



**Financial Statements  
For the Year Ended June 30, 2023**

# **Town of Sylva, North Carolina**

## **Mayor**

David Nestler

## **Board of Commissioners**

Mary Gelbaugh

Ben Guiney

Greg McPherson

Natalie Newman

Brad Waldrop

## **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

### **Opinions**

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position 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.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Audit of the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sylva, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sylva, North Carolina's ability to continue as a going concern for a reasonable period of time.

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

## **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 46, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 47 and 48, 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 49 and 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 and individual funds 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. Such information is 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 November 15, 2023, 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 the effectiveness of the Town of Sylva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sylva, North Carolina's internal control over financial reporting and compliance.

*Burleson & Earley, P.A.*

Certified Public Accountants

Asheville, North Carolina

November 15, 2023



## 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, 2023. 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 \$24,821,172 (net position).
- The government's total net position increased by \$2,100,884. The primary reason for this increase was capital grant funding from the State.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$16,558,675, an *increase* of \$1,298,369 in comparison with the prior year's increase of \$4,819,679. Contributing to this increase, was the establishment of the Bridge Park Stormwater Capital Project. Approximately 32.2 percent, or \$5,340,373, is available for spending at the government's discretion (**unassigned general fund balance**).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,340,373, or 115 percent of the total general fund expenditures for the fiscal year. The unassigned fund balance increased by 14.3 percent from the prior year due to revenues exceeding budgeted expectations, conservative spending at a departmental level, and supplanting of American Rescue Plan Act funds. The Town of Sylva's updated Fund Balance Policy states that the Town shall maintain an unassigned minimum fund balance threshold of 40% of the general operating budget with a target goal of 68%. The Town's general fund balance *increased* by \$1,372,038 compared to an increase of \$891,295 last year.
- Total long-term debt of \$3,273,946 *increased* by \$452,451 from the previous year. An increase in the liabilities for pensions was in excess of regularly scheduled payments on the existing loans and decreases in postemployment benefits.

### Overview of the Financial Statements

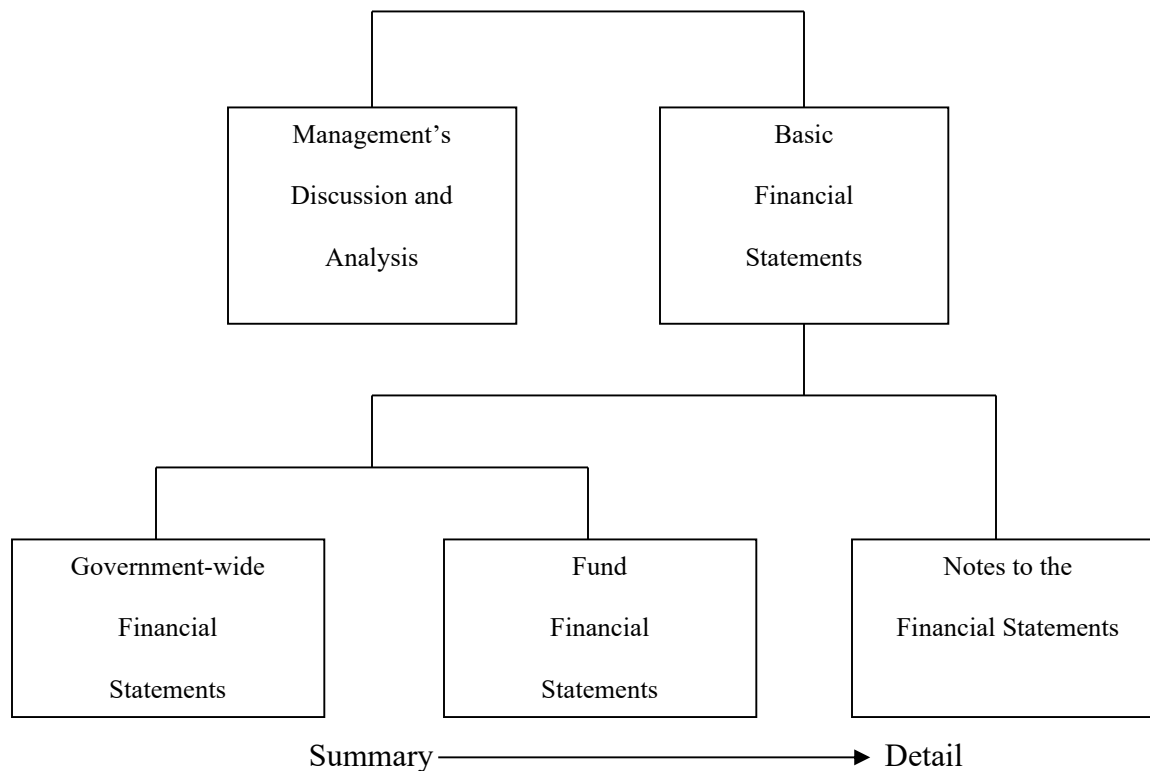
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

- 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 20-45 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

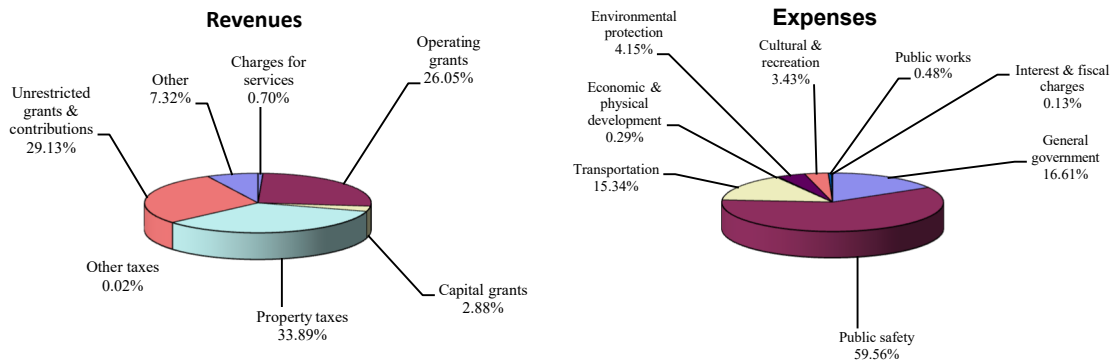
	Government Activities		Total	
	2023	2022	\$ Change	% Change
Current assets	\$ 16,760,637	\$ 15,430,544	\$ 1,330,093	9%
Capital assets	10,401,427	9,577,648	823,779	9%
Noncurrent assets	52,435	55,768	(3,333)	-6%
Total assets	27,214,499	25,063,960	2,150,539	9%
Deferred outflows of resources	1,368,961	1,117,519	251,442	23%
Long-term liabilities outstanding	3,273,946	2,821,495	452,451	16%
Other liabilities	148,856	133,568	15,288	11%
Total liabilities	3,422,802	2,955,063	467,739	16%
Deferred inflows of resources	339,487	506,128	(166,641)	-33%
Net position:				
Net investment in capital assets	10,263,600	9,266,681	996,919	11%
Restricted	5,491,712	5,600,036	(108,324)	-2%
Unrestricted	9,065,860	7,853,571	1,212,289	15%
Total net position	\$ 24,821,172	\$ 22,720,288	\$ 2,100,884	9%

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 \$24,821,172 as of June 30, 2023. The Town's net position *increased* by \$2,100,884 for the fiscal year ended June 30, 2023. The largest portion of net position (41.3 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 (36.6 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$5,491,712 (22.1 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 15 percent in unrestricted net position due to revenues exceeding budgeted expectations, conservative spending at a departmental level, and supplanting of American Rescue Plan Act funds.

**Figure 3**

	Government Activities		Total	
	2023	2022	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 48,915	\$ 40,435	\$ 8,480	21%
Operating grants and contributions	1,811,696	911,083	900,613	99%
Capital grants and contributions	200,000	3,250,000	(3,050,000)	100%
General Revenues:				
Property taxes	2,356,759	2,308,590	48,169	2%
Other taxes	1,400	1,590	(190)	-12%
Grants and contributions not restricted to specific programs	2,025,798	1,820,511	205,287	11%
Other	509,165	75,451	433,714	575%
Total Revenues	6,953,733	8,407,660	(1,453,927)	-17%
Expenses:				
General government	806,148	663,768	142,380	21%
Public safety	2,890,333	1,923,831	966,502	50%
Transportation	744,465	681,642	62,823	9%
Economic and physical development	14,163	16,907	(2,744)	-16%
Environmental protection	201,546	154,606	46,940	30%
Cultural and recreation	166,542	150,068	16,474	11%
Public works	23,400	8,100	15,300	189%
Interest and fiscal charges	6,252	10,787	(4,535)	-42%
Total Expenses	4,852,849	3,609,709	1,243,140	34%
Change in net position	2,100,884	4,797,951	(2,697,067)	-56%
Net position, July 1	22,720,288	17,922,337	4,797,951	27%
Net position, June 30	\$ 24,821,172	\$ 22,720,288	\$ 2,100,884	9%



**Governmental activities:** Governmental activities increased the Town's net position by \$2,100,884 thereby accounting for a 9 percent growth in the net position of the Town of Sylva. A primary reason for this increase was the establishment of the Bridge Park Stormwater Capital Project.

