



**Financial Statements
For the Year Ended June 30, 2021**

Town of Sylva, North Carolina

Mayor

Lynda Sossamon

Board of Commissioners

Mary Gelbaugh

Ben Guiney

Barbara Hamilton

Greg McPherson

David Nestler

Management

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

Table Of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position (Exhibit 1)	13
Statement of Activities (Exhibit 2)	14
Fund Financial Statements	
Balance Sheet – Governmental Funds (Exhibit 3)	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 3)	16
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds (Exhibit 4)	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of the Governmental Fund to the Statement of Activities (Exhibit 4)	18
Statement of Revenues, Expenses, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Funds (Exhibit 5)	19
Notes to the Financial Statements	20 - 45
Required Supplemental Financial Data	
Schedule of Changes in the Total OPEB Liability and Related Ratios	46
Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System	47
Schedule of the Town's Contributions – Local Government Employees' Retirement System	48
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	49

	<u>Page(s)</u>
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	50
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	51 - 55
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Capital Reserve Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Fire Department Capital Reserve Fund	57
Combining Balance Sheet - Non Major Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non Major Governmental Funds	59
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Non-Major Governmental Fund – Revolving Loan Fund	60
Non-Major Governmental Fund – Public Art Fund	61
Non- Major Governmental Fund-Sidewalk Special Revenue Fund	62
Non- Major Capital Projects Fund-Allen Street Landslide Fund	63
Non- Major Governmental Fund-American Rescue Plan Special Revenue Fund	64
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	65
Analysis of Current Tax Levy	66
Compliance Section	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67 - 68

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and Fisher Creek Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 12, the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 46, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 47 and 48, respectively, and the Law Officers' Special Separation Allowance schedules of the changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sylva's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the Town of Sylva, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sylva, North Carolina's internal control over financial reporting and compliance.

Burlison & Earley, P.A.
Certified Public Accountants
November 8, 2021

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Sylva *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,922,337 (net position).
- The government's total net position increased by \$511,927. Contributing to this increase was revenues exceeded budgeted expectations and there was conservative spending at a department level.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$10,440,627, an *increase* of \$736,630 in comparison with the prior year's increase of \$905,178. Contributing to this increase, was the establishment of the Allen Street Capital Project Fund in the amount of \$750,000. Approximately 38.5 percent, or \$4,016,233, 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 \$4,016,233, or 113 percent of the total general fund expenditures for the fiscal year. The unassigned fund balance increased by 9 percent from the prior year due to no subsequent year's appropriation from the general fund to balance the next year's budget. The Town of Sylva's Cash Management Policy states that the Town will maintain at least a 40 percent unassigned fund balance. In addition, a target goal is set forth to maintain an average fund balance equal to other units similar in size across North Carolina. Currently that target goal is 77.29 percent. The Town's general fund balance *decreased* by (\$27,172) compared to an increase of \$939,801 last year.
- Total long-term debt of \$3,013,644 *increased* by \$323,709 from the previous year. This increase resulted from the net increase in the liabilities for pensions and postemployment benefits exceeding the scheduled payments on the existing loans.
- Taxes remained consistent at \$.425 per \$100.

Overview of the Financial Statements

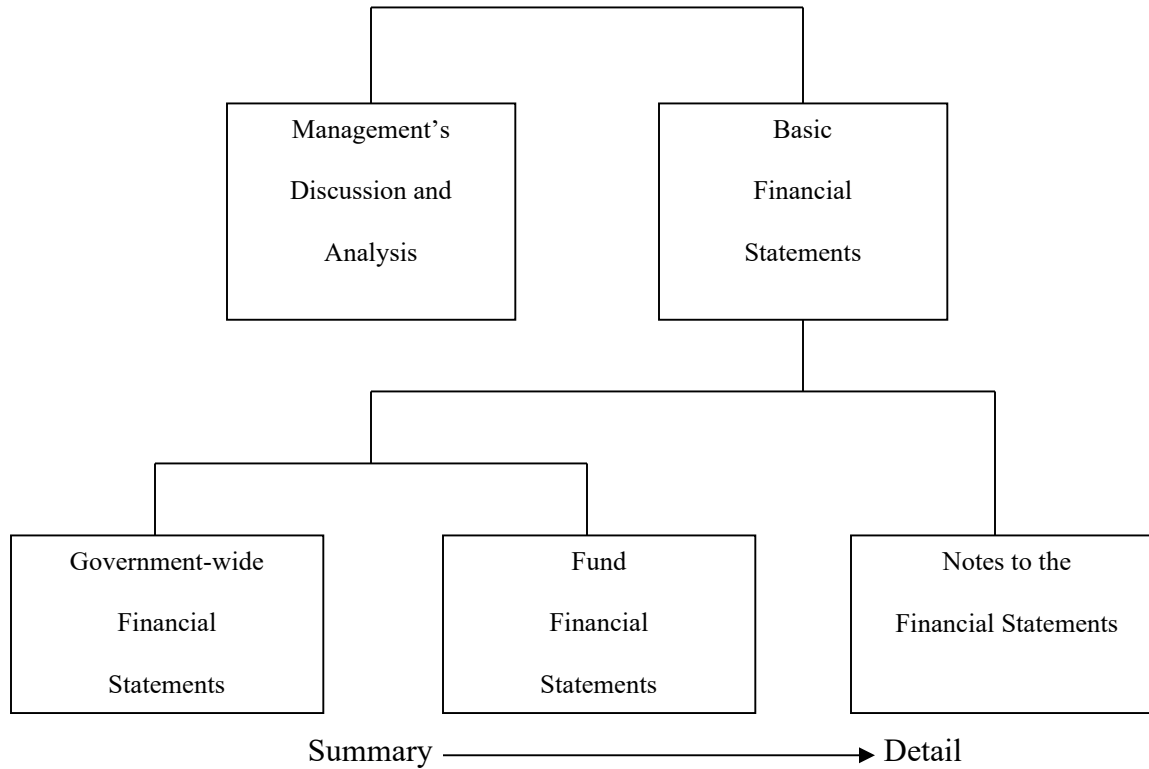
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

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

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

The two government-wide statements (Exhibits 1 and 2) report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and its total liabilities and deferred inflows of resources. Measuring net position is one way to assess the Town's financial condition.

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-45 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report, followed by other supplementary information.

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

Government-Wide Financial Analysis

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

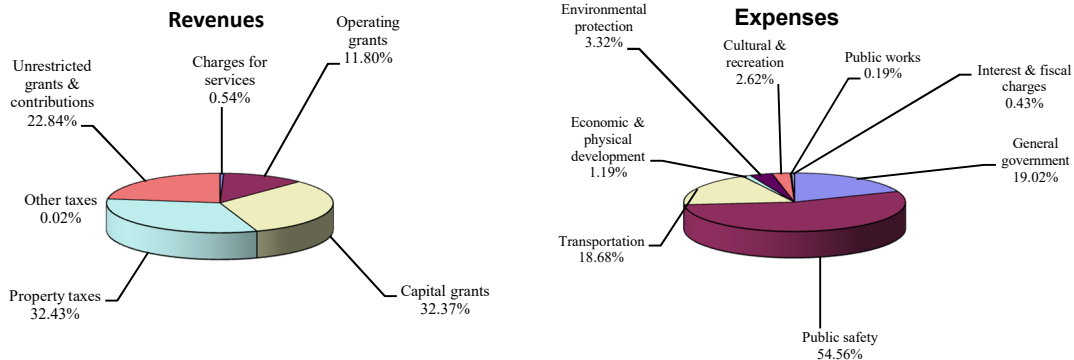
	Government Activities		Total	
	2021	2020	\$ Change	% Change
Current assets	\$ 10,710,472	\$ 9,770,536	\$ 939,936	10%
Noncurrent assets	9,773,233	10,033,642	(260,409)	-3%
Total assets	<u>20,483,705</u>	<u>19,804,178</u>	<u>679,527</u>	<u>3%</u>
Deferred outflows of resources	<u>811,958</u>	<u>451,120</u>	<u>360,838</u>	<u>80%</u>
Long-term liabilities outstanding	3,013,644	2,689,935	323,709	12%
Other liabilities	242,462	45,935	196,527	428%
Total liabilities	<u>3,256,106</u>	<u>2,735,870</u>	<u>520,236</u>	<u>19%</u>
Deferred inflows of resources	<u>117,220</u>	<u>109,018</u>	<u>8,202</u>	<u>8%</u>
Net position:				
Net investment in capital assets	9,202,265	9,212,476	(10,211)	0%
Restricted	2,216,348	2,510,799	(294,451)	-12%
Unrestricted	6,503,724	5,687,135	816,589	14%
Total net position	<u>\$ 17,922,337</u>	<u>\$ 17,410,410</u>	<u>\$ 511,927</u>	<u>3%</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$17,922,337 as of June 30, 2021. The Town's net position *increased* by \$511,927 for the fiscal year ended June 30, 2021. The largest portion of net position (51 percent) reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (36 percent) reflects the Town's unrestricted net position. An additional portion of the Town of Sylva's net position, \$2,216,348 (13 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 14 percent in unrestricted net position. The primary reason for the net position increase resulted from revenues being greater than expected and expenditures were less than anticipated.

