



**Financial Statements  
For the Year Ended June 30, 2025**

## **Town of Sylva, North Carolina**

### **Mayor**

Johnny Phillips

### **Board of Commissioners**

Jonathan Brown

Mary Gelbaugh

Blitz Estridge

Brad Waldrop

Joe Waldrum

### **Management**

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

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# SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina (Town of Sylva), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements as listed in the table of contents.

In my opinion, based on my audit, the accompanying 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, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

*Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 51 and 52, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and as a Percentage of Covered Payroll on pages 53 through 54, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 55, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary and Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sylva's basic financial statements. The combining and individual fund financial

statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2025 on my consideration of the Town of Sylva's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Town of Sylva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sylva's internal control over financial reporting and compliance.

*Sheila Gahagan CPA*

Sheila Gahagan, CPA  
October 31, 2025



## 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, 2025. 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 \$28,822,344 (net position).
- The government's total net position increased by \$1,399,670. The primary reason for this increase is work in progress for four capital/grant projects.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported a combined ending fund balance of \$16,193,725, an increase of \$552,677 in comparison with the prior year's *decrease* of \$917,627. Contributing to this increase was the establishment of the Scott's Creek Slope Project Fund. Approximately 34.1 percent, or \$5,536,090, 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 \$5,536,090, or 113 percent of the total general fund expenditures for the fiscal year. The unassigned fund balance increased by less than 0.4 percent from the prior year due to budgeted expenditures exceeding expected revenue and from conservative spending at a departmental level. The Town of Sylva's updated Fund Balance Policy states that the Town shall maintain an unassigned minimum fund balance threshold of 40% of the general operating budget with a target goal of 73%. The Town's general fund balance *increased* by \$985,178 compared to an increase of \$1,162,671 last year.
- Total long-term debt of \$3,217,878 *decreased* by \$22,411 from the previous year due to a decrease in post-employment benefits.

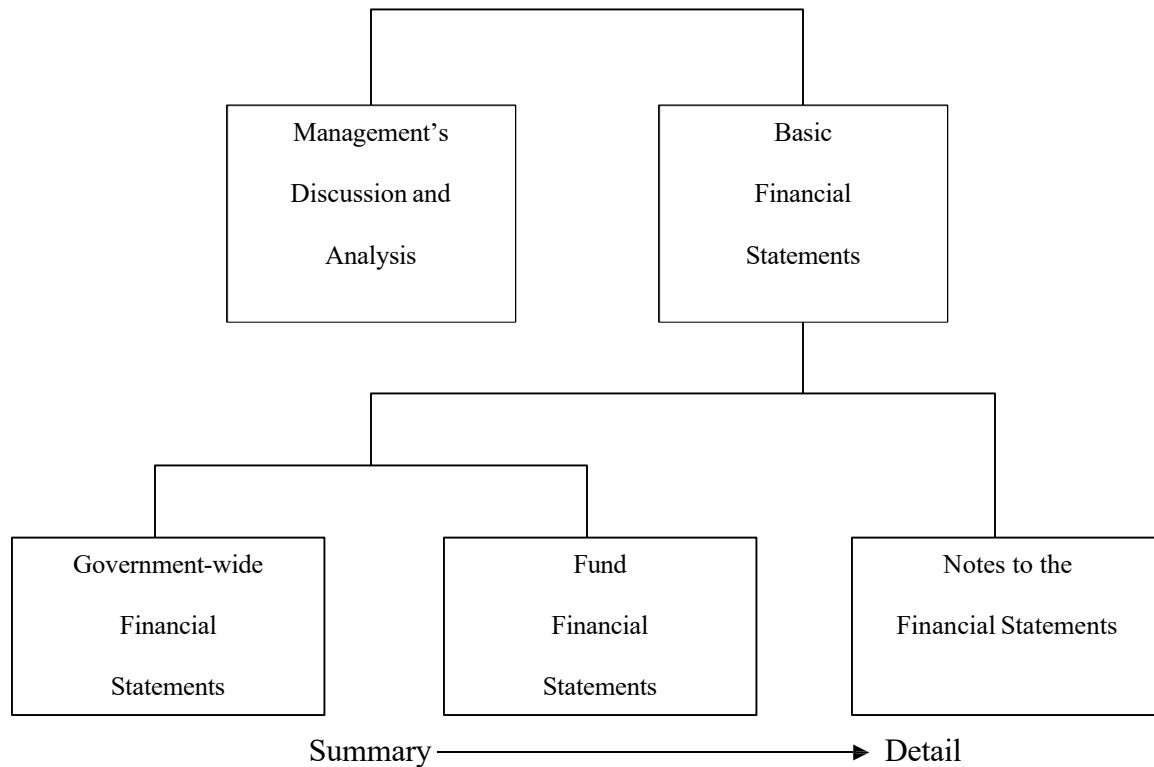
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

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

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. The governmental funds statements and the budgetary comparison statements are the two parts to the Fund Financial Statements.

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

### Government-wide Financial Statements

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

The two government-wide statements (Exhibits 1 and 2) report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and its total

liabilities and deferred inflows of resources. Measuring net position is one way to assess the Town's financial condition.

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

**Governmental activities** - The governmental activities include most of the Town's basic services such as public safety, streets, sanitation and recreation. Property taxes and state revenues, such as local option sales taxes, finance most of these activities.

## **Fund Financial Statements**

The fund financial statements (Exhibits 3 through 5) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All the Town's funds are governmental funds.

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

The Town adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, changes to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and changes. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-50 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 51 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

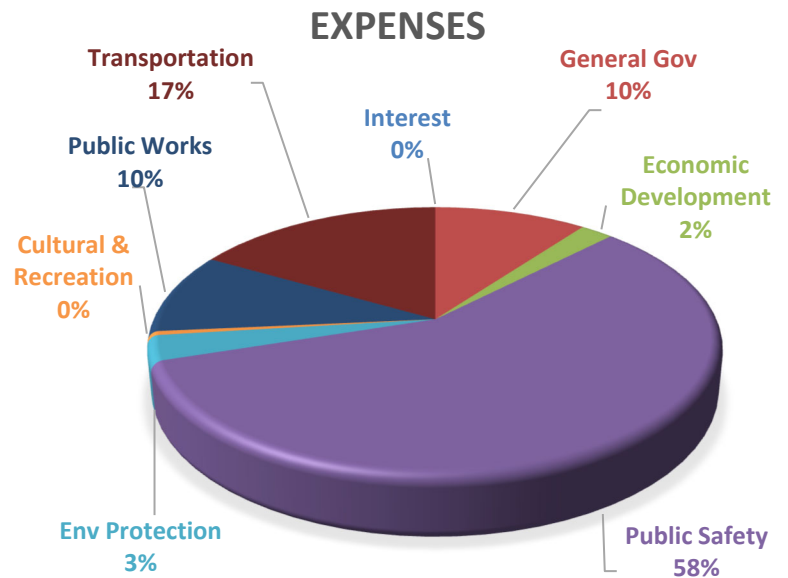
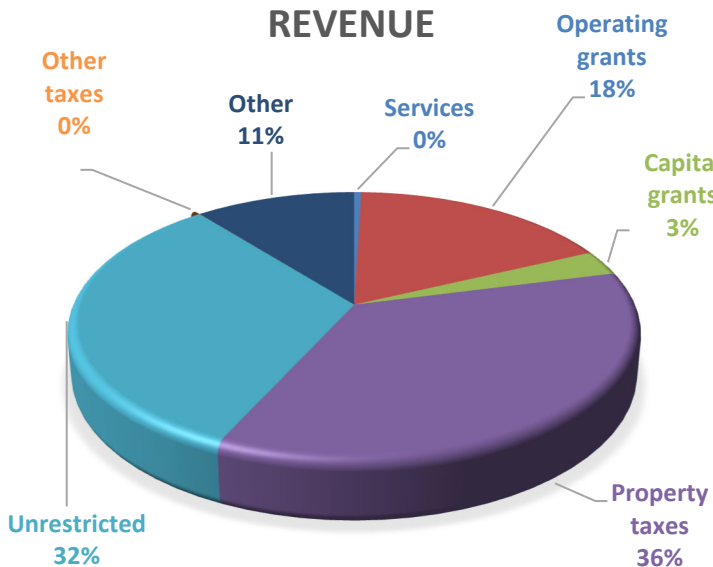
	2025	2024	\$ Change	%Change
Current assets	\$ 16,633,481	\$ 16,093,849	\$ 539,632	3%
Capital assets	15,058,502	14,010,570	1,047,932	7%
Other Noncurrent assets	52,435	52,435	-	0%
Total assets	31,744,418	30,156,854	1,587,564	5%
Deferred outflows of resources	1,305,801	1,625,321	(319,520)	-24%
Long-term liabilities outstanding	3,217,878	3,239,289	( 21,411)	-6%
Other liabilities	257,738	387,522	(129,784)	-50%
Total liabilities	3,475,616	3,626,811	(151,195)	-4%
Deferred inflows of resources	752,259	732,690	19,569	2%
Net position:				
Net investment in capital assets	15,007,581	14,006,576	1,001,005	7%
Restricted	4,051,521	5,148,459	(1,096,938)	-21%
Unrestricted	9,763,242	8,267,639	1,495,603	18%
Total net position	\$ 28,822,344	\$ 27,422,674	\$ 1,399,670	5%

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 \$28,822,344 as of June 30, 2025. The Town's net position *increased* by \$1,399,670 for the fiscal year ended June 30, 2025. The largest portion of net position (52 percent) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (34 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$4,051,521 (14 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 18 percent in unrestricted net position. Contributing to this increase was the addition of the Scott's Creek Slope Project.

## The Town of Sylva's Statement of Activities

	2025	2024	\$ Change	% Change
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 31,790	\$ 28,039	\$ 3,751	-13%
Operating grants and contributions	1,193,344	1,296,550	(103,206)	-7%
Capital grants and contributions	203,929	1,157,757	(953,828)	-82%
<b>General Revenues:</b>				
Property taxes	2,441,668	2,457,207	( 15,539)	-6%
Other taxes	970	1,105	( 135)	-12%
Grants and contributions not restricted to specific programs	2,208,154	2,098,754	109,400	5%
Other	729,654	784,815	( 55,161)	-7%
<b>Total Revenues</b>	<b>6,809,509</b>	<b>7,824,227</b>	<b>(1,014,718)</b>	<b>-12%</b>
<b>Expenses:</b>				
General government	551,078	908,332	(357,254)	-39%
Public safety	3,118,253	3,052,778	65,475	2%
Transportation	904,206	744,834	159,372	21%
Economic and physical development	118,826	169,299	( 50,473)	-29%
Environmental protection	164,637	162,730	1,907	1%
Cultural and recreation	26,056	101,417	(75,361)	-74%
Public works	526,733	81,508	445,225	546%
Interest and fiscal charges	50	1,827	(1,777)	-97%
<b>Total Expenses</b>	<b>5,409,839</b>	<b>5,222,725</b>	<b>187,114</b>	<b>3%</b>
 Change in net position	 1,399,670	 2,601,502	 (1,201,832)	 -46%
 Net position, July 1	 27,422,674	 24,821,172	 2,601,502	 10%
Net position, June 30	<u>\$ 28,822,344</u>	<u>\$ 27,422,674</u>	<u>\$ 1,399,670</u>	<u>5%</u>



**Governmental activities:** Governmental activities increased the Town's net position by \$1,399,670 thereby accounting for a 5 percent growth in the net position of the Town of Sylva. The increase was primarily driven by the appropriation of general fund capital reserve fund for a garbage truck and leaf vacuum, with payment scheduled for the next year.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the fund balance available in the General Fund was \$5,536,090 while total fund balance reached \$10,576,686. 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 113 percent of total General Fund expenditures, while total fund balance represents 260 percent of the same amount.