### Financial Analysis of the Town's Funds

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

**Governmental Funds** – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements. 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 \$5,340,373, while total fund balance reached \$8,428,839. 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 115 percent of total General Fund expenditures, while total fund balance represents 182 percent of the same amount.

At June 30, 2023, the governmental funds of Town of Sylva reported a combined fund balance of \$16,558,675, a 8.5 percent increase from last year. Primary reasons for this increase in fund balance were capital funding from the State and American Rescue Plan Act fund, and an increase in the Fire Department capital reserve.

The Town’s Fund Balance Policy requires that the Town maintains an unassigned fund balance of at least 40 percent of the general operating budget with a goal of 68 percent.

**General Fund Budgetary Highlights** – During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The Town of Sylva estimates revenues, especially intergovernmental revenues, with a conservative approach due to their volatile nature. Several General Fund revenues proved to be greater than originally budgeted. The most notable budgetary revenue increase was a 16.5 percent increase in Local Option Sales Tax. Additionally, the ABC profit distribution was \$59,419 above the original budget due to an unanticipated additional disbursement. Investment earnings came in at \$184,740 over budget due to seven interest rate hikes from the Federal Reserve in FY 2022-2023.

## **Capital Asset and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets for its governmental activities as of June 30, 2023, totals \$10,401,427 (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:

- Two new police vehicles
- Truck for public works
- Equipment for the fire department
- Skate park ramp and cameras
- Donated land
- Professional services in planning and design for the Allen Street project
- Professional design and construction service for the Bryson Park project
- Professional services in planning and design for the Public Restroom project

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

	<b>Government Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 3,922,599	\$ 3,902,599	\$ 20,000	1%
Construction in progress	1,146,312	146,551	999,761	100%
Buildings	3,118,379	3,216,515	(98,136)	-3%
Other improvements	187,599	186,939	660	0%
Computer equipment	5,898	-	5,898	0%
Equipment	145,878	146,389	(511)	0%
Vehicles and motorized equipment	893,020	912,862	(19,842)	-2%
Infrastructure	975,392	1,056,985	(81,593)	-8%
Right to use leased assets	6,350	8,808	(2,458)	-28%
Total	<u>\$ 10,401,427</u>	<u>\$ 9,577,648</u>	<u>\$ 823,779</u>	<u>9%</u>

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, 2023, the Town of Sylva had a long-term debt outstanding of \$3,273,946. Of this, \$133,832 is due within one year and \$3,140,114 is due in subsequent years. Debt increased from the previous year by 16 percent. This increase resulted from the net increase in the liabilities for pensions exceeding repayments of direct placement installment purchases and decreases in postemployment benefits.

	<b>Beginning Balances</b>	<b>Increase</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
Direct placement installment purchase	\$ 302,159	\$ -	\$ 170,794	\$ 131,365
Leases	8,885	-	2,424	6,461
Compensated absences	112,509	71,426	34,703	149,232
Total pension liability (LEO)	701,656	-	78,466	623,190
Total pension liability (LERS)	277,274	796,290	-	1,073,564
Total OPEB liability	1,419,012	-	128,878	1,290,134
	<u>\$ 2,821,495</u>	<u>\$ 867,716</u>	<u>\$ 415,265</u>	<u>\$ 3,273,946</u>

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

## **Budget Highlights for the Fiscal Year Ending June 30, 2024**

### **Governmental Activities:**

The Town of Sylva has approved a \$5,967,489 budget for fiscal year 2023-2024, this represents an increase of \$119,614 or 2.05 percent from the 2022-2023 original budget which totaled \$5,847,875. This increase was attributed to making the part-time Main Street position a full-time economic development position, prefunding post-employment benefits, and general operating cost increases.

### **Revenues:**

- The tax rate increased from \$0.44 cents to \$0.45 cents per \$100 valuation funding the part-time to full-time economic development position. Jackson County will reevaluate property values in 2025. The levy on real property, vehicles, and personal property comprises 52 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$494,878,823, a less than one percent decrease from the 2022 final 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 33 percent of the General Fund budget. Due to the economy and the uncertainty of a recession, little to no growth is anticipated in these revenue sources.
- It is anticipated that the Federal Reserve will maintain high interest rates in the coming year.

### **Expenditures:**

- Employees received a 2 percent cost of living adjustment for all employees and up to a 1 percent merit increase for full-time employees based on performance. A classification and pay study were conducted in March 2022. The North Carolina Local Employees' Retirement System rates increased from the prior year. Currently, the General Government contribution rate is 12.14%, the Law Enforcement contribution rate is 13.04%, and the paid Fire Department contribution rate is 12.14%.
- Due to a rate increase, the Town opted to change health insurance coverage from the NC League of Municipality to BCBS. Due to the high deductible plan coverage, the Town contributes \$1,600 into a H-S-A for each employee and up to \$2,750 in an HRA.
- The annual contribution appropriated into a non-legally binding post-retirement fund for health insurance and the Separation Allowance for Law Enforcement remained at \$125,000 each. The Town Board is commended for 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 2023-2024 Budget include one fully equipped police vehicle, a F-250 pickup truck and a 52" mower in public works.



- The 2023-2024 Budget appropriated \$23,500 from the General Fund Balance, \$35,000 from Powell Bill Fund Balance, and \$24,650 from General Fund Balance rollover. Compared to the prior year of \$10,000 General Fund Balance appropriations. No appropriations were made from the Capital Reserve Fund this year or the prior budget year.
- Currently, the available fund balance minus ARPA Related Funds is 81.86 percent of the current year expenditures. The Town's Fund Balance Policy states that the Town shall maintain a 40 percent fund balance to expenditures, with a goal of 68 percent. The Fund Balance Policy allows monies over the stated goal to transfer into the General Fund Capital Reserve Fund. Due to large capital projects and a higher fund balance goal, a total of \$121,500 has rolled into the General Fund Capital Reserve Fund in the last five years. This year, management recommends that \$788,000 transfer into the General Fund Capital Reserve Fund. The recommended transfer is needed for larger capital equipment purchases anticipated in the Public Works Department and the NC107/R-5600 construction project.

### **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, 2023**

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 12,433,480
Receivables (net)	
Taxes receivable	61,089
Accrued interest	15,522
Accounts	3,437
Due from other governments	457,383
Restricted cash and cash equivalents	3,789,726
Total current assets	<u>16,760,637</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	5,068,911
Other capital assets, net of depreciation	5,326,166
Right to use assets, net of amortization	6,350
Total capital assets	<u>10,401,427</u>
Real estate held for resale	52,435
Total noncurrent assets	<u>10,453,862</u>
Total assets	<u>27,214,499</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	925,043
OPEB deferrals	443,918
Total deferred outflows of resources	<u>1,368,961</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	61,710
Accrued liabilities	87,146
Current portion of long-term liabilities	133,832
Total current liabilities	<u>282,688</u>
Long-term liabilities:	
Due in more than one year	3,140,113
Total long-term liabilities	<u>3,140,113</u>
Total liabilities	<u>3,422,801</u>
<b>Deferred Inflows of Resources</b>	
Prepaid taxes	28,749
Prepaid licenses	490
Pension deferrals	106,183
OPEB deferrals	204,065
Total deferred inflows of resources	<u>339,487</u>
<b>Net Position</b>	
Net investment in capital assets	10,263,600
Restricted for:	
Grant capital projects	2,638,266
Economic development	94,953
Stabilization by state statute	407,902
Transportation (Powell Bill)	220,291
Public safety	28,241
Capital reserves	812,807
Water quality	1,249,819
Bridge Park	29,862
Other purposes	9,571
Unrestricted	9,065,860
Total net position	<u>\$ 24,821,172</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, 2023**