Figure 3

	Government Activities		Total	
	2021	2020	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 32,278	\$ 32,306	\$ (28)	0%
Operating grants and contributions	633,256	771,866	(138,610)	-18%
Capital grants and contributions	-	1,854,825	(1,854,825)	-100%
General Revenues:				
Property taxes	1,956,914	1,928,463	28,451	1%
Other taxes	1,350	1,160	190	16%
Grants and contributions not restricted to specific programs	1,560,701	1,358,400	202,301	15%
Other	92,112	194,028	(101,916)	-53%
Total Revenues	4,276,611	6,141,048	(1,864,437)	-30%
Expenses:				
General government	715,934	569,885	146,049	26%
Public safety	2,053,855	1,770,356	283,499	16%
Transportation	703,211	751,440	(48,229)	-6%
Economic and physical development	44,842	15,047	29,795	198%
Environmental protection	125,006	125,087	(81)	0%
Cultural and recreation	98,608	147,614	(49,006)	-33%
Public works	7,200	14,665	(7,465)	-51%
Interest and fiscal charges	16,028	21,130	(5,102)	-24%
Total Expenses	3,764,684	3,415,224	349,460	10%
Change in net position	511,927	2,725,824	(2,213,897)	-81%
Net position, July 1	17,410,410	14,684,586	2,725,824	19%
Net position, June 30	\$ 17,922,337	\$ 17,410,410	\$ 511,927	3%



Governmental activities: Governmental activities increased the Town’s net position by \$511,927 thereby accounting for a 3 percent growth in the net position of the Town of Sylva. Contributing to this increase was revenues exceeded budgeted expectations mainly with Local Option Sales Tax. There was also conservative spending at a departmental level.

Financial Analysis of the Town’s Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$4,016,233, while total fund balance reached \$6,165,506. 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 174 percent of the same amount.

At June 30, 2021, the governmental funds of Town of Sylva reported a combined fund balance of \$10,440,627, a 7.5 percent increase from last year. Contributing to this increase, was the establishment of the Allen Street Capital Project Fund in the amount of \$750,000. A healthy fund balance helps to avoid cash flow interruptions, reduces the need for short-term borrowing and provides a financial buffer for emergencies or unforeseen events.

The Town’s Reserve Policy requires that the Town will maintain an unassigned fund balance of at least 40 percent of the general operating budget. Additionally, the Town’s target goal is to maintain an average available fund balance equal to other units similar in size across North Carolina. Currently, that target goal is 77.89 percent.

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

The Town of Sylva estimates revenues, especially intergovernmental revenues, with a conservative approach due to their volatile nature. Several General Fund revenues proved to be greater than originally budgeted. The most notable budgetary revenue increase was a 60 percent increase in Local Option Sales Tax. Due to the unknowns of the COVID-19, anticipated sales tax revenues were cut by 20 percent from the prior year. The stimulus relief money from the Federal Government enabled purchases to continue through the pandemic. All departments realized a savings in their budget at year end.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2021, totals \$9,712,465 (net of accumulated depreciation). These assets include land, buildings, other improvements, infrastructure, equipment, and vehicles.

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

- Purchase of 4 new police vehicles
- Sidewalk curb gutter on Main Street and improvements to Hooper Street
- Purchase of a telescopic ram e-force and repairs to the HVAC system at the Fire Department

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

	Government Activities		Total	
	2021	2020	\$ Change	% Change
Land	\$ 3,885,799	\$ 3,885,799	\$ -	0%
Construction in progress	1,795	-	1,795	100%
Buildings	3,312,769	3,415,031	(102,262)	-3%
Other improvements	209,517	223,745	(14,228)	-6%
Computer equipment	-	-	-	0%
Equipment	168,887	193,047	(24,160)	-13%
Vehicles and motorized equipment	994,653	1,027,337	(32,684)	-3%
Infrastructure	1,139,045	1,222,915	(83,870)	-7%
Total	\$ 9,712,465	\$ 9,967,874	\$ (255,409)	-3%

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

Long-term Debt

As of June 30, 2021, the Town of Sylva had a long-term debt outstanding of \$3,013,644. Of this, \$208,040 is due within one year and \$2,805,604 is due in subsequent years. Debt increased from the previous year by 12 percent. This increase resulted from the net increase in the liabilities for pensions and postemployment benefits exceeding repayments of direct placement installment purchases.

	Beginning Balances	Increase	Decreases	Ending Balances
Governmental Activities:				
Direct placement installment purchase	\$ 755,398	\$ -	\$ 245,198	\$ 510,200
Compensated absences	94,029	72,546	66,493	100,082
Total pension liability (LEO)	483,061	219,676	-	702,737
Total pension liability (LGRS)	525,156	97,692	-	622,848
Total OPEB liability	832,291	245,486	-	1,077,777
	\$ 2,689,935	\$ 635,400	\$ 311,691	\$ 3,013,644

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

Economic Factors and Next Year's Budgets and Rates

The current economic outlook is mostly favorable with the focus being on the recovery from COVID-19 and transitioning to a post-Covid era. The long-term economic impacts are still unknown. The anticipated revenue shortfall associated with COVID-19 is far less severe than expected. This is attributable to the widely available federal stimulus package and higher sales tax revenue. Consumer spending and unemployment are rebounding. The recovery varies among age and income groups as stimulus measures expire. The current housing market is defined by a low inventory of existing homes, causing inflated home prices. New construction is delayed by high costs of construction materials. Gas prices are at a seven year high. Supply chain disruptions are causing food prices to increase significantly. Many Sylva residents and businesses are being impacted. During the unprecedented times, the Town continues to provide efficient, effective, high-quality services, encourages partnerships and proactively plans for future needs. These accomplishments continue to be realized through

conservative budgeting, monitoring of expenditures, maintaining a sufficient fund balance and keeping debt to a minimal level.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

The Town of Sylva has approved a \$4,521,572 budget for fiscal year 2021-2022, this represents an increase of \$359,443 or 8.64 percent from the 2020-2021 original budget which totaled \$4,162,129. The increase is partly attributed to the addition of a full-time patrol officer and a part-time sanitation employee. Additionally, all police capital purchases were appropriated within the budget and not transferred from the Capital Reserve Fund and no appropriations were made from Fund Balance.

Revenues:

- The tax rate increased from \$0.425 to \$0.44 cents per \$100 valuation. Jackson County performed a revaluation in 2021. Jackson County is on a four-year revaluation cycle. The levy on real property, vehicles, and personal property comprises 55 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$502,031,012 which is a 19 percent increase from the 2020 levy.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance contribute to 33 percent of the General Fund budget. Continued gains are anticipated for Local Option Sales Tax which is the largest state revenue.
- There is no anticipation that the Federal Reserve will raise interest rates in the coming year. General Fund investment earnings are projected to reflect a loss of approximately \$50,000 from pre-Covid earnings.

