$ 483,061	\$ 448,122

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

	2020
Beginning balance	\$ 442,710
Service Cost	18,394
Interest on the total pension liability	15,569
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	22,683
Changes of assumptions or other inputs	13,691
Benefit payments	(29,986)
Other changes	-
Ending balance of the total pension liability	\$ 483,061

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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	\$ 234,712	\$ 39,353	\$ 274,065
Pension Liability	525,156	483,061	1,008,217
Proportionate share of the net pension liability	0.01923%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	89,920	35,408	125,328
Changes of assumptions	85,592	22,373	107,965
Net difference between projected and actual earnings on plan investments	12,809	-	12,809
Changes in proportion and differences between contributions and proportionate share of contributions	5,134	-	5,134
Benefit payments and administrative costs paid subsequent to the measurement date	109,190	22,884	132,074
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	13,522	13,522
Changes of assumptions	-	13,316	13,316
Changes in proportion and differences between contributions and proportionate share of contributions	1,730	-	1,730

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 28699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary and up to 5% for participating general employees, and all amounts contributed are vested immediately. Also, the general employees and law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$31,017 for law enforcement and \$25,497 for general employees for the reporting year. No amounts were forfeited.

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

Plan members of the FRSWPF are required to contribute \$10 per month to the plan. All members of the Town's fire department are volunteer. The Town makes the plan member required contributions on January 1st of each year for the active fire department roster. Total contributions for fiscal year 2020 were \$845.

Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit 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 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, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	23
Total	25

Total OPEB Liability

The Town’s total OPEB liability of \$832,291 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 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 – 3.50% - 7.75% Law Enforcement Officers – 3.50% - 7.35%
Discount rate	3.50 percent
Healthcare cost trend rates	7.00% for 2019, decreasing to an ultimate rate of 4.50% by 2026

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

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 798,964
Changes for the year	
Service cost	44,773
Interest	30,579
Changes of benefit terms	-
Differences between expected and actual experience	(33,468)
Changes in assumptions or other inputs	17,419
Benefit payments	(25,976)
Net changes	<u>33,327</u>
Balance at June 30, 2020	<u>\$ 832,291</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$ 919,610	\$ 832,291	\$ 755,064

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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 738,140	\$ 832,291	\$ 945,379

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$66,457. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,896	\$ 29,716
Changes of assumptions	15,466	49,661
Benefit payments and administrative costs made subsequent to the measurement date	45,448	-
Total	\$ 67,810	\$ 79,377

\$45,448 reported as 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (8,895)
2022	(8,895)
2023	(8,895)
2024	(8,895)
2025	(8,895)
Thereafter	(12,540)

Other Employment Benefits

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 109,190
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	22,884
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	45,448
Difference between expected and actual experience	132,224
Change of assumptions	123,431
Change in proportion and differences between contributions and proportionate share of contributions	5,134
Net difference between projected and actual	12,809
Total	<u>\$ 451,120</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable (General Fund)	\$ -	\$ 62,667
Prepaid licenses (General Fund)	600	600
Prepaid taxes (General Fund)	473	473
Changes in assumptions	62,977	
Differences between expected and actual experience	43,238	-
Changes in proportion and differences contributions and proportionate share of contributions	1,730	-
Total	<u>\$ 109,018</u>	<u>\$ 63,740</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss. 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 \$400,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Long-Term Obligations

Installment Purchases – In May 2009, the Town entered into a \$2,131,114 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.

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

In April 2014, the Town entered into a \$263,230 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

In August 2016, the Town entered into a \$164,000 direct placement contract with Branch Banking and Trust Company (BB&T) to finance the purchase of a garbage truck and backhoe for the public works department. The financing contract requires semi-annual payments of \$19,214 including interest at a rate of 1.86%. The note is collateralized by the garbage truck and backhoe.

