



**Financial Statements
For the Year Ended June 30, 2022**

Town of Sylva, North Carolina

Mayor

Lynda Sossamon

Board of Commissioners

Mary Gelbaugh

Ben Guiney

Greg McPherson

Natalie Newman

David Nestler

Management

Paige R. Dowling, Town Manager

Lynn Bryant, Finance Officer

Town of Sylva, North Carolina

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sylva, North Carolina as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Fisher Creek Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sylva's basic financial statements and individual funds statements. The combining and individual fund statements, budgetary schedules, 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, and other schedules 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 18, 2022, on our consideration of the Town of Sylva, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sylva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sylva, North Carolina's internal control over financial reporting and compliance.

Burlison & Earley, P.A.

Certified Public Accountants

Asheville, North Carolina

November 18, 2022

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, 2022. 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 \$22,720,288 (net position).
- The government's total net position increased by \$4,797,951. The primary reason for this increase was capital grant funding from the State.
- As of the close of the current fiscal year, the Town of Sylva's governmental funds reported combined ending fund balance of \$15,260,306, an *increase* of \$4,819,679 in comparison with the prior year's increase of \$736,630. Contributing to this increase, was the establishment of the Bryson Park and Playground Equipment Grant Project and the Public Restroom Grant Project. Approximately 30.6 percent, or \$4,672,360, 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 \$4,672,360, or 136 percent of the total general fund expenditures for the fiscal year. The unassigned fund balance increased by 16.3 percent from the prior year due to revenues exceeding budgeted expectations, conservative spending at a departmental level, and supplanting of American Rescue Plan Act funds. The Town of Sylva's updated Fund Balance Policy states that the Town shall maintain an unassigned minimum fund balance threshold of 40% of the general operating budget with a target goal of 75%. The Town's general fund balance *increased* by \$891,295 compared to a decrease of (\$27,172) last year.
- Total long-term debt of \$2,821,495 *decreased* by (\$192,149) from the previous year. A decrease in the liabilities for pensions and regularly scheduled payments on the existing loans was more than the increase in postemployment benefits liability.
- Taxes increased to \$.44 per \$100, resulting in increases in ad valorem tax revenues of approximately \$343,000.

Overview of the Financial Statements

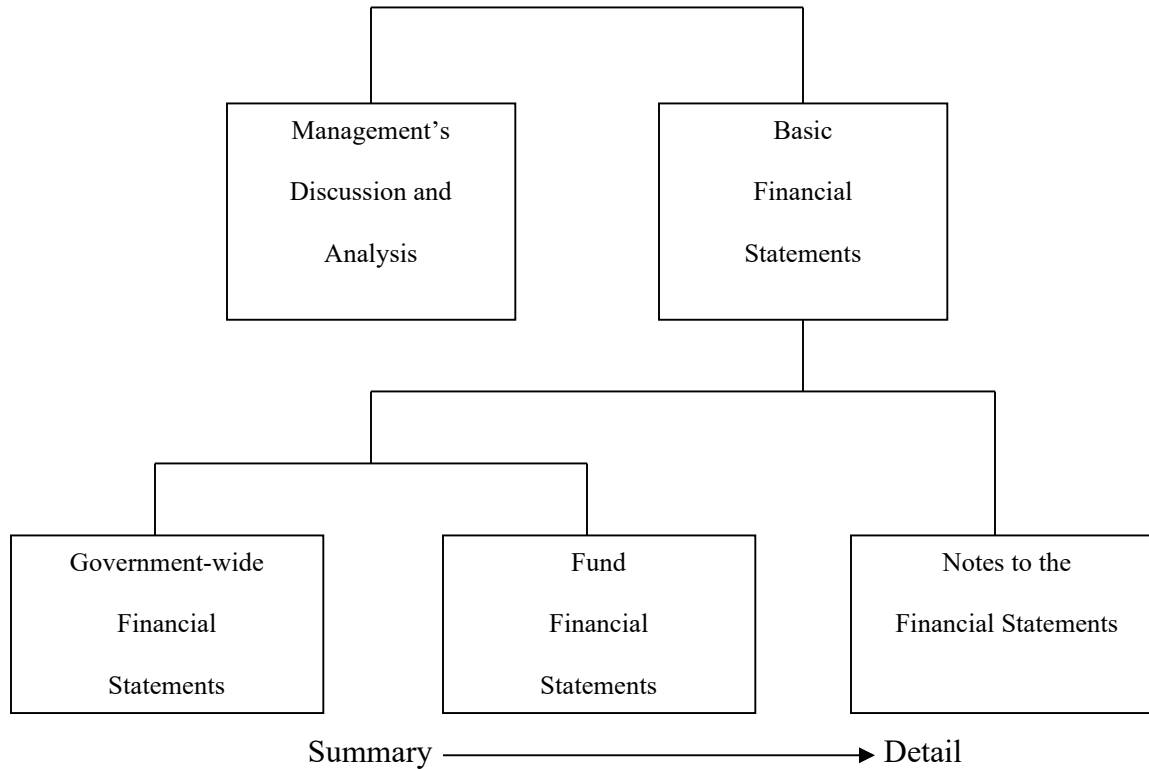
This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of these three components (see Figure 1):

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

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-46 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 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**

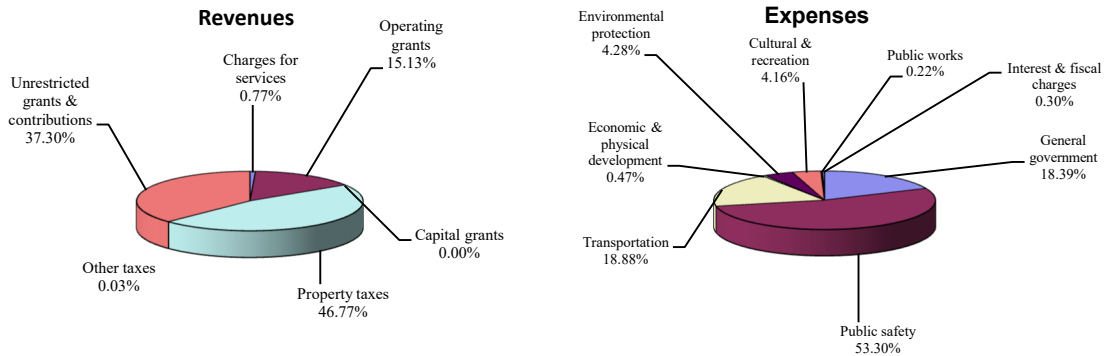
	Government Activities		Total	
	2022	2021	\$ Change	% Change
Current assets	\$ 15,430,544	\$ 10,710,472	\$ 4,720,072	44%
Capital assets	9,568,840	9,712,465	(143,625)	-1%
Right to use leased assets	8,808	-	8,808	100%
Noncurrent assets	55,768	60,768	(5,000)	-8%
Total assets	25,063,960	20,483,705	4,580,255	22%
Deferred outflows of resources	1,117,519	811,958	305,561	38%
Long-term liabilities outstanding	2,821,495	3,013,644	(192,149)	-6%
Other liabilities	133,568	242,462	(108,894)	-45%
Total liabilities	2,955,063	3,256,106	(301,043)	-9%
Deferred inflows of resources	506,128	117,220	388,908	332%
Net position:				
Net investment in capital assets	9,266,681	9,202,265	64,416	1%
Restricted	5,600,036	2,216,348	3,383,688	153%
Unrestricted	7,853,571	6,503,724	1,349,847	21%
Total net position	\$ 22,720,288	\$ 17,922,337	\$ 4,797,951	27%

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 \$22,720,288 as of June 30, 2022. The Town’s net position *increased* by \$4,797,951 for the fiscal year ended June 30, 2022. The largest portion of net position (40.8 percent) reflects the Town’s net investment in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and motorized equipment and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sylva’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The second largest portion (34.6 percent) reflects the Town’s unrestricted net position. An additional portion of the Town of Sylva’s net position, \$5,600,036 (24.6 percent), represents resources that are subject to external restrictions on how they may be used.