Expenditures:

- Employees received a 1.4 percent cost of living adjustment. The budget includes a 2.5% merit increase. The last pay and classification study was performed in 2017. A new study is included in the 2021-2022 budget. The North Carolina Local Employees' Retirement System increased from the prior year. Currently, the General Government contribution rate is 11.40% and the Law Enforcement contribution rate is 12.04%.
- The Town opted to continue participating with the NC League of Municipalities insurance pool. There was no rate increase. Due to the high deductible plan, the Town contributed \$1,600 into a H-S-A for each employee to help offset costs.
- The annual contribution appropriated into a non-legally binding post-retirement fund for health insurance remained at \$125,000 and the Separation Allowance for Law Enforcement increased to \$125,000 from the prior year contribution of \$100,000. The Town Board is commended on their acknowledgment of this future expense and their proactive approach to lessen the impact of the Town's retiring workforce on future budgets.
- Capital expenditures in the 2021-2022 Budget include two fully equipped police vehicles, a half ton pickup truck for the Public Works Department, and a Polaris all-terrain vehicle for Pinnacle Park.

- The 2021-2022 Budget will not appropriate any money from the Fund Balance and only \$29,000 was appropriated from the Capital Reserve Fund. This compares to the prior year's original budgeted appropriation of \$190,000 from fund balance and \$81,243 transfer in from capital reserves. Currently the available fund balance is 88.83 percent of current year expenditures. The Town's Fund Balance policy states that the Town must maintain a 40 percent fund balance to expenditures, with a goal set to maintain the average fund balance percentage of other towns our size, which is 77.29 percent. The Fund Balance Policy allows monies over the stated goal to be transferred to the Capital Reserve Fund upon board approval. This year, \$490,500 could be transferred to the General Fund Capital Reserve Fund; however, due to significant damage to Allen Street and the substantial costs involved in repairs, management will recommend to the board to appropriate this difference into the Allen Street Capital Improvement Project. As always, fund balances will continue to be monitored to ensure adequate cash flow and to have funds available for unforeseen emergencies or economic downturns.

Requests for Information

This report is designed to provide a summary of the Town of Sylva's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Lynn Allen Bryant
Finance Officer
83 Allen Street
Sylva, NC 28779
(828) 586-2719
lbryant@townofsylva.org

BASIC FINANCIAL STATEMENTS

Town of Sylva, North Carolina
Statement of Net Position
June 30, 2021

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,593,052
Receivables (net)	
Taxes receivable	59,902
Accrued interest	13,828
Due from other governments	299,033
Restricted cash and cash equivalents	744,657
Total current assets	<u>10,710,472</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	3,887,594
Other capital assets, net of depreciation	5,824,871
Total capital assets	<u>9,712,465</u>
Real estate held for resale	52,435
Notes receivable	8,333
Total noncurrent assets	<u>9,773,233</u>
Total assets	<u>20,483,705</u>
Deferred Outflows of Resources	
Pension deferrals	601,073
OPEB deferrals	210,885
Total deferred outflows of resources	<u>811,958</u>
Liabilities	
Current liabilities:	
Accounts payable	188,194
Accrued liabilities	49,823
Unearned revenues	4,445
Current portion of long-term liabilities	208,040
Total current liabilities	<u>450,502</u>
Long-term liabilities:	
Net pension liability	622,848
Total pension liability	702,737
Total OPEB liability	1,077,777
Due in more than one year	402,242
Total long-term liabilities	<u>2,805,604</u>
Total liabilities	<u>3,256,106</u>
Deferred Inflows of Resources	
Prepaid taxes	7,381
Prepaid licenses	250
Pension deferrals	42,204
OPEB deferrals	67,385
Total deferred inflows of resources	<u>117,220</u>
Net Position	
Net investment in capital assets	9,202,265
Restricted for:	
Economic development	86,103
Stabilization by state statute	294,029
Transportation (Powell Bill)	118,645
Public safety	25,493
Capital reserves	433,886
Water quality	1,217,859
Bridge Park	29,252
Other purposes	11,081
Unrestricted	6,503,724
Total net position	<u>\$ 17,922,337</u>

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

Town of Sylva, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 715,934	\$ 9,510	\$ 71,801	\$ -	\$ (634,623)
Public safety	2,053,855	17,076	493,428	-	(1,543,351)
Transportation	703,211	-	66,867	-	(636,344)
Economic and physical development	44,842	-	-	-	(44,842)
Environmental protection	125,006	2,027	-	-	(122,979)
Culture and recreation	98,608	3,665	1,160	-	(93,783)
Public works	7,200	-	-	-	(7,200)
Interest and fiscal charges	16,028	-	-	-	(16,028)
Total primary government	\$ 3,764,684	\$ 32,278	\$ 633,256	\$ -	\$ (3,099,150)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					1,956,914
Other taxes and licenses					1,350
Grants and contributions not restricted to specific programs					1,560,701
Unrestricted investment earnings					63,394
Miscellaneous, unrestricted					28,718
Gain on disposal of assets					-
Total general revenues					3,611,077
Change in net position					511,927
Net position, beginning					17,410,410
Net position, ending					\$ 17,922,337

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,373,575	\$ 3,079,985	\$ 1,139,492	\$ 9,593,052
Receivables, net:				
Taxes	59,902	-	-	59,902
Due from other governments	294,029	-	5,004	299,033
Prepaid Expenses	-	-	-	-
Restricted cash and cash equivalents	744,657	-	-	744,657
Total current assets	<u>6,472,163</u>	<u>3,079,985</u>	<u>1,144,496</u>	<u>10,696,644</u>
Other assets				
Real estate held for resale	-	-	52,435	52,435
Note receivable	-	-	8,333	8,333
Total assets	<u>\$ 6,472,163</u>	<u>\$ 3,079,985</u>	<u>\$ 1,205,264</u>	<u>\$ 10,757,412</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 186,399	\$ -	\$ 1,795	\$ 188,194
Accrued liabilities	48,280	-	-	48,280
Unearned revenue	4,445	-	-	4,445
Total current liabilities	<u>239,124</u>	<u>-</u>	<u>1,795</u>	<u>240,919</u>
Longterm liabilities:				
Unearned revenue	-	-	8,333	8,333
Total liabilities	<u>239,124</u>	<u>-</u>	<u>10,128</u>	<u>249,252</u>
Deferred Inflows of Resources				
Property taxes receivable	59,902	-	-	59,902
Prepaid licenses	250	-	-	250
Prepaid taxes	7,381	-	-	7,381
Total deferred inflows of resources	<u>67,533</u>	<u>-</u>	<u>-</u>	<u>67,533</u>
Fund Balances				
Nonspendable:				
Stabilization by state statute	294,029	-	-	294,029
Streets	118,645	-	-	118,645
Public safety	25,493	-	-	25,493
Capital reserve for fire department	215,603	-	-	215,603
Capital reserve for general operations	218,283	-	-	218,283
Economic development	-	-	86,103	86,103
Water quality	-	1,217,859	-	1,217,859
Bridge Park	29,252	-	-	29,252
Cultural	7,666	-	3,415	11,081
Committed				
Sidewalks	-	-	161,697	161,697
Conservation	-	1,824,726	-	1,824,726
Assigned				
Subsequent year's expenditures	29,000	37,400	195,200	261,600
Streets	-	-	748,721	748,721
Other postemployment benefits	884,586	-	-	884,586
LEO separation allowance	326,716	-	-	326,716
Unassigned	4,016,233	-	-	4,016,233
Total fund balances	<u>6,165,506</u>	<u>3,079,985</u>	<u>1,195,136</u>	<u>10,440,627</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,472,163</u>	<u>\$ 3,079,985</u>	<u>\$ 1,205,264</u>	<u>\$ 10,757,412</u>