The future minimum payments of all direct placement contracts as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 245,220	\$ 17,089
2022	208,040	11,440
2023	170,794	6,518
2024	131,344	2,172
Total	<u>\$ 755,398</u>	<u>\$ 37,219</u>

At June 30, 2020, the Town had an approximate legal debt margin of \$35.9 million.

Changes in Long-Term Liabilities

	Beginning Balances	Increase	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchase	\$ 999,201	\$ -	\$ 243,803	\$ 755,398	\$ 245,220
Compensated absences	95,214	47,655	48,840	94,029	-
Total pension liability (LEO)	442,710	40,351	-	483,061	-
Net pension liability (LGERS)	445,051	80,105	-	525,156	-
Total OPEB liability	798,964	33,327	-	832,291	-
	<u>\$ 2,781,140</u>	<u>\$ 201,438</u>	<u>\$ 292,643</u>	<u>\$ 2,689,935</u>	<u>\$ 245,220</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 9,967,874
Less capital debt	<u>755,398</u>
Capital assets, net of related debt	<u>\$ 9,212,476</u>

Interfund Balances and Activity

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

Transfers to/from other funds at June 30, 2020, consisted of the following:

From General Fund to Capital Reserve Fund for future capital needs	<u>\$ 121,500</u>
From General Fund to Sidewalk Special Revenue Fund for Highway 107 Project	<u>\$ 224,687</u>
From General Fund to Fire Department Capital Reserve Fund for future capital needs	<u>\$ 58,177</u>

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

Fund Balance

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

Total Fund Balance - General Fund	<u>\$ 6,192,678</u>
Less:	
Stabilization by State Statute	532,379
Streets-Powell Bill	83,856
Public Safety	19,006
Appropriated Fund Balance in 2021 Budget	281,366
Capital reserve for fire department	250,774
Capital reserve for general operations	259,498
Other Postemployment Benefits	808,436
LEO Separation Allowance	272,024
Bridge Park	28,966
Cultural	7,665
Fund Balance Policy	<u>2,477,071</u>
Remaining Fund Balance	<u><u>\$ 1,171,637</u></u>

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

Jackson County Alcoholic Beverage Control Board

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

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. The improvements will be part of the State Highway System, owned and maintained by the NCDOT. On March 27, 2020, a supplemental agreement was executed, as the estimated project cost increased, as well as the Town’s financial commitment to the project. The Skyland Drive sidewalk project has a total estimated cost of \$1,406,000, with the Town committed to a 20% local match in the amount of \$281,200 as of June 30, 2020. At June 30, 2020, the Town has fund balance committed of \$158,466 and assigned for subsequent year’s expenditures of \$189,200, for a total fund balance of \$347,666 in the Sidewalk Special Revenue Fund. Expenditures for the year ended June 30, 2020 are \$72,000, with cumulative expenditures totaling \$89,200.

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, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State's Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several state and federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Litigation

The Town is routinely involved in litigation related to tax foreclosures in the normal course of business. On March 2, 2015, a former employee filed a wrongful termination lawsuit against the Town. The case went to trial in May 2016, at which time the trial judge dismissed the plaintiff's case at the close of evidence. The plaintiff has filed a notice of appeal with the North Carolina Court of Appeals. In April 2018, the Court of Appeals remanded to the trial court for re-trial. In July 2018, the Town was successful in this action and no damages were awarded to the plaintiff. The plaintiff filed another Notice of Appeal to the Court of Appeals. On July 7, 2020, the Court of Appeals of North Carolina concluded that there was no reversible error at trial and affirmed the trial court's judgment. The plaintiff's attorney is attempting to overcome the unanimous decision of the Court of Appeals with argument that his appeal must be addressed by the North Carolina Supreme Court. On August 19, 2020, the Town filed a motion to dismiss the notice of appeal with the Supreme Court. While the outcome of this litigation cannot be predicted with certainty at this time, the Town will continue to vigorously defend its position.