The Town experienced an increase of 21 percent in unrestricted net position due to revenues exceeding budgeted expectations, conservative spending at a departmental level, and supplanting of American Rescue Plan Act funds.

Figure 3

	Government Activities		Total	
	2022	2021	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 40,435	\$ 32,278	\$ 8,157	25%
Operating grants and contributions	911,083	633,256	277,827	44%
Capital grants and contributions	3,250,000	-	3,250,000	100%
General Revenues:				
Property taxes	2,308,590	1,956,914	351,676	18%
Other taxes	1,590	1,350	240	18%
Grants and contributions not restricted to specific programs	1,820,511	1,560,701	259,810	17%
Other	75,451	92,112	(16,661)	-18%
Total Revenues	8,407,660	4,276,611	4,131,049	97%
Expenses:				
General government	663,768	715,934	(52,166)	-7%
Public safety	1,923,831	2,053,855	(130,024)	-6%
Transportation	681,642	703,211	(21,569)	-3%
Economic and physical development	16,907	44,842	(27,935)	-62%
Environmental protection	154,606	125,006	29,600	24%
Cultural and recreation	150,068	98,608	51,460	52%
Public works	8,100	7,200	900	13%
Interest and fiscal charges	10,787	16,028	(5,241)	-33%
Total Expenses	3,609,709	3,764,684	(154,975)	-4%
Change in net position	4,797,951	511,927	4,286,024	837%
Net position, July 1	17,922,337	17,410,410	511,927	3%
Net position, June 30	\$ 22,720,288	\$ 17,922,337	\$ 4,797,951	27%



Governmental activities: Governmental activities increased the Town’s net position by \$4,797,951 thereby accounting for a 327 percent growth in the net position of the Town of Sylva. The primary reason for this increase was the establishment of the Bryson Park and Playground Equipment Grant Project and the Public Restroom Grant Project.

Financial Analysis of the Town’s Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance available in the General Fund was \$4,672,360, while total fund balance reached \$7,056,801. 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 136 percent of total General Fund expenditures, while total fund balance represents 206 percent of the same amount.

At June 30, 2022, the governmental funds of Town of Sylva reported a combined fund balance of \$15,260,306, a 46 percent increase from last year. The primary reason for this increase in fund balance was capital grant funding from the State and American Rescue Plan Act funding from the Federal Government.

The Town’s Fund Balance Policy requires that the Town will maintain an unassigned fund balance of at least 40 percent of the general operating budget with a goal of 75 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 28 percent increase in Local Option Sales Tax. Additionally, the ABC profit distribution was \$160,000 above the original budget due to an additional disbursement.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2022, totals \$9,568,840 (net of accumulated depreciation). These assets include land, buildings, other improvements, infrastructure, equipment, and vehicles.

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

- Two new police vehicles
- Truck for public works
- Live video streaming equipment for the board room
- Equipment for public works
- Heat and air unit for police department
- Donated land
- Professional services in planning and design for the Allen Street project

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

	Government Activities		Total	
	2022	2021	\$ Change	% Change
Land	\$ 3,902,599	\$ 3,885,799	\$ 16,800	0%
Construction in progress	146,551	1,795	144,756	100%
Buildings	3,216,515	3,312,769	(96,254)	-3%
Other improvements	186,939	209,517	(22,578)	-11%
Computer equipment	-	-	-	0%
Equipment	146,389	168,887	(22,498)	-13%
Vehicles and motorized equipment	912,862	994,653	(81,791)	-8%
Infrastructure	1,056,985	1,139,045	(82,060)	-7%
Total	\$ 9,568,840	\$ 9,712,465	\$ (143,625)	-1%

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, 2022, the Town of Sylva had a long-term debt outstanding of \$2,821,495. Of this, \$173,218 is due within one year and \$2,648,277 is due in subsequent years. Debt decreased from the previous year by 6.4 percent. This decrease resulted from the net decrease in the liabilities for pensions and repayments of direct placement installment purchases exceeding the increase in postemployment benefits.

	Beginning Balances	Increase	Decreases	Ending Balances
Governmental Activities:				
Direct placement installment purchase	\$ 510,200	\$ -	\$ 208,041	\$ 302,159
Leases	-	11,267	2,382	8,885
Compensated absences	100,082	95,536	83,109	112,509
Total pension liability (LEO)	702,737	-	1,081	701,656
Total pension liability (LGERS)	622,848	-	345,574	277,274
Total OPEB liability	1,077,777	341,235	-	1,419,012
	\$ 3,013,644	\$ 448,038	\$ 640,187	\$ 2,821,495

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

Economic Factors and Next Year's Budgets and Rates

Currently the economic outlook is volatile. High inflation, supply chain shortages, workforce concerns, rising fuel and food costs, war in Ukraine, low inventory of existing homes, as lagging recovery in a post-covid era are contributing to uncertainties in the local, state and world economies.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities:

The Town of Sylva has approved a \$5,847,875 budget for fiscal year 2022-2023, this represents an increase of \$1,326,303 or 29.33 percent from the 2021-2022 original budget which totaled \$4,521,572. This significant increase was a result of transitioning from an all-volunteer fire department to a split volunteer and paid department with a twenty-four-hour operation. The original budget included (11) paid personnel; however, the budget was amended in July to reflect (8) paid personnel due to County funding that was approved late in the budget process.

Revenues:

- The tax rate remained at \$0.44 cents per \$100 valuation. Jackson County will reevaluate property values in 2025. The levy on real property, vehicles, and personal property comprises 54 percent of the General Fund Revenues. The estimated amount of value subject to levy is \$516,947,238 a 19 percent increase from the 2021 final levy.
- State-collected revenues such as Local Option Sales Tax, Franchise Tax on Utilities, Natural Gas, Telecommunication, as well as Powell Bill for street maintenance contribute 33 percent of the General Fund budget. Continued gains are anticipated for Local Option Sales Tax which is the largest state revenue.
- There is anticipation that the Federal Reserve will raise interest rates in the coming year.

Expenditures:

- Employees received a 4 percent cost of living adjustment. The budget includes a 2.5 merit increase. A classification and pay study was conducted in March 2022. The North Carolina Local Employees' Retirement System rates increased from the prior year. Currently, the General Government contribution rate is 12.14%, the Law Enforcement contribution rate is 13.04%, and the paid Fire Department contribution rate is 12.14%.
- 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 and the Separation Allowance for Law Enforcement remained at \$125,000 each. 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 2022-2023 Budget include two fully equipped police vehicles and a F-250 pickup truck for Public Works.
- The 2021-2022 Budget appropriated \$10,000 from the Fund Balance. No appropriations were made from the Capital Reserve Fund. In the prior year's original budget there were no appropriation from fund balance and \$29,000 transferred in from capital reserves. Currently, the available fund balance is 71.89 percent of current year expenditures. The Town's Fund Balance policy states that the Town

shall maintain a 40 percent fund balance to expenditures, with a goal of 75 percent. The Fund Balance Policy allows monies over the stated goal to transfer into a capital reserve fund. This year, no money will transfer to the Capital Reserve Fund. Of the \$891,295 increase in the general fund balance, \$436,431 were supplanted American Rescue Plan Act monies including earned interest which were deducted from the calculation for transfer. Additionally, the Fund Balance goal will need to be decreased to accommodate for a significant increase in expenditures due to adding a paid Fire Department. Fund balances are closely 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, 2022