On June 30, 2025, the governmental funds of Town of Sylva reported a combined fund balance of \$16,193,725, a 3.5 percent increase from last year. The primary reason for this increase is the establishment of Scott's Creek Slope Project.

The Town's Fund Balance Policy requires that the Town maintains an unassigned fund balance of at least 40 percent of the general operating budget with a goal of 73 percent.

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

The Town of Sylva estimates revenues, especially intergovernmental revenues, with a conservative approach due to their volatile nature. Several General Fund revenues proved to be greater than originally budgeted. The most notable budgetary revenue increase was an 18.41 percent increase in Local Option Sales Tax. Additionally, the ABC profit distribution was \$51,717 above the original budget due to an unanticipated additional disbursement. Investment earnings came in at \$377,629 over budget. This was due to interest rates continuing at higher levels despite forecasts predicting decline.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town's investment in capital assets for its governmental activities as of June 30, 2025, totals \$15,058,502 (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:

- Dell PowerEdge R350 Server
- 2025 Ford Interceptor Vehicles (2)
- 2023 Ford Explorer
- Max 70 Tire Changer
- 2024 Currahee Trailer
- Paving Fincannon and Charles Street
- Fire Department HVAC Replacement
- Fire Truck #351 Skid Unit
- Fire Truck #364 Turbo Assembly
- Genesis Extrication Tool
- Super Vac – Vent Fan
- Portable Pool Lift
- Allen Street Capital Improvements

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

	2025	2024	\$ Change	% Change
Land	\$ 3,922,599	\$ 3,934,299	\$ ( 11,700)	-2%
Construction in progress	3,514,291	4,853,071	(1,338,780)	-27%
Buildings	3,070,469	3,168,852	( 98,383)	-3%
Other improvements	230,318	248,958	( 18,640)	-7%
Equipment	164,852	228,785	( 63,933)	-27%
Vehicles and motorized equipment	723,560	723,955	( 395)	0%
Infrastructure	3,377,260	848,757	2,528,503	297%
Right to use leased assets	55,153	3,893	51,260	1316%
Total	\$ 15,058,502	\$ 14,010,570	\$ 1,047,932	7%

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

### Long-term Debt

As of June 30, 2025, the Town of Sylva had long-term debt outstanding \$3,217,878. Debt decreased from the previous year by 1 percent, due to decreases in postemployment benefit obligations.

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Direct placement installment purchase	\$ -	\$ -	\$ -	\$ -
Leases	3,994	49,435	2,508	50,921
Compensated absences	122,414	32,801	-	155,215
Total pension liability (LEO)	635,049	-	53,979	581,070
Total pension liability (LERS)	1,656,633	-	39,691	1,616,942
Total OPEB liability	821,199	-	7,469	813,730
	<u>\$ 3,239,289</u>	<u>\$ 82,236</u>	<u>\$ 103,647</u>	<u>\$ 3,217,878</u>

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

## **Economic Factors and Next Year's Budgets and Rates**

Currently the economic outlook is uncertain. The labor market is moderately strong but fragile. Inflationary pressures, interest rate volatility, and changing consumer sentiment have created a complex fiscal environment. These economic conditions not only impact household budgets, but also municipal revenues, especially those tied to consumer spending, property values, and intergovernmental support. Shifts in trade policy and potential impacts of tariffs are concerning because widespread impacts are unknown.

## **Budget Highlights for the Fiscal Year Ending June 30, 2026**

### **Governmental Activities:**

The Town of Sylva has approved a \$7,596,527 budget for the fiscal year 2025-2026, this represents an increase of \$1,627,308 or 27 percent from the 2024-2025 original budget which totaled \$5,969,219.

### **Revenues:**

- The tax rate remained at \$0.45 per \$100. Jackson County reevaluated property values as of January 1, 2025, with the new values reflected in the fiscal year 2025-2026. The levy on real property, vehicles, and personal property comprises 50 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$607,153,003 (including vehicles).
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance contribute 29 percent of the General Fund budget. Minimal to no growth is projected in most of these revenue sources.
- It is anticipated that the Federal Reserve will decrease interest rates in the coming year.

### **Expenditures:**

- Employees received a 3 percent cost of living adjustment for all employees and up to a 2 percent merit increase for full-time employees based on performance. Classification and pay study was conducted in March 2022. A new study will be performed in March 2026. The North Carolina Local Employees' Retirement System rates increased from the prior year. Currently, the General Government, including the Fire Department, contribution rate is 14.39%, and the Law Enforcement contribution rate is 16.08%.
- Due to significant health insurance plan administration changes, the Town opted to change plan administrators for the 2025-2026 plan year. The Town now uses the HILB Group to administer health insurance through BSCS of NC. Coverage remained on a high-deductible plan, and the Town continues to contribute \$1,600 to an H-S-A for each employee.
- Due to actuarial assumptions and a younger workforce, the post-retirement fund for health insurance is sufficiently funded at the present. The contributions to Separation Allowance for Law Enforcement remained at \$50,000. The Town Board is commended for their acknowledgement of this future expense and their proactive approach to lessening the impact of the Town's retiring workforce on future budgets.
- Capital expenditures in the 2025-2026 Budget include two fully equipped police vehicles, a snowplow, leaf vacuum, garbage truck, and a Fire Department commercial pumper truck.



- Powell Bill fund balance was not appropriated in the current budget, compared to an appropriation of \$32,000 in the prior year.
- A General fund balance rollover of \$259,502 was appropriated in the current budget to purchase a garbage truck that was ordered in the FY 2024-2025. A Fire Department fund balance rollover of \$566,150 was appropriated to purchase a commercial pumper that was also ordered in FY 2024-2025.
- Currently, the available fund balance minus ARPA Related Funds is 71.52% percent of the current year's expenditure. The Town's Fund Balance Policy states that the Town shall maintain 40 percent of fund balance for expenditures, with a goal of 73 percent. The Fund Balance Policy allows monies over the stated goal to be transferred into the General Fund Capital Reserve Fund. Since the percentage is not over the stated goal, no transfer will be made. Management will propose revising the fund balance target goal to account for increased expenditures, ensuring the target remains realistic and consistent with prior fiscal trends.
- The Scott's Creek Slope Stabilization Project is currently on hold while the Town awaits FEMA's decision regarding disaster assistance for damage caused by Hurricane Helene.
- In August 2025 the Town was awarded \$341,323 from then NC Parks and Recreation Trust Fund. A capital project was established to manage and track the fund and the required matching contributions.

### **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

**Town of Sylva, North Carolina**  
**Statement of Net Position**  
**June 30, 2025**

**Exhibit 1**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 11,058,973
Receivables (net)	
Taxes receivable	90,336
Accrued interest	31,413
Due from other governments	488,215
Prepaid expenses	40,131
Restricted cash and cash equivalents	4,924,413
Total current assets	<u>16,633,481</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	3,922,599
Other capital assets, net of depreciation	11,070,918
Right to use assets, net of amortization	64,985
Total capital assets	<u>15,058,502</u>
Real estate held for resale	52,435
Total noncurrent assets	<u>15,110,937</u>
Total Assets	<u>31,744,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	980,206
OPEB deferrals	325,595
Total deferred outflows of resources	<u>1,305,801</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	158,965
Accrued liabilities	98,773
Current portion of long-term liabilities	12,048
Total current liabilities	<u>269,786</u>
Long-term liabilities:	
Due in more than one year	3,205,830
Total liabilities	<u>3,475,616</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	32,044
Pension deferrals	179,298
OPEB deferrals	540,917
Total deferred inflows of resources	<u>752,259</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,007,581
Restricted for:	
Culture and recreation	186,593
Economic development	101,073
Environmental protection: water quality	1,286,892
Stabilization by state statue	407,555
Transportation	294,906
Public safety	43,071
Capital reserves	1,527,502
Pursuant to loan requirements	203,929
Unrestricted	9,763,242
Total net position	<u>\$ 28,822,344</u>

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

**Exhibit 2**

<b>FUNCTIONS/PROGRAMS</b>	<b>Program Revenues</b>				<b>Net (Expense)</b>
					<b>Revenue and</b>
					<b>Changes in</b>
					<b>in Net Position</b>
					<b>Primary</b>
					<b>Government</b>
					<b>Governmental</b>
					<b>Activities</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 551,078	\$ 14,455	\$ -	\$ 203,929	\$ (332,694)
Public safety	3,118,253	9,880	1,105,527	-	(2,002,846)
Transportation	904,206	-	87,817	-	(816,389)
Economic and physical development	118,826	-	-	-	(118,826)
Environmental protection	164,637	-	-	-	(164,637)
Culture and recreation	26,056	7,455	-	-	(18,601)
Public works	526,733	-	-	-	(526,733)
Interest and fiscal charges	50	-	-	-	(50)
Total primary government	5,409,839	31,790	1,193,344	203,929	(3,980,776)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					2,441,668
Other taxes and licenses					970
Grants and contributions not restricted to specific programs					2,208,154
Unrestricted investment earnings					614,104
Gain on sale of capital assets					18,380
Miscellaneous, unrestricted					97,170
Total general revenues and transfers					5,380,446
Change in net position					1,399,670
Net position, beginning					27,422,674
Net position, ending					\$ 28,822,344

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

**Exhibit 3**

	Major Funds					
		Bryson Park	Scotts Creek		Total	
	Fisher Creek	Grant	Slope	Other Non-	Governmental	
	General Fund	Project Fund	Project Fund	Major Funds	Funds	
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 7,778,678	\$ 1,950,512	\$ -	\$ 1,040,307	\$ 289,476	\$ 11,058,973
Receivables, net:						
Taxes	90,336	-	-	-	-	90,336
Due from other governments	441,228	251	43,202	-	3,534	488,215
Prepaid expenses	-	-	-	-	40,131	40,131
Restricted cash and cash equivalents	2,565,581	1,344,351	265,142	203,929	545,410	4,924,413
Total current assets	10,875,823	3,295,114	308,344	1,244,236	878,551	16,602,068
Other assets						
Real estate held for resale	-	-	-	-	52,435	52,435
Total assets	10,875,823	3,295,114	308,344	1,244,236	930,986	16,654,503
LIABILITIES						
Current liabilities						
Accounts payable	44,311	-	114,654	-	-	158,965
Accrued liabilities	98,773	-	-	-	-	98,773
Total liabilities	143,084	-	114,654	-	-	257,738
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	90,336	-	-	-	-	90,336
Unavailable revenues	33,673	251	43,202	-	3,534	80,660
Prepaid taxes	32,044	-	-	-	-	32,044
Total deferred inflows of resources	156,053	251	43,202	-	3,534	203,040
FUND BALANCES						
Restricted for:						
Stabilization by state statute	407,555	-	-	-	-	407,555
Streets: Powell Bill	294,906	-	-	-	-	294,906
Public safety	43,071	-	-	-	-	43,071
Capital reserve for fire department	399,753	-	-	-	-	399,753
Capital reserve for general operations	1,127,749	-	-	-	-	1,127,749
Economic development	-	-	-	-	101,073	101,073
Water quality	-	1,344,351	-	-	-	1,344,351
Retaining wall				203,929		203,929
Bridge Park	32,326	-	-	-	-	32,326
Culture and recreation	1,369	-	150,488	-	2,410	154,267
Committed:						
Sidewalks	-	-	-	-	226,493	226,493
Retaining wall	-	-	-	1,040,307	-	1,040,307
Economic development	-	-	-	-	289,476	289,476
Conservation	-	1,854,741	-	-	-	1,854,741
Assigned:						
Subsequent years expenditures	980,986	95,771	-	-	308,000	1,384,757
Other postemployment benefits	1,123,386	-	-	-	-	1,123,386
LEO seperation allowance	629,495	-	-	-	-	629,495
Unassigned:	5,536,090	-	-	-	-	5,536,090
Total fund balances	10,576,686	3,294,863	150,488	1,244,236	927,452	16,193,725
Total liabilities, deferred inflow of resources and fund balances						
	\$ 10,875,823	\$ 3,295,114	\$ 308,344	\$ 1,244,236	\$ 930,986	\$ 16,654,503