The Coronavirus Pandemic Emergency

In response to the coronavirus pandemic emergency, actions were taken by the Town in March 2020, to reduce the spread of the coronavirus disease (COVID-19) and to provide for the health and safety of residents and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the Town, funding will be passed through the State of North Carolina to Jackson County from the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury.

Subsequent to year end, the Town was notified by Jackson County that the Town will receive \$411,583 from the County's receipt of CRF funds from the North Carolina Coronavirus Relief Fund. Revenues from this program should be recognized when the qualifying expenditures are incurred. Eligible payroll expenditures for the police department in the amount of \$316,157 were incurred during the period March – June 2020. This amount is included as a receivable and revenue as of June 30, 2020. The remaining funds of \$95,426 are for expenditures in fiscal year 2021. The Town received the \$411,583 from the County in September 2020. The Town submitted its final report to the County, reporting the expenditure of the funds, on October 6, 2020.

The complete future financial impact to the Town from the pandemic cannot be estimated at this time with any reasonable accuracy.

Subsequent Events

Subsequent events have been reviewed through December 11, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Sylva, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 44,773	\$ 46,284	\$ 50,033
Interest	30,579	27,017	22,443
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(33,468)	3,760	6,133
Changes of assumptions	17,419	(26,793)	(44,491)
Benefits payments	(25,976)	(20,243)	(21,436)
Net change in total OPEB liability	<u>33,327</u>	<u>30,025</u>	<u>12,682</u>
Total OPEB liability - beginning	798,964	768,939	756,257
Total OPEB liability - ending	<u><u>\$ 832,291</u></u>	<u><u>\$ 798,964</u></u>	<u><u>\$ 768,939</u></u>
Covered payroll	\$ 1,012,139	\$ 975,419	\$ 975,419
Total OPEB liability as a percentage of covered payroll	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>
2020	3.50%
2019	3.89%
2018	3.56%

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sylva's proportion of the net pension liability (asset) (%)	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194	\$(110,165)	\$230,228
Sylva's covered-employee payroll	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334	\$ 957,295	\$ 920,293
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.32%	39.16%	26.23%	34.52%	8.39%	(11.51%)	25.02%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 109,190	\$ 99,335	\$ 90,387	\$ 80,271	\$ 73,459	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	109,190	99,335	90,387	80,271	73,459	73,998	68,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$ 1,161,531	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334	\$ 957,295
Contributions as a percentage of covered-employee payroll	9.40%	8.19%	7.95%	7.66%	7.00%	7.38%	7.19%

Town of Sylva, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 442,710	\$ 423,012	\$ 414,024	\$ 405,163
Service Cost	18,394	16,554	15,870	18,967
Interest on the total pension liability	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	22,683	24,074	(27,907)	-
Changes of assumptions or other inputs	13,691	(15,289)	22,396	(8,979)
Benefit payments	(29,986)	(18,713)	(17,024)	(15,318)
Other changes	-	-	-	-
Ending balance of the total pension liability	<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
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024
Covered payroll	676,722	628,820	641,241	656,335
Total pension liability as a percentage of covered payroll	71.38%	70.40%	65.97%	63.08%

Notes to the schedules:

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.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,823,256	\$ 1,923,258	\$ 100,002
Penalties and interest	7,100	9,587	2,487
Total ad valorem taxes	<u>1,830,356</u>	<u>1,932,845</u>	<u>102,489</u>
Other taxes and licenses:			
ABC licenses	<u>1,000</u>	<u>880</u>	<u>(120)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	617,000	664,321	47,321
Excise tax on natural gas	5,000	7,329	2,329
Franchise tax	283,000	303,382	20,382
Beer and wine tax	11,500	11,699	199
Fire Department sales tax	3,000	6,167	3,167
Telecommunications sales tax	38,000	39,906	1,906
Cable franchise fees	14,000	13,441	(559)
Sales tax refund	12,005	19,143	7,138
Fire protection	316,984	319,264	2,280
Hold harmless	147,000	157,642	10,642
Solid waste disposal tax	1,200	2,070	870
ABC profit distribution	160,000	160,000	-
Substance tax distribution	2,000	66	(1,934)
Total	<u>1,610,689</u>	<u>1,704,430</u>	<u>93,741</u>
Restricted intergovernmental revenues			
Grants and contributions	45,904	347,665	301,761
ABC revenues for law enforcement	9,000	12,862	3,862
ABC revenues for education	12,000	16,597	4,597
Powell Bill allocation	70,500	70,199	(301)
Total	<u>137,404</u>	<u>447,323</u>	<u>309,919</u>