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 11,054,561
Receivables (net)	
Taxes receivable	60,808
Accrued interest	14,043
Accounts	2,393
Due from other governments	272,255
Restricted cash and cash equivalents	4,026,484
Total current assets	<u>15,430,544</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	4,049,150
Other capital assets, net of depreciation	5,519,690
Total capital assets	<u>9,568,840</u>
Right to use leased asset, net of amortization	8,808
Real estate held for resale	52,435
Notes receivable	3,333
Total noncurrent assets	<u>9,633,416</u>
Total assets	<u>25,063,960</u>
Deferred Outflows of Resources	
Pension deferrals	642,345
OPEB deferrals	475,174
Total deferred outflows of resources	<u>1,117,519</u>
Liabilities	
Current liabilities:	
Accounts payable	72,839
Accrued liabilities	60,729
Unearned revenues	-
Current portion of long-term liabilities	173,218
Total current liabilities	<u>306,786</u>
Long-term liabilities:	
Due in more than one year	2,648,277
Total long-term liabilities	<u>2,648,277</u>
Total liabilities	<u>2,955,063</u>
Deferred Inflows of Resources	
Prepaid taxes	14,514
Prepaid licenses	450
Pension deferrals	435,771
OPEB deferrals	55,393
Total deferred inflows of resources	<u>506,128</u>
Net Position	
Net investment in capital assets	9,266,681
Restricted for:	
Grant capital projects	3,245,606
Economic development	91,121
Stabilization by state statute	264,640
Transportation (Powell Bill)	187,734
Public safety	27,557
Capital reserves	525,578
Water quality	1,219,319
Bridge Park	29,262
Other purposes	9,219
Unrestricted	7,853,571
Total net position	<u>\$ 22,720,288</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, 2022

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	\$ 663,768	\$ 20,785	\$ 51,480	\$ -	\$ (591,503)
Public safety	1,923,831	9,761	625,878	-	(1,288,192)
Transportation	681,642	-	232,977	-	(448,665)
Economic and physical development	16,907	-	-	-	(16,907)
Environmental protection	154,606	2,000	-	-	(152,606)
Culture and recreation	150,068	7,889	748	3,250,000	3,108,569
Public works	8,100	-	-	-	(8,100)
Interest and fiscal charges	10,787	-	-	-	(10,787)
Total primary government	\$ 3,609,709	\$ 40,435	\$ 911,083	\$ 3,250,000	\$ 591,809
General revenues:					
Taxes:					
Property taxes, levied for general purpose					2,308,590
Other taxes and licenses					1,590
Grants and contributions not restricted to specific programs					1,820,511
Unrestricted investment earnings					18,123
Miscellaneous, unrestricted					57,328
Total general revenues					4,206,142
Change in net position					4,797,951
Net position, beginning					17,922,337
Net position, ending					\$ 22,720,288

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

Town of Sylva, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds				Total Governmental Funds
	General Fund	Fisher Creek Fund	Bryson Park Grant Project Fund	Other Non- Major Funds	
Assets					
Current assets:					
Cash and cash equivalents	\$ 6,159,106	\$ 3,059,755	\$ -	\$ 1,835,701	\$ 11,054,562
Receivables, net:					
Taxes	60,808	-	-	-	60,808
Accounts	2,393	-	-	-	2,393
Due from other governments	262,247	-	-	10,008	272,255
Prepaid Expenses	-	-	-	-	-
Restricted cash and cash equivalents	780,878	-	3,000,154	245,452	4,026,484
Total current assets	<u>7,265,432</u>	<u>3,059,755</u>	<u>3,000,154</u>	<u>2,091,161</u>	<u>15,416,502</u>
Other assets					
Real estate held for resale	-	-	-	52,435	52,435
Note receivable	-	-	-	3,333	3,333
Total assets	<u>\$ 7,265,432</u>	<u>\$ 3,059,755</u>	<u>\$ 3,000,154</u>	<u>\$ 2,146,929</u>	<u>\$ 15,472,270</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 72,839	\$ -	\$ -	\$ -	\$ 72,839
Accrued liabilities	60,020	-	-	-	60,020
Unearned revenue	-	-	-	-	-
Total current liabilities	<u>132,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,859</u>
Longterm liabilities:					
Unearned revenue	-	-	-	3,333	3,333
Total liabilities	<u>132,859</u>	<u>-</u>	<u>-</u>	<u>3,333</u>	<u>136,192</u>
Deferred Inflows of Resources					
Property taxes receivable	60,808	-	-	-	60,808
Prepaid licenses	450	-	-	-	450
Prepaid taxes	14,514	-	-	-	14,514
Total deferred inflows of resources	<u>75,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,772</u>
Fund Balances					
Restricted for:					
Stabilization by state statute	264,640	-	-	-	264,640
Streets	187,734	-	-	-	187,734
Public safety	27,557	-	-	-	27,557
Grant capital projects	-	-	3,000,154	245,452	3,245,606
Capital reserve for fire department	307,194	-	-	-	307,194
Capital reserve for general operations	218,384	-	-	-	218,384
Economic development	-	-	-	91,121	91,121
Water quality	-	1,219,319	-	-	1,219,319
Bridge Park	29,262	-	-	-	29,262
Culture and recreation	7,671	-	-	1,548	9,219
Committed					
Sidewalks	-	-	-	179,057	179,057
Streets - Capital Project	-	-	-	1,423,618	1,423,618
Conservation	-	1,814,436	-	-	1,814,436
Assigned					
Subsequent year's expenditures	10,000	26,000	-	202,800	238,800
Other postemployment benefits	938,362	-	-	-	938,362
LEO separation allowance	393,637	-	-	-	393,637
Unassigned	4,672,360	-	-	-	4,672,360
Total fund balances	<u>7,056,801</u>	<u>3,059,755</u>	<u>3,000,154</u>	<u>2,143,596</u>	<u>15,260,306</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,265,432</u>	<u>\$ 3,059,755</u>	<u>\$ 3,000,154</u>	<u>\$ 2,146,929</u>	<u>\$ 15,472,270</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, 2022

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

Total Fund Balance, Governmental Funds	\$	15,260,306
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds		
Gross capital assets at historical cost		17,002,415
Accumulated depreciation		<u>(7,433,575)</u>
		9,568,840
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in funds		
Right to use assets at historical cost		11,266
Accumulated amortization		<u>(2,458)</u>
		8,808
Accrued interest receivable on advalorem taxes receivable		14,043
Deferred outflows of resources related to pensions are not reported in the funds		642,345
Deferred outflows of resources related to OPEB are not reported in the funds		475,174
Liabilities for unearned revenues in the fund statements		
Notes receivable		3,333
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
Property taxes receivable		60,808
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt		(423,553)
Net pension liability		(277,274)
Total pension liability		(701,656)
OPEB liability		(1,419,012)
Accrued interest on long-term debt		(710)
Deferred inflows of resources related to pensions are not reported in the funds		(435,771)
Deferred inflows of resources related to OPEB are not reported in the funds		(55,393)
Net position of governmental activities		<u><u>\$ 22,720,288</u></u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Fisher Creek Fund	Bryson Park Grant Project Fund	Other Non- Major Funds	
Revenues:					
Ad valorem taxes	\$ 2,307,470	\$ -	\$ -	\$ -	\$ 2,307,470
Other taxes and licenses	1,325	-	-	-	1,325
Unrestricted intergovernmental revenues	2,153,603	-	-	-	2,153,603
Restricted intergovernmental revenues	147,723	-	3,000,000	686,297	3,834,020
Permits and fees	26,255	-	-	-	26,255
Investment earnings	7,152	9,598	154	1,219	18,123
Miscellaneous	64,637	357	-	5,753	70,747
Total revenues	4,708,165	9,955	3,000,154	693,269	8,411,543
Expenditures:					
Current:					
General government	686,178	-	-	-	686,178
Public safety	1,697,892	-	-	-	1,697,892
Transportation	592,324	-	-	140,194	732,518
Economic and physical development	11,444	30,185	-	-	41,629
Environmental protection	134,304	-	-	-	134,304
Public works	8,100	-	-	-	8,100
Culture and recreation	75,289	-	-	5,179	80,468
Debt service:					
Principal	210,422	-	-	-	210,422
Interest and fees	11,620	-	-	-	11,620
Total expenditures	3,427,573	30,185	-	145,373	3,603,131
Revenues over (under) expenditures	1,280,592	(20,230)	3,000,154	547,896	4,808,412
Other financing sources (uses):					
Proceeds from disposal of assets	-	-	-	-	-
Lease liabilities issued	11,267	-	-	-	11,267
Transfers from other funds	436,383	-	-	836,947	1,273,330
Transfers to other funds	(836,947)	-	-	(436,383)	(1,273,330)
Total other financing sources (uses)	(389,297)	-	-	400,564	11,267
Net change in fund balance	891,295	(20,230)	3,000,154	948,460	4,819,679
Fund balances					
Beginning of year, July 1	6,165,506	3,079,985	-	1,195,136	10,440,627
End of year, June 30	\$ 7,056,801	\$ 3,059,755	\$ 3,000,154	\$ 2,143,596	\$ 15,260,306