**Exhibit 2**

Program Revenues					Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	
Primary government:						
Governmental Activities:						
General government	\$ 806,148	\$ 18,525	\$ 50,722	\$ -	\$	(736,901)
Public safety	2,890,333	19,491	1,688,022	-		(1,182,820)
Transportation	744,465	-	72,381	-		(672,084)
Economic and physical development	14,163	-	-	-		(14,163)
Environmental protection	201,546	1,947	-	-		(199,599)
Culture and recreation	166,542	8,952	571	200,000		42,981
Public works	23,400	-	-	-		(23,400)
Interest and fiscal charges	6,252	-	-	-		(6,252)
Total primary government	\$ 4,852,849	\$ 48,915	\$ 1,811,696	\$ 200,000	\$	(2,792,238)
General revenues:						
Taxes:						
Property taxes, levied for general purpose						2,356,759
Other taxes and licenses						1,400
Grants and contributions not restricted to specific programs						2,025,798
Unrestricted investment earnings						439,944
Miscellaneous, unrestricted						50,839
Gain on disposal of assets						18,382
Total general revenues						4,893,122
Change in net position						2,100,884
Net position, beginning						22,720,288
Net position, ending					\$	24,821,172

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

**Town of Sylva, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<b>Major Funds</b>				
		<b>Fisher Creek</b>	<b>Bryson Park</b>	<b>Other Non-</b>	<b>Total</b>
	<b>General Fund</b>	<b>Fund</b>	<b>Grant Project</b>	<b>Major Funds</b>	<b>Governmental</b>
			<b>Fund</b>		<b>Funds</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 7,047,264	\$ 3,177,653	\$ -	\$ 2,208,564	\$ 12,433,481
Receivables, net:					
Taxes	61,089	-	-	-	61,089
Accounts	38,924	50,000	-	-	88,924
Due from other governments	368,978	-	-	2,918	371,896
Restricted cash and cash equivalents	1,151,460	-	2,306,796	331,470	3,789,726
Total current assets	8,667,715	3,227,653	2,306,796	2,542,952	16,745,116
Other assets					
Real estate held for resale	-	-	-	52,435	52,435
Note receivable	-	-	-	-	-
Total assets	\$ 8,667,715	\$ 3,227,653	\$ 2,306,796	\$ 2,595,387	\$ 16,797,551
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 61,710	\$ -	\$ -	\$ -	\$ 61,710
Accrued liabilities	86,838	-	-	-	86,838
Total current liabilities	148,548	-	-	-	148,548
<b>Deferred Inflows of Resources</b>					
Property taxes receivable	61,089	-	-	-	61,089
Prepaid licenses	490	-	-	-	490
Prepaid taxes	28,749	-	-	-	28,749
Total deferred inflows of resources	90,328	-	-	-	90,328
<b>Fund Balances</b>					
Restricted for:					
Stabilization by state statute	407,902	-	-	-	407,902
Streets	220,291	-	-	-	220,291
Public safety	28,241	-	-	-	28,241
Grant capital projects	-	-	2,306,796	331,470	2,638,266
Capital reserve for fire department	589,836	-	-	-	589,836
Capital reserve for general operations	222,971	-	-	-	222,971
Economic development	-	-	-	94,953	94,953
Water quality	-	1,249,819	-	-	1,249,819
Bridge Park	29,862	-	-	-	29,862
Culture and recreation	7,823	-	-	1,748	9,571
Committed					
Sidewalks	-	-	-	151,193	151,193
Streets - Capital Project	-	-	-	1,235,765	1,235,765
Culture and recreation	-	-	-	424,950	424,950
Conservation	-	1,957,834	-	-	1,957,834
Assigned					
Subsequent year's expenditures	83,150	20,000	-	355,308	458,458
Other postemployment benefits	1,018,680	-	-	-	1,018,680
LEO separation allowance	479,710	-	-	-	479,710
Unassigned	5,340,373	-	-	-	5,340,373
Total fund balances	8,428,839	3,227,653	2,306,796	2,595,387	16,558,675
Total liabilities, deferred inflows of resources and fund balances	\$ 8,667,715	\$ 3,227,653	\$ 2,306,796	\$ 2,595,387	\$ 16,797,551

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, 2023**

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

Total Fund Balance, Governmental Funds	\$	16,558,675
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Capital assets used in governmental activities are not financial resources and therefore are not reported in funds

Gross capital assets at historical cost	18,143,154	
Accumulated depreciation	<u>(7,748,077)</u>	10,395,077

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in funds

Right to use assets at historical cost	11,266	
Accumulated amortization	<u>(4,916)</u>	6,350

Accrued interest receivable on advalorem taxes receivable		15,522
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Deferred outflows of resources related to pensions are not reported in the funds		925,043
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Deferred outflows of resources related to OPEB are not reported in the funds		443,918
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Liabilities for unearned revenues in the fund statements		
Notes receivable		-

Liabilities for earned revenues considered deferred inflows of resources in fund statements		
Property taxes receivable		61,089

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds

Long-term debt	(287,059)	
Net pension liability	(1,073,564)	
Total pension liability	(623,190)	
OPEB liability	(1,290,134)	
Accrued interest on long-term debt	(307)	

Deferred inflows of resources related to pensions are not reported in the funds		(106,183)
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Deferred inflows of resources related to OPEB are not reported in the funds		(204,065)
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Net position of governmental activities	<u>\$</u>	<u>24,821,172</u>
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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, 2023**

**Exhibit 4**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Fisher Creek Fund</b>	<b>Bryson Park Grant Project Fund</b>	<b>Other Non- Major Funds</b>	
<b>Revenues:</b>					
Ad valorem taxes	\$ 2,355,000	\$ -	\$ -	\$ -	\$ 2,355,000
Other taxes and licenses	835	-	-	-	835
Unrestricted intergovernmental revenues	3,142,221	964	-	-	3,143,185
Restricted intergovernmental revenues	248,061	100,000	-	536,297	884,358
Permits and fees	36,551	-	-	-	36,551
Investment earnings	237,917	78,054	54,062	69,908	439,941
Miscellaneous	73,281	292	-	3,482	77,055
Total revenues	6,093,866	179,310	54,062	609,687	6,936,925
<b>Expenditures:</b>					
Current:					
General government	833,437	-	-	-	833,437
Public safety	2,687,730	-	-	-	2,687,730
Transportation	638,803	-	-	246,990	885,793
Economic and physical development	12,980	11,412	-	-	24,392
Environmental protection	169,744	-	-	-	169,744
Public works	23,400	-	-	-	23,400
Culture and recreation	83,831	-	747,420	21,318	852,569
Debt service:			-		
Principal	173,218	-	-	-	173,218
Interest and fees	6,655	-	-	-	6,655
Total expenditures	4,629,798	11,412	747,420	268,308	5,656,938
Revenues over (under) expenditures	1,464,068	167,898	(693,358)	341,379	1,279,987
<b>Other financing sources (uses):</b>					
Proceeds from disposal of assets	18,382	-	-	-	18,382
Transfers from other funds	437,588	-	-	548,000	985,588
Transfers to other funds	(548,000)	-	-	(437,588)	(985,588)
Total other financing sources (uses)	(92,030)	-	-	110,412	18,382
Net change in fund balance	1,372,038	167,898	(693,358)	451,791	1,298,369
Fund balances					
Beginning of year, July 1	7,056,801	3,059,755	3,000,154	2,143,596	15,260,306
End of year, June 30	\$ 8,428,839	\$ 3,227,653	\$ 2,306,796	\$ 2,595,387	\$ 16,558,675

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, 2023**

**Exhibit 4**

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

Net changes in fund balances - governmental fund	\$ 1,298,369
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	1,274,164
Depreciation expense for governmental assets	<u>(447,928)</u> 826,236
Amortization expense for intangible assets	<u>(2,458)</u> (2,458)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	229,506
Benefit payments paid and administrative expense for the LEOSA are not included in the Statement of Activities	25,640
OPEB benefit payments and administrative expense made in the current fiscal year are not included in the Statement of Activities	80,094
Payments received on long-term note receivable	(3,333)
Change in accrued interest receivable	1,479
Earned revenues considered deferred inflows of resources in the fund statements	281
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of long-term debt	173,218
Decrease in accrued interest payable	403
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(36,723)
Pension expense	(360,684)
OPEB plan expense	(131,144)
Total change in net position of governmental activities	<u><u>\$ 2,100,884</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, 2023**