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2025**

**Exhibit 3**

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

Total Fund Balance, Governmental Funds		\$ 16,193,725
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 23,303,986	
Accumulated depreciation	<u>(8,300,637)</u>	15,003,349
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	\$ 64,985	
Accumulated amortization	<u>(9,832)</u>	55,153
Accrued interest receivable on ad valorem taxes		31,413
Deferred outflows of resources are not reported in the funds		
Related to pensions		980,206
Related to OPEB		325,595
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Property taxes receivable		90,336
Unavailable revenues		80,660
Long term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long term debt		(206,136)
Net pension liability		(1,616,942)
Total pension liability		(581,070)
OPEB liability		(813,730)
Deferred inflows of resources are not reported in the funds		
Related to pensions		(179,298)
Related to OPEB		<u>(540,917)</u>
Net position of governmental activities		<u><u>\$ 28,822,344</u></u>

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year ended June 30, 2025**

**Exhibit 4**

	<b>Major Funds</b>					
	<b>General Fund</b>	<b>Fisher Creek Fund</b>	<b>Bryson Park Grant Project Fund</b>	<b>Scotts Creek Slope Project Fund</b>	<b>Other Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Ad valorem taxes	\$ 2,410,525	\$ -	\$ -	\$ -	\$ -	\$ 2,410,525
Other taxes and licenses	970	-	-	-	-	970
Unrestricted intergovernmental	3,178,266	-	-	-	-	3,178,266
Restricted intergovernmental	161,519	-	-	203,929	-	365,448
Permits and fees	31,790	-	-	-	-	31,790
Investment earnings	377,629	131,348	30,436	28,478	46,214	614,105
Miscellaneous	96,885	285	-	-	-	97,170
Total revenues	<u>6,257,584</u>	<u>131,633</u>	<u>30,436</u>	<u>232,407</u>	<u>46,214</u>	<u>6,698,274</u>
<b>EXPENDITURES</b>						
Current:						
General government	831,244	-	-	-	-	831,244
Public safety	2,964,119	-	-	-	-	2,964,119
Transportation	771,530	-	-	-	-	771,530
Economic and physical development	15,976	54,001	-	-	25,910	95,887
Environmental protection	156,554	-	-	-	-	156,554
Public works	24,700	-	-	-	-	24,700
Culture and recreation	99,356	-	856,367	-	413,669	1,369,392
Debt service:						
Principal	2,510	-	-	-	-	2,510
Interest and fees	50	-	-	-	-	50
Total expenditures	<u>4,866,039</u>	<u>54,001</u>	<u>856,367</u>	<u>-</u>	<u>439,579</u>	<u>6,215,986</u>
Excess (deficiency) of revenues over expenditures	1,391,545	77,632	(825,931)	232,407	(393,365)	482,288
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	20,954	-	-	-	-	20,954
Lease liabilities issued	49,435	-	-	-	-	49,435
Transfers (to) from other funds	(476,756)	-	-	1,011,829	(535,073)	-
Total other financing sources	<u>(406,367)</u>	<u>-</u>	<u>-</u>	<u>1,011,829</u>	<u>(535,073)</u>	<u>70,389</u>
Net change in fund balance	985,178	77,632	(825,931)	1,244,236	(928,438)	552,677
Fund balances						
Beginning of year, July 1	9,591,508	3,217,231	976,419	-	1,855,890	15,641,048
End of year, June 30	<u>\$ 10,576,686</u>	<u>\$ 3,294,863</u>	<u>\$ 150,488</u>	<u>\$ 1,244,236</u>	<u>\$ 927,452</u>	<u>\$ 16,193,725</u>

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of the Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2025**

**Exhibit 4**

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

Net changes in fund balances - total governmental funds	\$ 552,677
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	\$ 1,592,455
Depreciation expense for governmental assets	(532,159)
Amortization expense for intangible assets	<u>( 2,458)</u>
	1,057,838
Governmental funds report proceeds from the sale of capital assets or insurance proceeds as revenues. However, in the Statement of Activities the gain or loss from the sale is recorded as revenue. This is the amount by which revenues exceed gains.	
	(1,819)
Contributions to the pension plan and administrative expenses made in the current fiscal year are not included in the Statement of Activities.	
	298,179
Benefit payments paid and administrative expenses for the LEOSA are not included in Statement of Activities.	
	38,482
OPEB benefit payments and administrative expenses made in the current fiscal year are not included in the Statement of Activities	
	60,190
Revenue in Statement of Activities that do not provide current financial resources are not reported as revenue in the funds	
Change in unavailable revenue from taxes	31,143
Change in unrestricted contributions	60,956
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Lease liability issued	(49,435)
Repayment of long term debt	6,792
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	(32,801)
Pension liabilities	(641,677)
OPEB liability	<u>19,145</u>
Total changes in net position of governmental activities	<u><u>\$ 1,399,670</u></u>

See independent auditor's report and accompanying notes.

**Town of Sylva, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund and Major Special Revenue Funds**  
**For the Year Ended June 30, 2025**

	General Fund			Variance with
	Budget		Actual Amounts	Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 2,309,930	\$ 2,309,930	\$ 2,410,525	\$ 100,595
Other taxes and licenses	-	1,000	970	(30)
Unrestricted intergovernmental	3,166,308	2,854,375	3,170,822	316,447
Restricted intergovernmental	71,500	179,542	161,519	(18,023)
Permits and fees	24,200	28,160	31,790	3,630
Investment earnings	63,000	77,079	377,629	300,550
Miscellaneous	51,675	63,955	96,885	32,930
Total revenues	5,686,613	5,514,041	6,250,140	736,099
EXPENDITURES				
Current:				
General government	1,493,163	982,727	854,974	127,753
Public safety	3,093,001	3,945,650	2,973,653	971,997
Transportation	1,225,725	1,181,515	771,530	409,985
Economic and physical development	22,300	22,300	15,976	6,324
Enviornmental protection	198,130	183,430	156,554	26,876
Public works	26,000	26,000	24,700	1,300
Culture and recreation	124,150	127,650	99,765	27,885
Debt service:				
Principal	-	6,844	2,510	4,334
Interest and fees	-	51	50	1
Total expenditures	6,182,469	6,476,167	4,899,712	1,576,455
Revenues over (under) expenditures	(495,856)	(962,126)	1,350,428	2,312,554
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	20,541	20,954	413
Lease liabiity issued		57,097	49,435	(7,662)
Transfers (to) from other funds	-	(829,500)	(829,500)	-
Transfers from capital reserves	40,706	889,830	889,830	-
Appropriated fund balances	455,150	824,158	-	(824,158)
Total other financing sources	495,856	962,126	130,719	(831,407)
Net change in fund balance	-	-	1,481,147	1,481,147
General Fund fund balance				
Beginning of year, July 1			7,773,854	
Budget to modified accrual adjustment:				
Change in sales tax receivable			(34,923)	
End of year, June 30			9,220,078	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
			Investment earnings	76,038
			Transfer to general fund	(889,830)
			Transfers (to) from other funds	352,744
				(461,048)
Capital reserve fund - Fund balance, beginning				1,817,656
Consolidated Fund balance, ending				\$ 10,576,686

See independent auditor's report and accompanying notes.



**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Sylva is a municipal corporation that is governed by an elected mayor and a five-member board of commissioners. As required by accounting principles, these financial statements present the Town.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category, governmental, are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

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

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

**Scotts Creek Slope Stabilization Project.** This fund was established to account for revenues and expenses for needed repairs to Scott's Creek retaining wall failure. The project will stabilize Scott's Creek along the bank adjacent to Town property from the Allen Street Bridge to the swimming pool.

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 money from the Urban Development Assistance Grant (UDAG) Special Revenue Fund. The fund sustains itself through the repayment of the loans and interest.

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

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

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

**Allen Street Landslide Capital Project Fund.** This fund was established for the engineering, building and repairing of a landslide area along Allen Street. This project was completed and closed out during the year ended June 30, 2025.

**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. This project was completed and closed out during the year ended June 30, 2025.

**Poteet Park Restroom Project Fund.** This fund was established for the improvement of the Poteet Park Restrooms.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Jackson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred,

there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, if allowable by the terms of the grant.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Fisher Creek Special Revenue fund, the Revolving Loan Special Revenue fund, the Sidewalk Special Revenue fund, the Public Art Special Revenue Fund, the Capital Reserve fund, and the Fire Department Capital Reserve 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 Scotts Creek Slope Stabilization Fund, the Allen Street Landslide Fund, Public Restroom SCIF Grant, the Bridge Park Stormwater Capital Project Fund, Poteet Park Restrooms Fund and the Façade Improvement Grant Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Board has authorized the Town Manager to transfer appropriations within a department without limitation or report being given and amounts up to \$2,000 between departments with an official report of such transfers on the next consent agenda. All other amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and mutual fund shares when the mutual fund is certified by the Local Government Commission. The Town's investments are generally reported at fair value.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is a SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAM by S&P and AAA-mf by Moody's Investor Services and reported at fair value.

## 2. Cash and Cash Equivalents

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

## 3. Restricted Assets

The cash and cash equivalent balances for both the Capital Reserve Fund and the Fire Department Capital Reserve Fund are classified as restricted as their use has been restricted to capital needs. The Bridge Park fund cash is restricted as its use was restricted by the original donor to the fund. Funds received from donors are restricted for cultural, economic development and environmental protection purposes based on donor or grantor stipulations. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S 136-14.1 through 136-41.4.

### Town of Sylva Restricted Cash

#### Governmental Activities

##### General Fund

Streets	\$ 294,906
Public Safety: police department	43,071
Capital Reserve for fire protection	1,006,159
Capital reserve for general operations	1,187,749
Culture and recreation	38,106
Economic development	54,638
Water quality – Fisher Creek	1,344,351
Sidewalks	486,362
Capital Projects:	
Bryson Park and playground equipment	265,142
By loan requirement, Scotts Creek Slope	203,929

Total Restricted Cash	<u>\$ 4,924,413</u>
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## 4. Ad Valorem Taxes Receivable

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

#### 5. Allowances for Doubtful Accounts

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

#### 6. Prepaid Items

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

#### 7. Capital Assets

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

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

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

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

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

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

#### 8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has pension and OPEB deferrals for the 2025 fiscal year, which meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category – prepaid taxes, property taxes receivable, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), OPEB and pension deferrals.