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

Town of Sylva, North Carolina
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2021

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

Total Fund Balance, Governmental Funds	\$ 10,440,627
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	9,712,465
Accrued interest receivable on advalorem taxes receivable	13,828
Deferred outflows of resources related to pensions are not reported in the funds	601,073
Deferred outflows of resources related to OPEB are not reported in the funds	210,885
Liabilities for unearned revenues in the fund statements	
Notes receivable	8,333
Liabilities for earned revenues considered deferred inflows of resources in fund statements	
Property taxes receivable	59,902
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(622,848)
Total pension liability	(702,737)
OPEB liability	(1,077,777)
Accrued interest on long-term debt	(1,543)
Long-term debt	(610,282)
Deferred inflows of resources related to pensions are not reported in the funds	(42,204)
Deferred inflows of resources related to OPEB are not reported in the funds	(67,385)
Net position of governmental activities	<u>\$ 17,922,337</u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fisher Creek Fund	Other Non- Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,957,553	\$ -	\$ -	\$ 1,957,553
Other taxes and licenses	1,085	-	-	1,085
Unrestricted intergovernmental revenues	1,914,021	166	23	1,914,210
Restricted intergovernmental revenues	283,832	-	-	283,832
Permits and fees	30,516	-	-	30,516
Investment earnings	38,437	20,941	4,016	63,394
Miscellaneous	24,083	378	7,196	31,657
Total revenues	4,249,527	21,485	11,235	4,282,247
Expenditures:				
Current:				
General government	602,701	-	-	602,701
Public safety	1,913,058	-	-	1,913,058
Transportation	553,863	-	1,795	555,658
Economic and physical development	28,370	1,357	-	29,727
Environmental protection	121,516	-	-	121,516
Public works	7,200	-	-	7,200
Culture and recreation	53,404	-	66	53,470
Debt service:				
Principal	245,198	-	-	245,198
Interest and fees	17,089	-	-	17,089
Total expenditures	3,542,399	1,357	1,861	3,545,617
Revenues over (under) expenditures	707,128	20,128	9,374	736,630
Other financing sources (uses):				
Proceeds from disposal of assets	-	-	-	-
Transfers from other funds	15,700	-	-	15,700
Transfers to other funds	(750,000)	(15,700)	750,000	(15,700)
Total other financing sources (uses)	(734,300)	(15,700)	750,000	-
Net change in fund balance	(27,172)	4,428	759,374	736,630
Fund balances				
Beginning of year, July 1	6,192,678	3,075,557	435,762	9,703,997
End of year, June 30	\$ 6,165,506	\$ 3,079,985	\$ 1,195,136	\$ 10,440,627

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

Town of Sylva, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

Exhibit 4

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

Net changes in fund balances - governmental fund	\$ 736,630
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital outlay expenditures which were capitalized	187,592
Depreciation expense for governmental assets	(443,001)
Deferred outflows of resources related to pensions are not reported in the funds.	
	217,763
Deferred outflows of resources related to OPEB are not reported in the funds.	
	143,075
Payments received on long-term note receivable	(5,000)
Change in accrued interest receivable	2,125
Earned revenues considered deferred inflows of resources in the fund statements	(2,765)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Repayment of long-term debt	245,198
Accrued interest payable	861
Compensated absences	(6,053)
Net pension liability	(97,692)
Total pension liability	(219,676)
OPEB liability	(245,486)
Deferred inflows of resources related to pensions are not reported in the funds.	
	(13,636)
Deferred inflows of resources related to OPEB are not reported in the funds.	
	11,992
Total change in net position of governmental activities	\$ 511,927

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2021

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,879,825	\$ 1,879,825	\$ 1,957,553	\$ 77,728
Other tax and licenses	1,000	1,000	1,085	85
Unrestricted intergovernmental revenues	1,463,716	1,487,573	1,914,021	426,448
Restricted intergovernmental revenues	129,719	162,296	283,832	121,536
Permits and fees	22,000	32,482	30,516	(1,966)
Investment earnings	6,000	11,867	33,659	21,792
Miscellaneous	28,500	37,676	24,083	(13,593)
Total revenues	3,530,760	3,612,719	4,244,749	632,030
Expenditures:				
General government	718,249	751,423	602,701	148,722
Public safety	1,752,374	2,012,327	1,913,058	99,269
Transportation	619,336	637,271	553,863	83,408
Economic and physical development	14,275	34,275	28,370	5,905
Environmental protection	132,969	133,825	121,516	12,309
Public works	8,100	8,100	7,200	900
Culture and recreation	92,533	92,533	53,404	39,129
Debt service:				
Principal	245,200	245,200	245,198	2
Interest and fees	17,090	17,090	17,089	1
Total expenditures	3,600,126	3,932,044	3,542,399	389,645
Revenues over (under) expenditures	(69,366)	(319,325)	702,350	1,021,675
Other financing sources (uses):				
Transfers from other funds	94,243	172,291	172,291	-
Transfers to other funds	-	(752,324)	(773,184)	(20,860)
Appropriated fund balance	(24,877)	899,358	-	(899,358)
Total other financing sources (uses):	69,366	319,325	(600,893)	(920,218)
Net change in fund balance	\$ -	\$ -	101,457	\$ 101,457
Fund balances				
Beginning of year, July 1			5,601,163	
End of year, June 30			\$ 5,702,620	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			4,778	
Restricted intergovernmental			-	
Transfers to the general fund			(156,591)	
Transfers from the general fund			23,184	
			<u>(128,629)</u>	
Fund balance, beginning			591,515	
Fund balance, ending (Exhibit 4)			<u>\$ 6,165,506</u>	

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

Fisher Creek				
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other tax and licenses	-	-	-	-
Unrestricted intergovernmental revenues	-	-	166	166
Restricted intergovernmental revenues	-	-	-	-
Permits and fees	-	-	-	-
Investment earnings	5,000	7,700	20,941	13,241
Miscellaneous	-	-	378	378
Total revenues	<u>5,000</u>	<u>7,700</u>	<u>21,485</u>	<u>13,785</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	29,400	29,400	1,357	28,043
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>29,400</u>	<u>29,400</u>	<u>1,357</u>	<u>28,043</u>
Revenues over (under) expenditures	(24,400)	(21,700)	20,128	41,828
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to General Fund	(13,000)	(15,700)	(15,700)	-
Appropriated fund balance	37,400	37,400	-	(37,400)
Total other financing sources (uses):	<u>24,400</u>	<u>21,700</u>	<u>(15,700)</u>	<u>(37,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,428	<u>\$ 4,428</u>
Fund balances				
Beginning of year, July 1			<u>3,075,557</u>	
End of year, June 30			<u>\$ 3,079,985</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

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

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

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). The Town's investments are reported at fair

value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

Restricted Cash: The cash and cash equivalent balances for both the Capital Reserve Fund and the Fire Department Capital Reserve Fund are classified as restricted as their use has been restricted to capital needs. The Bridge Park fund cash is restricted as its use was restricted by the original donor to the fund. Funds received from a donor are restricted for cultural purposes based on donor stipulations. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S 136-41.1 through 136-41.4.

Town of Sylva Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 118,645
Public Safety	25,494
Capital Reserve for Fire Department	316,320
Capital Reserve for General Operations	247,280
Bridge Park	29,252
Cultural	7,666
Total Restricted Cash - Governmental Activities	\$ 744,657

Ad Valorem Taxes Receivable: In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

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

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

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

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

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

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid licenses, property taxes receivable, OPEB and pension deferrals.

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

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

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

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

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Public Safety – the portion of fund balance restricted by revenue source for public safety expenditures.

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

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

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

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

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

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

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

Committed for conservation – the portion of fund balance received for the conservation easement at Fisher Creek.

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

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

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

Streets - portion of fund balance that is appropriated for the Allen Street Landslide Capital Project.