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, 2022

Exhibit 4

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

Net changes in fund balances - governmental fund		\$ 4,819,679
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	293,510	
Depreciation expense for governmental assets	<u>(437,136)</u>	(143,626)
<p>Right to use leased asset capital outlay expenditures which were capitalized.</p>		
Amortization expense for intangible assets	<u>11,267</u>	8,809
Amortization expense for intangible assets	<u>(2,458)</u>	8,809
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		150,837
Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities		29,283
OPEB benefit payments and administrative expense made in the current fiscal year are not included in the Statement of Activities		72,349
Payments received on long-term note receivable		(5,000)
Change in accrued interest receivable		215
Earned revenues considered deferred inflows of resources in the fund statements		908
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Lease liabilities issued		(11,267)
Repayment of long-term debt		210,421
Decrease in accrued interest payable		832
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(12,426)
Pension expense		(185,760)
OPEB plan expense		(137,303)
Total change in net position of governmental activities		<u><u>\$ 4,797,951</u></u>

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

Town of Sylva, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2022

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,196,060	\$ 2,196,560	\$ 2,307,470	\$ 110,910
Other tax and licenses	1,000	1,000	1,325	325
Unrestricted intergovernmental revenues	1,707,313	1,712,313	2,153,603	441,290
Restricted intergovernmental revenues	120,000	140,787	147,723	6,936
Permits and fees	22,000	25,549	26,255	706
Investment earnings	23,000	23,000	6,964	(16,036)
Miscellaneous	48,800	56,300	64,637	8,337
Total revenues	<u>4,118,173</u>	<u>4,155,509</u>	<u>4,707,977</u>	<u>552,468</u>
Expenditures:				
General government	764,816	776,530	686,178	90,352
Public safety	1,919,784	2,029,467	1,697,892	331,575
Transportation	685,620	710,372	592,324	118,048
Economic and physical development	14,275	14,275	11,444	2,831
Environmental protection	156,020	159,325	134,304	25,021
Public works	8,100	8,100	8,100	-
Culture and recreation	90,408	88,408	75,289	13,119
Debt service:				
Principal	208,695	211,076	210,422	654
Interest and fees	11,455	11,627	11,620	7
Total expenditures	<u>3,859,173</u>	<u>4,009,180</u>	<u>3,427,573</u>	<u>581,607</u>
Revenues over (under) expenditures	259,000	146,329	1,280,404	1,134,075
Other financing sources (uses):				
Lease liabilities issued	-	-	11,267	11,267
Transfers from other funds	29,000	465,383	465,383	-
Transfers to other funds	(20,000)	(836,947)	(928,451)	(91,504)
Appropriated fund balance	(268,000)	225,235	-	(225,235)
Total other financing sources (uses):	<u>(259,000)</u>	<u>(146,329)</u>	<u>(451,801)</u>	<u>(305,472)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	828,603	<u>\$ 828,603</u>
Fund balances				
Beginning of year, July 1			5,702,620	
End of year, June 30			<u>\$ 6,531,223</u>	
Legally budgeted Capital Reserve and Fire Department Capital Reserve funds are consolidated in the General Fund for reporting purposes:				
Investment earnings			188	
Transfers to the general fund			(29,000)	
Transfers from the general fund			91,504	
			<u>62,692</u>	
Fund balance, beginning			462,886	
Fund balance, ending (Exhibit 4)			<u>\$ 7,056,801</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	-	-	-	-
Restricted intergovernmental revenues	-	-	-	-
Permits and fees	-	-	-	-
Investment earnings	11,000	11,000	9,598	(1,402)
Miscellaneous	-	-	357	357
Total revenues	11,000	11,000	9,955	(1,045)
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Environmental protection	48,400	93,400	30,185	63,215
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	48,400	93,400	30,185	63,215
Revenues over (under) expenditures	(37,400)	(82,400)	(20,230)	62,170
Other financing sources (uses):				
Lease liabilities issued	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to General Fund	-	-	-	-
Appropriated fund balance	37,400	82,400	-	(82,400)
Total other financing sources (uses):	37,400	82,400	-	(82,400)
Net change in fund balance	\$ -	\$ -	(20,230)	\$ (20,230)
Fund balances				
Beginning of year, July 1			3,079,985	
End of year, June 30			<u>\$ 3,059,755</u>	

Town of Sylva, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

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 the Bryson Park Grant Project Fund, the Public Restrooms Grant Project Fund, and the Allen Street Landslide Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The governing board must approve any revision of the original budget. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2022, 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

<u>Governmental Activities</u>	
General Fund	
Streets	\$ 187,734
Public Safety	27,557
Capital Reserve for Fire Department	310,270
Capital Reserve for General Operations	218,384
Bridge Park	29,262
Culture and recreation	7,671
Bryson Park and Playground Equipment Grant Project Fund	
Grant capital projects	3,000,154
Public Restrooms Grant Project Fund	
Grant capital projects	245,452
Total Restricted Cash - Governmental Activities	<u><u>\$ 4,026,484</u></u>

Ad Valorem Taxes Receivable: In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2021.

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

Right to Use Assets: The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, pension and OPEB deferrals for the 2022 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.

Reimbursements for Pandemic-related Expenditures: In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$872,594 of the fiscal recovery funds to be paid in two equal installments. The first installment of \$436,297 was received in July 2021 and was reported in the American Rescue Plan Special Revenue Fund. The second installment was received in July 2022. The Town has elected to take the standard allowance, as authorized by 31 CFR, part 35.6(d)(1) and expend all of the funds for the provision of government services. The first installment of \$436,297 of the ARPA funds was allocated to salaries in public safety and public works in the amounts of \$278,677 and \$157,620, respectively. The funds were transferred to the general fund from the special revenue fund.

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations; however the budget ordinance authorizes the manager to modify the

appropriations between objects of expenditures within a department without limitations. The authority also permits the transfer of amounts up to \$2,000 between departments with an official report provided to the board at their next meeting.

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

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

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

The Town has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures. In addition, the Town has set a target goal of maintaining an unassigned fund balance of 75%. 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, 2022, the Town’s deposits had a carrying amount of \$8,678,290 and a bank balance of \$8,780,161. Of this balance, \$506,873 was covered by federal depository insurance and \$8,273,288 was covered by collateral held under the Pooling Method. The Town also has cash on hand of \$1,300 at June 30, 2022.

Investments

At June 30, 2022, the Town’s investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at June 30, 2022	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 6,401,456</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, 2022.