**Exhibit 5**

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,257,082	\$ 2,257,082	\$ 2,355,000	\$ 97,918
Other tax and licenses	1,000	1,000	835	(165)
Unrestricted intergovernmental revenues	2,958,232	2,841,508	3,142,221	300,713
Restricted intergovernmental revenues	130,000	253,637	248,061	(5,576)
Permits and fees	21,000	31,251	36,551	5,300
Investment earnings	23,192	43,192	227,932	184,740
Miscellaneous	24,350	54,035	73,281	19,246
Total revenues	5,414,856	5,481,705	6,083,881	602,176
Expenditures:				
General government	881,838	960,386	833,437	126,949
Public safety	2,988,564	3,163,647	2,687,730	475,917
Transportation	760,523	814,319	638,803	175,516
Economic and physical development	26,300	26,300	12,980	13,320
Environmental protection	177,915	171,015	169,744	1,271
Public works	23,400	23,400	23,400	-
Culture and recreation	109,000	115,936	83,831	32,105
Debt service:				
Principal	170,796	173,220	173,218	2
Interest and fees	6,520	6,657	6,655	2
Total expenditures	5,144,856	5,454,880	4,629,798	825,082
Revenues over (under) expenditures	270,000	26,825	1,454,083	1,427,258
Other financing sources (uses):				
Proceeds from sale of assets	-	14,382	18,382	4,000
Transfers from other funds	-	460,088	460,088	-
Transfers to other funds	(30,000)	(548,000)	(847,744)	(299,744)
Appropriated fund balance	(240,000)	46,705	-	(46,705)
Total other financing sources (uses):	(270,000)	(26,825)	(369,274)	(342,449)
Net change in fund balance	\$ -	\$ -	1,084,809	\$ 1,084,809
Fund balances				
Beginning of year, July 1			6,531,223	
End of year, June 30			\$ 7,616,032	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			9,985	
Transfers to the general fund			(22,500)	
Transfers from the general fund			299,744	
			287,229	
Fund balance, beginning			525,578	
Fund balance, ending (Exhibit 4)			\$ 8,428,839	

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	-	-	964	964
Restricted intergovernmental revenues	-	100,000	100,000	-
Permits and fees	-	-	-	-
Investment earnings	9,000	9,000	78,054	69,054
Miscellaneous	-	-	292	292
Total revenues	<u>9,000</u>	<u>109,000</u>	<u>179,310</u>	<u>70,310</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	80,000	230,000	11,412	218,588
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>80,000</u>	<u>230,000</u>	<u>11,412</u>	<u>218,588</u>
Revenues over (under) expenditures	(71,000)	(121,000)	167,898	288,898
Other financing sources (uses):				
Proceeds from sale of assets	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to General Fund	-	-	-	-
Appropriated fund balance	71,000	121,000	-	(121,000)
Total other financing sources (uses):	<u>71,000</u>	<u>121,000</u>	<u>-</u>	<u>(121,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	167,898	<u>\$ 167,898</u>
Fund balances				
Beginning of year, July 1			<u>3,059,755</u>	
End of year, June 30			<u>\$ 3,227,653</u>	

**Town of Sylva, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

**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. 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

**Revolving Loan Special Revenue Fund.** This fund was established to provide low interest loans to businesses that will, in turn, generate employment and economic growth. The fund was established with moneys from the Urban Development Assistance Grant (UDAG) Special Revenue Fund. The fund sustains itself through the repayment of the loans and interest.

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

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

**American Rescue Plan Special Revenue Fund.** The fund was established to account for and expend grant funds received through the Coronavirus State and Local Fiscal Recovery Fund of H.R. 1319 American Rescue Plan of 2021.

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

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

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

#### **C. Measurement Focus and Basis of Accounting**

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

*Government-wide 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 and IT subscriptions are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town 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, the Public Art Special Revenue Fund and the American Rescue Plan Special Revenue Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Bryson Park and Playground Equipment Grant Project Fund, the Public Restrooms Grant Project Fund, the Allen Street Landslide Capital Project Fund, and the Bridge Park Stormwater Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the 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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

*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	\$ 255,291
Public Safety	28,241
Capital Reserve for Fire Department	607,269
Capital Reserve for General Operations	222,974
Bridge Park	29,862
Culture and recreation	7,823
Bryson Park and Playground Equipment Grant Project Fund	
Grant capital projects	2,306,796
Public Restrooms Grant Project Fund	
Grant capital projects	331,470
Total Restricted Cash - Governmental Activities	<u>\$ 3,789,726</u>

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

*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.

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

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

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

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

Asset Class	Estimated Useful Lives
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 meets this criterion, pension and OPEB deferrals for the 2023 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 unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), 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.

*Reimbursements for Pandemic-related Expenditures:* In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$872,594 of the fiscal recovery funds to be paid in two equal installments. The second installment was received in July 2022 and was reported in the American Rescue Plan Special Revenue Fund. The Town has elected to take the standard allowance, as authorized by 31 CFR, part 35.6(d)(1) and expend all of the funds for the provision of government services. The second installment of \$436,297 of the ARPA funds was allocated to salaries in public safety and public works in the amounts of \$338,073 and \$98,223, respectively. The funds were transferred to the general fund from the special revenue fund.

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes 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.

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

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

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

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

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

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

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

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. In addition, the Town has set a target goal of maintaining an unassigned fund balance of 68%. 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, 2023, the Town's deposits had a carrying amount of \$10,271,949 and a bank balance of \$10,832,842. Of this balance, \$506,882 was covered by federal depository insurance and \$10,325,960 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$1,300 at June 30, 2023.

### **Investments**

At June 30, 2023, the Town's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at June 30, 2023</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 5,949,957</u>	N/A	AAAm

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, 2023.

### **Due from Other Governments**

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

Local option sales tax	\$ 196,336
ABC Funds	162,501
State Agencies – grants	35,487
Jackson County – vehicle taxes	10,141
Jackson County – grant	50,000
Jackson County – other	<u>2,918</u>
	<u>\$ 457,383</u>

## **Receivables – Allowances for Doubtful Accounts**

The amounts in the Balance Sheet and the Statement of Net Position for taxes receivables are net of an allowance for doubtful accounts of \$56,108.

## **Capital Assets**

Capital asset activity for the Town for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,902,599	\$ 20,000	\$ -	\$ 3,922,599
Construction in progress	146,551	999,761	-	1,146,312
Total capital assets not being depreciated	4,049,150	1,019,761	-	5,068,911
Capital Assets Being Depreciated:				
Buildings	4,990,733	-	-	4,990,733
Other improvements	667,135	31,000	-	698,135
Computer Equipment	4,627	6,795	-	11,422
Equipment	1,124,424	65,589	21,697	1,168,316
Vehicles and motorized equipment	3,106,453	151,020	111,729	3,145,744
Infrastructure	3,059,897	-	-	3,059,897
Total capital assets being depreciated	12,953,269	254,404	133,426	13,074,247
Less Accumulated Depreciation For:				
Buildings	1,774,218	98,136	-	1,872,354
Other improvements	480,196	30,340	-	510,536
Computer Equipment	4,627	897	-	5,524
Equipment	978,035	66,100	21,697	1,022,438
Vehicles and motorized equipment	2,193,591	170,862	111,729	2,252,724
Infrastructure	2,002,912	81,593	-	2,084,505
Total accumulated depreciation	7,433,579	447,928	133,426	7,748,081
Total capital assets being depreciated, net	5,519,690	(193,524)	-	5,326,166
Capital Assets Being Amortized:				
Right to use assets				
Leased Equipment	11,266	-	-	11,266
Total right to use assets	11,266	-	-	11,266
Less Accumulated Amortization For:				
Leased Equipment	2,458	2,458	-	4,916
Total accumulated amortization	2,458	2,458	-	4,916
Total capital assets being amortized	8,808	(2,458)	-	6,350
Governmental Activities Capital Assets, Net	\$ 9,577,648	\$ 823,779	\$ -	\$ 10,401,427

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

General government	\$ 43,200
Public safety	255,615
Transportation	133,435
Culture and recreation	18,136
Total depreciation and amortization expense	<u>\$ 450,386</u>

At June 30, 2023, the Town has engineering, design and construction contract commitments for projects of approximately \$3 million. The Town has a contingency agreement with the North Carolina Department of Transportation for the Allen Street Landslide Project, with available reimbursement of \$750,000.

## **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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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](http://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, 2023, was 13.04% of compensation for law enforcement officers and 12.14% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sylva were \$229,506 for the year ended June 30, 2023.