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

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

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

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

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

Note 2 – Detail Notes on All Funds

A. Assets

Deposits

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

On June 30, 2021, the Town's deposits had a carrying amount of \$9,420,416 and a bank balance of \$9,485,423. Of this balance, \$505,371 was covered by federal depository insurance and \$8,980,052 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$300 at June 30, 2021.

Investments

At June 30, 2021, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 916,993</u>	N/A	AAAm

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

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

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s as of June 30, 2021.

Due from Other Governments

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

Local option sales tax	\$ 178,311
State grant revenues	24,331
Other grant revenues	30,000
ABC Funds	50,965
Jackson County – other	<u>15,426</u>
	<u>\$ 299,033</u>

Receivables – Allowances for Doubtful Accounts

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

General Fund - Taxes receivable	<u>\$ 50,859</u>
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Note Receivable

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

On February 14, 2013, the Town and County sold the collateral assets, excluding the land, to Balsam West Fibernet, LLC for a cash down payment of \$25,000 and a promissory note of \$50,000. The terms of the note provide for sixty monthly payments of \$833, beginning February 14, 2018. The Town’s share is 50% of the proceeds of the sale. The Town received \$12,500 of the down payment and recorded a long-term note receivable for \$25,000. In the fund financial statements, the Town reports the balance in the receivable of \$8,333 and a liability for unearned revenue of the same amount. The payments received as each year is reported as income. Payments received during fiscal year 2021 totaled \$6,035. In the government-wide statements, at year end, the balance in the receivable, net of current year payments, was \$8,333.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,885,799	\$ -	\$ -	\$ 3,885,799
Construction in progress	-	1,795	-	1,795
Total capital assets not being depreciated	3,885,799	1,795	-	3,887,594
Capital Assets Being Depreciated:				
Buildings	4,990,733	-	-	4,990,733
Other improvements	643,239	16,134	-	659,373
Computer Equipment	4,627	-	-	4,627
Equipment	1,065,842	20,550	-	1,086,392
Vehicles and motorized equipment	2,904,299	149,113	-	3,053,412
Infrastructure	3,059,897	-	-	3,059,897
Total capital assets being depreciated	12,668,637	185,797	-	12,854,434
Less Accumulated Depreciation For:				
Buildings	1,575,702	102,262	-	1,677,964
Other improvements	419,494	30,362	-	449,856
Computer Equipment	4,627	-	-	4,627
Equipment	872,795	44,710	-	917,505
Vehicles and motorized equipment	1,876,962	181,797	-	2,058,759
Infrastructure	1,836,982	83,870	-	1,920,852
Total accumulated depreciation	6,586,562	443,001	-	7,029,563
Total capital assets being depreciated, net	6,082,075			5,824,871
Governmental Activities Capital Assets, Net	\$ 9,967,874			\$ 9,712,465

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

General government	\$ 50,209
Public safety	245,878
Transportation	129,792
Culture and recreation	17,122
Total depreciation expense	\$ 443,001

At June 30, 2021, the Town has engineering and design contract commitments for the Allen Street Landslide Capital Project totaling \$61,280.

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Sylva employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Sylva's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.22% for general employees,

actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sylva were \$130,288 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$622,848 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town’s proportion was 0.01743%, which was a decrease of 0.00180% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$206,844. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,655	\$ -
Changes of assumptions	46,352	-
Net difference between projected and actual earnings on pension plan investments	87,649	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,237	24,130
Town contributions subsequent to the measurement date	130,288	-
Total	\$ 346,181	\$ 24,130

\$130,288 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 53,847
2023	72,874
2024	39,103
2025	25,940
2026	-
Thereafter	-
	\$ 191,764

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,263,691	\$ 622,848	\$ 90,263

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Sylva administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the

General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>12</u>
Total	<u>15</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the S&P Municipal Bond 20 year high grade rate index as of December 31, 2019.

Mortality rates are based on the RP-2010 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through the General Fund. The Town paid \$42,515 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, 2021, the Town reported a total pension liability of \$702,737. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$83,518.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,595	\$ 8,727
Changes of assumptions	131,347	9,347
Town benefit payments and plan administrative expense made subsequent to the measurement date	23,950	-
Total	<u>\$ 254,892</u>	<u>\$ 18,074</u>

\$23,950 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date to be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 8,701
2023	6,394
2024	2,462
2025	517
2026	-
Thereafter	-
	<u>\$ 18,074</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 757,450	\$ 702,737	\$ 652,877

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

	2021
Beginning balance	\$ 483,061
Service Cost	18,635
Interest on the total pension liability	15,055
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	87,726
Changes of assumptions or other inputs	140,775
Benefit payments	(42,515)
Other changes	-
Ending balance of the total pension liability	\$ 702,737

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 206,844	\$ 83,518	\$ 290,362
Pension Liability	622,848	702,737	1,325,585
Proportionate share of the net pension liability	0.01743%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	78,655	99,595	178,250
Changes of assumptions	46,352	131,347	177,699
Net difference between projected and actual earnings on plan investments	87,649	-	87,649
Changes in proportion and differences between contributions and proportionate share of contributions	3,237	-	3,237
Benefit payments and administrative costs paid subsequent to the measurement date	130,288	23,950	154,238
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	8,727	8,727
Changes of assumptions	-	9,347	9,347
Changes in proportion and differences between contributions and proportionate share of contributions	24,130	-	24,130

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$33,745 for law enforcement and \$26,067 for general employees for the reporting year. No amounts were forfeited.

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

Plan members of the FRSWPF are required to contribute \$10 per month to the plan. All members of the Town's fire department are volunteer. The Town makes the plan member required contributions on January 1st of each year for the active fire department roster. Total contributions for fiscal year 2021 were \$15,619.

Other Postemployment Benefits

Healthcare Benefits

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

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

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

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

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

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

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

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town’s total OPEB liability of \$1,077,777 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	General employees – 3.50% - 7.75% Law Enforcement Officers – 3.50% - 7.35%
Discount rate	2.21 percent
Healthcare cost trend rates	7.00% for 2019, decreasing to an ultimate rate of 4.50% by 2026

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 832,291
Changes for the year	
Service cost	45,616
Interest	29,855
Changes of benefit terms	66,790
Differences between expected and actual experience	25,790
Changes in assumptions or other inputs	127,683
Benefit payments	(50,248)
Net changes	<u>245,486</u>
Balance at June 30, 2021	<u><u>\$ 1,077,777</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21% and the Town's annual contribution to employee's Health Savings Accounts.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 1,191,428	\$ 1,077,777	\$ 977,068

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 949,390	\$ 1,077,777	\$ 1,234,496

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$150,571. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,651	\$ 25,964
Changes of assumptions	126,882	41,421
Benefit payments and administrative costs made subsequent to the measurement date	55,352	-
Total	\$ 210,885	\$ 67,385

\$55,352 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 8,310
2022	8,310
2023	8,310
2024	8,310
2025	9,858
Thereafter	45,050
	\$ 88,148

Other Employment Benefits

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 130,288
Benefit payments made and administrative expenses for LEOWSA made subsequent to measurement date	23,950
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	55,352
Difference between expected and actual experience	206,901
Change of assumptions	304,581
Change in proportion and differences between contributions and proportionate share of contributions	3,237
Net difference between projected and actual	87,649
Total	<u>\$ 811,958</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable (General Fund)	\$ -	\$ 59,902
Prepaid licenses (General Fund)	250	250
Prepaid taxes (General Fund)	7,381	7,381
Changes in assumptions	50,768	-
Differences between expected and actual experience	34,691	-
Changes in proportion and differences contributions and proportionate share of contributions	24,130	-
Total	<u>\$ 117,220</u>	<u>\$ 67,533</u>

Risk Management

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$400,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Long-Term Obligations

Installment Purchases – In May 2009, the Town entered into a \$2,131,114 direct placement contract with Branch Banking and Trust Company (BB&T) to finance the acquisition and construction of a Fire Department facility expansion. The financing contract requires semi-annual principal payments of \$71,037 that began in fiscal year 2010. On March 26, 2013, the Town modified the interest rate on this loan, reducing it from 3.89% to 2.49% for the remaining term. The note is collateralized by a deed of trust. On February 16, 2009, the Town entered into an inter-local cooperation agreement with Jackson County (the “County”) for the renovation, expansion and financing of improvements at the Sylva fire station. The County contracts and agrees to make an annual appropriation from its annual budget to the Town in an amount sufficient to fund the principal and interest payments on the direct placement contract related to the Fire department facility expansion.