Due from Other Governments

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

Local option sales tax	\$ 203,592
ABC Funds	47,358
Jackson County – vehicle taxes	11,297
Jackson County – other	<u>10,008</u>
	<u>\$ 272,255</u>

Receivables – Allowances for Doubtful Accounts

The amounts in the Balance Sheet and the Statement of Net Position for taxes receivables are net of an allowance for doubtful accounts of \$54,595.

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 \$3,333 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 2022 totaled \$5,004. In the government-wide statements, at year end, the balance in the receivable, net of current year payments, was \$3,333.

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,885,799	\$ 16,800	\$ -	\$ 3,902,599
Construction in progress	1,795	144,756	-	146,551
Total capital assets not being depreciated	<u>3,887,594</u>	<u>161,556</u>	<u>-</u>	<u>4,049,150</u>
Capital Assets Being Depreciated:				
Buildings	4,990,733	-	-	4,990,733
Other improvements	659,373	7,762	-	667,135
Computer Equipment	4,627	-	-	4,627
Equipment	1,086,392	38,032	-	1,124,424
Vehicles and motorized equipment	3,053,412	86,161	33,120	3,106,453
Infrastructure	3,059,897	-	-	3,059,897
Total capital assets being depreciated	<u>12,854,434</u>	<u>131,955</u>	<u>33,120</u>	<u>12,953,269</u>
Less Accumulated Depreciation For:				
Buildings	1,677,964	96,254	-	1,774,218
Other improvements	449,856	30,340	-	480,196
Computer Equipment	4,627	-	-	4,627
Equipment	917,505	60,530	-	978,035
Vehicles and motorized equipment	2,058,759	167,952	33,120	2,193,591
Infrastructure	1,920,852	82,060	-	2,002,912
Total accumulated depreciation	<u>7,029,563</u>	<u>437,136</u>	<u>33,120</u>	<u>7,433,579</u>
Total capital assets being depreciated, net	<u>5,824,871</u>			<u>5,519,690</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,712,465</u>			<u>\$ 9,568,840</u>

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

General government	\$ 43,376
Public safety	248,675
Transportation	127,963
Culture and recreation	<u>17,122</u>
Total depreciation expense	<u>\$ 437,136</u>

At June 30, 2022, the Town has engineering and design contract commitments for projects totaling \$99,518. The Town has a contingency agreement with the North Carolina Department of Transportation for the Allen Street Landslide Project, with available reimbursement of \$750,000.

Right to Used Leased Assets

The Town has one right to use leased asset. The asset is a right to use asset for leased office equipment. The related lease is discussed in the Leases subsection of the Long-term obligations section of this note. The to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Right to use assets				
Leased Equipment	\$ -	\$ 11,266		\$ 11,266
Total right to use assets	-	11,266	-	11,266
Less Accumulated Amortization For:				
Leased Equipment	-	2,458	-	2,458
Total accumulated amortization	-	2,458	-	2,458
Total right to use assets, net	\$ -			\$ 8,808

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, 2022, was 12.04% of compensation for law enforcement officers and 11.40% 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 \$150,837 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$277,274 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the Town's proportion was 0.01808%, which was an increase of 0.00065% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$117,455. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,211	\$ -
Changes of assumptions	174,199	-
Net difference between projected and actual earnings on pension plan investments	-	396,141
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,841	16,087
Town contributions subsequent to the measurement date	150,837	-
Total	<u>\$ 422,088</u>	<u>\$ 412,228</u>

\$150,837 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 21,397
2024	(13,604)
2025	(27,550)
2026	(121,222)
2027	-
Thereafter	-
	<u>\$ (140,979)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated

for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 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%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,076,355	\$ 277,274	\$ (380,323)

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, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	13
Total	<u>16</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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 percent

The discount rate is based on the S&P Municipal Bond 20 year high grade rate index as of December 31, 2020.

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 \$49,450 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, 2022, the Town reported a total pension liability of \$701,656. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$97,589.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,428	\$ 3,932
Changes of assumptions	99,546	19,611
Town benefit payments and plan administrative expense made subsequent to the measurement date	29,283	-
Total	<u>\$ 220,257</u>	<u>\$ 23,543</u>

\$29,283 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 48,521
2024	49,297
2025	48,177
2026	21,302
2027	134
Thereafter	-
	<u>\$ 167,431</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 757,618	\$ 701,656	\$ 650,861

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

	<u>2022</u>
Beginning balance	\$ 702,737
Service Cost	33,814
Interest on the total pension liability	13,086
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	18,795
Changes of assumptions or other inputs	(17,326)
Benefit payments	(49,450)
Other changes	-
Ending balance of the total pension liability	<u>\$ 701,656</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 117,455	\$ 97,589	\$ 215,044
Pension Liability	277,274	701,656	978,930
Proportionate share of the net pension liability	0.01808%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	88,211	91,428	179,639
Changes of assumptions	174,199	99,546	273,745
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,841	-	8,841
Benefit payments and administrative costs paid subsequent to the measurement date	150,837	29,283	180,120
Deferred of Inflows of Resources			
Differences between expected and actual experience	396,141	3,932	400,073
Changes of assumptions	-	19,611	19,611
Changes in proportion and differences between contributions and proportionate share of contributions	16,087	-	16,087

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 \$34,348 for law enforcement and \$27,635 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 2022 were \$1,080.

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 office 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, 2021, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town's total OPEB liability of \$1,419,012 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	General employees – 3.25% - 8.41% Law Enforcement Officers – 3.25% - 7.90%
Discount rate	2.16 percent
Healthcare cost trend rates	7.00% for 2021, decreasing to an ultimate rate of 4.50% by 2031

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 1,077,777
Changes for the year	
Service cost	65,688
Interest	24,681
Changes of benefit terms	-
Differences between expected and actual experience	136,222
Changes in assumptions or other inputs	168,282
Benefit payments	(53,638)
Net changes	<u>341,235</u>
Balance at June 30, 2022	<u>\$ 1,419,012</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16% and the change in medical trend. The decremental and salary increase assumptions have been updated based on the most recent NCLGERS experience analysis.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 1,566,852	\$ 1,419,012	\$ 1,288,933

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	\$ 1,269,325	\$ 1,416,012	\$ 1,600,717

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$135,589. At June 30, 2022, 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	\$ 144,326	\$ 22,212
Changes of assumptions	258,499	33,181
Benefit payments and administrative costs made subsequent to the measurement date	72,349	-
Total	\$ 475,174	\$ 55,393

\$72,349 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 45,220
2024	45,220
2025	45,220
2026	46,768
2027	50,579
Thereafter	114,425
	\$ 347,432

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	\$ 150,837
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	29,283
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	72,349
Difference between expected and actual experience	323,965
Change of assumptions	532,244
Change in proportion and differences between contributions and proportionate share of contributions	8,841
Net difference between projected and actual	-
Total	<u><u>\$ 1,117,519</u></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)	\$ -	\$ 60,808
Prepaid licenses (General Fund)	450	450
Prepaid taxes (General Fund)	14,514	14,514
Changes in assumptions	52,792	-
Differences between expected and actual experience	422,285	-
Changes in proportion and differences contributions and proportionate share of contributions	16,087	-
Total	<u><u>\$ 506,128</u></u>	<u><u>\$ 75,772</u></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

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

The agreement was executed in January 2021 to lease a copier for the police department and requires 60 monthly payments of \$213. As a result of the lease, the Town has recorded a right to use assets with a net book value of \$8,808 at June 30, 2022. The right to use asset is discussed in more detail in the right to use assets section of this note.

The future minimum lease obligations and the let present value of these minimum lease payments as of June 30, 2022, are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	\$ 2,424	\$ 137	\$ 2,561
2024	2,466	94	2,560
2025	2,510	50	2,560
2026	1,485	9	1,494
Total	<u>\$ 8,885</u>	<u>\$ 290</u>	<u>\$ 9,175</u>

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

In 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. This note was paid off in fiscal 2022.

