

TOWN OF SAWMILLS, NORTH CAROLINA

Financial Statements, Management's Discussion and Analysis, Supplemental
Schedules, Independent Auditors' Reports, and Compliance Report
For the Year Ended June 30, 2025

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF SAWMILLS, NORTH CAROLINA

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sawmills, North Carolina, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Sawmills, 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 Sawmills, 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.

Auditors' 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 (GAAS) 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 Sawmills, 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 Sawmills, 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 4-12 and 44-45, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 Sawmills, North Carolina's basic financial statements. The accompanying combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit, the combining and individual fund financial 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 6, 2025, on our consideration of the Town of Sawmills, 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 solely 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 Sawmills, North Carolina'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 Town of Sawmills, North Carolina's internal control over financial reporting and compliance.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
November 6, 2025

Management's Discussion and Analysis

As the management of the Town of Sawmills, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with the additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

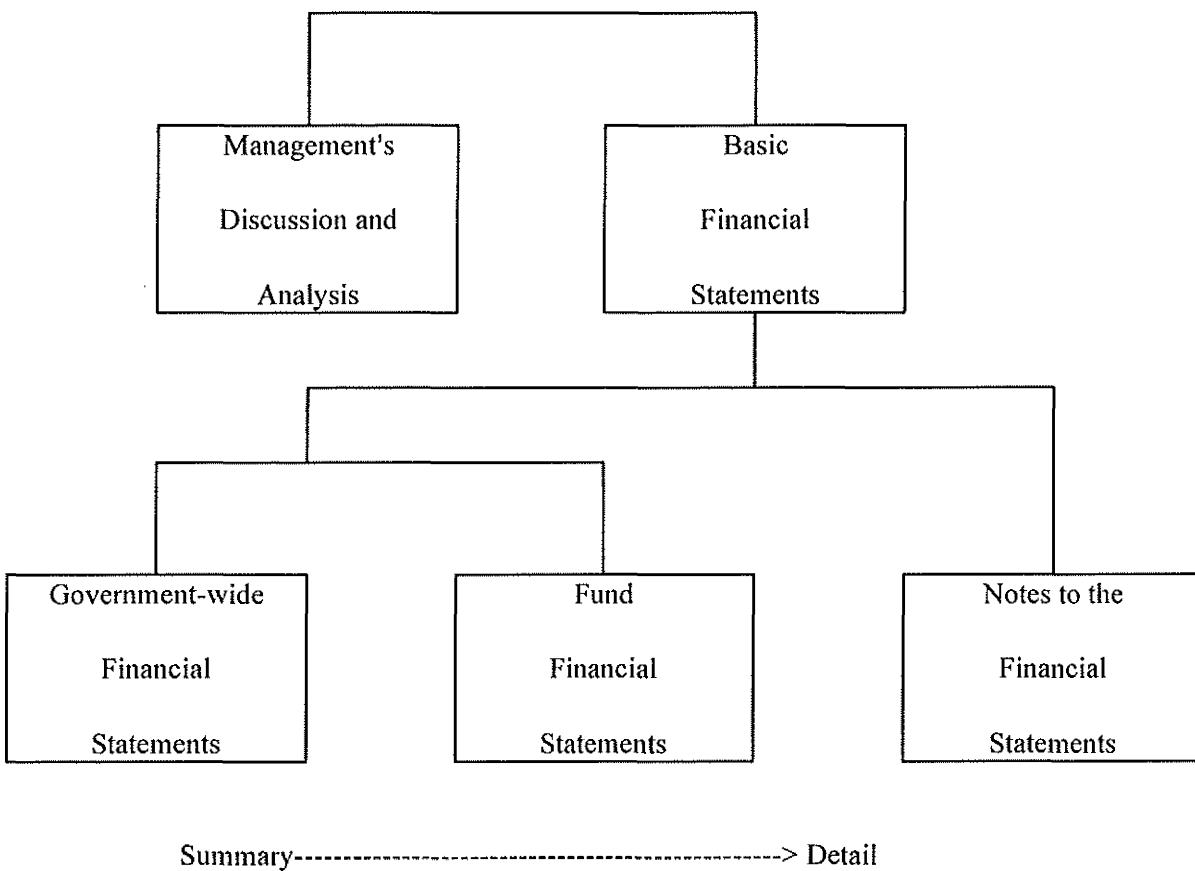
- The Town of Sawmills' assets exceeded its liabilities at the close of the fiscal year by \$24,232,124 (net position).
- The government's total net position increased by \$914,482.
- As of the close of the current fiscal year, the Town of Sawmills' governmental funds reported an ending fund balance of \$8,187,592, a decrease of \$41,457 in comparison with the prior year. Approximately 86 percent of this total amount, or \$7,065,153, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$7,065,153, or 165 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sawmills' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of 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 Sawmills.

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 10) 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. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The Notes to the Financial Statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town of Sawmills' 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 of Sawmills' financial status as a whole.