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

In April 2014, the Town entered into a \$263,230 direct placement contract with Branch Banking and Trust Company (BB&T) to finance the purchase of a pumper truck for the fire department. The financing contract requires semi-annual payments of \$15,041 including interest at a rate of 2.62%. The note is collateralized by the pumper truck

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

The future minimum payments of all direct placement contracts as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 208,040	\$ 11,440
2023	170,794	6,518
2024	131,366	2,172
Total	<u>\$ 510,200</u>	<u>\$ 20,130</u>

At June 30, 2021, the Town had an approximate legal debt margin of \$36.5 million.

Changes in Long-Term Liabilities

	Beginning Balances	Increase	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchase	\$ 755,398	\$ -	\$ 245,198	\$ 510,200	\$ 208,040
Compensated absences	94,029	72,546	66,493	100,082	-
Total pension liability (LEO)	483,061	219,676	-	702,737	-
Net pension liability (LGERS)	525,156	97,692	-	622,848	-
Total OPEB liability	832,291	245,486	-	1,077,777	-
	<u>\$ 2,689,935</u>	<u>\$ 635,400</u>	<u>\$ 311,691</u>	<u>\$ 3,013,644</u>	<u>\$ 208,040</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 9,712,465
Less capital debt	<u>510,200</u>
Capital assets, net of related debt	<u><u>\$ 9,202,265</u></u>

Interfund Balances and Activity

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

Transfers to/from other funds at June 30, 2021, consisted of the following:

From Capital Reserve Fund to General Fund for capital purchases	<u>\$ 96,243</u>
From Fire Department Capital Reserve Fund to General Fund to fund the match required by a grant agreement	<u>\$ 60,348</u>
From Fisher Creek Special Revenue Fund to General Fund for the Bridge Park conceptual plan	<u>\$ 15,700</u>
From General Fund to Allen Street Landslide Capital Project Fund for major street repairs	<u>\$ 750,000</u>
From General Fund to Fire Department Capital Reserve Fund for future capital needs	<u>\$ 23,184</u>

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

Fund Balance

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

Total Fund Balance - General Fund	<u>\$ 6,165,506</u>
Less:	
Stabilization by State Statute	294,029
Streets-Powell Bill	118,645
Public Safety	25,493
Appropriated Fund Balance in 2022 Budget	29,000
Capital reserve for fire department	215,603
Capital reserve for general operations	218,283
Other Postemployment Benefits	884,586
LEO Separation Allowance	326,716
Bridge Park	29,252
Cultural	7,666
Fund Balance Policy	<u>2,466,202</u>
Remaining Fund Balance	<u><u>\$ 1,550,031</u></u>

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

Jackson County Alcoholic Beverage Control Board

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

Transportation Improvement Project – Municipal Agreement

On September 15, 2017, the Town and the North Carolina Department of Transportation (NCDOT) entered into a municipal agreement. The NCDOT plans to make certain street and highway construction and improvements within the Town. The improvements will be part of the State Highway System, owned and maintained by the NCDOT. On March 27, 2020, a supplemental agreement was executed, as the estimated project cost increased, as well as the Town’s financial commitment to the project. The Skyland Drive sidewalk project has a total estimated cost of \$1,406,000, with the Town committed to a 20% local match in the amount of \$281,200 as of June 30, 2021. At June 30, 2021, the Town has fund balance committed of \$161,697 and assigned for subsequent year’s expenditures of \$189,200, for a total fund balance of \$350,897 in the Sidewalk Special Revenue Fund. There were no expenditures for the year ended June 30, 2021, with cumulative expenditures totaling \$89,200.

Jointly Governed Organization

Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The state passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State's Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Litigation

The Town is routinely involved in litigation related to tax foreclosures in the normal course of business. In 2015, a former employee filed a wrongful termination lawsuit against the Town. The case went to trial in May 2016, at which time the trial judge dismissed the plaintiff's case at the close of evidence. The plaintiff filed a notice of appeal with the North Carolina Court of Appeals. In April 2018, the Court of Appeals remanded to the trial court for re-trial. In July 2018, the Town was successful in this action and no damages were awarded to the plaintiff. The plaintiff filed another Notice of Appeal to the Court of Appeals. On July 7, 2020, the Court of Appeals of North Carolina concluded that there was no reversible error at trial and affirmed the trial court's judgment. The plaintiff's attorney attempted to overcome the unanimous decision of the Court of Appeals, with argument that his appeal must be addressed by the North Carolina Supreme Court. On August 19, 2020, the Town filed a motion to dismiss the notice of appeal with the Supreme Court. By Order dated April 19, 2021, the North Carolina Supreme Court denied the request to review the Court of Appeals decision. This was the last and final step in the process, so the case has been effectively concluded.

Subsequent Events

On July 15, 2021, the Town received the first distribution of grant funding in the amount of \$436,297 through the Coronavirus State and Local Fiscal Recovery Fund of H.R 1319 American Rescue Plan of 2021. The Town expects to receive, at a minimum, a total of \$872,593 from this funding.

Subsequent events have been reviewed through November 8, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Sylva, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 45,616	\$ 44,773	\$ 46,284	\$ 50,033
Interest	29,855	30,579	27,017	22,443
Changes of benefit terms	66,790	-	-	-
Differences between expected and actual experience	25,790	(33,468)	3,760	6,133
Changes of assumptions	127,683	17,419	(26,793)	(44,491)
Benefits payments	(50,248)	(25,976)	(20,243)	(21,436)
Net change in total OPEB liability	<u>245,486</u>	<u>33,327</u>	<u>30,025</u>	<u>12,682</u>
Total OPEB liability - beginning	<u>832,291</u>	<u>798,964</u>	<u>768,939</u>	<u>756,257</u>
Total OPEB liability - ending	<u><u>\$ 1,077,777</u></u>	<u><u>\$ 832,291</u></u>	<u><u>\$ 798,964</u></u>	<u><u>\$ 768,939</u></u>
Covered payroll	\$ 1,012,139	\$ 1,012,139	\$ 975,419	\$ 975,419
Total OPEB liability as a percentage of covered payroll	106.49%	82.23%	81.91%	78.83%

Notes to Schedule

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sylva's proportion of the net pension liability (asset) (%)	0.01743%	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ 622,848	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194	\$ (110,165)	\$ 230,228
Sylva's covered-employee payroll	\$1,161,531	\$1,212,382	\$1,136,364	\$1,048,443	\$1,049,438	\$1,003,334	\$ 957,295	\$ 920,293
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.62%	43.32%	39.16%	26.23%	34.52%	8.39%	(11.51%)	25.02%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 130,288	\$ 109,190	\$ 99,335	\$ 90,387	\$ 80,271	\$ 73,459	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	130,288	109,190	99,335	90,387	80,271	73,459	73,998	68,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$1,255,924	\$1,161,531	\$1,212,382	\$1,136,364	\$1,048,443	\$1,049,438	\$1,003,334	\$ 957,295
Contributions as a percentage of covered-employee payroll	10.37%	9.40%	8.19%	7.95%	7.66%	7.00%	7.38%	7.19%