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, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 170,794	\$ 6,518
2024	131,365	2,172
Total	<u>\$ 302,159</u>	<u>\$ 8,690</u>

At June 30, 2022, the Town had an approximate legal debt margin of \$41.6 million.

Changes in Long-Term Liabilities

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Direct placement installment purchase	\$ 510,200	\$ -	\$ 208,041	\$ 302,159	\$ 170,794
Leases		11,267	2,382	8,885	2,424
Compensated absences	100,082	95,536	83,109	112,509	-
Total pension liability (LEO)	702,737	-	1,081	701,656	-
Net pension liability (LGRS)	622,848		345,574	277,274	-
Total OPEB liability	1,077,777	341,235	-	1,419,012	-
	<u>\$ 3,013,644</u>	<u>\$ 448,038</u>	<u>\$ 640,187</u>	<u>\$ 2,821,495</u>	<u>\$ 173,218</u>

Compensated absences typically have been liquidated in the General fund.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2022, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 9,568,840
Less capital debt	302,159
Capital assets, net of related debt	<u>\$ 9,266,681</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, 2022, consisted of the following:

From Capital Reserve Fund to General Fund for capital purchases	<u>\$ 29,000</u>
From American Rescue Plan Special Revenue Fund to General Fund to supplant police and transportation salaries	<u>\$ 436,383</u>

From General Fund to Allen Street Landslide Capital Project Fund for major street repairs	<u>\$ 814,147</u>
From General Fund to Fire Department Capital Reserve Fund for future capital needs	<u>\$ 91,504</u>
From General Fund to Sidewalk Special Revenue Fund for future projects	<u>\$ 22,800</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>\$ 7,056,801</u>
Less:	
Stabilization by State Statute	264,640
Streets-Powell Bill	187,734
Public Safety	27,557
Appropriated Fund Balance in 2022 Budget	10,000
Capital reserve for fire department	307,194
Capital reserve for general operations	218,384
Other Postemployment Benefits	938,362
LEO Separation Allowance	393,637
Bridge Park	29,262
Cultural	7,671
Fund Balance Policy	<u>2,822,720</u>
Remaining Fund Balance	<u><u>\$ 1,849,640</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, 2022. At June 30, 2022, the Town has fund balance committed of \$179,057 and assigned for subsequent year's expenditures of \$194,800, for a total fund balance of \$373,857 in the Sidewalk Special Revenue Fund. There were no expenditures for the year ended June 30, 2022, with cumulative expenditures totaling \$89,200.

Sylva Fire Department and Jackson County Mutual Aid Agreement

The Town and Jackson County operate under a Mutual Aid Agreement whereby fire protection and emergency services are provided within the boundaries of the Sylva Fire District by the Sylva Fire Department. The Sylva Fire Department operates as a volunteer department, with two staff members paid by Jackson County. This personnel structure expired June 30, 2022.

On June 9, 2022, the Town of Sylva and Jackson County entered into an agreement where Jackson County will provide funding for a combination of full paid fire department staff and volunteers. The department will consist of eight paid members and thirty-five volunteers, effective July 1, 2022.

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, 2022. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State's Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Litigation

The Town is routinely involved in litigation related to tax foreclosures in the normal course of business. At June 30, 2022, the Town is the defendant in a fourth amendment violation complaint, which is being managed by attorneys for the Town's insurance carrier. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any existing legal matters will not have a material adverse effect on the Town's financial position.

Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, effective July 1, 2021. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease assets. The changes were incorporated in the Town's 2022 financial statements and had no effect on the beginning net position of the general fund.

Subsequent Events

On July 26, 2022, the Town received the second 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 has received a total of \$872,594 from this funding.

Subsequent events have been reviewed through November 18, 2022, 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 Five Fiscal years

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

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

Local Government Employees' Retirement System

	<u>2022</u>	<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) (%)	0.01808%	0.01743%	0.01923%	0.01876%	0.01800%	0.01707%	0.01876%	0.01868%	0.01910%
Sylva's proportion of the net pension liability (asset) (\$)	\$ 277,274	\$ 622,848	\$ 525,156	\$ 445,051	\$ 274,988	\$ 362,281	\$ 84,194	\$ (110,165)	\$ 230,228
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	\$ 920,293
Sylva's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.08%	53.62%	43.32%	39.16%	26.23%	34.52%	8.39%	(11.51%)	25.02%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2022</u>	<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	\$ 150,837	\$ 130,288	\$ 109,190	\$ 99,335	\$ 90,387	\$ 80,271	\$ 73,459	\$ 73,998	\$ 68,805
Contributions in relation to the contractually required contribution	150,837	130,288	109,190	99,335	90,387	80,271	73,459	73,998	68,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sylva's covered-employee payroll	\$1,282,591	\$1,255,924	\$1,161,531	\$1,212,382	\$1,136,364	\$1,048,443	\$1,049,438	\$1,003,334	\$ 957,295
Contributions as a percentage of covered-employee payroll	11.76%	10.37%	9.40%	8.19%	7.95%	7.66%	7.00%	7.38%	7.19%

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

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

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

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

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

Notes to the schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$ 2,189,460	\$ 2,291,505	\$ 102,045
Penalties and interest	7,100	15,965	8,865
Total ad valorem taxes	<u>2,196,560</u>	<u>2,307,470</u>	<u>110,910</u>
Other taxes and licenses:			
ABC licenses	<u>1,000</u>	<u>1,325</u>	<u>325</u>
Unrestricted intergovernmental revenues			
Local option sales tax	717,483	921,082	203,599
Excise tax on natural gas	5,000	9,549	4,549
Franchise tax	282,000	299,540	17,540
Beer and wine tax	11,500	10,232	(1,268)
Fire Department sales tax	10,500	16,085	5,585
Telecommunications sales tax	30,000	26,491	(3,509)
Cable franchise fees	12,000	12,358	358
Sales tax refund	14,943	14,226	(717)
Fire protection	312,887	320,260	7,373
Hold harmless	152,000	199,721	47,721
Solid waste disposal tax	2,000	2,000	-
ABC profit distribution	160,000	320,000	160,000
Substance tax distribution	2,000	2,059	59
Total	<u>1,712,313</u>	<u>2,153,603</u>	<u>441,290</u>
Restricted intergovernmental revenues			
Grants and contributions	53,287	27,815	(25,472)
ABC revenues for law enforcement	10,500	18,563	8,063
ABC revenues for education	15,000	25,988	10,988
Powell Bill allocation	62,000	75,357	13,357
Total	<u>140,787</u>	<u>147,723</u>	<u>6,936</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, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
Permits and fees			
Building permits	\$ 4,000	\$ 4,500	\$ 500
Business registrations	5,000	5,505	505
Recreation fees	4,000	7,889	3,889
Other fees	3,549	3,713	164
Parking fines	9,000	4,648	(4,352)
Total	25,549	26,255	706
Investment earnings	23,000	6,964	(16,036)
Miscellaneous			
Contributions	7,500	27,721	20,221
Main Street	43,100	29,595	(13,505)
Other miscellaneous	5,700	7,321	1,621
Total	56,300	64,637	8,337
Total revenues	4,155,509	4,707,977	552,468
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	24,550	24,544	6
Operating expenditures	105,168	72,541	32,627
Professional services	75,388	59,313	16,075
Total	205,106	156,398	48,708
Administration:			
Salaries and employees benefits	336,595	328,163	8,432
Operating expenditures	63,543	46,397	17,146
Capital outlay	-	16,800	(16,800)
Total	400,138	391,360	8,778