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Permits and fees			
Building permits	\$ 5,000	\$ 3,945	\$ (1,055)
Business registrations	5,500	5,340	(160)
Recreation fees	4,000	4,033	33
Other fees	-	2,719	2,719
Parking fines	9,000	11,943	2,943
Total	<u>23,500</u>	<u>27,980</u>	<u>4,480</u>
Investment earnings	<u>59,400</u>	<u>79,947</u>	<u>20,547</u>
Miscellaneous			
Contributions	2,240	4,701	2,461
Main Street	17,500	10,178	(7,322)
Other miscellaneous	5,200	11,275	6,075
Total	<u>24,940</u>	<u>26,154</u>	<u>1,214</u>
Total revenues	<u>3,687,289</u>	<u>4,219,559</u>	<u>532,270</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	24,550	24,544	6
Operating expenditures	108,250	61,512	46,738
Professional services	63,050	47,148	15,902
Total	<u>195,850</u>	<u>133,204</u>	<u>62,646</u>
Administration:			
Salaries and employees benefits	239,025	240,307	(1,282)
Operating expenditures	61,350	44,932	16,418
Capital outlay	-	-	-
Total	<u>300,375</u>	<u>285,239</u>	<u>15,136</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Main Street:			
Salaries and employee benefits	56,850	56,850	-
Operating benefits	38,824	12,778	26,046
Total	<u>95,674</u>	<u>69,628</u>	<u>26,046</u>
Taxes:			
Collection fees	\$ 6,000	\$ 5,608	\$ 392
Facilities maintenance:			
Salaries and employee benefits	5,835	4,602	1,233
Operating benefits	56,792	46,310	10,482
Capital outlay	11,300	10,865	435
Total	<u>73,927</u>	<u>61,777</u>	<u>12,150</u>
Total general government	<u>671,826</u>	<u>555,456</u>	<u>116,370</u>
Public safety:			
Police:			
Salaries and employee benefits	1,123,313	1,038,390	84,923
Operating expenditures	255,381	225,808	29,573
Capital outlay	45,865	42,351	3,514
Total	<u>1,424,559</u>	<u>1,306,549</u>	<u>118,010</u>
Fire:			
Salaries and employee benefits	28,145	27,590	555
Operating expenditures	276,545	172,001	104,544
Capital outlay	27,125	15,489	11,636
Total	<u>331,815</u>	<u>215,080</u>	<u>116,735</u>
Total public safety	<u>1,756,374</u>	<u>1,521,629</u>	<u>234,745</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	375,175	349,031	26,144
Operating expenditures	215,050	162,764	52,286
Capital outlay	42,200	7,725	34,475
Total transportation	<u>632,425</u>	<u>519,520</u>	<u>112,905</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic and physical development:			
Operating expenditures	\$ 14,275	\$ 11,789	\$ 2,486
Total economic and physical development	<u>14,275</u>	<u>11,789</u>	<u>2,486</u>
Environmental protection:			
Sanitation:			
Salaries and employees benefits	88,475	81,852	6,623
Operating expenditures	<u>41,973</u>	<u>36,582</u>	<u>5,391</u>
Total environmental protection	<u>130,448</u>	<u>118,434</u>	<u>12,014</u>
Public works:			
Cemetery:			
Contracted services	<u>15,750</u>	<u>14,665</u>	<u>1,085</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	23,875	15,998	7,877
Operating expenditures	50,158	35,489	14,669
Capital outlay	23,250	-	23,250
Library contribution	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total culture and recreation	<u>102,283</u>	<u>56,487</u>	<u>45,796</u>
Debt service:			
Principal	245,659	243,803	1,856
Interest and fees	<u>22,887</u>	<u>22,884</u>	<u>3</u>
Total debt service	<u>268,546</u>	<u>266,687</u>	<u>1,859</u>
Total expenditures	<u>3,591,927</u>	<u>3,064,667</u>	<u>527,260</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	<u>\$ 95,362</u>	<u>\$ 1,154,892</u>	<u>\$ 1,059,530</u>
Other financing sources (uses):			
Proceeds from disposal of assets	-	-	-
Transfers from other funds	50,000	-	(50,000)
Transfers to other funds	(348,599)	(404,364)	(55,765)
Appropriated fund balance	203,237	-	(203,237)
Total	<u>(95,362)</u>	<u>(404,364)</u>	<u>(309,002)</u>
Net change in fund balance	<u><u>\$ -</u></u>	750,528	<u><u>\$ 750,528</u></u>
Fund balances:			
Beginning year, July 1		<u>4,850,635</u>	
End of year, June 30		<u><u>\$ 5,601,163</u></u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 6,031	\$ 6,031
Restricted intergovernmental	-	-	-
	-	6,031	6,031
Expenditures	-	-	-
Revenues over (under) expenditures	-	6,031	6,031
Other financing sources (uses):			
Transfers from general fund	121,500	121,500	-
Transfers to general fund	(121,500)	-	121,500
Appropriated fund balance	-	-	-
	-	121,500	121,500
Net change in fund balance	\$ -	127,531	\$ 127,531
Fund balance:			
Beginning year, July 1		213,210	
End of year, June 30		\$ 340,741	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire Department Capital Reserve Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 3,565	\$ 3,565
Expenditures	-	-	-
Revenues over (under) expenditures	-	3,565	3,565
Other financing sources:			
Transfers from general fund	2,412	58,177	55,765
Transfers to general fund	(52,412)	-	52,412
Appropriated fund balance	50,000	-	(50,000)
	-	58,177	58,177
Net change in fund balance	\$ -	61,742	\$ 61,742
Fund balance:			
Beginning year, July 1		189,032	
End of year, June 30		\$ 250,774	