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

	2021	2020	2019	2018	2017
Beginning balance	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024	\$ 405,163
Service Cost	18,635	18,394	16,554	15,870	18,967
Interest on the total pension liability	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	87,726	22,683	24,074	(27,907)	-
Changes of assumptions or other inputs	140,775	13,691	(15,289)	22,396	(8,979)
Benefit payments	(42,515)	(29,986)	(18,713)	(17,024)	(15,318)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<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 Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 702,737	\$ 483,061	\$ 442,710	\$ 423,012	\$ 414,024
Covered payroll	587,641	676,722	628,820	641,241	656,335
Total pension liability as a percentage of covered payroll	119.59%	71.38%	70.40%	65.97%	63.08%

Notes to the schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 1,872,725	\$ 1,944,848	\$ 72,123
Penalties and interest	7,100	12,705	5,605
Total ad valorem taxes	<u>1,879,825</u>	<u>1,957,553</u>	<u>77,728</u>
Other taxes and licenses:			
ABC licenses	<u>1,000</u>	<u>1,085</u>	<u>85</u>
Unrestricted intergovernmental revenues			
Local option sales tax	511,133	818,825	307,692
Excise tax on natural gas	5,000	7,952	2,952
Franchise tax	283,000	296,494	13,494
Beer and wine tax	11,500	11,394	(106)
Fire Department sales tax	9,500	7,860	(1,640)
Telecommunications sales tax	34,500	31,922	(2,578)
Cable franchise fees	13,500	13,018	(482)
Sales tax refund	10,413	14,027	3,614
Fire protection	327,427	329,808	2,381
Hold harmless	117,600	177,349	59,749
Solid waste disposal tax	2,000	2,027	27
ABC profit distribution	160,000	200,000	40,000
Substance tax distribution	2,000	3,345	1,345
Total	<u>1,487,573</u>	<u>1,914,021</u>	<u>426,448</u>
Restricted intergovernmental revenues			
Grants and contributions	70,929	157,132	86,203
ABC revenues for law enforcement	10,500	25,878	15,378
ABC revenues for education	14,000	33,955	19,955
Powell Bill allocation	66,867	66,867	-
Total	<u>162,296</u>	<u>283,832</u>	<u>121,536</u>

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Permits and fees			
Building permits	\$ 4,000	\$ 4,450	\$ 450
Business registrations	5,000	6,375	1,375
Recreation fees	4,000	3,665	(335)
Other fees	7,005	7,905	900
Parking fines	12,477	8,121	(4,356)
Total	<u>32,482</u>	<u>30,516</u>	<u>(1,966)</u>
Investment earnings	<u>11,867</u>	<u>33,659</u>	<u>21,792</u>
Miscellaneous			
Contributions	10,676	20,780	10,104
Main Street	22,800	-	(22,800)
Other miscellaneous	4,200	3,303	(897)
Total	<u>37,676</u>	<u>24,083</u>	<u>(13,593)</u>
Total revenues	<u>3,612,719</u>	<u>4,244,749</u>	<u>632,030</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	24,550	24,544	6
Operating expenditures	115,531	55,660	59,871
Professional services	63,600	49,006	14,594
Total	<u>203,681</u>	<u>129,210</u>	<u>74,471</u>
Administration:			
Salaries and employees benefits	340,643	337,544	3,099
Operating expenditures	83,500	59,379	24,121
Capital outlay	-	-	-
Total	<u>424,143</u>	<u>396,923</u>	<u>27,220</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Main Street:			
Salaries and employee benefits	\$ -	\$ -	\$ -
Operating benefits	53,687	28,082	25,605
Total	<u>53,687</u>	<u>28,082</u>	<u>25,605</u>
Taxes:			
Collection fees	6,000	5,842	158
Facilities maintenance:			
Salaries and employee benefits	4,510	4,478	32
Operating benefits	59,402	38,166	21,236
Capital outlay	-	-	-
Total	<u>63,912</u>	<u>42,644</u>	<u>21,268</u>
Total general government	<u>751,423</u>	<u>602,701</u>	<u>148,722</u>
Public safety:			
Police:			
Salaries and employee benefits	1,196,027	1,121,255	74,772
Operating expenditures	288,219	258,028	30,191
Capital outlay	96,243	149,113	(52,870)
Total	<u>1,580,489</u>	<u>1,528,396</u>	<u>52,093</u>
Fire:			
Salaries and employee benefits	29,809	39,392	(9,583)
Operating expenditures	390,029	324,720	65,309
Capital outlay	12,000	20,550	(8,550)
Total	<u>431,838</u>	<u>384,662</u>	<u>47,176</u>
Total public safety	<u>2,012,327</u>	<u>1,913,058</u>	<u>99,269</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	382,221	378,828	3,393
Operating expenditures	216,383	160,802	55,581
Capital outlay	38,667	14,233	24,434
Total transportation	<u>637,271</u>	<u>553,863</u>	<u>83,408</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic and physical development:			
Operating expenditures	\$ 34,275	\$ 28,370	\$ 5,905
Total economic and physical development	<u>34,275</u>	<u>28,370</u>	<u>5,905</u>
Environmental protection:			
Sanitation:			
Salaries and employees benefits	88,601	84,419	4,182
Operating expenditures	<u>45,224</u>	<u>37,097</u>	<u>8,127</u>
Total environmental protection	<u>133,825</u>	<u>121,516</u>	<u>12,309</u>
Public works:			
Cemetery:			
Contracted services	<u>8,100</u>	<u>7,200</u>	<u>900</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	26,925	6,120	20,805
Operating expenditures	55,808	42,284	13,524
Capital outlay	4,800	-	4,800
Library contribution	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total culture and recreation	<u>92,533</u>	<u>53,404</u>	<u>39,129</u>
Debt service:			
Principal	245,200	245,198	2
Interest and fees	<u>17,090</u>	<u>17,089</u>	<u>1</u>
Total debt service	<u>262,290</u>	<u>262,287</u>	<u>3</u>
Total expenditures	<u>3,932,044</u>	<u>3,542,399</u>	<u>389,645</u>

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	\$ (319,325)	\$ 702,350	\$ 1,021,675
Other financing sources (uses):			
Proceeds from disposal of assets	-	-	-
Transfers from other funds			
Capital Reserve Fund	96,243	96,243	-
Fire Department Capital Reserve Fund	60,348	60,348	-
Fisher Creek Special Revenue Fund	15,700	15,700	-
Transfers to other funds			
Fire Department Capital Reserve Fund	(2,324)	(23,184)	(20,860)
Allen Street Landslide Capital Project Fund	(750,000)	(750,000)	-
Appropriated fund balance	899,358	-	(899,358)
Total	319,325	(600,893)	(920,218)
Net change in fund balance	\$ -	101,457	\$ 101,457
Fund balances:			
Beginning year, July 1		5,601,163	
End of year, June 30		\$ 5,702,620	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 2,785	\$ 2,785
Restricted intergovernmental	-	-	-
	-	2,785	2,785
Expenditures	-	-	-
Revenues over (under) expenditures	-	2,785	2,785
Other financing sources (uses):			
Transfers to general fund	(96,243)	(96,243)	-
Appropriated fund balance	96,243	-	(96,243)
	-	(96,243)	(96,243)
Net change in fund balance	\$ -	(93,458)	\$ (93,458)
Fund balance:			
Beginning year, July 1		340,741	
End of year, June 30		\$ 247,283	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire Department Capital Reserve Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 1,993	\$ 1,993
Expenditures	-	-	-
Revenues over (under) expenditures	-	1,993	1,993
Other financing sources:			
Transfers from general fund	2,324	23,184	20,860
Transfers to general fund	(62,672)	(60,348)	2,324
Appropriated fund balance	60,348	-	(60,348)
	-	(37,164)	(37,164)
Net change in fund balance	\$ -	(35,171)	\$ (35,171)
Fund balance:			
Beginning year, July 1		250,774	
End of year, June 30		\$ 215,603	