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, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Main Street:			
Salaries and employee benefits	\$ 26,925	\$ 26,935	\$ (10)
Operating benefits	51,437	30,702	20,735
Total	<u>78,362</u>	<u>57,637</u>	<u>20,725</u>
Taxes:			
Collection fees	<u>6,500</u>	<u>6,164</u>	<u>336</u>
Facilities maintenance:			
Salaries and employee benefits	4,510	4,478	32
Operating benefits	52,612	39,228	13,384
Capital outlay	<u>29,302</u>	<u>30,913</u>	<u>(1,611)</u>
Total	<u>86,424</u>	<u>74,619</u>	<u>11,805</u>
Total general government	<u>776,530</u>	<u>686,178</u>	<u>90,352</u>
Public safety:			
Police:			
Salaries and employee benefits	1,379,945	1,171,568	208,377
Operating expenditures	292,101	251,036	41,065
Capital outlay	<u>38,760</u>	<u>46,653</u>	<u>(7,893)</u>
Total	<u>1,710,806</u>	<u>1,469,257</u>	<u>241,549</u>
Fire:			
Salaries and employee benefits	17,380	11,591	5,789
Operating expenditures	301,281	217,044	84,237
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>318,661</u>	<u>228,635</u>	<u>90,026</u>
Total public safety	<u>2,029,467</u>	<u>1,697,892</u>	<u>331,575</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	443,902	410,473	33,429
Operating expenditures	185,643	135,433	50,210
Capital outlay	<u>80,827</u>	<u>46,418</u>	<u>34,409</u>
Total transportation	<u>710,372</u>	<u>592,324</u>	<u>118,048</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic and physical development:			
Operating expenditures	\$ 14,275	\$ 11,444	\$ 2,831
Total economic and physical development	<u>14,275</u>	<u>11,444</u>	<u>2,831</u>
Environmental protection:			
Sanitation:			
Salaries and employees benefits	111,910	93,869	18,041
Operating expenditures	<u>47,415</u>	<u>40,435</u>	<u>6,980</u>
Total environmental protection	<u>159,325</u>	<u>134,304</u>	<u>25,021</u>
Public works:			
Cemetery:			
Contracted services	<u>8,100</u>	<u>8,100</u>	<u>-</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	24,800	21,522	3,278
Operating expenditures	48,608	48,767	(159)
Capital outlay	10,000	-	10,000
Library contribution	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total culture and recreation	<u>88,408</u>	<u>75,289</u>	<u>13,119</u>
Debt service:			
Principal	211,076	210,422	654
Interest and fees	<u>11,627</u>	<u>11,620</u>	<u>7</u>
Total debt service	<u>222,703</u>	<u>222,042</u>	<u>661</u>
Total expenditures	<u>4,009,180</u>	<u>3,427,573</u>	<u>581,607</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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	\$ 146,329	\$ 1,280,404	\$ 1,134,075
Other financing sources (uses):			
Lease liabilities issued	-	11,267	11,267
Transfers from other funds			
Capital Reserve Fund	29,000	29,000	-
American Rescue Plan Special Revenue Fund	436,383	436,383	
Transfers to other funds			
Fire Department Capital Reserve Fund	-	(91,504)	(91,504)
Allen Street Landslide Capital Project Fund	(814,147)	(814,147)	-
Sidewalk Special Revenue Fund	(22,800)	(22,800)	
Appropriated fund balance	225,235	-	(225,235)
Total	(146,329)	(451,801)	(305,472)
Net change in fund balance	\$ -	828,603	\$ 828,603
Fund balances:			
Beginning year, July 1		5,702,620	
End of year, June 30		\$ 6,531,223	

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 101	\$ 101
Restricted intergovernmental	-	-	-
	-	101	101
Expenditures	-	-	-
Revenues over (under) expenditures	-	101	101
Other financing sources (uses):			
Transfers from general fund	-	-	-
Transfers to general fund	(29,000)	(29,000)	-
Appropriated fund balance	29,000	-	(29,000)
	-	(29,000)	(29,000)
Net change in fund balance	\$ -	(28,899)	\$ (28,899)
Fund balance:			
Beginning year, July 1		247,283	
End of year, June 30		\$ 218,384	

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 87	\$ 87
Expenditures	-	-	-
Revenues over (under) expenditures	-	87	87
Other financing sources:			
Transfers from general fund	-	91,504	91,504
Transfers to general fund	-	-	-
Appropriated fund balance	-	-	-
	-	91,504	91,504
Net change in fund balance	\$ -	91,591	\$ 91,591
Fund balance:			
Beginning year, July 1		215,603	
End of year, June 30		\$ 307,194	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Bryson Park and Playground Equipment Grant Project Fund
For the Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenues	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Investment earnings	-	-	154	154	154
Total revenues	<u>3,000,000</u>	<u>-</u>	<u>3,000,154</u>	<u>3,000,154</u>	<u>3,000,154</u>
Expenditures	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,000,154</u>	<u>3,000,154</u>	<u>3,000,154</u>
Other financing sources (uses):					
Transfer from General fund	-	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,000,154</u>	<u>\$ 3,000,154</u>	<u>\$ 3,000,154</u>
Fund balance:					
Beginning year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 3,000,154</u>		

Town of Sylva, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue Fund	ARPA Grant Project Special Revenue Fund	Allen Street Landslide Capital Project Fund	Public Restrooms Grant Project Fund	Total Non- Major Governmental Funds
Assets							
Current assets:							
Cash and cash equivalents	\$ 34,678	\$ 3,548	\$ 373,857	\$ -	\$ 1,423,618	\$ 245,452	\$ 2,081,153
Due from other governments	10,008	-	-	-	-	-	10,008
Total current assets	<u>44,686</u>	<u>3,548</u>	<u>373,857</u>	<u>-</u>	<u>1,423,618</u>	<u>245,452</u>	<u>2,091,161</u>
Other assets:							
Real estate held for resale	52,435	-	-	-	-	-	52,435
Note receivable	3,333	-	-	-	-	-	3,333
Total assets	<u>\$ 100,454</u>	<u>\$ 3,548</u>	<u>\$ 373,857</u>	<u>\$ -</u>	<u>\$ 1,423,618</u>	<u>\$ 245,452</u>	<u>\$ 2,146,929</u>
Liabilities							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Longterm liabilities:							
Unearned revenue	3,333	-	-	-	-	-	3,333
Total liabilities	<u>3,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,333</u>
Fund Balances							
Restricted for:							
Grant capital projects						245,452	245,452
Culture and recreation	-	1,548	-	-	-	-	1,548
Economic development	91,121	-	-	-	-	-	91,121
Committed							
Sidewalks	-	-	179,057	-	-	-	179,057
Streets - Capital Project	-	-	-	-	1,423,618	-	1,423,618
Assigned							
Subsequent year's expenditures	6,000	2,000	194,800	-	-	-	202,800
Total fund balances	<u>97,121</u>	<u>3,548</u>	<u>373,857</u>	<u>-</u>	<u>1,423,618</u>	<u>245,452</u>	<u>2,143,596</u>
Total liabilities and fund balances	<u>\$ 100,454</u>	<u>\$ 3,548</u>	<u>\$ 373,857</u>	<u>\$ -</u>	<u>\$ 1,423,618</u>	<u>\$ 245,452</u>	<u>\$ 2,146,929</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, 2022