The two government-wide statements 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 total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as planning and community development, parks and recreation, and general administration. Property taxes, State sales tax, and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town of Sawmills' 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 of Sawmills, 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 of the funds of the Town of Sawmills can be divided into two categories: governmental funds and proprietary 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 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 of Sawmills adopts an annual budget for its General Fund, as required by the 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 of Sawmills 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, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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.

Proprietary Funds - The Town of Sawmills has the following type of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Sawmills uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and 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 Federal and State laws and Federal 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.

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 follow Exhibit 10 of this report.

Government-Wide Financial Analysis

	Town of Sawmills' Net Position					
	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 8,341,887	\$ 8,362,893	\$ 6,130,814	\$ 5,808,760	\$ 14,472,701	\$ 14,171,653
Capital assets	6,247,328	4,248,219	5,425,412	5,521,472	11,672,740	9,769,691
Deferred outflows of resources	296,198	325,714	98,733	108,571	394,931	434,285
Total assets and deferred outflows	<u>\$ 14,885,413</u>	<u>\$ 12,936,826</u>	<u>\$ 11,654,959</u>	<u>\$ 11,438,803</u>	<u>\$ 26,540,372</u>	<u>\$ 24,375,629</u>
Liabilities:						
Long-term liabilities outstanding	\$ 1,741,508	\$ 529,277	\$ 220,275	\$ 300,361	\$ 1,961,783	\$ 829,638
Other liabilities	116,947	91,437	226,522	134,452	343,469	225,889
Deferred inflows of resources	2,247	1,845	749	615	2,996	2,460
Total liabilities and deferred inflows	<u>\$ 1,860,702</u>	<u>\$ 622,559</u>	<u>\$ 447,546</u>	<u>\$ 435,428</u>	<u>\$ 2,308,248</u>	<u>\$ 1,057,987</u>
Net position:						
Net investment in capital assets	\$ 5,090,797	\$ 4,248,219	\$ 5,396,009	\$ 5,402,447	\$ 10,486,806	\$ 9,650,666
Restricted	903,585	1,674,690	-	-	903,585	1,674,690
Unrestricted	7,030,329	6,391,358	5,811,405	5,600,929	12,841,734	11,992,287
Total net position	<u>\$ 13,024,711</u>	<u>\$ 12,314,267</u>	<u>\$ 11,207,414</u>	<u>\$ 11,003,376</u>	<u>\$ 24,232,124</u>	<u>\$ 23,317,643</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Sawmills exceeded liabilities by \$24,232,124 as of June 30, 2025. The Town's net position increased by \$914,482 for the fiscal year ended June 30, 2025. A large portion of net position (43%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Sawmills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's 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. An additional portion of the Town's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,841,734 is unrestricted.

Town of Sawmills
Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 294,716	\$ 291,058	\$ 1,165,339	\$ 1,130,203	\$ 1,460,055	\$ 1,421,261
Operating grants and contributions	208,455	447,581	-	-	208,455	447,581
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	617,036	597,074	-	-	617,036	597,074
Other taxes	1,815,645	1,737,556	-	-	1,815,645	1,737,556
Grants and contributions not restricted to specific programs	182,195	180,838	-	-	182,195	180,838
Other	424,708	354,424	191,457	197,374	616,165	551,798
Total revenue	<u>3,542,755</u>	<u>3,608,531</u>	<u>1,356,796</u>	<u>1,327,577</u>	<u>4,899,551</u>	<u>4,936,108</u>
Expenses:						
General government	1,014,029	769,155	-	-	1,014,029	769,155
Transportation	803,327	843,975	-	-	803,327	843,975
Environmental protection	167,376	343,461	-	-	167,376	343,461
Economic development	251,525	224,300	-	-	251,525	224,300
Culture and recreation	545,530	1,403,136	-	-	545,530	1,403,136
Interest on long-term debt	66,097	-	-	-	66,097	-
Water and sewer	-	-	1,137,184	1,016,324	1,137,184	1,016,324
Total Expenses	<u>2,847,884</u>	<u>3,584,027</u>	<u>1,137,184</u>	<u>1,016,324</u>	<u>3,985,068</u>	<u>4,600,351</u>
Increase in net position before transfers:						
Transfers	694,871	24,504	219,612	311,253	914,482	335,756
Transfers	15,573	(43,932)	(15,573)	43,932	-	-
Increase in net position:						
Net position July 1	<u>710,444</u>	<u>(19,428)</u>	<u>204,038</u>	<u>355,185</u>	<u>914,482</u>	<u>335,756</u>
Net position June 30	<u>12,314,267</u>	<u>12,333,695</u>	<u>11,003,376</u>	<u>10,648,191</u>	<u>23,317,643</u>	<u>22,981,887</u>
	<u>\$ 13,024,711</u>	<u>\$ 12,314,267</u>	<u>\$ 11,207,414</u>	<u>\$ 11,003,376</u>	<u>\$ 24,232,124</u>	<u>\$ 23,317,643</u>

- Governmental Activities increased the Town of Sawmills' net position by \$710,444. The increase in net position indicates that the government's overall financial condition improved during the year. Revenues exceeded expenses by 24%, meaning the government generated more resources than it used, which strengthens its capacity to fund future services and invest in capital assets.
- Business-type Activities increased the Town of Sawmills' net position by \$204,038. The net position for business-type activities increased as revenues exceeded expenses by 19%. This positive margin indicates that the government's water and sewer operations were self-supporting and generated resources that can be reinvested to maintain or improve infrastructure needed to deliver services.