*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, 2023, the Town reported a liability of \$1,073,564 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, the Town's proportion was 0.01903%, which was an increase of 0.00095% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$302,020. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46,259	\$ 4,535
Changes of assumptions	107,118	-
Net difference between projected and actual earnings on pension plan investments	354,824	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,506	8,044
Town contributions subsequent to the measurement date	229,506	-
Total	<u>\$ 746,213</u>	<u>\$ 12,579</u>

\$229,506 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$ 154,573
2025	139,486
2026	41,023
2027	169,046
2028	-
Thereafter	-
	<u><u>\$ 504,128</u></u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019. 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, 2022 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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary as part of a study conducted in 2021, and is part of the 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 3.0%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. 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 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,937,644	\$ 1,073,564	\$ 361,511

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>18</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 normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate is based on the S&P Municipal Bond 20 year high grade rate index as of December 31, 2021.

Mortality rates are based on the RP-2010 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 \$53,931 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, 2023, the Town reported a total pension liability of \$623,190. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$87,436.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 84,753	\$ -
Changes of assumptions	68,437	93,604
Town benefit payments and plan administrative expense made subsequent to the measurement date	25,640	-
Total	<u>\$ 178,830</u>	<u>\$ 93,604</u>

\$25,640 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 35,721
2025	34,601
2026	7,726
2027	(13,442)
2028	(5,020)
Thereafter	-
	<u>\$ 59,586</u>

*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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Total pension liability	\$ 668,333	\$ 623,190	\$ 582,131

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

	<b>2023</b>
Beginning balance	\$ 701,656
Service Cost	33,184
Interest on the total pension liability	15,181
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	24,929
Changes of assumptions or other inputs	(97,829)
Benefit payments	(53,931)
Other changes	-
Ending balance of the total pension liability	<u>\$ 623,190</u>

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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 302,020	\$ 87,436	\$ 389,456
Pension Liability	1,073,564	623,190	1,696,754
Proportionate share of the net pension liability	0.01903%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	46,259	84,753	131,012
Changes of assumptions	107,118	68,437	175,555
Net difference between projected and actual earnings on plan investments	354,824	-	354,824
Changes in proportion and differences between contributions and proportionate share of contributions	8,506	-	8,506
Benefit payments and administrative costs paid subsequent to the measurement date	229,506	25,640	255,146
Deferred of Inflows of Resources			
Differences between expected and actual experience	4,535	-	4,535
Changes of assumptions	-	93,604	93,604
Changes in proportion and differences between contributions and proportionate share of contributions	8,044	-	8,044

## **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 \$37,326 for law enforcement and \$50,298 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. For the year ended June 30, 2023, the Town contributed the required pension amount for 8 paid employees and 19 volunteers. The Town makes the plan member required contributions on January 1<sup>st</sup> of each year for the active fire department roster. Total contributions by the Town for fiscal year 2023 were \$3,240. The Town has determined that its share of the net pension liability and the State's contribution to the plan on its behalf are immaterial at June 30, 2023.

## **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, 2022, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	22
Total	<u>26</u>

### **Total OPEB Liability**

The Town's total OPEB liability of \$1,290,134 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	General employees – 3.25% - 8.41%
	Law Enforcement Officers – 3.25% - 7.90%
Discount rate	3.54 percent
Healthcare cost trend rates	7.00% for 2021, decreasing to an ultimate rate of 4.50% by 2031

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><b>Total OPEB Liability</b></u>
<b>Balance at July 1, 2021</b>	\$ 1,419,012
<b>Changes for the year</b>	
Service cost	78,320
Interest	31,519
Changes of benefit terms	-
Differences between expected and actual experience	20,723
Changes in assumptions or other inputs	(182,824)
Benefit payments	(76,616)
<b>Net changes</b>	<u>(128,878)</u>
<b>Balance at June 30, 2022</b>	<u><u>\$ 1,290,134</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54% and the change in medical trend. The decremental and salary increase assumptions have been updated based on the most recent NCLGERS experience analysis.

Mortality rates were based on the RP-2019 Total Data Set for Healthy Annuitants Mortality Table.

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u><b>1% Decrease (2.54%)</b></u>	<u><b>Discount Rate (3.54%)</b></u>	<u><b>1% Increase (4.54%)</b></u>
Total OPEB liability	\$ 1,419,287	\$ 1,290,134	\$ 1,176,827

*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><b>1% Decrease</b></u>	<u><b>Current</b></u>	<u><b>1% Increase</b></u>
Total OPEB liability	\$ 1,151,316	\$ 1,290,134	\$ 1,458,589

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$135,411. At June 30, 2023, 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	\$ 141,990	\$ 18,460
Changes of assumptions	221,834	185,605
Benefit payments and administrative costs made subsequent to the measurement date	80,094	-
Total	<u>\$ 443,918</u>	<u>\$ 204,065</u>

\$80,094 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

### Year ended June 30:

2024	\$ 25,572
2025	25,572
2026	27,120
2027	30,931
2028	32,810
Thereafter	17,754
	<u>\$ 159,759</u>

## 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 are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 229,506
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	25,640
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	80,094
Difference between expected and actual experience	273,002
Change of assumptions	397,389
Change in proportion and differences between contributions and proportionate share of contributions	8,506
Net difference between projected and actual earnings	354,824
Total	<u>\$ 1,368,961</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)	\$ -	\$ 61,089
Prepaid licenses (General Fund)	490	490
Prepaid taxes (General Fund)	28,749	28,749
Changes in assumptions	279,209	
Differences between expected and actual experience	22,995	
Changes in proportion and differences contributions and proportionate share of contributions	8,044	
Total	<u>\$ 339,487</u>	<u>\$ 90,328</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 \$629,000 and \$400,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$32,000.



## **Long-Term Obligations**

*Leases* – The Town has entered into an agreement to lease certain office equipment. The agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

The agreement was executed in January 2021 to lease a copier for the police department and requires 60 monthly payments of \$213. The lease liability is measured at a discount rate of 1.76%, an inputted rate. The liability balance as of June 30, 2023 is \$6,461.

The future minimum lease obligations and the let present value of these minimum lease payments as of June 30, 2023, are as follows:

<b>Year Ending June 30,</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2024	\$ 2,467	\$ 93	\$ 2,560
2025	2,510	50	2,560
2026	1,484	10	1,494
Total	<u>\$ 6,461</u>	<u>\$ 153</u>	<u>\$ 6,614</u>

*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 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

The future minimum payments of all direct placement contracts as of June 30, 2023, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	<u>131,365</u>	<u>2,172</u>

At June 30, 2023, the Town had an approximate legal debt margin of \$42.4 million.

## **Changes in Long-Term Liabilities**

	<b>Beginning Balances</b>	<b>Increase</b>	<b>Decreases</b>	<b>Ending Balances</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Direct placement installment purchase	\$ 302,159	\$ -	\$ 170,794	\$ 131,365	\$ 131,365
Leases	8,885	-	2,424	6,461	2,467
Compensated absences	112,509	71,426	34,703	149,232	-
Total pension liability (LEO)	701,656	-	78,466	623,190	-
Net pension liability (LGRS)	277,274	796,290	-	1,073,564	-
Total OPEB liability	1,419,012	-	128,878	1,290,134	-
	<u>\$ 2,821,495</u>	<u>\$ 867,716</u>	<u>\$ 415,265</u>	<u>\$ 3,273,946</u>	<u>\$ 133,832</u>

Compensated absences typically have been liquidated in the General fund.

## **Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2023, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 10,401,427
Less capital debt	<u>137,827</u>
Capital assets, net of related debt	<u>\$ 10,263,600</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, 2023, consisted of the following:

From American Rescue Plan Special Revenue Fund to General Fund to supplant police, fire department and transportation salaries	<u>\$ 437,588</u>
From General Fund to Bridge Park Stormwater Capital Project Fund for project needs	<u>\$ 418,000</u>
From General Fund to Fire Department Capital Reserve Fund for future capital needs	<u>\$ 299,744</u>
From Fire Department Capital Reserve to General Fund Fund for capital needs	<u>\$ 22,500</u>
From General Fund to Sidewalk Special Revenue Fund for future projects	<u>\$ 130,000</u>

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

## **Fund Balance**

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

Total Fund Balance - General Fund	<u>\$ 8,428,839</u>
Less:	
Stabilization by State Statute	407,902
Streets-Powell Bill	220,291
Public Safety	28,241
Appropriated Fund Balance in 2024 Budget	83,150
Capital reserve for fire department	589,836
Capital reserve for general operations	222,971
Other Postemployment Benefits	1,018,680
LEO Separation Allowance	479,710
Bridge Park	29,862
Cultural	7,823
Fund Balance Policy	<u>3,371,536</u>
Remaining Fund Balance	<u><u>\$ 1,968,837</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 were to review this guarantee at the end of five years to determine if it should continue. At the date of these financial statements, the terms of the guarantee continue as per the original agreement.