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue	Total Non- Major Governmental
Assets				
Current assets:				
Cash and cash equivalents	\$ 32,116	\$ 2,295	\$ 347,666	\$ 382,077
Due from other governments	1,250	-	-	1,250
Total current assets	<u>33,366</u>	<u>2,295</u>	<u>347,666</u>	<u>383,327</u>
Other assets:				
Real estate held for resale	52,435	-	-	52,435
Note receivable	13,333	-	-	13,333
Total assets	<u>\$ 99,134</u>	<u>\$ 2,295</u>	<u>\$ 347,666</u>	<u>\$ 449,095</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Longterm liabilities:				
Unearned revenue	13,333	-	-	13,333
Total liabilities	<u>13,333</u>	<u>-</u>	<u>-</u>	<u>13,333</u>
Fund Balances				
Assigned				
Subsequent year's expenditures	6,000	-	189,200	195,200
Restricted for:				
Cultural	-	2,295	-	2,295
Economic development	79,801	-	-	79,801
Committed				
Sidewalks	-	-	158,466	158,466
Total fund balances	<u>85,801</u>	<u>2,295</u>	<u>347,666</u>	<u>435,762</u>
Total liabilities and fund balances	<u>\$ 99,134</u>	<u>\$ 2,295</u>	<u>\$ 347,666</u>	<u>\$ 449,095</u>