#### 9. Long-Term Obligations

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

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

#### 10. Compensated Absences

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

Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. Any sick leave "more likely than not" expected to be paid each year has already been budgeted for through normal salaries and wages.

## 11. Net Position/Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

**Restricted for Transportation (Streets) - Powell Bill** portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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



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

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

Restricted for Culture and Recreation – the portion of fund balance restricted by the grantor for the Bryson Park and Playground Equipment Grant, the portion of the general fund balance that is restricted by donors for the Main Street department and the fund balance of the Public Art Fund.

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

Restricted for Economic Development, Water Quality – 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 Retaining wall – portion of the general fund balance that is restricted by the NC Cashflow loan requirements for the stabilization of a retaining wall for Scotts Creek Slope Project.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sylva’s Board of Commissioners (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 economic development – portion of fund balance that is committed by the Board for the Public Restrooms and Poteet Park Restroom projects.

Committed for retaining wall – portion of fund balance that is committed by the Board for the Scotts Creek slop stabilization project.

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

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

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

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

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

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. In addition, the Town has set a target goal of maintaining an unassigned fund balance of 73%. Once this goal is met, the Board may transfer funds to the general fund capital reserve.

#### Defined Benefit Cost-Sharing Plans

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

## **II. Stewardship, Compliance and Accountability**

### **A. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2025, the sales tax expenditures in the following funds exceeded the line-item appropriations authorized by the governing board:

1. Allen Street Landslide Project Fund:
  - a. Sales tax exceeded appropriations by \$12,596
2. Public Restroom Grant Fund:
  - a. Sales tax exceeded appropriations by \$2,102

3. Bridge Park Stormwater Project:
  - a. Sales tax exceeded appropriations by \$6,602.

Management included sales tax paid by contractors on capital projects in the construction line. The total construction budget was for the entire contract including reimbursable sales tax. The auditor proposed an adjusting entry to reverse the reimbursable sales tax out of the construction line into a sales tax expense line. This created underbudgeting of the sales tax expense line even though the budget was in the construction line. Historically, Town Project Ordinances have been based on total expenditures of funds. Since there was lack of sufficient language in the Project Ordinance to satisfy the auditor, the sale tax expenditure exceeded the line-item budget. The total project costs were not exceeded. Moving forward, specific language will be incorporated into both current and future project ordinances to explicitly clarify the Finance Officer is authorized to transfer amounts between line items within the project ordinance, including the contingency appropriation, provided the total project budget remains unchanged.

### **III. Detail Notes on All Funds**

#### **A. Assets**

##### **1. Deposits and Investments**

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

At June 30, 2025, the Town's deposits had a carrying amount of \$15,982,086 and a bank balance of \$16,093,050. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$15,843,050 was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$1,300. Included in the bank balance is \$2,574,458 invested with the North Carolina Capital Management Trust's Government Portfolio, a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It

is rated AAAm by Standard and Poor's (S&P) and AAmf by Moody's Investor Services and is reported at fair value. The Town has no policy regarding credit risk.

## 2. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Statement of Net Position includes interest levied and outstanding in the amount of \$163,586. The accounts receivable amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025, is net of the following allowances for doubtful accounts:

Fund	Allowance
General fund:	
Property taxes receivable	\$ 41,837

## 3. Capital Assets

Capital Asset Activity for the Primary Government for the year ended June 30, 2025 was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,922,599	\$ -	\$ -	\$ 3,922,599
Construction in progress	4,853,071	1,237,452	2,576,233	3,514,290
Total capital assets not being Depreciated	8,775,670	1,237,452	2,576,233	7,436,889
<u>Capital assets being depreciated:</u>				
Buildings	5,141,835	-	-	5,141,835
Other improvements	801,537	-	-	801,537
Equipment	457,315	77,027	16,368	517,974
Infrastructure	3,081,095	2,627,673	9,949	5,698,819
Vehicles and motorized Equipment	3,699,611	172,819	165,498	3,706,932
Total capital assets being depreciated	13,181,393	2,877,519	191,815	15,867,097
Less accumulated depreciation for:				
Buildings	1,972,983	98,382	-	2,071,365
Other improvements	540,879	30,340	-	571,219
Equipment	336,705	32,827	16,410	353,122
Infrastructure	2,258,205	63,354	-	2,321,559
Vehicles and motorized Equipment	2,841,614	307,256	165,498	2,983,372
Total accumulated depreciation	7,950,386	532,159	181,908	8,300,637
Total capital assets being depreciated, net	5,231,007			7,566,460
<u>Capital assets being amortized:</u>				
Right to use assets:				
Leased equipment	11,266	53,718	-	64,984
Less accumulated depreciation	7,373	2,458	-	9,831
	3,893	51,260	-	55,153
<b>Governmental activity capital assets, net</b>	\$ 14,010,570			\$ 15,058,502

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

General government	\$	39,409
Public safety		265,934
Transportation		183,258
Public works		-
Economic development		22,939
Environmental protection		-
Cultural and recreational		23,077
Total depreciation expense	\$	<u>534,617</u>

### Construction Commitments

The Town has active construction projects as of June 30, 2025. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Restroom remodel (Bryson Park)	\$ 277,080	\$ 4,072

### B. Liabilities

#### 1. Pension Plan and Postemployment Obligations

##### a. 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), firefighters and rescue squad workers of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454, or at [www.osc.nc.gov](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 retirements benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible

beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed 5 years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions that is generally available to beneficiaries of deceased members. This plan does not provide for automatic post-retirement benefits increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

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

*Contributions.* Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.64% 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 \$298,241.

*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, 2025, the Town reported a liability of \$1,616,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan of participating LGERS employers, actuarially determined. At June 30, 2025, the Town's proportion was .02399% which was a decrease of .00103% for the Town of the proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Town recognized pension expense of \$509,565. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual expense	\$ 283,349	\$ 1,905
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	219,822	-
Changes in proportion and differences between contributions and proportionate share of contributions	94,987	68,674
Town's contributions subsequent to the measurement date	298,179	-
Total	\$ 896,337	\$ 70,579

The \$298,179 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	177,139
2027	338,776
2028	36,520
2029	(24,856)
2030	-
	<u>\$ 527,579</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 8.10 percent, including a 3.25% inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 valuations were based on the results of an actuarial review for the period January 1, 2016 through December 31, 2020, adopted by LGERS.

Future and ad hoc cost of living adjustment (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 forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>
Fixed Income	33.0%
Global Equity	38.0%
Real Estate	8.0%
Alternatives	8.0%
Opportunistic Fixed Income	7.0%
Inflation Projection	6.0%
Total	100%

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2023, and is part of the asset, liability, and investment policy of 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 2.25%. Return projections do not include any excess return expectation over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 is .78%.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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 6.5 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability	2,865,269	1,616,942	590,022

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Sylva administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	14
Total	<u>16</u>

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

### 3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	4.28%
Projected salary increases	3.25 – 7.75%
Inflation	2.50%

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

### 4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$41,681 as benefits came due for the reporting period.

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

At June 30, 2025 the Town reported a total pension liability of \$581,070. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025 the Town recognized pension expense of \$76,328.

	<b><u>Deferred Outflows</u></b>	<b><u>Deferred Inflows</u></b>
Differences between expected and actual experience	\$ 24,610	\$ 51,647
Changes of assumptions	20,777	57,072
Benefit payments and administrative expenses subsequent to the measurement date	<u>38,482</u>	<u>-</u>
Total	\$ 83,869	\$108,719

\$38,482 paid as benefits came due subsequent to the measurement date have been reported as deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$ ( 2,428)
2027	(23,596)
2028	(15,174)
2029	(10,346)
2030	(11,118)
Thereafter	( 670)

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

	1% Decrease <u>(3.28%)</u>	Discount Rate <u>(4.28%)</u>	1% Increase <u>(5.28%)</u>
Total pension liability	\$ 621,689	\$ 581,070	\$ 543,933

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

Beginning balance	\$635,049
Service cost	24,459
Interest	24,687
Change in benefit terms	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(56,366)
Changes in assumptions and other inputs	(11,012)
Benefit payments	(35,747)
Other changes	-
Ending balance of the total pension liability	<u>\$581,070</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, 2023 valuation was based on the results of an actuarial experience study for the five-year period ending December 30, 2019.

**Total Expenses, 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	509,565	76,328	585,893
Pension Liability	1,616,942	581,070	2,198,012
Proportionate share of the net pension liability	.02399%	n/a	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	283,349	24,610	307,959
Change of Assumptions	-	20,777	20,777
Net difference between projected and actual earnings on plan investments	219,822	-	219,822
Changes in proportion and differences between contributions and proportionate share of contributions	94,987	-	94,987
Benefit payments and administrative cost paid subsequent to the measurement date	298,179	38,482	336,661

<b>Deferred Inflows of Resources</b>	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Differences between expected and actual experience	1,905	51,647	53,552
Change of assumptions	-	57,072	57,072
Change in proportion and differences between contributions and proportionate share of contributions	68,674	-	68,674

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Sections 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary. The Town has also chosen to contribute an amount equal to five percent of each for participating general employee, and all amounts contributed are vested immediately. Also, the general employees and law enforcements officers may make voluntary contributions to the plan.

The Town made contributions of \$44,090 for law enforcement and \$61,359 for general employees for the reporting year. No amounts were forfeited.

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

Plan members of the FRSWPF are required to contribute \$10 per month to the plan. For the year ended June 30, 2025, the Town contributed the required pension amount for 9 paid employees and 24 volunteers. The Town makes the plan member required contributions on January 1 of each year for the active fire department roster. Total contributions by the Town for fiscal year 2025 were \$4,035.

The State, a non-employer contributor, funds the plan through appropriations. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. The State's contributions recognized for accounting purposes for the fiscal year ending June 30, 2025, were \$19,789,708. 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, 2025.

e. Other Post-Employment Benefit Obligations

Healthcare Benefits

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

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

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

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

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

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

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

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

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

### Total OPEB Liability

The Town's total OPEB liability of \$813,730 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

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

Inflation	2.5 percent
Salary increases	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Discount rate	3.93%
Healthcare Cost Trends	7.00% for 2023, decreasing to an ultimate rate of 4.50% by 2033

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

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	821,199
Changes for the year	
Service cost	44,977
Interest	30,276
Changes of benefit terms	-
Differences between expected and actual experience	12,109
Changes in assumptions or other inputs	(20,774)
Benefit payments and implicit subsidy credit	<u>(74,057)</u>
Balance at June 30, 2023	813,730

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$891,857	\$813,730	\$745,894

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$731,501	\$813,730	\$915,060

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$40,779. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 106,536	\$ 397,817
Changes of assumptions	158,869	143,100
Benefit payments and administrative costs made subsequent to the measurement date	<u>60,190</u>	<u>-</u>
Total	\$ 325,595	\$ 540,917

\$60,190 of deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2026	( 32,926)
2027	( 29,115)
2028	( 27,236)
2029	( 26,951)
2030	( 70,470)
Thereafter	( 88,814)



**2. Other Employment Benefits**

- a. The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's benefits, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan subsequent to the measurement date	\$ 298,179
Benefit payments made and administrative costs for LEOSSA made subsequent to measurement date	38,482
Benefit payments made and administrative costs for OPEB made subsequent to measurement date	60,190
Difference between expected and actual experience	414,495
Changes of assumption	179,646
Net difference between projected and actual share of earnings on plan investments	219,822
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>94,987</u>
Total	\$1,305,801

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 32,044	\$ 32,044
Taxes receivable, less penalties		90,336
Unavailable receivables	-	80,660
Differences between expected and actual expense	451,369	-
Change in assumptions	200,172	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>68,674</u>	<u>-</u>
Total	\$ 752,259	\$ 203,040

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss. The Town obtains general liability coverage of \$1 million per occurrence and \$10 million in the aggregate, auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property, worker's compensation coverage up to statutory limits, and employee health coverage. There have been no significant reductions in insurance coverage during the year. The Town carried flood insurance with an annual aggregate limit of \$500,000, excluding properties the insurance company excludes from coverage due to being located in the high-risk flood zones.