## **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, 2023. At June 30, 2023, the Town has fund balance committed of \$151,193 and assigned for subsequent year’s expenditures of \$347,308, for a total fund balance of \$498,501 in the Sidewalk Special Revenue Fund. There were expenditures of \$15,492 for the year ended June 30, 2023, with cumulative expenditures totaling \$104,692.

## **Sylva Fire Department and Jackson County Mutual Aid Agreement**

The Town and Jackson County operate under a Mutual Aid Agreement whereby fire protection and emergency services are provided within the boundaries of the Sylva Fire District by the Sylva Fire Department. Effective July 1, 2022, the department consists of eight paid members and volunteers. The Town of Sylva and Jackson County entered into an agreement where Jackson County provides annual funding for a combination of full paid fire department staff and volunteers.

## **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, 2023. 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. At June 30, 2023, the Town is involved in two complaints, which is being managed by attorneys for the Town's insurance carrier. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any existing legal matters will not have a material adverse effect on the Town's financial position.

### **Subsequent Events**

Subsequent events have been reviewed through November 15, 2023, 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**  
**Last Six Fiscal years**

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

**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>
2023	3.54%
2022	2.16%
2021	2.21%
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 Ten Fiscal Years \***

**Local Government Employees' Retirement System**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sylva's proportion of the net pension liability (asset) (%)	0.01903%	0.01808%	0.01743%	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ 1,073,564	\$ 277,274	\$ 622,848	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194	\$ (110,165)	\$ 230,228
Sylva's covered-employee payroll	\$ 1,282,591	\$ 1,255,924	\$ 1,161,531	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334	\$ 957,295	\$ 920,293
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.70%	22.08%	53.62%	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**	84.14%	95.51%	88.61%	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 Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 229,506	\$ 150,837	\$ 130,288	\$ 109,190	\$ 99,335	\$ 90,387	\$ 80,271	\$ 73,459	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	229,506	150,837	130,288	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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$ 1,830,317	\$ 1,282,591	\$ 1,255,924	\$ 1,161,531	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334	\$ 957,295
Contributions as a percentage of covered- employee payroll	12.54%	11.76%	10.37%	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**  
**Last Seven Fiscal Years \***

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

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

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 2,249,982	\$ 2,336,080	\$ 86,098
Penalties and interest	7,100	18,920	11,820
Total ad valorem taxes	<u>2,257,082</u>	<u>2,355,000</u>	<u>97,918</u>
Other taxes and licenses:			
ABC licenses	<u>1,000</u>	<u>835</u>	<u>(165)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	873,000	1,017,804	144,804
Excise tax on natural gas	5,000	12,293	7,293
Franchise tax	282,000	317,575	35,575
Beer and wine tax	11,500	11,208	(292)
Fire Department sales tax	6,100	6,136	36
Telecommunications sales tax	24,000	26,377	2,377
Cable franchise fees	12,000	11,274	(726)
Sales tax refund	14,212	15,502	1,290
Fire protection	1,114,696	1,117,163	2,467
Hold harmless	175,000	225,087	50,087
Solid waste disposal tax	2,000	1,947	(53)
ABC profit distribution	320,000	379,419	59,419
Substance tax distribution	<u>2,000</u>	<u>436</u>	<u>(1,564)</u>
Total	<u>2,841,508</u>	<u>3,142,221</u>	<u>300,713</u>
Restricted intergovernmental revenues			
Grants and contributions	153,137	133,368	(19,769)
ABC revenues for law enforcement	10,500	17,630	7,130
ABC revenues for education	15,000	24,682	9,682
Powell Bill allocation	<u>75,000</u>	<u>72,381</u>	<u>(2,619)</u>
Total	<u>253,637</u>	<u>248,061</u>	<u>(5,576)</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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Permits and fees			
Building permits	\$ 4,000	\$ 5,000	\$ 1,000
Business registrations	5,000	6,145	1,145
Recreation fees	4,000	7,915	3,915
Other fees	4,960	4,960	-
Parking fines	13,291	12,531	(760)
Total	<u>31,251</u>	<u>36,551</u>	<u>5,300</u>
Investment earnings	<u>43,192</u>	<u>227,932</u>	<u>184,740</u>
Miscellaneous			
Contributions	23,037	37,143	14,106
Main Street	26,198	28,686	2,488
Other miscellaneous	4,800	7,452	2,652
Total	<u>54,035</u>	<u>73,281</u>	<u>19,246</u>
Total revenues	<u>5,481,705</u>	<u>6,083,881</u>	<u>602,176</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	24,550	24,221	329
Operating expenditures	175,833	129,633	46,200
Professional services	78,160	56,767	21,393
Total	<u>278,543</u>	<u>210,621</u>	<u>67,922</u>
Administration:			
Salaries and employees benefits	403,100	394,226	8,874
Operating expenditures	62,359	47,803	14,556
Capital outlay	29,949	29,949	-
Total	<u>495,408</u>	<u>471,978</u>	<u>23,430</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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Main Street:			
Salaries and employee benefits	\$ 29,077	\$ 29,162	\$ (85)
Operating benefits	74,398	53,183	21,215
Total	<u>103,475</u>	<u>82,345</u>	<u>21,130</u>
Taxes:			
Collection fees	<u>6,500</u>	<u>6,334</u>	<u>166</u>
Facilities maintenance:			
Salaries and employee benefits	4,510	4,478	32
Operating benefits	71,950	42,300	29,650
Capital outlay	-	15,381	(15,381)
Total	<u>76,460</u>	<u>62,159</u>	<u>14,301</u>
Total general government	<u>960,386</u>	<u>833,437</u>	<u>126,949</u>
Public safety:			
Police:			
Salaries and employee benefits	1,440,220	1,313,128	127,092
Operating expenditures	394,628	332,001	62,627
Capital outlay	114,500	113,895	605
Total	<u>1,949,348</u>	<u>1,759,024</u>	<u>190,324</u>
Fire:			
Salaries and employee benefits	759,050	627,246	131,804
Operating expenditures	362,415	278,960	83,455
Capital outlay	92,834	22,500	70,334
Total	<u>1,214,299</u>	<u>928,706</u>	<u>285,593</u>
Total public safety	<u>3,163,647</u>	<u>2,687,730</u>	<u>475,917</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	512,114	436,068	76,046
Operating expenditures	199,459	156,490	42,969
Capital outlay	102,746	46,245	56,501
Total transportation	<u>814,319</u>	<u>638,803</u>	<u>175,516</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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Economic and physical development:			
Operating expenditures	\$ 26,300	\$ 12,980	\$ 13,320
Total economic and physical development	26,300	12,980	13,320
Environmental protection:			
Sanitation:			
Salaries and employees benefits	118,700	120,076	(1,376)
Operating expenditures	52,315	49,668	2,647
Total environmental protection	171,015	169,744	1,271
Public works:			
Cemetery:			
Contracted services	23,400	23,400	-
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	31,400	21,887	9,513
Operating expenditures	71,546	51,045	20,501
Capital outlay	7,490	5,399	2,091
Library contribution	5,500	5,500	-
Total culture and recreation	115,936	83,831	32,105
Debt service:			
Principal	173,220	173,218	2
Interest and fees	6,657	6,655	2
Total debt service	179,877	179,873	4
Total expenditures	5,454,880	4,629,798	825,082

**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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues over (under) expenditures	<u>\$ 26,825</u>	<u>\$ 1,454,083</u>	<u>\$ 1,427,258</u>
Other financing sources (uses):			
Proceeds from disposal of assets	14,382	18,382	4,000
Transfers from other funds			
American Rescue Plan Special Revenue Fund	437,588	437,588	
Fire Department Capital Reserve Fund	22,500	22,500	-
Transfers to other funds			
Fire Department Capital Reserve Fund	-	(299,744)	(299,744)
Bridge Park Stormwater Capital Project Fund	(418,000)	(418,000)	-
Sidewalk Special Revenue Fund	(130,000)	(130,000)	
Appropriated fund balance	<u>46,705</u>	<u>-</u>	<u>(46,705)</u>
Total	<u>(26,825)</u>	<u>(369,274)</u>	<u>(342,449)</u>
Net change in fund balance	<u>\$ -</u>	1,084,809	<u>\$ 1,084,809</u>
Fund balances:			
Beginning year, July 1		<u>6,531,223</u>	
End of year, June 30		<u>\$ 7,616,032</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 4,587	\$ 4,587
Restricted intergovernmental	-	-	-
	<u>-</u>	<u>4,587</u>	<u>4,587</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>4,587</u>	<u>4,587</u>
Other financing sources (uses):			
Transfers from general fund	-	-	-
Transfers to general fund	-	-	-
Appropriated fund balance	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>4,587</u>	<u>\$ 4,587</u>
Fund balance:			
Beginning year, July 1		<u>218,384</u>	
End of year, June 30		<u>\$ 222,971</u>	