Financial Analysis of the Town of Sawmills' Funds

As noted earlier, the Town of Sawmills uses fund accounting to ensure, and to 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 of Sawmills' financing requirements. Specifically, the unassigned 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 of Sawmills. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7,065,153, while total fund balance reached \$7,968,738. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 165 percent of total General Fund expenditures.

At June 30, 2025, the governmental funds of the Town reported a fund balance of \$8,817,592, a 1 percent decrease from last year.

Budgetary Highlights - During the fiscal year, the Town of Sawmills revised the budget on one occasion. 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.

Proprietary Funds - The Town of Sawmills' proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,811,405. The total growth in net position for the Water and Sewer Fund was \$204,038. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Sawmills' business-type activities.

Capital Asset and Debt Administration

Capital Assets - The Town of Sawmills' investment in capital assets for its governmental and business-type activities, as of June 30, 2025 totals \$11,672,740 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

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

General Fund

- Buildings - Pole Shed at the Public Works Facility
- Land – parcels on Mill Drive, Helena Street
- Equipment – Telehandler, Mower, Toro Dingo
- Facilities – Baird Park Indoor Facility
- Vehicles – Brush Truck
- Misc – Lights, Windscreens and Scoreboard at Veterans Park

Utility Fund (Water and Sewer)

- Equipment - Tremble
- Facilities – Generator for Sawmills School Road Pump Station; Sewer Pump for Bert Huffinan Drive, Waterline Replacement for Mill Drive

Town of Sawmills Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
	\$ 1,213,147	\$ 1,195,777	\$ 5,436	\$ 5,436	\$ 1,218,583	\$ 1,201,213
Land						
Construction in process						
Buildings	1,826,829	1,398,857			1,826,829	1,398,857
Improvements (other than buildings)	660,535	660,535			660,535	660,535
Machinery and equipment	1,225,303	1,058,132	1,767,917	1,678,478	2,993,220	2,736,610
Vehicles	1,066,534	864,336	178,896	191,511	1,245,430	1,055,847
Water distribution system			2,999,324	2,918,573	2,999,324	2,918,573
Sewer lines			4,438,636	4,430,369	4,438,636	4,430,369
Parks	4,896,275	3,318,297			4,896,275	3,318,297
Office Equipment	47,650	47,650			47,650	47,650
Total	<u>\$ 10,936,273</u>	<u>\$ 8,543,584</u>	<u>\$ 9,390,209</u>	<u>\$ 9,224,367</u>	<u>\$ 20,326,482</u>	<u>\$ 17,767,951</u>
Accumulated depreciation	<u>(4,688,945)</u>	<u>(4,295,365)</u>	<u>(3,964,797)</u>	<u>(3,702,895)</u>	<u>(8,653,742)</u>	<u>(7,998,260)</u>
Capital assets, net	<u><u>\$ 6,247,328</u></u>	<u><u>\$ 4,248,219</u></u>	<u><u>\$ 5,425,412</u></u>	<u><u>\$ 5,521,472</u></u>	<u><u>\$ 11,672,740</u></u>	<u><u>\$ 9,769,691</u></u>

Additional information on the Town's capital assets can be found in Note III of this report.

Long-Term Debt - As of June 30, 2025, the Town of Sawmills had no bonded debt outstanding. The Town's debt of \$1,185,934 represent loans for park equipment and water line construction. The Town's total debt increased by \$1,066,909 during the past year.

**Town of Sawmills Outstanding Debt
Outstanding Liabilities**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
	\$ 1,156,531	\$ -	\$ 29,403	\$ 119,025	\$ 1,185,934	\$ 119,025
Direct placement notes payable						
Compensated absences	77,395	53,160	21,678	22,630	99,073	75,790
Pension related debt (LGERS)	<u>507,582</u>	<u>476,117</u>	<u>169,194</u>	<u>158,706</u>	<u>676,776</u>	<u>634,823</u>
	<u><u>\$ 1,741,508</u></u>	<u><u>\$ 529,277</u></u>	<u><u>\$ 220,275</u></u>	<u><u>\$ 300,361</u></u>	<u><u>\$ 1,961,783</u></u>	<u><u>\$ 829,638</u></u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Sawmills is \$23,625,106. The Town of Sawmills has no bonds authorized, but un-issued, as of June 30, 2025.

Additional information regarding the Town of Sawmills' long-term debt can be found in Note III of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2026

The Town of Sawmills' overall Annual Budget for FY 2025-2026 totals \$6,489,701, reflecting an overall decrease of \$454,695 or 6.55% from the prior Fiscal Year (FY).