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 \$663,000 and \$400,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$32,000.

#### 5. Long-Term Obligations

##### a. Leases

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

One 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, 2025 is \$1,485.

The future minimum lease obligation and net present value of these minimum payments as of June 30, 2025 is as follows:

<u>Year ending June 30</u>	Principal	Interest
2026	\$ 1,485	\$ 9

Another agreement was executed in June 2025 to lease body cameras for the police department and requires a payment of \$4,282 when the contract was signed and then 5 annual payments of \$10,563. The lease liability is measured at a discount rate of 3.42%, an inputted rate. The liability balance as of June 30, 2025 is \$49,435.

The future minimum lease obligation and net present value of these minimum payments as of June 30, 2025 is as follows:

<u>Year ending June 30</u>	Principal	Interest
2026	\$ 10,563	\$ -
2027	9,234	1,329
2028	9,549	1,014
2029	9,876	687
2030	<u>10,213</u>	<u>349</u>
Totals	\$ 49,435	\$ 3,379

At June 30, 2025, the Town had approximately legal debt margin of \$38.2 million.

d. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Direct borrowings	-	-	-	-	-
Compensated absences	122,414	32,801	-	155,215	-
Lease liability	3,994	49,435	2,508	50,921	12,048
Total pension liability (LEO)	635,049	-	53,979	581,070	-
Net pension liability	1,656,633	-	39,691	1,616,942	-
OPEB	821,199	-	7,469	813,730	-
Governmental activity long-term liabilities	<u>\$ 3,239,289</u>	<u>\$ 82,236</u>	<u>\$ 103,647</u>	<u>\$ 3,217,878</u>	<u>\$ 12,048</u>

**D. Net Investment in Capital Assets**

Capital and right of use assets	\$ 15,058,502
Less: long-term debt	<u>50,921</u>
Net investment in capital assets	\$ 15,007,581

**E. 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, 2025 consisted of the following:

From Capital Reserve Fund to the General Fund Fund for capital project needs	\$ 304,252
From General Fund to Scotts Creek Slope Fund capital project needs	829,500
From Fire Department Capital Reserve to General Fund for future capital needs	585,578
From Allen Street Fund to Capital Reserve Fund to return unused capital project monies	352,744
From Allen Street Fund to Scotts Creek Slope Fund to reallocate monies for capital project needs	125,000
From Allen Street Fund to Poteet Park Restroom Fund to reallocate monies for capital needs	200,000
From Bridge Park Stormwater Fund to Scotts Creek Slope Fund to reallocate monies for capital needs	57,329

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.

**F. Fund Balances**

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

Total fund balance – General Fund	\$ 10,576,686
Less:	
Stabilization by state statute	407,555
Streets-Powell Bill	294,906
Public safety-Substance tax	7,153
Public safety-Equitable sharing	35,918
Appropriated Fund Balance in 25 Budget	980,986
Capital reserve for Fire Dept.	399,753
Capital reserve for general operations	1,127,749
Bridge Park	32,326
Cultural and recreation: Main Street	1,369
Other Postemployment Benefits	1,123,386
LEO Separation Allowance	629,495
Fund Balance Policy - Goal	2,144,561
Remaining fund balance	\$ 3,391,529

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures, with a goal of 73%.

**III. Jackson County Alcoholic Beverage Control Board**

Effective May 1, 2014, the Town of Sylva ABC Board merged into a single board known as the Jackson County Alcoholic Beverage Control Board (ABC Board). Jackson County and the Town of Sylva participated in the capitalization of the new ABC Board by providing an initial combined contribution of \$360,000. The County contributed \$216,000 and the Town contributed \$144,000. The ABC Board is considered a component unit of and is included in the annual audit of Jackson County. The distribution of the profits is currently 60% to the County and 40% to the Town. The Town was “held harmless” against a possible decline in profits from the merger by requiring a guaranteed distribution of at least \$160,000 annually. The County and the Town were to review this guarantee at the end of five years to determine if it should continue. At the date of these financial statement, the terms of the guarantee continue as per the original agreement. Complete financial statements for the ABC Board may be obtained by contacting the Jackson County Alcoholic Beverage Control Board General Manager, 30 E. Sylva Shopping Center, Sylva, North Carolina, 28779.

**IV. Transportation Improvement Project – Municipal Agreement**

On September 15, 2017 the Town and the North Carolina Department of Transportation (NCDOT) entered into a municipal agreement. The NCDOT plans to make certain street and highway construction and improvements within the Town. Constructing a sidewalk along

Skyland Drive increases safety and benefits citizens of the Town of Sylva. The Town will assume all maintenance responsibilities for the betterments. On July 22, 2019, a supplemental agreement was executed once project plans were completed. On March 27, 2020 a third agreement was executed because a drainage system needed to be replaced and the purchase of an additional right-of-way was required. This increased the estimated project cost as well as the Town's financial commitment to the project. Construction was delayed multiple times due to a lack of bidders. The sidewalk project was finally combined with a project in a nearby jurisdiction to attract contractors to bid the project. The original Skyland Drive sidewalk agreement had a total estimated cost of \$1,406,000, with the Town committed to a 20% local match in the amount of \$281,200. Since then, overages occurred in right-of-way, engineering, and construction phases, which the Town will be responsible for 20% of the costs. As of June 30, 2025, the Town has a fund balance committed of \$347,308 and assigned for subsequent year's expenditures of \$300,000. As of June 30, 2025, cumulative expenditures totaled \$114,974.

**V. Sylva Fire Department and Jackson County Mutual Aid Agreement**

The Town and Jackson County operate under a Mutual Aid Agreement whereby fire protection and emergency services are provided within the boundaries of the Sylva Fire District by the Sylva Fire Department. Effective July 1, 2024, the department added three full-time employees for a total of eleven 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 paid fire department staff and volunteers. The Town also has fire department funding and service agreements with two adjacent municipalities within the Sylva Fire District to share costs and provide a better service to their citizens.

**VI. Sylva Recreation Department and Jackson County Recreation Department**

The Town of Sylva owns the Roscoe Poteet Swimming Pool. The Jackson County Recreation Department is responsible for managing the pool's daily operations during the open season. Jackson County provides staffing, procures supplies, replaces capital items and performs repairs and maintenance. The operating costs of the pool are shared equally between the Town and Jackson County.

**VII. 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, 2025. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustee's files an annual financial report with the State's Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina. 27603.

**VIII. Related Organization**

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

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

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

**X. Litigation**

The Town is routinely involved in litigation related to tax foreclosures or other issues in the normal course of business. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any existing legal matters will not have a material adverse effect on the Town's financial position.

**XI. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through October 31, 2025, the date the financial statements were available to be issued.

In August 2025 the Town was awarded \$341,323 from the N.C. Parks and Recreation Trust Fund (PARTF). The grant requires a 100% match from the Town. The grant is for improvements at Pinnacle Park including items such as parking lot improvements, a vault toilet, an outdoor classroom, new and improved trails and other improvements and is budgeted for a total cost of \$1,091,969.

**XII. Reclassifications**

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

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Town's proportion of the net pension liability (asset) %	0.02399%	0.02501%	0.01903%	0.01808%	0.01743%	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%
Town's proportion of the net pension liability (asset)	\$ 1,616,942	\$ 1,656,633	\$ 1,073,564	\$ 277,274	\$ 622,848	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194
Town's covered-employee payroll	2,018,063	1,830,317	1,282,591	\$ 1,255,924	\$ 1,161,531	\$ 1,212,382	\$ 1,136,364	\$ 1,048,443	\$ 1,049,438	\$ 1,003,334
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.12%	90.51%	83.70%	22.08%	53.62%	43.32%	39.16%	26.23%	34.52%	8.39%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	85.17%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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



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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 298,179	\$ 269,438	\$ 229,506	\$150,837	\$130,288	\$109,190	\$99,335	\$90,387	\$80,271	\$73,459
Contribution in relation to the contractually required contribution	298,179	269,438	229,506	150,837	130,288	109,190	99,335	90,387	80,271	73,459
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	\$ 2,098,518	\$ 2,018,063	\$ 1,830,317	\$1,282,591	\$1,255,924	\$1,161,531	\$1,212,382	\$1,136,364	\$1,048,443	\$1,049,438
Contributions as a percentage of covered-employee payroll	14.21%	13.35%	12.54%	11.76%	10.37%	9.40%	8.19%	7.95%	7.66%	7.00%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 635,049	\$ 623,190	\$ 701,656	\$ 702,737	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024	\$ 405,163
Service cost	24,459	25,034	33,184	33,814	18,635	18,394	16,554	15,870	18,967
Interest on the total pension liability	24,687	25,897	15,181	13,086	15,055	15,569	13,072	15,653	14,191
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(56,366)	(6,994)	24,929	18,795	87,726	22,683	24,074	(27,907)	-
Changes of assumptions or other inputs	(11,012)	12,586	(97,829)	(17,326)	140,775	13,691	(15,289)	22,396	(8,979)
Benefit payments	(35,747)	(44,664)	(53,931)	(49,450)	(42,515)	(29,986)	(18,713)	(17,024)	(15,318)
Other changes	-	-	-	-	-	-	-	-	-
Ending Balance of the total pension liability	<u>\$ 581,070</u>	<u>\$ 635,049</u>	<u>\$ 623,190</u>	<u>\$ 701,656</u>	<u>\$ 702,737</u>	<u>\$ 483,061</u>	<u>\$ 442,710</u>	<u>\$ 423,012</u>	<u>\$ 414,024</u>

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 581,070	\$ 635,049	\$ 623,190	\$ 701,656	\$ 702,737	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024
Covered payroll	852,943	839,669	705,191	684,884	587,641	676,722	628,820	641,241	656,335
Total pension liability as a percentage of covered payroll	68.13%	75.63%	88.37%	102.45%	119.59%	71.38%	70.40%	65.97%	63.08%

Notes to the schedule:

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

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>								
Service cost	\$ 44,977	\$ 59,314	\$ 78,320	\$ 65,688	\$ 45,616	\$ 44,773	\$ 46,284	\$ 50,033
Interest	30,276	46,365	31,519	24,681	29,855	30,579	27,017	22,443
Changes of benefit terms	-	-	-	-	66,790	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	12,109	(508,135)	20,723	136,222	25,790	(33,468)	3,760	6,133
Changes of assumptions or other inputs	(20,774)	13,615	(182,824)	168,282	127,683	17,419	(26,793)	(44,491)
Benefit payments and implicit subsidy credit	(74,057)	(80,094)	(76,616)	(53,638)	(50,248)	(25,976)	(20,243)	(21,436)
Net change in total OPEB liability	(7,469)	(468,935)	(128,878)	341,235	245,486	33,327	30,025	12,682
Total OPEB liability - beginning	821,199	1,290,134	1,419,012	1,077,777	832,291	798,964	768,939	756,257
<b>Total OPEB liability - ending</b>	<b>\$ 813,730</b>	<b>\$ 821,199</b>	<b>\$ 1,290,134</b>	<b>\$ 1,419,012</b>	<b>\$ 1,077,777</b>	<b>\$ 832,291</b>	<b>\$ 798,964</b>	<b>\$ 768,939</b>
Covered payroll	1,618,722	1,618,722	1,113,387	1,113,387	1,012,139	1,012,139	975,419	975,419
Total OPEB liability as a percentage of covered payroll	50.27%	50.73%	115.87%	127.45%	106.49%	82.23%	81.91%	78.83%

**Notes to Schedule**

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

The following are the discount rates used in each period:

<b>Fiscal Year</b>	<b>Rate</b>
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	3.50%
2020	3.50%
2019	3.89%
2018	3.89%

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 2,298,530	\$ 2,397,165	\$ 98,635
Penalties and interest	11,400	13,360	1,960
Total ad valorem taxes	<u>2,309,930</u>	<u>2,410,525</u>	<u>100,595</u>
Other taxes and licenses:			
ABC licenses	1,000	970	(30)
Total other taxes and licenses	<u>1,000</u>	<u>970</u>	<u>(30)</u>
Unrestricted intergovernmental:			
Local option sales taxes	857,000	1,014,791	157,791
Excise tax on natural gas	8,000	11,144	3,144
Franchise tax	295,000	356,492	61,492
Beer and wine tax	11,500	10,043	(1,457)
Fire protection	1,031,825	1,031,825	-
Telecommunications sales tax	21,600	23,705	2,105
Cable franchise fees	9,000	9,235	235
Sales tax refund	26,450	34,920	8,470
Hold harmless	190,000	225,003	35,003
Solid waste disposal tax	2,000	1,939	(61)
ABC profit distribution	400,000	451,717	51,717
Substance tax distribution	2,000	8	(1,992)
Total unrestricted intergovernmental	<u>2,854,375</u>	<u>3,170,822</u>	<u>316,447</u>
Restricted intergovernmental:			
Grants and contributions	69,542	33,269	(36,273)
ABC revenues for law enforcement	15,000	16,847	1,847
ABC revenues for education	20,000	23,586	3,586
Powell Bill allocation	75,000	87,817	12,817
Total restricted intergovernmental	<u>179,542</u>	<u>161,519</u>	<u>(18,023)</u>

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues (continued)</b>			
Permits and fees			
Business registrations	\$ 5,000	\$ 5,850	\$ 850
Recreation fees	4,000	7,455	3,455
Other fees	4,200	8,605	4,405
Parking fines/fees	14,960	9,880	(5,080)
Total permits and fees	28,160	31,790	3,630
Investment earnings	77,079	377,629	300,550
Miscellaneous:			
Contributions	32,650	47,846	15,196
Main street	25,975	24,080	(1,895)
Other miscellaneous	5,330	24,959	19,629
Total miscellaneous	63,955	96,885	32,930
Total revenues	\$ 5,514,041	\$ 6,250,140	\$ 736,099
<b>Expenditures:</b>			
General government:			
Governing body			
Salaries and employee benefits	\$ 24,550	\$ 23,898	\$ 652
Operating expenditures	142,237	106,401	35,836
Professional services	82,385	51,193	31,192
Total governing body	249,172	181,492	67,680
Administration:			
Salaries and employee benefits	404,400	403,677	723
Operating expenditures	99,555	78,526	21,029
Total administration	503,955	482,203	21,752
Main street:			
Salaries and employee benefits	69,550	68,783	767
Operating expenditures	91,050	63,238	27,812
Capital outlay	-	-	-
Total main street	160,600	132,021	28,579

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>			
Taxes			
Collection fees	\$ 8,000	\$ 6,111	\$ 1,889
Facilities maintenance			
Salaries and employee benefits	4,510	4,478	32
Operating benefits	56,490	48,669	7,821
Capital outlay	-	-	-
Total facilities maintenance	<u>61,000</u>	<u>53,147</u>	<u>7,853</u>
Total general government	<u>982,727</u>	<u>854,974</u>	<u>127,753</u>
Public safety:			
Police:			
Salaries and employee benefits	1,318,908	1,199,717	119,191
Operating expenditures	557,461	450,873	106,588
Capital outlay	220,992	220,505	487
Total police	<u>2,097,361</u>	<u>1,871,095</u>	<u>226,266</u>
Fire:			
Salaries and employee benefits	777,549	715,681	61,868
Operating expenditures	411,408	324,900	86,508
Capital outlay	652,307	57,695	594,612
Total fire	<u>1,841,264</u>	<u>1,098,276</u>	<u>742,988</u>
Total public safety	<u>3,938,625</u>	<u>2,969,371</u>	<u>969,254</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	450,015	388,672	61,343
Operating expenditures	386,898	316,527	70,371
Capital outlay	344,602	66,331	278,271
Total transportation	<u>1,181,515</u>	<u>771,530</u>	<u>409,985</u>

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>			
Economic and physical development:			
Operating expenditures	\$ 22,300	\$ 15,976	\$ 6,324
Environmental protection:			
Sanitation:			
Salaries and employee benefits	114,580	105,073	9,507
Operating expenditures	68,850	51,481	17,369
Total environmental protection	183,430	156,554	26,876
Public works:			
Cemetery:			
Contracted services	26,000	24,700	1,300
Culture and recreation			
Parks and recreation:			
Salaries and employee benefits	34,650	23,735	10,915
Operating expenditures	77,026	60,056	16,970
Capital outlay	10,474	10,474	-
Library contribution	5,500	5,500	-
Total culture and recreation	127,650	99,765	27,885
Debt service:			
Principal	6,844	6,792	52
Interest and fees	51	50	1
Total debt service	6,895	6,842	53
Total expenditures	\$ 6,469,142	\$ 4,899,712	\$ 1,569,430



**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over (under) expenditures	\$ (955,101)	\$ 1,350,428	\$ 2,305,529
Other financing sources (uses):			
Proceeds from disposal of assets	20,541	20,954	413
Proceeds from lease issued	57,097	49,435	(7,662)
Transfers to (from) other funds			-
Capital reserve fund	304,252	304,252	-
Fire department capital reserve fund	585,578	585,578	-
Scotts Creek slope capital project fund	(829,500)	(829,500)	-
Appropriated fund balance	824,158	-	(824,158)
Total	<u>962,126</u>	<u>130,719</u>	<u>(831,407)</u>
Net change in fund balance	<u>7,025</u>	1,481,147	<u>1,474,122</u>
Fund balance:			
Beginning year, July 1		7,773,854	
Change in sales tax receivable		<u>(34,923)</u>	
End of year, June 30		<u><u>\$9,220,078</u></u>	

**Town of Sylva, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the year ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 58,563	\$ 58,563
Restricted intergovernmental	-	-	
	<u>-</u>	<u>58,563</u>	<u>58,563</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	-	58,563	58,563
Other financing sources			
Transfers from general fund	-	-	-
Transfer from Allen Street	304,252	352,744	48,492
Transfer to general fund	(304,252)	(304,252)	-
Appropriated fund balance	-	-	
	<u>-</u>	<u>48,492</u>	<u>48,492</u>
Net change in fund balance	<u>-</u>	<u>107,055</u>	<u>107,055</u>
Fund balance:			
Beginning year, July 1		<u>1,080,694</u>	
End of year, June 30		<u><u>\$ 1,187,749</u></u>	
End of year, June 30 :			
Restricted for general operations		\$ 1,127,749	
Assigned for subsequent years expenditures		60,000	
		<u><u>\$ 1,187,749</u></u>	

**Town of Sylva, North Carolina**  
**Fire Department Capital Reserve**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 17,475	\$ 17,475
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>17,475</u>	<u>17,475</u>
Other financing sources:			
Transfers from general fund	2,428	2,428	-
Transfers to general fund	(590,434)	(588,006)	2,428
Appropriated fund balance	588,006	-	(588,006)
	<u>-</u>	<u>(585,578)</u>	<u>(585,578)</u>
Net change in fund balance	<u>-</u>	<u>(568,103)</u>	<u>(568,103)</u>
Fund balance:			
Beginning year, July 1		736,962	
Fire Department (General Fund) reserve for capital reserve at year end		<u>797,044</u>	
End of year, June 30		<u><u>\$ 965,903</u></u>	
End of year, June 30 :			
Restricted for capital reserve at year end		\$ 399,753	
Assigned for subsequent years expenditures		<u>566,150</u>	
		<u><u>\$ 965,903</u></u>	

**Town of Sylva, North Carolina**  
**Major Governmental Fund - Fisher Creek Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ 35,000	\$ 131,348	\$ 96,348
Miscellaneous	-	285	285
	<u>35,000</u>	<u>131,633</u>	<u>96,633</u>
Expenditures:			
Camera	2,200	1,415	785
Road maintenance	2,200	1,578	622
Supplies	5,000	2,292	2,708
Maintenance	49,000	10,541	38,459
Pinnacle Park master plan	40,000	37,923	2,077
Bridge Park dam safety	38,560	-	38,560
Sales tax refund	1,600	252	1,348
	<u>138,560</u>	<u>54,001</u>	<u>84,559</u>
Revenues over (under) expenditures	(103,560)	77,632	181,192
Other financing sources			
Appropriated fund balance	103,560	-	(103,560)
Total other financing sources (uses)	<u>103,560</u>	<u>-</u>	<u>103,560</u>
Net change in fund balance	<u>-</u>	<u>77,632</u>	<u>77,632</u>
Fund balance:			
Beginning year, July 1		3,217,231	
		<u>                    </u>	
End of year, June 30		<u><u>\$ 3,294,863</u></u>	

**Town of Sylva, North Carolina**  
**Major Governmental Fund -**  
**Bryson Park and Playground Equipment Grant Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**From Inception and For the Year Ended June 30, 2025**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 3,000,000	\$3,000,000	\$ -	3,000,000	\$ -
Investment earnings	115,643	102,938	30,436	133,374	17,731
Total revenues	<u>3,115,643</u>	<u>3,102,938</u>	<u>30,436</u>	<u>3,133,374</u>	<u>17,731</u>
Expenditures:					
Professional services	72,768	70,167	1,275	71,442	1,326
Construction	1,946,350	1,939,339	-	1,939,339	7,011
Playground	558,422	76,671	481,751	558,422	-
Sidewalk	27,700	27,700	12,000	39,700	(12,000)
Testing and inspection	12,832	12,642	-	12,642	190
Contingency	35,046	-	-	-	35,046
Supplies	3,668	-	126	126	3,542
Facility upgrade	289,990	-	272,655	272,655	17,335
Water fountain	10,000	-	5,704	5,704	4,296
Camera	15,000	-	6,014	6,014	8,986
Landscaping	5,000	-	1,740	1,740	3,260
Basketball court	56,765	-	28,000	28,000	28,765
Single audit costs	3,900	-	3,900	3,900	-
Fencing	35,000	-	-	-	35,000
Sales tax	56,712	13,510	43,202	56,712	-
Total expenditures	<u>3,129,153</u>	<u>2,140,029</u>	<u>856,367</u>	<u>2,996,396</u>	<u>132,757</u>
Revenues over (under) expenditures	(13,510)	962,909	(825,931)	136,978	150,488
Other financing sources(uses)					
Transfers from general fund	-	-	-	-	
Sales tax refund	13,510	13,510	-	13,510	
Appropriated fund balance	-	-	-	-	
	<u>13,510</u>	<u>13,510</u>	<u>-</u>	<u>13,510</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>976,419</u>	<u>(825,931)</u>	<u>150,488</u>	<u>150,488</u>
Fund balance					
Beginning year, July 1			<u>976,419</u>		
End of year, June 30			<u>\$ 150,488</u>		