**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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues:			
Investment earnings	\$ -	\$ 5,398	\$ 5,398
Expenditures	-	-	-
Revenues over (under) expenditures	-	5,398	5,398
Other financing sources:			
Transfers from general fund	-	299,744	299,744
Transfers to general fund	(22,500)	(22,500)	-
Appropriated fund balance	22,500	-	(22,500)
	-	277,244	277,244
Net change in fund balance	\$ -	282,642	\$ 282,642
Fund balance:			
Beginning year, July 1		307,194	
End of year, June 30		\$ 589,836	

**Town of Sylva, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Bryson Park and Playground Equipment Grant Project Fund**  
**For the Year Ended June 30, 2023**

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Restricted intergovernmental revenues	\$ 3,000,000	\$3,000,000	\$ -	\$ 3,000,000	\$ -
Investment earnings	-	154	54,062	54,216	54,216
Total revenues	<u>3,000,000</u>	<u>3,000,154</u>	<u>54,062</u>	<u>3,054,216</u>	<u>54,216</u>
Expenditures					
Culture and recreation	<u>3,000,000</u>	<u>-</u>	<u>747,420</u>	<u>747,420</u>	<u>(2,252,580)</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,000,154</u>	<u>(693,358)</u>	<u>2,306,796</u>	<u>2,306,796</u>
Other financing sources (uses):					
Transfer from General fund	-	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$3,000,154</u>	<u>(693,358)</u>	<u>\$ 2,306,796</u>	<u>\$ 2,306,796</u>
Fund balance:					
Beginning year, July 1			<u>3,000,154</u>		
End of year, June 30			<u>\$ 2,306,796</u>		

**Town of Sylva, North Carolina**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2023**

				ARPA Grant				
	Revolving Loan Special Revenue Fund	Public Art Special Revenue Fund	Sidewalk Special Revenue Fund	Project Special Revenue Fund	Allen Street Landslide Capital Project Fund	Public Restrooms Grant Project Fund	Bridge Park Stormwater Capital Project Fund	Total Non- Major Governmental Funds
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 45,600	\$ 3,748	\$ 498,501	\$ -	\$ 1,235,765	\$ -	\$ 424,950	\$ 2,208,564
Due from other governments	2,918	-	-	-	-	-	-	2,918
Restricted Cash	-	-	-	-	-	331,470	-	331,470
Total current assets	48,518	3,748	498,501	-	1,235,765	331,470	424,950	2,542,952
Other assets:								
Real estate held for resale	52,435	-	-	-	-	-	-	52,435
Total assets	\$ 100,953	\$ 3,748	\$ 498,501	\$ -	\$ 1,235,765	\$ 331,470	\$ 424,950	\$ 2,595,387
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-	-	-	-	-
Longterm liabilities:								
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
<b>Fund Balances</b>								
Restricted for:								
Grant capital projects						331,470		331,470
Culture and recreation	-	1,748	-	-	-	-		1,748
Economic development	94,953	-	-	-	-	-		94,953
Committed								
Sidewalks	-	-	151,193	-	-	-		151,193
Streets - Capital Project	-	-	-	-	1,235,765	-		1,235,765
Culture and recreation							424,950	424,950
Assigned								
Subsequent year's expenditures	6,000	2,000	347,308	-	-	-		355,308
Total fund balances	100,953	3,748	498,501	-	1,235,765	331,470	424,950	2,595,387
Total liabilities and fund balances	\$ 100,953	\$ 3,748	\$ 498,501	\$ -	\$ 1,235,765	\$ 331,470	\$ 424,950	\$ 2,595,387

**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, 2023**

				ARPA Grant				
	Revolving Loan	Public Art	Sidewalk	Project	Allen Street	Public	Bridge Park	Total Non-
	Special Revenue	Special	Special	Special	Landslide	Restrooms	Stormwater	Major
	Fund	Revenue	Revenue	Revenue	Capital	Grant	Capital Project	Governmental
		Fund	Fund	Fund	Project Fund	Project Fund	Fund	Funds
<b>Revenues:</b>								
Unrestricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	-	436,297	-	100,000	-	536,297
Investment earnings	922	103	10,136	1,291	43,645	6,861	6,950	69,908
Miscellaneous	2,910	572	-	-	-	-	-	3,482
Total revenues	3,832	675	10,136	437,588	43,645	106,861	6,950	609,687
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	-	-	-	-
Transportation	-	-	15,492	-	231,498	-	-	246,990
Economic and physical development	-	-	-	-	-	-	-	-
Culture and recreation	-	475	-	-	-	20,843	-	21,318
Total expenditures	-	475	15,492	-	231,498	20,843	-	268,308
Revenues over (under) expenditures	3,832	200	(5,356)	437,588	(187,853)	86,018	6,950	341,379
<b>Other financing sources (uses):</b>								
Transfers from General Fund	-	-	130,000	-	-	-	418,000	548,000
Transfers to General Fund	-	-	-	(437,588)	-	-	-	(437,588)
Total other financing sources (uses)	-	-	130,000	(437,588)	-	-	418,000	110,412
Net change in fund balance	3,832	200	124,644	-	(187,853)	86,018	424,950	451,791
Fund balances								
Beginning of year, July 1	97,121	3,548	373,857	-	1,423,618	245,452	-	2,143,596
End of year, June 30	\$ 100,953	\$ 3,748	\$ 498,501	\$ -	\$ 1,235,765	\$ 331,470	\$ 424,950	\$ 2,595,387

**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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 922	\$ 922
Miscellaneous	-	2,910	2,910
	<u>-</u>	<u>3,832</u>	<u>3,832</u>
<b>Expenditures</b>			
Economic development	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<b>Revenues over (under) expenditures</b>	<u>(6,000)</u>	<u>3,832</u>	<u>9,832</u>
<b>Other financing sources:</b>			
Appropriated fund balance	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Total other financing sources (uses)	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>3,832</u>	<u><u>\$ 3,832</u></u>
<b>Fund balance:</b>			
Beginning year, July 1		<u>97,122</u>	
End of year, June 30		<u><u>\$ 100,954</u></u>	

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Unrestricted intergovernmental revenue: \$	-	\$ -	\$ -
Investment earnings	-	103	103
Contributions and grants	-	572	572
Total revenues	<u>-</u>	<u>675</u>	<u>675</u>
Expenditures			
Culture and recreation	<u>2,000</u>	<u>475</u>	<u>1,525</u>
Revenues over (under) expenditures	<u>(2,000)</u>	<u>200</u>	<u>2,200</u>
Other financing sources:			
Appropriated fund balance	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>200</u>	<u><u>\$ 200</u></u>
Fund balance:			
Beginning year, July 1		<u>3,548</u>	
End of year, June 30		<u><u>\$ 3,748</u></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, 2023**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues:			
Investment earnings	\$ -	\$ 10,136	\$ 10,136
Total revenues	-	10,136	10,136
Expenditures			
Transportation	332,800	15,492	317,308
Revenues over (under) expenditures	(332,800)	(5,356)	327,444
Other financing sources (uses):			
Transfer from General fund	130,000	130,000	-
Appropriated fund balance	202,800	-	(202,800)
	332,800	130,000	(202,800)
Net change in fund balance	\$ -	124,644	\$ 124,644
Fund balance:			
Beginning year, July 1		373,856	
End of year, June 30		\$ 498,500	



**Town of Sylva, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Non-major Governmental Fund - American Rescue Plan Special Revenue Fund**  
**For the Year Ended June 30, 2023**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
Revenues:			
Restricted intergovernmental revenues	\$ 436,297	\$ 436,297	\$ -
Investment earnings	1,291	1,291	-
Total revenues	<u>437,588</u>	<u>437,588</u>	<u>-</u>
 Expenditures	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Revenues over (under) expenditures	 <u>437,588</u>	 <u>437,588</u>	 <u>-</u>
 Other financing sources (uses):			
Transfer to General fund	(437,588)	(437,588)	-
Appropriated fund balance	-	-	-
	<u>(437,588)</u>	<u>(437,588)</u>	<u>-</u>
 Net change in fund balance	 <u><u>\$ -</u></u>	 <u><u>-</u></u>	 <u><u>\$ -</u></u>
 Fund balance:			
Beginning year, July 1		<u>-</u>	
End of year, June 30		<u><u>\$ -</u></u>	