The General Fund budget for FY 2025-2026 totals \$4,759,481, reflecting an overall decrease of \$87,485 or 1.8% from the prior FY. The Town has budgeted for capital projects and improvements in the amount of \$1,393,108.

The Utility Fund (Water and Sewer) budget for FY 2025-2026 totals \$1,730,220, reflecting an overall decrease of \$367,210, or 17.51% from the prior FY. The Town has budgeted for capital projects and improvements in the amount of \$716,128.

The proposed Annual Budget includes:

- No tax increase.
- 2.5% Increase in Water/Sewer Rates per NCRWA Rate Study
- Fund balance appropriations for capital projects and purchases totaling approximately \$2.1 million for Public Works, Streets, Community Development, Parks and Recreation, Water and Sewer.
- Town-wide Street and Traffic Sign assessment/replacements.
- Additional resources for nuisance abatement and cleanup.
- Engineering and planning for improvements to water infrastructure along 321-A
- One additional Full-time position in the Parks and Recreation Department
- 3% Salary Increase for all employees
- Renewal of the Sales Tax Reinvestment Agreement with Caldwell County for 7/1/2025-6/30/2029
- Maintains current levels of services to citizens.

Below is a brief budgetary summary of the various funds for the Town:

General Fund:

The proposed ad valorem tax rate for FY 2024-2025 is to remain at \$.20 cents per \$100 valuation with an anticipated collection rate of over 95%. Each penny of the Town's property tax rate generates approximately \$40,347.65 in revenue.

Anticipated State collected local revenues have been calculated utilizing data supplied by the North Carolina League of Municipalities, and local economic data along with trends seen among other cities and counties around the region as we attempt to best prepare for the future. Sales tax numbers, which represent the Town's largest source of revenue, continue to hold strong. As a result of conservative budgeting practices, we feel very comfortable with the projections included in the budget.

The FY 2025-2026 General Fund Budget balances at \$4,759,481.

Enterprise (Utility) Fund:

Due to the increased cost of service and desire to maintain our Water and Sewer infrastructure, the Town Council and Staff annually review water and sewer rates. To ensure these reviews are unbiased and impartial, it is best practice to conduct a water and sewer rate study every 5-7 years. In February of 2019, the NC Rural Water Association conducted a water and sewer rate study for the Town. In FY 2020/2021 the recommended rate increase was implemented. This recommendation balances both the need to continue providing the highest quality service possible, with the desire to provide the most economical cost to our customers.

Considering the need to maintain Enterprise Fund reserves to address anticipated system improvements, maintain solvency and meet unanticipated emergencies, both staff and the Town Council are urged to maintain adequate financial planning for the future. Therefore, it is recommended that the Town continue to follow the recommended plan set forth by the NC Rural Water Association in the 2019 rate study (20/21 FY Implementation) for the Town of Sawmills. Additionally, staff recommends conducting an updated water and sewer rate study during FY 2025-2026 to provide a basis setting rates through 2030.

Water Rates:

Water Base Rate: \$23.89

\$23.89 min charge per month up to 2,000 gal

\$6.96 per 1,000 gal from 1,000 - 10,000 gal

\$8.12 per 1,000 gal from 10,001 - 20,000 gal

\$5.22 per 1,000 gal from 20,001 - 30,000 gal

\$4.06 per 1,000 gals after 30,000 gal

Sewer Rates:

Sewer Base Rate: \$32.63

\$32.63 min charge per month up to 2,000 gals

\$8.80 per additional 1,000 gals

The FY 2025-2026 Utility Fund (Water and Sewer) Budget balances at \$1,730,220.

Projects:

For FY 2025-2026 there is one outstanding Project Ordinance carried over from the prior fiscal year directly connected to General Fund activities.

- Project Ordinance in the amount of \$473,000 (appropriation from Fund Balance) for the Professional Architectural services related to the construction of a new Town Hall building. The new building will include additional office space, meeting rooms, community space, and a drive through. The Town's financial obligation for the FY 2025-2026 will reflect the amount of the project that is completed during the FY. The Project Ordinance will be updated as various stages of the project are bid. This project is projected to be completed in 2027.

For FY 2025-2026 the Town will be proceeding with two project ordinances tied directly to Enterprise (Utility) Activities.

- The first is a \$199,312.50 Project Ordinance to cover the Town's portion of the joint Evergreen Industrial Park project in partnership with Caldwell County.
- The second Project Ordinance in the amount of \$189,000 is the Town's portion of matching funds for a BRIC Grant we received for improvements to the South Caldwell Sewer Pump Station located on Bert Huffman Drive. The project includes elevating the station and raising the roadway to allow continuous access and service during high water events. This project is projected to be completed in 2026.

For FY 2025-2026 there is one outstanding Grant Project Ordinance carried over from the prior fiscal year for Hurricane Helene Disaster Response and Recovery. This work for this project is projected to be completed in 2027.