Town of Sylva, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2020

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue Fund	Total Non- Major Governmental Funds
Revenues:				
Unrestricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-		-
Investment earnings	505	10	6,192	6,707
Miscellaneous	5,000	3,166	-	8,166
Total revenues	<u>5,505</u>	<u>3,176</u>	<u>6,192</u>	<u>14,873</u>
Expenditures:				
Current:				
Transportation	-	-	72,000	72,000
Economic and physical development	-	-	-	-
Cultural and recreation	-	1,387	-	1,387
Total expenditures	<u>-</u>	<u>1,387</u>	<u>72,000</u>	<u>73,387</u>
Revenues over (under) expenditures	5,505	1,789	(65,808)	(58,514)
Other financing sources (uses):				
Transfers from other funds	-	-	224,687	224,687
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>224,687</u>	<u>224,687</u>
Net change in fund balance	5,505	1,789	158,879	166,173
Fund balances				
Beginning of year, July 1	<u>80,296</u>	<u>506</u>	<u>188,787</u>	<u>269,589</u>
End of year, June 30	<u>\$ 85,801</u>	<u>\$ 2,295</u>	<u>\$ 347,666</u>	<u>\$ 435,762</u>

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Revolving Loan Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 505	\$ 505
Miscellaneous	-	5,000	5,000
	-	5,505	5,505
Expenditures			
Economic development	6,000	-	6,000
Revenues over (under) expenditures	(6,000)	5,505	11,505
Other financing sources:			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Appropriated fund balance	6,000	-	(6,000)
Total other financing sources (uses)	6,000	-	(6,000)
Net change in fund balance	\$ -	5,505	\$ 5,505
Fund balance:			
Beginning year, July 1		80,296	
End of year, June 30		\$ 85,801	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Public Art Fund
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ 2	\$ 10	\$ 8
Contributions and grants	1,598	3,166	1,568
Total revenues	<u>1,600</u>	<u>3,176</u>	<u>1,576</u>
Expenditures			
Culture and recreation	<u>2,000</u>	<u>1,387</u>	<u>613</u>
Revenues over (under) expenditures	<u>(400)</u>	<u>1,789</u>	<u>2,189</u>
Other financing sources:			
Appropriated fund balance	<u>400</u>	<u>-</u>	<u>(400)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,789</u>	<u>\$ 1,789</u>
Fund balance:			
Beginning year, July 1		<u>506</u>	
End of year, June 30		<u>\$ 2,295</u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Sidewalk Special Revenue Fund
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 6,192	\$ 6,192
Total revenues	<u>-</u>	<u>6,192</u>	<u>6,192</u>
Expenditures			
Transportation	<u>261,200</u>	<u>72,000</u>	<u>189,200</u>
Revenues over (under) expenditures	<u>(261,200)</u>	<u>(65,808)</u>	<u>195,392</u>
Other financing sources (uses):			
Transfer from General fund	224,687	224,687	-
Appropriated fund balance	<u>36,513</u>	<u>-</u>	<u>(36,513)</u>
	<u>261,200</u>	<u>224,687</u>	<u>(36,513)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>158,879</u>	<u><u>\$ 158,879</u></u>
Fund balance:			
Beginning year, July 1		<u>188,787</u>	
End of year, June 30		<u><u>\$ 347,666</u></u>	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 1,910,553	\$ 1,871,177	\$ 39,376
2018-2019	38,816		17,483	21,333
2017-2018	15,139		3,961	11,178
2016-2017	8,365		1,385	6,980
2015-2016	4,276		685	3,591
2014-2015	2,595		191	2,404
2013-2014	5,557		125	5,432
2012-2013	2,914		141	2,773
2011-2012	3,363		(13)	3,376
2010-2011	5,215		39	5,176
2009-2010	4,019		4,019	-
	<u>\$ 90,259</u>	<u>\$ 1,910,553</u>	<u>\$ 1,899,193</u>	<u>\$ 101,619</u>
Less: allowance for uncollectible accounts - general fund				(46,000)
Plus: taxes under appeal				<u>7,048</u>
Ad valorem taxes receivable - net				<u>\$ 62,667</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,932,845
Reconciling items:				
Penalties and interest collected				(9,587)
Rental vehicle tax				(21,348)
Insolvencies				(2,420)
Foreclosure/tax reimbursement				(4,155)
Write-offs				3,858
Subtotal				<u>(33,652)</u>
Total collections and credits				<u>\$ 1,899,193</u>