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue Fund	Allen Street Landslide Capital Project Fund	American Rescue Plan Special Revenue Fund	Total Non- Major Governmental Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 34,664	\$ 3,415	\$ 350,897	\$ 750,516	\$ -	\$ 1,139,492
Due from other governments	5,004	-	-	-	-	5,004
Total current assets	<u>39,668</u>	<u>3,415</u>	<u>350,897</u>	<u>750,516</u>	<u>-</u>	<u>1,144,496</u>
Other assets:						
Real estate held for resale	52,435	-	-	-	-	52,435
Note receivable	8,333	-	-	-	-	8,333
Total assets	<u>\$ 100,436</u>	<u>\$ 3,415</u>	<u>\$ 350,897</u>	<u>\$ 750,516</u>	<u>\$ -</u>	<u>\$ 1,205,264</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,795	\$ -	\$ 1,795
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795</u>	<u>-</u>	<u>1,795</u>
Longterm liabilities:						
Unearned revenue	8,333	-	-	-	-	8,333
Total liabilities	<u>8,333</u>	<u>-</u>	<u>-</u>	<u>1,795</u>	<u>-</u>	<u>10,128</u>
Fund Balances						
Assigned						
Subsequent year's expenditures	6,000	-	189,200	-	-	195,200
Streets				748,721		748,721
Restricted for:						
Cultural	-	3,415	-	-	-	3,415
Economic development	86,103	-	-	-	-	86,103
Committed						
Sidewalks	-	-	161,697	-	-	161,697
Total fund balances	<u>92,103</u>	<u>3,415</u>	<u>350,897</u>	<u>748,721</u>	<u>-</u>	<u>1,195,136</u>
Total liabilities and fund balances	<u>\$ 100,436</u>	<u>\$ 3,415</u>	<u>\$ 350,897</u>	<u>\$ 750,516</u>	<u>\$ -</u>	<u>\$ 1,205,264</u>

Town of Sylva, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2021

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue Fund	Allen Street Landslide Capital Project Fund	American Rescue Plan Special Revenue Fund	Total Non- Major Governmental Funds
Revenues:						
Unrestricted intergovernmental revenues	\$ -	\$ 23	\$ -	\$ -	\$ -	\$ 23
Restricted intergovernmental revenues	-	-	-	-	-	-
Investment earnings	267	2	3,231	516	-	4,016
Miscellaneous	6,035	1,161	-	-	-	7,196
Total revenues	6,302	1,186	3,231	516	-	11,235
Expenditures:						
Current:						
Transportation	-	-	-	1,795	-	1,795
Economic and physical development	-	-	-	-	-	-
Cultural and recreation	-	66	-	-	-	66
Total expenditures	-	66	-	1,795	-	1,861
Revenues over (under) expenditures	6,302	1,120	3,231	(1,279)	-	9,374
Other financing sources (uses):						
Transfers from General Fund	-	-	-	750,000	-	750,000
Total other financing sources (uses)	-	-	-	750,000	-	750,000
Net change in fund balance	6,302	1,120	3,231	748,721	-	759,374
Fund balances						
Beginning of year, July 1	85,801	2,295	347,666	-	-	435,762
End of year, June 30	\$ 92,103	\$ 3,415	\$ 350,897	\$ 748,721	\$ -	\$ 1,195,136

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Revolving Loan Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 267	\$ 267
Miscellaneous	-	6,035	6,035
	-	6,302	6,302
Expenditures			
Economic development	6,000	-	6,000
Revenues over (under) expenditures	(6,000)	6,302	12,302
Other financing sources:			
Appropriated fund balance	6,000	-	(6,000)
Total other financing sources (uses)	6,000	-	(6,000)
Net change in fund balance	\$ -	6,302	\$ 6,302
Fund balance:			
Beginning year, July 1		85,801	
End of year, June 30		\$ 92,103	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Public Art Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Unrestricted intergovernmental revenue: \$	-	\$ 23	\$ 23
Investment earnings	-	2	2
Contributions and grants	-	1,161	1,161
Total revenues	-	1,186	1,186
Expenditures			
Culture and recreation	2,677	66	2,611
Revenues over (under) expenditures	(2,677)	1,120	3,797
Other financing sources:			
Appropriated fund balance	2,677	-	(2,677)
Net change in fund balance	\$ -	1,120	\$ 1,120
Fund balance:			
Beginning year, July 1		2,295	
End of year, June 30		\$ 3,415	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Sidewalk Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 3,231	\$ 3,231
Total revenues	<u>-</u>	<u>3,231</u>	<u>3,231</u>
Expenditures			
Transportation	<u>189,200</u>	<u>-</u>	<u>189,200</u>
Revenues over (under) expenditures	<u>(189,200)</u>	<u>3,231</u>	<u>192,431</u>
Other financing sources (uses):			
Appropriated fund balance	<u>189,200</u>	<u>-</u>	<u>(189,200)</u>
	<u>189,200</u>	<u>-</u>	<u>(189,200)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>3,231</u>	<u><u>\$ 3,231</u></u>
Fund balance:			
Beginning year, July 1		<u>347,666</u>	
End of year, June 30		<u><u>\$ 350,897</u></u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund - Allen Street Landslide
From Inception to the Fiscal Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Actual</u>		<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Capital outlay	750,000	-	1,795	748,205
Revenues over (under) expenditures	<u>(750,000)</u>	<u>-</u>	<u>(1,795)</u>	<u>748,205</u>
Other financing sources (uses):				
Transfer from General fund	750,000	-	750,000	-
Appropriated fund balance	-	-	-	-
	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	748,205	<u>\$ 748,205</u>
Fund balance:				
Beginning year, July 1			<u>-</u>	
End of year, June 30			<u>\$ 748,205</u>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - American Rescue Plan Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental revenues	\$ 400,000	\$ -	\$ (400,000)
Total revenues	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Expenditures	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 1,940,240	\$ 1,899,347	\$ 40,893
2019-2020	39,376		22,305	17,071
2018-2019	21,333		8,659	12,674
2017-2018	11,178		1,520	9,658
2016-2017	6,980		702	6,278
2015-2016	3,591		365	3,226
2014-2015	2,404		104	2,300
2013-2014	5,432		92	5,340
2012-2013	2,773		113	2,660
2011-2012	3,376		171	3,205
2010-2011	5,176		5,176	-
	<u>\$ 101,619</u>	<u>\$ 1,940,240</u>	<u>\$ 1,938,554</u>	<u>\$ 103,305</u>
Less: allowance for uncollectible accounts - general fund				(50,859)
Plus: taxes under appeal				<u>7,456</u>
Ad valorem taxes receivable - net				<u>\$ 59,902</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 1,957,553
Reconciling items:				
Penalties and interest collected				(12,705)
Rental vehicle tax				(4,543)
Insolvencies				(6,889)
Write-offs				5,138
Subtotal				<u>(18,999)</u>
Total collections and credits				<u>\$ 1,938,554</u>

**Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2021**

	Town-Wide Levy			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy					
Property taxed at current year's rate	\$ 453,572,261	0.425	\$ 1,927,682	\$ 1,829,425	\$ 98,257
	<u>453,572,261</u>		<u>1,927,682</u>	<u>1,829,425</u>	<u>98,257</u>
Discoveries					
Prior year taxes	3,016,887	0.425	12,822	12,822	-
	<u>3,016,887</u>		<u>12,822</u>	<u>12,822</u>	<u>-</u>
Releases	<u>(62,066)</u>	0.425	<u>(264)</u>	<u>(264)</u>	<u>-</u>
Total property valuation	<u>\$ 456,527,082</u>				
Net levy			1,940,240	1,841,983	98,257
Uncollected taxes at June 30, 2021			<u>(40,893)</u>	<u>(40,893)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,899,347</u>	<u>\$ 1,801,090</u>	<u>\$ 98,257</u>
Current levy collection percentage			<u>97.89%</u>	<u>97.78%</u>	<u>100.00%</u>

OTHER REPORT

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sylva's basic financial statements, and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Burleson & Earley, P.A.

Certified Public Accountants

November 8, 2021