Requests for Information

This report is designed to provide an overview of the Town of Sawmills' finances. Questions related to any of the information found in this report, or requests for additional information, should be directed to the following:

Town Manager
Town of Sawmills
4076 US Highway 321-A
Sawmills, NC 28630
(828) 396-7903
townofsawmills.com

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2025

	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,400,332	\$ 5,750,176	\$ 13,150,508
Restricted cash and cash equivalents	466,135	123,601	589,736
Taxes receivable, net	37,349	-	37,349
Accounts receivable, water (net)	-	115,802	115,802
Accounts receivable, other (net)	11,607	-	11,607
Due from other governmental agencies	426,465	-	426,465
Inventories	-	141,235	141,235
Total current assets	<u>8,341,887</u>	<u>6,130,814</u>	<u>14,472,701</u>
Nonecurrent assets:			
Capital assets:			
Land, non-depreciable assets and construction in progress	1,213,147	5,436	1,218,583
Other capital assets, net of depreciation	5,034,181	5,419,976	10,454,157
Total capital assets	<u>6,247,328</u>	<u>5,425,412</u>	<u>11,672,740</u>
Total noncurrent assets	<u>6,247,328</u>	<u>5,425,412</u>	<u>11,672,740</u>
Total assets	<u>\$ 14,589,215</u>	<u>\$ 11,556,227</u>	<u>\$ 26,145,442</u>
Deferred Outflows of Resources			
Deferred outflows of resources-pension	\$ 296,198	\$ 98,733	\$ 394,931
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	116,947	102,921	219,868
Utility deposits	-	123,601	123,601
Long-term liabilities:			
Due within one year	134,550	5,881	140,431
Due in more than one year	1,606,958	214,394	1,821,352
Total liabilities	<u>1,858,455</u>	<u>446,798</u>	<u>2,305,253</u>
Deferred Inflows of Resources			
Pension deferrals	<u>2,247</u>	<u>749</u>	<u>2,996</u>
Net Position			
Net investment in capital assets	5,090,797	5,396,009	10,486,806
Restricted for stabilization by state statute	437,450	-	437,450
Restricted for streets	466,135	-	466,135
Unrestricted	<u>7,030,329</u>	<u>5,811,405</u>	<u>12,841,734</u>
Total net position	<u>\$ 13,024,711</u>	<u>\$ 11,207,414</u>	<u>\$ 24,232,124</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	Operating	Capital	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>			
Governmental activities:							
General government	\$ 1,014,029	\$ -	\$ 852	\$ -	\$ (1,013,177)	\$ -	\$ (1,013,177)
Transportation	803,327	-	187,538	-	(615,789)	-	(615,789)
Environmental protection	167,376	288,511	-	-	121,135	-	121,135
Cultural and recreational	545,530	-	9,500	-	(536,030)	-	(536,030)
Economic and physical development	251,525	6,205	10,565	-	(234,755)	-	(234,755)
Interest on long-term debt	66,097	-	-	-	(66,097)	-	(66,097)
Total governmental activities	<u>2,847,884</u>	<u>294,716</u>	<u>208,455</u>	<u>-</u>	<u>(2,344,713)</u>	<u>-</u>	<u>(2,344,713)</u>
Business-type activities:							
Water and sewer	1,137,184	1,165,339	-	-	-	28,155	28,155
Total business-type activities	<u>1,137,184</u>	<u>1,165,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,155</u>	<u>28,155</u>
Total	<u>\$ 3,985,068</u>	<u>\$ 1,460,055</u>	<u>\$ 208,455</u>	<u>\$ -</u>	<u>(2,344,713)</u>	<u>28,155</u>	<u>(2,316,558)</u>
General revenues:							
Ad valorem taxes				617,036	-		617,036
Local option sales tax				1,815,645	-		1,815,645
Unrestricted intergovernmental revenues				182,195	-		182,195
Unrestricted investment earnings				324,705	153,065		477,770
Miscellaneous				100,003	38,392		138,395
Transfers				15,573	(15,573)		-
Total general revenues and transfers				<u>3,055,157</u>	<u>175,884</u>		<u>3,231,041</u>
Change in net position				<u>710,444</u>	<u>204,038</u>		<u>914,482</u>
Net position, beginning				<u>12,314,267</u>	<u>11,003,376</u>		<u>23,317,643</u>
Net position - ending				<u>\$ 13,024,711</u>	<u>\$ 11,207,414</u>		<u>\$ 24,232,124</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2025

	Major Funds				Total	
	Park					
	Lighting		Nonmajor	Governmental		
	General	Project				
Assets	Fund	Fund	Funds	Funds		
Cash and cash equivalents	\$ 7,179,250	\$ -	\$ 221,082	\$ 7,400,332		
Restricted cash	466,135	-	-	466,135		
Taxes receivable, net	37,349	-	-	37,349		
Accounts receivable, other	11,607	-	-	11,607		
Due from other governmental agencies	425,843	-	622	426,465		
 Total assets	 \$ 8,120,184	 \$ -	 \$ 221,704	 \$ 8,341,888		
 Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 114,097	\$ -	\$ 2,850	\$ 116,947		
 Total liabilities	 114,097	 -	 2,850	 116,947		
Deferred inflows of resources:						
Property taxes receivable	37,349	-	-	37,349		
Total deferred inflows of resources	37,349	-	-	37,349		
 Fund balances:						
Restricted:						
Stabilization by state statute	437,450	-	-	437,450		
Capital Projects	-	-	218,854	218,854		
Streets	466,135	-	-	466,135		
Unassigned	7,065,153	-	-	7,065,153		
 Total fund balances	 7,968,738	 -	 218,854	 8,187,592		
 Total liabilities, deferred inflows and fund balances	 \$ 8,120,184	 \$ -	 \$ 221,704	 \$ 8,341,888		