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2020**

	Town-Wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy					
Property taxed at current year's rate	\$ 443,910,106	0.425	\$ 1,886,618	\$ 1,798,735	\$ 87,882
	<u>443,910,106</u>		<u>1,886,618</u>	<u>1,798,735</u>	<u>87,882</u>
Discoveries					
Prior year taxes	5,810,812	0.425	24,696	24,696	-
	<u>5,810,812</u>		<u>24,696</u>	<u>24,696</u>	<u>-</u>
Releases	(178,929)	0.425	(760)	(760)	-
	<u>(178,929)</u>		<u>(760)</u>	<u>(760)</u>	<u>-</u>
Total property valuation	<u>\$ 449,541,989</u>				
Net levy			1,910,553	1,822,671	87,882
Uncollected taxes at June 30, 2020			<u>(39,376)</u>	<u>(39,376)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,871,177</u>	<u>\$ 1,783,295</u>	<u>\$ 87,882</u>
Current levy collection percentage			<u>97.94%</u>	<u>97.84%</u>	<u>100.00%</u>

COMPLIANCE SECTION

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

POST OFFICE BOX 2125 ♦ CANDLER, NC 28715
902 SAND HILL ROAD ♦ ASHEVILLE, NC 28806
TELEPHONE: (828) 251-2846 ♦ FAX: (828) 665-8079

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Sylva's financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sylva'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 Town of Sylva's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burleson & Earley, P.A.

Certified Public Accountants

December 11, 2020

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Sylva, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Sylva's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Sylva's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Sylva's compliance.

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TELEPHONE: (828) 251-2846 ♦ FAX: (828) 665-8079

Opinion on Each Major State Program

In our opinion, the Town of Sylva 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, 2020.

Report on Internal Control Over Compliance

Management of the Town of Sylva is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Sylva's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Burleson & Earley, P.A.

Certified Public Accountants

December 11, 2020

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified ___yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

___yes X no

Identification of major State programs:

Program Name

Grant No. 2018-60 - N.C Water and Land Fund

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Sylva, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

There are no prior matters to report.

Town of Sylva, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash Assistance:					
<u>U.S. Department of Justice</u>					
Passed-through the N.C. Department of Public Safety:					
Governor's Crime Commission					
Byrne Justice Assistance Grants	16.738	PROJ012468	\$ 1,384	\$ -	\$ -
Byrne Justice Assistance Grants	16.738	PROJ013128	23,924	-	-
<u>U.S. Department of Treasury</u>					
Passed-through the Office of State Budget and NC Pandemic Recovery Office					
Passed-through Jackson County:					
Coronavirus Relief Fund	21.019	02-49	316,157	-	-
Total assistance - federal programs			341,465	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Natural and Cultural Resources:</u>					
Passed-through Division of Land and Water Stewardship					
NC Land and Water Fund		2018-60	-	1,021,600	503,940
<u>N.C. Department of Transportation:</u>					
Powell Bill		2000032997	-	17,223	-
Total assistance - State programs			-	1,038,823	503,940
Total assistance			\$ 341,465	\$ 1,038,823	\$ 503,940

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 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 the programs of the federal government and the State of North Jackson for the year ended June 30, 2020. 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, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Sylva, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Sylva.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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

Note 4: Coronavirus Relief Funds

In September 2020, Town of Sylva was notified that it will receive \$411,583 of funding from the Coronavirus Relief Fund (21.019) from Jackson County. Town of Sylva has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.