**Town of Sylva, North Carolina**  
**Major Governmental Fund - Capital Project Fund - Scotts Creek Slope**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the year ended June 30, 2025**

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 203,929	\$ -	\$ 203,929	\$ 203,929	\$ -
Investment earning	-	-	28,478	28,478	28,478
Total revenues	203,929	-	232,407	232,407	28,478
Expenditures:					
Professional services	120,000	-	-	-	120,000
Construction	762,829	-	-	-	762,829
Contingency	118,000	-	-	-	118,000
Slope expenses	10,000	-	-	-	10,000
Repayment of NCDTS Cashflow Loan	203,929	-	-	-	203,929
Sales tax	1,000	-	-	-	1,000
Total expenditures	1,215,758	-	-	-	1,215,758
Revenues over (under) expenditures	(1,011,829)	-	232,407	232,407	1,244,236
Other financing sources (uses):					
Transfer from general fund	829,500	-	829,500	829,500	
Transfer from Allent Street	125,000	-	125,000	125,000	
Transfer from Bridge Park	57,329	-	57,329	57,329	
	1,011,829	-	1,011,829	1,011,829	-
Net change in fund balance	-	-	1,244,236	1,244,236	1,244,236
Fund balance					
Beginning year, July 1			-		
End of year, June 30			<u>\$ 1,244,236</u>		

**Town of Sylva, North Carolina**  
**Combining Balance Sheet (Non GAAP)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Revolving Loan Special Revenue Fund</b>	<b>Public Art Special Revenue Fund</b>	<b>Sidewalk Special Revenue Fund</b>	<b>Façade Grant Project Fund</b>	<b>Total Special Revenue and Grant Funds</b>
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other government	-	-	-	-	-
Prepaid expenses	-	-	40,131	-	40,131
Restricted cash	52,504	4,410	486,362	2,134	545,410
Total current assets	52,504	4,410	526,493	2,134	585,541
<b>Other assets</b>					
Real estate held for resale	52,435	-	-	-	52,435
Total assets	<u>\$ 104,939</u>	<u>\$ 4,410</u>	<u>\$ 526,493</u>	<u>\$ 2,134</u>	<u>\$ 637,976</u>
<b>Liabilities:</b>					
<b>Current liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
<b>Deferred Inflows</b>					
Unavailable receivables	-	-	-	-	-
<b>Fund balances</b>					
<b>Restricted for:</b>					
Grant capital projects	-	-	-	-	-
Culture and recreation	-	2,410	-	-	2,410
Economic development	98,939	-	-	2,134	101,073
<b>Committed</b>					
Sidewalks	-	-	226,493	-	226,493
Capital projects	-	-	-	-	-
Economic development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
<b>Assigned</b>					
Subsequent year's expenditures	6,000	2,000	300,000	-	308,000
Total fund balances	104,939	4,410	526,493	2,134	637,976
Total liabilities and fund balances	<u>\$ 104,939</u>	<u>\$ 4,410</u>	<u>\$ 526,493</u>	<u>\$ 2,134</u>	<u>\$ 637,976</u>

**Town of Sylva, North Carolina**  
**Combining Balance Sheet (Non GAAP)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Allen Street Landslide Capital Project</b>	<b>Public Restrooms Grant Project</b>	<b>Bridge Park Stormwater Capital Project</b>	<b>Poteet Park Restrooms Capital Project</b>	<b>Total Non- Major Gov. Funds</b>
Assets:					
Current assets:					
Cash and cash equivalents	\$ -	\$ 81,144	\$ -	\$ 208,332	\$ 289,476
Due from other government	-	3,534	-	-	3,534
Prepaid expenses	-	-	-	-	40,131
Restricted cash	-	-	-	-	545,410
Total current assets	-	84,678	-	208,332	878,551
Other assets					
Real estate held for resale	-	-	-	-	52,435
Total assets	<u>\$ -</u>	<u>\$ 84,678</u>	<u>\$ -</u>	<u>\$ 208,332</u>	<u>\$ 930,986</u>
Liabilities:					
Current liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Total current liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred Inflows					
Unavailable receivables	-	3,534	-	-	3,534
<b>Fund balances</b>					
Restricted for:					
Grant capital projects	-	-	-	-	-
Culture and recreation	-	-	-	-	2,410
Economic development	-	-	-	-	101,073
Committed					-
Sidewalks	-	-	-	-	226,493
Retaining wall	-	-	-	-	-
Economic development	-	81,144	-	208,332	289,476
Culture and recreation	-	-	-	-	-
Assigned					-
Subsequent year's expenditures	-	-	-	-	308,000
Total fund balances	-	81,144	-	208,332	927,452
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 84,678</u>	<u>\$ -</u>	<u>\$ 208,332</u>	<u>\$ 930,986</u>



**Town of Sylva, North Carolina**  
**Combining Schedule of Revenues, Expenditures and Change in Fund Balance (Non GAAP)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Revolving Loan Special Revenue Fund</b>	<b>Public Art Special Revenue Fund</b>	<b>Sidewalk Special Revenue Fund</b>	<b>Façade Grant Project Fund</b>	<b>Total Special Revenue and Grant Funds</b>
Revenues:					
Unrestricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-	-	-
Contributions	-	-	-	-	-
Investment earnings	2,318	194	21,473	583	24,568
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,318</u>	<u>194</u>	<u>21,473</u>	<u>583</u>	<u>24,568</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Transportation	-	-	-	-	-
Economic and physical development	-	-	-	25,910	25,910
Culture and recreation	-	-	-	-	-
Sales tax	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,910</u>	<u>25,910</u>
Revenue and other sources over (under) expenditures	2,318	194	21,473	(25,327)	(1,342)
Other Financing Sources (Uses)					
Transfers from other funds	-	-	-	-	-
Sales tax refund	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>2,318</u>	<u>194</u>	<u>21,473</u>	<u>(25,327)</u>	<u>(1,342)</u>
Fund balances					
Beginning of year, July	<u>102,621</u>	<u>4,216</u>	<u>505,020</u>	<u>27,461</u>	<u>639,318</u>
End of year, June 30	<u>\$ 104,939</u>	<u>\$ 4,410</u>	<u>\$ 526,493</u>	<u>\$ 2,134</u>	<u>\$ 637,976</u>

**Town of Sylva, North Carolina**  
**Combining Schedule of Revenues, Expenditures and Change in Fund Balance (Non GAAP)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>Allen Street Landslide Capital Project</b>	<b>Public Restrooms Grant Project</b>	<b>Bridge Park Stormwater Capital Project</b>	<b>Poteet Park Restrooms Capital Project</b>	<b>Total Non- Major Gov. Funds</b>
Revenues:					
Unrestricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-	-	-
Contributions	-	-	-	-	-
Investment earnings	2,873	8,223	2,218	8,332	46,214
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,873</u>	<u>8,223</u>	<u>2,218</u>	<u>8,332</u>	<u>46,214</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Transportation	-	-	-	-	-
Economic and physical development	-	-	-	-	25,910
Culture and recreation	-	363,704	46,430	-	410,134
Sales tax	-	3,535	-	-	3,535
Total expenditures	<u>-</u>	<u>367,239</u>	<u>46,430</u>	<u>-</u>	<u>439,579</u>
Revenue and other sources over (under) expenditures	2,873	(359,016)	(44,212)	8,332	(393,365)
Other Financing Sources (Uses)					
Transfers from other funds	-	-	-	200,000	200,000
Sales tax refund	-	-	-	-	-
Transfers to other funds	(677,744)	-	(57,329)	-	(735,073)
Total other financing sources (uses)	<u>(677,744)</u>	<u>-</u>	<u>(57,329)</u>	<u>200,000</u>	<u>(535,073)</u>
Net change in fund balance	<u>(674,871)</u>	<u>(359,016)</u>	<u>(101,541)</u>	<u>208,332</u>	<u>(928,438)</u>
Fund balances					
Beginning of year, July	<u>674,871</u>	<u>440,160</u>	<u>101,541</u>	<u>-</u>	<u>1,855,890</u>
End of year, June 30	<u>\$ -</u>	<u>\$ 81,144</u>	<u>\$ -</u>	<u>\$ 208,332</u>	<u>\$ 927,452</u>

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Revolving Loan Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 2,318	\$ 2,318
Miscellaneous	-	-	-
	<u>-</u>	<u>2,318</u>	<u>2,318</u>
Expenditures:			
Project costs	5,500	-	5,500
Sales tax	500	-	500
Total expenditures	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Revenues over (under) expenditures	(6,000)	2,318	(3,682)
Other financing sources			
Appropriated fund balance	6,000	-	6,000
Total other financing sources (uses)	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net change in fund balance	<u>-</u>	<u>2,318</u>	<u>2,318</u>
Fund balance:			
Beginning year, July 1		<u>102,621</u>	
End of year, June 30		<u><u>\$ 104,939</u></u>	

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Public Art Fund**  
**Schedule of Revenue, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Unrestricted intergovernmental	\$     -	\$     -	\$     -
Investment earnings	-	194	194
Contributions and grants	-	-	-
Total revenues	<u>-</u>	<u>194</u>	<u>194</u>
Expenditures:			
Project costs	1,850	-	1,850
Sales tax	150	-	150
Total expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Revenues over (under) expenditures	(2,000)	194	2,194
Other financing sources:			
Appropriated fund balance	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Net change in fund balance	<u>-</u>	<u>194</u>	<u>194</u>
Fund balance			
Beginning year, July 1		<u>4,216</u>	
End of year, June 30		<u><u>\$   4,410</u></u>	

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Sidewalk Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual (Non-GAAP)**  
**For the year ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ 5,979	\$ 21,473	\$ 15,494
Total revenues			
Expenditures:			
Project costs	300,000	-	300,000
Revenues over (under) expenditures	(294,021)	21,473	315,494
Other financing sources (uses):			
Transfer from general fund	-	-	-
Appropriated fund balance	294,021	-	(294,021)
	294,021	-	(294,021)
Net change in fund balance	-	21,473	21,473
Fund balance			
Beginning year, July 1		505,020	
End of year, June 30		<u>\$ 526,493</u>	

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Facade Improvement Grant Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Restricted intergovernmental	\$ 20,000	\$ -	\$ (20,000)
Contributions	10,000	-	(10,000)
Investment earnings	-	583	583
Total revenues	<u>30,000</u>	<u>583</u>	<u>(29,417)</u>
Expenditures:			
Project costs	<u>30,000</u>	<u>25,910</u>	<u>4,090</u>
Revenues over (under) expenditures	<u>-</u>	<u>(25,327)</u>	<u>(25,327)</u>
Other financing sources (uses):			
Transfer from general fund	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(25,327)</u>	<u>(25,327)</u>
Fund balance			
Beginning year, July 1		<u>27,461</u>	
End of year, June 30		<u><u>\$ 2,134</u></u>	