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 4

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

Total governmental fund balances	\$ 8,187,592
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension liability	(507,582)
Deferred outflows of resources related to the pensions are not reported in the funds	296,198
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,247,328
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore are not reported in the funds	(1,233,926)
Deferred inflows of resources related to the pensions are not reported in the funds	(2,247)
Liabilities for earned revenues considered deferred inflows of resources in fund statements	<u>37,348</u>
Net position of governmental activities	<u>\$ 13,024,711</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds				Total Governmental Funds	
	Park Lighting		Nonmajor Funds			
	General Fund	Project Fund				
Revenues:						
Ad valorem taxes	\$ 622,096	\$ -	\$ -	\$ 622,096		
Local option sales taxes	1,815,645	-	-	1,815,645		
Unrestricted intergovernmental revenues	182,195	-	-	182,195		
Restricted intergovernmental revenues	197,038	-	11,417	208,455		
Permits and fees	6,205	-	-	6,205		
Sales and services	288,511	-	-	288,511		
Investment earnings	253,306	-	16,980	270,286		
Miscellaneous	100,000	-	-	100,000		
Total revenues	3,464,997	-	28,397	3,493,394		
Expenditures:						
Current:						
General government	932,014	-	179,709	1,111,723		
Transportation	780,545	-	-	780,545		
Environmental protection	348,732	-	-	348,732		
Cultural and recreational	799,491	606,420	-	1,405,911		
Economic and physical development	251,526	-	-	251,526		
Capital outlay	997,488	-	-	997,488		
Total expenditures	4,109,795	606,420	179,709	4,895,925		
Revenues over (under) expenditures	(644,798)	(606,420)	(151,312)	(1,402,531)		
Other financing sources (uses):						
Loan proceeds	-	1,345,500	-	1,345,500		
Operating transfers - in	201,088	-	177,481	378,569		
Operating transfers - out	(161,908)	-	(201,088)	(362,996)		
Total other financing sources (uses)	39,180	1,345,500	(23,607)	1,361,073		
Net change in fund balances	(605,618)	739,080	(174,919)	(41,457)		
Fund balances, beginning of year	8,574,356	(739,080)	393,773	8,229,049		
Fund balances (deficit), end of year	\$ 7,968,738	\$ -	\$ 218,854	\$ 8,187,592		

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2025**

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

Net changes in fund balances - total governmental funds \$ (41,457)

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 assets exceeded depreciation in the current period. 1,999,108

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 143,313

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues (5,060)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of those differences in the treatment of long-term debt.

Issuance of debt (1,345,500)
Principal payments 188,971

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.

Pension expense (204,696)
Compensated absences (24,235)

Total changes in net position of governmental activities \$ 710,444

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 7

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 566,050	\$ 566,550	\$ 622,096	\$ 55,546
Local option sales taxes	1,650,000	1,665,000	1,815,645	150,645
Unrestricted intergovernmental revenues	199,172	175,500	182,195	6,695
Restricted intergovernmental revenues	455,500	189,500	197,038	7,538
Permits and fees	1,000	1,000	6,205	5,205
Sales and services	250,000	258,672	288,511	29,839
Investment earnings	200,500	200,500	253,306	52,806
Miscellaneous	33,050	79,350	100,000	20,650
Total revenues	<u>3,355,272</u>	<u>3,136,072</u>	<u>3,464,997</u>	<u>328,925</u>
Expenditures:				
Current:				
General government	1,045,480	1,046,830	932,014	114,816
Transportation	1,453,000	1,453,000	1,082,812	370,188
Environmental protection	370,000	570,000	552,936	17,064
Cultural and recreational	1,225,307	1,367,057	1,273,138	93,919
Economic and physical development	410,080	410,080	268,896	141,184
Total expenditures	<u>4,503,867</u>	<u>4,846,967</u>	<u>4,109,795</u>	<u>737,172</u>
Revenues over (under) expenditures	<u>(1,148,595)</u>	<u>(1,710,895)</u>	<u>(644,798)</u>	<u>1,066,097</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,148,595	1,510,895	-	(1,510,895)
Operating transfers - in (out)	-	200,000	39,180	(160,820)
Total other financing sources (uses)	<u>1,148,595</u>	<u>1,710,895</u>	<u>39,180</u>	<u>(1,671,715)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(605,618)</u>	<u>\$ (605,618)</u>
Fund balances, beginning of year			<u>8,574,356</u>	
Fund balances, end of year			<u>\$ 7,968,738</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Exhibit 8