**Town of Sylva, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Non-major Governmental Fund - Capital Projects Fund - Allen Street Landslide**  
**From Inception to the Fiscal Year Ended June 30, 2023**

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Restricted intergovernmental revenues	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Investment earnings	-	1,460	43,645	45,105	45,105
Total revenues	<u>750,000</u>	<u>1,460</u>	<u>43,645</u>	<u>45,105</u>	<u>(704,895)</u>
Expenditures					
Transportation	<u>1,964,327</u>	<u>141,989</u>	<u>231,498</u>	<u>373,487</u>	<u>1,590,840</u>
Total expenditures	<u>1,964,327</u>	<u>141,989</u>	<u>231,498</u>	<u>373,487</u>	<u>1,590,840</u>
Revenues over (under) expenditures	<u>(1,214,327)</u>	<u>(140,529)</u>	<u>(187,853)</u>	<u>(328,382)</u>	<u>885,945</u>
Other financing sources (uses):					
Transfer from General fund	1,564,147	1,564,147	-	1,564,147	-
Appropriated fund balance	<u>(349,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,820</u>
	<u>1,214,327</u>	<u>1,564,147</u>	<u>-</u>	<u>1,564,147</u>	<u>349,820</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,423,618</u>	<u>(187,853)</u>	<u>\$ 1,235,765</u>	<u>\$ 1,235,765</u>
Fund balance:					
Beginning year, July 1			<u>1,423,618</u>		
End of year, June 30			<u>\$ 1,235,765</u>		

**Town of Sylva, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Non-major Governmental Fund - Public Restrooms Grant Project Fund**  
**For the Year Ended June 30, 2023**

	<b>Project</b>	<b>Prior</b>	<b>Actual</b>	<b>Total to</b>	<b>Variance</b>
	<b>Authorization</b>	<b>Year</b>	<b>Current</b>	<b>Date</b>	<b>Favorable</b>
			<b>Year</b>		<b>(Unfavorable)</b>
Revenues:					
Restricted intergovernmental revenue:	\$ 390,000	\$ 250,000	\$ 100,000	\$ 350,000	\$ (40,000)
Investment earnings	-	15	6,861	6,876	6,876
Total revenues	<u>390,000</u>	<u>250,015</u>	<u>106,861</u>	<u>356,876</u>	<u>(33,124)</u>
Expenditures					
Culture and recreation	<u>390,000</u>	<u>4,563</u>	<u>20,843</u>	<u>25,406</u>	<u>364,594</u>
Revenues over (under) expenditures	<u>-</u>	<u>245,452</u>	<u>86,018</u>	<u>331,470</u>	<u>331,470</u>
Other financing sources (uses):					
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 245,452</u>	<u>86,018</u>	<u>\$ 331,470</u>	<u>\$ 331,470</u>
Fund balance:					
Beginning year, July 1			<u>245,452</u>		
End of year, June 30			<u>\$ 331,470</u>		

**Town of Sylva, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Non-major Governmental Fund - Capital Project Fund - Bridge Park Stormwater**  
**From Inception to the Fiscal Year Ended June 30, 2023**

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
Revenues:					
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	6,950	6,950	6,950
Total revenues	-	-	6,950	6,950	6,950
Expenditures					
Culture and recreation	418,000	-	-	-	418,000
Total expenditures	418,000	-	-	-	418,000
Revenues over (under) expenditures	(418,000)	-	6,950	6,950	424,950
Other financing sources (uses):					
Transfer from General fund	418,000	-	418,000	418,000	-
Appropriated fund balance	-	-	-	-	-
	418,000	-	418,000	418,000	-
Net change in fund balance	\$ -	\$ -	424,950	\$ 424,950	\$ 424,950
Fund balance:					
Beginning year, July 1			-		
End of year, June 30			\$ 424,950		

## **OTHER SCHEDULES**

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2023**

<b>Fiscal year</b>	<b>Uncollected Balance June 30, 2022</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2023</b>
2022-2023	\$ -	\$ 2,333,635	\$ 2,279,017	\$ 54,618
2021-2022	44,547	-	25,299	19,248
2020-2021	23,300	-	8,587	14,713
2019-2020	11,356	-	4,577	6,779
2018-2019	7,815	-	2,016	5,799
2017-2018	6,305	-	1,123	5,182
2016-2017	4,093	-	1,187	2,906
2015-2016	2,964	-	1,040	1,924
2014-2015	2,037	-	584	1,453
2013-2014	4,959	-	384	4,575
2012-2013	2,331	-	2,331	-
2011-2012	-	-	-	-
	<u>\$ 109,707</u>	<u>\$ 2,333,635</u>	<u>\$ 2,326,145</u>	<u>\$ 117,197</u>
Less: allowance for uncollectible accounts - general fund				<u>(56,108)</u>
Ad valorem taxes receivable - net				<u>\$ 61,089</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 2,355,000
Reconciling items:				
Penalties and interest collected				(18,920)
Rental vehicle tax				(5,563)
Insolvencies				(7,228)
Refunds				-
Write-offs				2,856
Subtotal				<u>(28,855)</u>
Total collections and credits				<u>\$ 2,326,145</u>

**Town of Sylva, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Year Ended June 30, 2023**

	<b>Town-Wide Levy</b>			<b>Property excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>
	<b>Property Valuation</b>	<b>Rate</b>	<b>Total Levy</b>		
Original levy					
Property taxed at current year's rate	\$ 530,390,605	0.440	\$ 2,333,719	\$ 2,218,429	\$ 115,290
	<u>530,390,605</u>		<u>2,333,719</u>	<u>2,218,429</u>	<u>115,290</u>
Discoveries					
Current year taxes	-	0.440	-	-	
Prior year taxes	-	0.440	-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Releases-current year	(19,200)	0.440	(84)	(84)	-
Releases-prior year	-	0.440	-	-	-
	<u>(19,200)</u>		<u>(84)</u>	<u>(84)</u>	<u>-</u>
Total property valuation	<u>\$ 530,371,405</u>				
Net levy			2,333,635	2,218,345	115,290
Uncollected taxes at June 30, 2023			<u>(54,618)</u>	<u>(54,618)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,279,017</u>	<u>\$ 2,163,727</u>	<u>\$ 115,290</u>
Current levy collection percentage			<u>97.66%</u>	<u>97.54%</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, 2023, 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 November 15, 2023.

### **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

Asheville, North Carolina

November 15, 2023

**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**

***Opinion on 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, 2023. The Town of Sylva's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In 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, 2023.

***Basis for Opinion on Each Major State Program***

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

### ***Report on Internal Control Over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in the internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of 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

Asheville, North Carolina

November 15, 2023

## Section I. Summary of Auditor's Results

Internal control over financial reporting:

[illegible]

Noncompliance material to financial statements noted?                      yes                  X no

## Federal Awards

Internal control over major federal 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 federal programs: NONE.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes                      X no

Identification of major federal programs: NONE

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

Auditee qualified as low-risk auditee?                      yes        X no

## 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 Nos. 11611 and 11612 – State Capital Improvement Fund

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### **Section II – Financial Statement Findings**

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None reported.

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### **Section III – Federal Award Findings and Questioned Costs**

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None reported.

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### **Section IV – State Award Findings and Questioned Costs**

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None reported.

**Town of Sylva, North Carolina**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2023**

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, 2023**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Fed. (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>
<b>Federal Grants:</b>				
<b>Cash Assistance:</b>				
<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	PROJ014961	\$ 14,012	\$ -
Byrne Justice Assistance Grants	16.738	PROJ015641	24,308	-
<u>U.S. Department of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Governors Highway Safety Program	20.600	2000067020	21,562	-
<u>U.S. Department of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
Coronavirus State Local Fiscal Recovery Funds	21.027	2021-0458	436,297	-
Total assistance - federal programs			<u>496,179</u>	<u>-</u>
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Office of Management and Budget</u>				
State Capital Improvement Fund		11611	-	20,843
State Capital Improvement Fund		11612	-	747,420
<u>N.C. Department of Transportation:</u>				
Powell Bill		4000048532	-	9,984
Total assistance - State programs			<u>-</u>	<u>778,247</u>
Total assistance			<u>\$ 496,179</u>	<u>\$ 778,247</u>

**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 Carolina for the year ended June 30, 2023. 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.