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Capital Project - Allen Street Landslide**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**From Inception and For the Year Ended June 30, 2025**

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 750,000	\$ 750,000	\$ -	\$ 750,000	\$ -
Investment earnings	78,190	75,316	2,873	78,189	(1)
Total revenues	828,190	825,316	2,873	828,189	(1)
Expenditures:					
Design	153,517	153,517	-	153,517	-
Consulting	5,000	5,000	-	5,000	-
Stabilization	1,380,108	1,367,511	-	1,367,511	12,597
Utility location	117,779	117,779	-	117,779	-
Topo survey	3,500	3,500	-	3,500	-
Geotechnical	58,744	58,744	-	58,744	-
Testing and inspection	8,541	8,541	-	8,541	-
Rock exclusion	-	-	-	-	-
Contingency	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfer to other funds	-	-	-	-	-
Sales tax	1,555	14,151	-	14,151	(12,596)
Total expenditures	1,728,744	1,728,743	-	1,728,743	1
Revenues over (under) expenditures	(900,554)	(903,427)	2,873	(900,554)	-
Other financing sources (uses):					
Transfer from general fund	1,564,147	1,564,147	-	1,564,147	-
Sales tax refund	14,151	14,151	-	14,151	-
Transfer to Capital Reserve	(352,744)	-	(352,744)	(352,744)	-
Transfer to Poteet Park Restroom	(200,000)	-	(200,000)	(200,000)	-
Transfer to Scotts Creek Slope	(125,000)	-	(125,000)	(125,000)	-
	900,554	1,578,298	(677,744)	900,554	-
Net change in fund balance	-	674,871	(674,871)	-	-
Fund balance:					
Beginning year, July 1			674,871		
End of year, June 30			\$ -		

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Capital Project - Public Restroom Grant**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2025**

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 390,000	\$ 390,000	\$ -	\$ 390,000	\$ -
Investment earnings	27,884	23,311	8,223	31,534	3,650
Total revenues	<u>417,884</u>	<u>413,311</u>	<u>8,223</u>	<u>421,534</u>	<u>3,650</u>
Expenditures					
Professional services	32,500	30,850	1,650	32,500	-
Construction	529,292	156,569	350,880	507,449	21,843
Property lease	10,000	10,000	-	10,000	-
Utility location	5,000	4,948	-	4,948	52
Supplies	3,000	281	-	281	2,719
Development fees	5,976	5,976	-	5,976	-
Contingency	38,557	-	-	-	38,557
Landscape and tables	20,000	-	3,575	3,575	16,425
Cameras	9,875	-	9,875	9,875	-
Sales tax	2,692	3,535	1,259	4,794	(2,102)
Total expenditures	<u>656,892</u>	<u>212,159</u>	<u>367,239</u>	<u>579,398</u>	<u>77,494</u>
Revenues over (under) expenditures	<u>(239,008)</u>	<u>201,152</u>	<u>(359,016)</u>	<u>(157,864)</u>	<u>81,144</u>
Other financing sources (uses):					
Transfer from general fund	237,749	237,749	-	237,749	-
Sales tax refund	1,259	1,259	-	1,259	-
	<u>239,008</u>	<u>239,008</u>	<u>-</u>	<u>239,008</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>440,160</u>	<u>(359,016)</u>	<u>81,144</u>	<u>81,144</u>
Fund balance:					
Beginning year, July 1			440,160		
End of year, June 30			<u>\$ 81,144</u>		



**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Capital Project Fund - Bridge Park Stormwater**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the year ended June 30, 2025**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ 367,757	\$ 367,757	\$ -	\$ 367,757	\$ -
Investment earning	20,614	18,396	2,218	20,614	-
Total revenues	<u>388,371</u>	<u>386,153</u>	<u>2,218</u>	<u>388,371</u>	<u>-</u>
Expenditures:					
Professional services	67,500	67,500	-	67,500	-
Construction	768,064	723,059	38,403	761,462	6,602
Supplies	18,000	10,500	7,500	18,000	-
Landscaping	528	-	527	527	1
Sales tax	-	6,602	-	6,602	(6,602)
Total expenditures	<u>854,092</u>	<u>807,661</u>	<u>46,430</u>	<u>854,091</u>	<u>1</u>
Revenues over (under) expenditures	<u>(465,721)</u>	<u>(421,508)</u>	<u>(44,212)</u>	<u>(465,720)</u>	<u>1</u>
Other financing sources (uses):					
Transfer from general fund	516,447	516,447	-	516,447	-
Sales tax refund	6,603	6,602	-	6,602	1
Transfer to Scotts Creek Slope	<u>(57,329)</u>	<u>-</u>	<u>(57,329)</u>	<u>(57,329)</u>	<u>-</u>
	<u>465,721</u>	<u>523,049</u>	<u>(57,329)</u>	<u>465,720</u>	<u>(1)</u>
Net change in fund balance	-	101,541	(101,541)	-	-
Fund balance					
Beginning year, July 1			101,541		
End of year, June 30			<u>\$ -</u>		

**Town of Sylva, North Carolina**  
**Non-Major Governmental Fund - Capital Project Fund - Poteet Park Restrooms**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual (Non GAAP)**  
**For the year ended June 30, 2025**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental	\$ -	\$ -		\$ -	\$ -
Investment earning	<u>-</u>	<u>-</u>	<u>8,332</u>	<u>8,332</u>	<u>8,332</u>
Total revenues	-	-	8,332	8,332	8,332
Expenditures:					
Professional services	5,000	-	-	-	5,000
Facility upgrades	170,000	-	-	-	170,000
Contingency	17,000	-	-	-	17,000
Construction	6,000	-	-	-	6,000
Sales tax	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total expenditures	200,000	-	-	-	200,000
Revenues over (under) expenditures	<u>(200,000)</u>	<u>-</u>	<u>8,332</u>	<u>8,332</u>	<u>208,332</u>
Other financing sources (uses):					
Transfer from Allen Street	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	-	-	208,332	208,332	208,332
Fund balance					
Beginning year, July 1			<u>-</u>		
End of year, June 30			<u><u>\$ 208,332</u></u>		

**Town of Sylva, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2025**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2024</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2025</u>
2024-2025	\$ -	\$ 2,416,624	2,362,344	\$ 54,280
2023-2024	48,668	-	21,161	27,507
2022-2023	20,666	-	6,261	14,405
2021-2022	11,218	-	2,025	9,193
2020-2021	9,178	-	764	8,414
2019-2020	6,102	-	770	5,332
2018-2019	5,377	-	776	4,601
2017-2018	4,627	-	345	4,282
2016-2017	2,726	-	314	2,412
2015-2016	1,747	-	-	1,747
2014-2015	1,276	-	1,276	-
	<u>\$ 111,585</u>	<u>\$ 2,416,624</u>	<u>\$ 2,396,036</u>	<u>\$ 132,173</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(41,837)</u>
Ad valorem taxes receivable - net				<u>\$ 90,336</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 2,410,525</u>
Reconciling items:				
Penalties and interest collected				(13,360)
Rental vehicle tax				(6,928)
Discounts allowed and releases				4,523
Taxes written off				<u>1,276</u>
Subtotal				<u>(14,489)</u>
Total collections and credits				<u>\$ 2,396,036</u>

**Town of Sylva, North Carolina**  
**Analysis of Current Tax Levy**  
**Town Wide-Levy**  
**For the Year Ended June 30, 2025**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property - real and personal	500,910,667	0.45	\$ 2,254,098	\$ 2,254,098	\$ -
Registered motor vehicles	30,467,333	0.45	137,103	-	137,103
Advertising			3,005	3,005	-
Total			2,394,206	2,257,103	137,103
Discoveries:					
Current and prior years	5,491,777	0.45	24,713	24,713	-
Releases	510,000	0.45	(2,295)	(2,295)	-
Total property valuation	<u>536,359,777</u>				
Net levy			2,416,624	2,279,521	137,103
Uncollected taxes at June 30, 2025			<u>(54,280)</u>	<u>(54,280)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,362,344</u>	<u>\$ 2,225,241</u>	<u>\$ 137,103</u>
Current levy collection percentage			<u>97.75%</u>	<u>97.62%</u>	<u>100.00%</u>

# SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

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

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Sylva, North Carolina (Town of Sylva) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements and have issued my report thereon dated October 31, 2025.

### **Report on Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Sheila Gahagan, CPA*

Sheila Gahagan, CPA  
October 31, 2025

# SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

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

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

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

### **Report on Compliance for Each Major State Program**

#### ***Opinion on Each Major State Program***

I have audited the Town of Sylva, North Carolina's (Town of Sylva) compliance with the types of compliance requirements as described in the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission that could have a direct and material effect on each of the Town of Sylva's major state programs for the year ended June 30, 2025. The Town of Sylva's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, the Town of Sylva, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

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

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

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

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

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

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

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

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

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

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

### ***Report on Internal Control over Compliance***

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



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

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

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

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

*Sheila Gahagan, CPA*

Sheila Gahagan, CPA

October 31, 2025



**TOWN OF SYLVA, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**I. Summary of Auditor's Results (Continued)**

State Awards

Internal control over major state programs:

Material weakness 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:

State ID Number		State Programs
Grants: 11611 11612		North Carolina Office of Management and Budget: State Capital Improvement Funds

**II. Financial Statements Findings**

None reported

**III. Federal Award Findings and Questioned Costs**

None reported

**IV. State Award Findings and Questioned Costs**

None reported.

**TOWN OF SYLVA, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2025**

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported

**IV. State Award Findings and Questioned Costs**

None reported

**TOWN OF SYLVA, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2025**

**II. Financial Statement Finding**

No prior year audit findings

**III. Federal Award Findings and Questioned Costs**

No prior year audit findings

**IV. State Award Findings and Questioned Costs**

No prior year audit findings

**Town of Sylva, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2025**

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Federal Expenditures	State Expenditures	State Number
<b>Federal Grants</b>				
<b>Cash Assistance:</b>				
US Department of Transportation				
Passed-through the N.C. Department of Public Safety				
Governor's Highway Safety Program				
State and Community Highway Safety	20.600	\$ 11,555		GHSP2024-1000017490
		21,909		GHSP2025-1000020975
		<u>33,464</u>		
<b>State Grants</b>				
<b>Cash Assistance:</b>				
NC Office of Management and Budget				
State Capital Improvement Fund		-	181,376	11611
State Capital Improvement Fund		-	813,165	11612
			<u>994,541</u>	
NC Department of Transportation				
Non-State System Street-Aid Allocation				
Powell Bill		-	60,441	4000048532
NC Department of State Treasurer				
State Cashflow Loans for Disaster Recovery			203,929	
<b>Total expenditures of federal and state awards</b>		<u>\$ 33,464</u>	<u>\$ 1,258,911</u>	

Notes to the Schedule of Expenditures of State Financial Awards:

**1 Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Sylva under programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles & Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Implementation Act* . Because the Schedule only presents a selective portion of the Town of Sylva, it is not intended to and does not present the financial position, change in net assets or cash flows of the Town.

**2 Summary of Significant Accounting Policies**

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

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