Statement of Net Position
Proprietary Fund
June 30, 2025

	Enterprise Fund
	Water and
	Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,750,176
Accounts receivable - water, net	115,802
Restricted cash and cash equivalents	123,601
Inventories	141,235
Total current assets	<u>6,130,813</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	5,436
Other capital assets, net of depreciation	<u>5,419,976</u>
Capital assets (net)	<u>5,425,412</u>
Total noncurrent assets	<u>5,425,412</u>
Total assets	<u>\$ 11,556,227</u>
Deferred outflows of resources	<u>\$ 98,733</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	102,921
Current portion of long-term obligations	5,881
Liabilities payable out of restricted assets:	
Utility deposits	123,601
Total current liabilities	<u>232,403</u>
Noncurrent liabilities:	
Compensated absences payable	21,678
Net pension liability	169,194
General obligation notes payable - noncurrent	<u>23,522</u>
Total noncurrent liabilities	<u>214,394</u>
Total liabilities	<u>446,797</u>
Deferred inflows of resources	
Pension deferrals	<u>749</u>
Net position:	
Net investment in capital assets	5,396,009
Unrestricted	5,811,405
Total net position	<u>\$ 11,207,414</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 9****Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2025**

<u>Enterprise Fund</u>
<u>Water and</u>
<u>Sewer Fund</u>

Operating Revenues:

Charges for services	\$ 1,131,174
Taps and connections	9,726
Other operating revenues	24,439
Total operating revenues	<u>1,165,339</u>

Operating Expenses:

Water distribution	685,507
Sewer collection	175,136
Depreciation	274,517
Total operating expenses	<u>1,135,160</u>

Operating income (loss)	<u>30,179</u>
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Nonoperating Revenues (Expenses):

Interest on investments	153,065
Interest expense	(2,024)
Other	38,392
Total nonoperating revenues (expenses)	<u>189,432</u>

Transfer to other funds	<u>(15,573)</u>
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Changes in net position	204,038
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Net position, beginning of year	<u>11,003,376</u>
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Net position - end of year	<u>\$ 11,207,414</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 10**
Page 1 of 2**Statement of Cash Flows**
Proprietary Fund
For the Year Ended June 30, 2025

Enterprise Fund
Water and
Sewer
Fund**Cash Flows From Operating Activities:**

Cash received from customers	\$ 1,190,831
Cash paid for goods and services	(703,520)
Cash paid to employees for services	(60,364)
Customer deposits received	<u>5,550</u>
Net cash provided (used) by operating activities	<u>432,497</u>

Cash Flows From Capital Related Financing Activities:

Acquisition and construction of capital assets	(178,457)
Principal and interest paid on general obligation notes payable	(91,646)
Other	38,392
Transfers out	<u>(15,573)</u>
Net cash provided (used) by capital and related financing activities	<u>(247,284)</u>

Cash Flows From Investing Activities:

Interest on investments	<u>153,065</u>
Net increase (decrease) in cash and cash equivalents	338,278
Cash and cash equivalents - beginning of year	<u>5,535,499</u>
Cash and cash equivalents - end of year	<u>\$ 5,873,777</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA**Exhibit 10, cont.**
Page 2 of 2**Statement of Cash Flows**
Proprietary Fund
For the Year Ended June 30, 2025

Enterprise Fund
Water and
Sewer
Fund**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities:**

Operating income (loss)	<u>\$ 30,179</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	274,517
Change in assets and liabilities:	
(Increase) decrease in receivables	25,492
Increase (decrease) in inventory	(9,268)
(Increase) decrease in deferred outflows of resources - pensions	9,838
Increase (decrease) in deferred inflows of resources - pensions	134
Increase (decrease) in net pension liability	10,488
Increase (decrease) in accounts payable and accrued expenses	86,519
Increase (decrease) in customer deposits	5,550
Increase (decrease) in compensated absences payable	<u>(952)</u>
Total adjustments	<u>402,318</u>
Net cash provided (used) by operating activities	<u>\$ 432,497</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SAWMILLS, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Sawmills conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Sawmills is a municipal corporation which is governed by an elected mayor and a five-member council.

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. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expense and program revenues for the different business-type activities of the Town and 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 and proprietary - are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for street maintenance and construction, sanitation services, and general governmental services.

Park Lighting Project Fund – The Park Lighting Project Fund is a capital project fund of the Town used to install new lights at Veterans Park.

The Town reports the following non-major governmental funds:

Capital Project Fund - This fund is used to account for capital project funds set aside by the Town.

American Rescue Plan Fund - The American Rescue Plan Fund is a special revenue fund the Town uses to account for grant funding under the American Rescue Plan Act (ARPA) to address a public need that has been created, or exaggerated by, the COVID-19 pandemic.

Town Hall Building Fund – The Town Hall Building Fund is a capital project fund the Town uses to account for expenditures relating to the construction of a new town hall.