	Revolving Loan Fund	Public Art Fund	Sidewalk Special Revenue Fund	ARPA Grant Project Special Revenue Fund	Allen Street Landslide Capital Project Fund	Public Restrooms Grant Project Fund	Total Non- Major Governmental Funds
Revenues:							
Unrestricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	-	436,297	-	250,000	686,297
Investment earnings	14	-	160	86	944	15	1,219
Miscellaneous	5,004	749	-	-	-	-	5,753
Total revenues	5,018	749	160	436,383	944	250,015	693,269
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Transportation	-	-	-	-	140,194	-	140,194
Economic and physical development	-	-	-	-	-	-	-
Culture and recreation	-	616	-	-	-	4,563	5,179
Total expenditures	-	616	-	-	140,194	4,563	145,373
Revenues over (under) expenditures	5,018	133	160	436,383	(139,250)	245,452	547,896
Other financing sources (uses):							
Transfers from General Fund	-	-	22,800	-	814,147	-	836,947
Transfers to General Fund	-	-	-	(436,383)	-	-	(436,383)
Total other financing sources (uses)	-	-	22,800	(436,383)	814,147	-	400,564
Net change in fund balance	5,018	133	22,960	-	674,897	245,452	948,460
Fund balances							
Beginning of year, July 1	92,103	3,415	350,897	-	748,721	-	1,195,136
End of year, June 30	\$ 97,121	\$ 3,548	\$ 373,857	\$ -	\$ 1,423,618	\$ 245,452	\$ 2,143,596

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 14	\$ 14
Miscellaneous	-	5,004	5,004
	-	5,018	5,018
Expenditures			
Economic development	6,000	-	6,000
Revenues over (under) expenditures	(6,000)	5,018	11,018
Other financing sources:			
Appropriated fund balance	6,000	-	(6,000)
Total other financing sources (uses)	6,000	-	(6,000)
Net change in fund balance	\$ -	5,018	\$ 5,018
Fund balance:			
Beginning year, July 1		92,103	
End of year, June 30		\$ 97,121	

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Unrestricted intergovernmental revenue: \$	-	\$ -	\$ -
Investment earnings	-	-	-
Contributions and grants	-	749	749
Total revenues	-	749	749
Expenditures			
Culture and recreation	3,000	616	2,384
Revenues over (under) expenditures	(3,000)	133	3,133
Other financing sources:			
Appropriated fund balance	3,000	-	(3,000)
Net change in fund balance	\$ -	133	\$ 133
Fund balance:			
Beginning year, July 1		3,415	
End of year, June 30		\$ 3,548	

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 160	\$ 160
Total revenues	-	160	160
Expenditures			
Transportation	194,800	-	194,800
Revenues over (under) expenditures	(194,800)	160	194,960
Other financing sources (uses):			
Transfer from General fund	22,800	22,800	-
Appropriated fund balance	172,000	-	(172,000)
	194,800	22,800	(172,000)
Net change in fund balance	\$ -	22,960	\$ 22,960
Fund balance:			
Beginning year, July 1		350,897	
End of year, June 30		\$ 373,857	

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental revenues	\$ 436,297	\$ 436,297	\$ -
Investment earnings	86	86	-
Total revenues	<u>436,383</u>	<u>436,383</u>	<u>-</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>436,383</u>	<u>436,383</u>	<u>-</u>
Other financing sources (uses):			
Transfer to General fund	(436,383)	(436,383)	-
Appropriated fund balance	-	-	-
	<u>(436,383)</u>	<u>(436,383)</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>	

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Capital Projects Fund - Allen Street Landslide
From Inception to the Fiscal Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenues	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Investment earnings	-	516	944	1,460	1,460
Total revenues	<u>750,000</u>	<u>516</u>	<u>944</u>	<u>1,460</u>	<u>(748,540)</u>
Expenditures					
Transportation	1,564,147	1,795	140,194	141,989	1,422,158
Total expenditures	<u>1,564,147</u>	<u>1,795</u>	<u>140,194</u>	<u>141,989</u>	<u>1,422,158</u>
Revenues over (under) expenditures	<u>(814,147)</u>	<u>(1,279)</u>	<u>(139,250)</u>	<u>(140,529)</u>	<u>673,618</u>
Other financing sources (uses):					
Transfer from General fund	1,564,147	750,000	814,147	1,564,147	-
Appropriated fund balance	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
	<u>814,147</u>	<u>750,000</u>	<u>814,147</u>	<u>1,564,147</u>	<u>750,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 748,721</u>	674,897	<u>\$ 1,423,618</u>	<u>\$ 1,423,618</u>
Fund balance:					
Beginning year, July 1			<u>748,721</u>		
End of year, June 30			<u>\$ 1,423,618</u>		

Town of Sylva, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Non-major Governmental Fund - Public Restrooms Grant Project Fund
For the Year Ended June 30, 2022

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Favorable
		Year	Year	Date	(Unfavorable)
Revenues:					
Restricted intergovernmental revenue:	\$ 290,000	\$ -	\$ 250,000	\$ 250,000	\$ (40,000)
Investment earnings	-	-	15	15	15
Total revenues	<u>290,000</u>	<u>-</u>	<u>250,015</u>	<u>250,015</u>	<u>(39,985)</u>
Expenditures					
Culture and recreation	<u>290,000</u>	<u>-</u>	<u>4,563</u>	<u>4,563</u>	<u>285,437</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>245,452</u>	<u>245,452</u>	<u>245,452</u>
Other financing sources (uses):					
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>245,452</u>	<u>\$ 245,452</u>	<u>\$ 245,452</u>
Fund balance:					
Beginning year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 245,452</u>		

OTHER SCHEDULES

Town of Sylva, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Fiscal year	Uncollected Balance June 30, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 2,289,045	\$ 2,244,498	\$ 44,547
2020-2021	40,893	-	17,593	23,300
2019-2020	17,071	-	5,715	11,356
2018-2019	12,674	-	4,859	7,815
2017-2018	9,658	-	3,353	6,305
2016-2017	6,278	-	2,185	4,093
2015-2016	3,226	-	262	2,964
2014-2015	2,300	-	263	2,037
2013-2014	5,340	-	381	4,959
2012-2013	2,660	-	329	2,331
2011-2012	3,205	-	3,205	-
	<u>\$ 103,305</u>	<u>\$ 2,289,045</u>	<u>\$ 2,282,643</u>	<u>\$ 109,707</u>
Less: allowance for uncollectible accounts - general fund				(54,595)
Plus: taxes under appeal				<u>5,696</u>
Ad valorem taxes receivable - net				<u>\$ 60,808</u>
<u>Reconciliation with revenues</u>				
Ad valorem taxes - general fund				\$ 2,307,470
Reconciling items:				
Penalties and interest collected				(15,965)
Rental vehicle tax				(5,371)
Insolvencies				(6,108)
Refunds				(355)
Write-offs				2,972
Subtotal				<u>(24,827)</u>
Total collections and credits				<u>\$ 2,282,643</u>

Town of Sylva, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2022

	<u>Town-Wide Levy</u>			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>		
Original levy					
Property taxed at current year's rate	\$ 519,913,684	0.440	\$ 2,287,620	\$ 2,182,966	\$ 104,654
	<u>519,913,684</u>		<u>2,287,620</u>	<u>2,182,966</u>	<u>104,654</u>
Discoveries					
Current year taxes	573,786	0.440	2,525	2,525	
Prior year taxes	518,715	0.425	2,205	2,205	-
	<u>1,092,502</u>		<u>4,730</u>	<u>4,730</u>	<u>-</u>
Releases-current year	(178,159)	0.440	(784)	(784)	-
Releases-prior year	(593,176)	0.425	(2,521)	(2,521)	-
	<u>(771,336)</u>		<u>(3,305)</u>	<u>(3,305)</u>	<u>-</u>
Total property valuation	<u>\$ 520,234,850</u>				
Net levy			2,289,045	2,184,391	104,654
Uncollected taxes at June 30, 2022			<u>(44,547)</u>	<u>(44,547)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,244,498</u>	<u>\$ 2,139,844</u>	<u>\$ 104,654</u>
Current levy collection percentage			<u>98.05%</u>	<u>97.96%</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, 2022, 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 18, 2022.

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

Asheville, North Carolina

November 18, 2022