FEMA Fund – This fund is used to account for expenses and reimbursements related to storm damage.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 compensated absences, 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 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed during this period 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 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 Sawmills because the tax is levied by Caldwell 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.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and the American Rescue Plan Special Revenue Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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 savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 164-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Sawmills Restricted Cash

Govermental Activities	
General Fund	
Streets	<u>\$ 466,135</u>
Total governmental activities	466,135
Business-type Activities	
Water and Sewer Fund	
Customer deposits	<u>123,601</u>
Total Restricted Cash	<u>\$ 589,736</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024.

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 was written off in prior years.

Inventory and Prepaid Items

The inventories of the Town are maintained for all enterprise fund (Water and Sewer Fund) supplies. They are valued at the lower of cost (first-in, first-out) or market. The cost of these inventories is expensed when consumed, rather than when purchased.

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 are expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$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. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets, and are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets, or materially extend assets' lives, are not capitalized.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

	<u>Years</u>
General governmental infrastructure - roads	45
Water and sewer infrastructure	30-45
Buildings	45
Furniture and office equipment	7
Equipment and vehicles	5-7
Computers/software	3

Reimbursements for Pandemic-related expenditures

In FY 2020/21, 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 of the eligible state, local, territorial, and tribal governments. The Town of Sawmills was allocated fiscal recovery funds to be paid in two equal installments. The first installment of \$826,861 was received in July 2021. The second installment of \$826,861 was received in July 2023. Town of Sawmills staff and council have elected to use the funds for revenue replacement. The \$1,088 was transferred to the other funds from the ARPA Fund during the year ending June 30, 2025.

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 one item that meets this criterion, contributions made to the pension plan in the 2025 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 two items that meet the criterion for this category - property taxes receivable and pension deferrals.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Town's long-term debt for water and sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by service revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund 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, or contributors, or laws or regulations of other governments, or are imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable 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.

Inventories - the portion of the fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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 - the portion of the fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - the Powell Bill portion of the 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.

Committed Fund Balance - the portion of the fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Sawmills' 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.

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

Subsequent Year's Expenditures - the portion of the 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 appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

The Town of Sawmills has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Cost-Sharing Plan

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 Sawmills' employer contributions are recognized when due, and the Town of Sawmills 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.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

None.

III. 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 the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and 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 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.

At June 30, 2025, the Town's deposits had a carrying amount of \$4,512,103 and a bank balance of \$4,523,615. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,273,615 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2025, the Town's investment balances were as follows:

Investment by Type	Measurement Method	Book Value at 6/30/2025	Maturity	Rating
N.C. Capital Management Trust-Cash Portfolio	Fair Value Level 1	\$ 9,228,141	N/A	AAAm
Total		<u>\$ 9,228,141</u>		

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2025 were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 11,607	\$ 45,349	\$ 426,465	\$ 483,421
Allowance for doubtful accounts	-	(8,000)	-	(8,000)
Total-Governmental activities	\$ 11,607	\$ 37,349	\$ 426,465	\$ 475,421
Business-type Activities:				
Water and sewer	\$ 118,302	\$ -	\$ -	\$ 118,302
Allowance for doubtful accounts	(2,500)	-	-	(2,500)
Total-Business-type activities	\$ 115,802	\$ -	\$ -	\$ 115,802

Due from other governments consists of the following:

Local option sales tax	\$ 314,980
Utility franchise tax	42,094
Other	69,391
	\$ 426,465

Capital Assets

A summary of changes in the Town's governmental capital assets were as follows:

Governmental Activities:	July 1, 2024	Increases	Decreases	June 30, 2025
Capital assets not being depreciated:				
Land	\$ 1,195,777	\$ 17,370	\$ -	\$ 1,213,147
Capital assets being depreciated:				
Buildings	1,398,857	427,972	-	1,826,829
Improvements (other than buildings)	660,535	-	-	660,535
Machinery and equipment	1,058,132	167,171	-	1,225,303
Office equipment	47,650	-	-	47,650
Parks	3,318,297	1,577,978	-	4,896,275
Vehicles	864,336	202,198	-	1,066,534
	7,347,807	2,375,319	-	9,723,126
Less accumulated depreciation:				
Buildings	351,842	46,205	-	398,047
Improvements (other than buildings)	146,782	16,406	-	163,188
Machinery and equipment	521,213	110,090	-	631,303
Office equipment	123,095	-	-	123,095
Parks	2,542,390	175,084	-	2,717,474
Vehicles	610,043	45,795	-	655,838
Total accumulated depreciation	4,295,365	393,580	-	4,688,945
Total capital assets being depreciated	3,052,442			5,034,181
Governmental activity capital assets, net	\$ 4,248,219			\$ 6,247,328

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

Governmental Activities:

General government	\$ 153,426
Environmental protection	20,842
Cultural and recreational	196,530
Transportation	22,782
Total depreciation expense	\$ 393,580

Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2025 are as follows:

Business-Type Activities:	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 5,436	\$ -	\$ -	\$ 5,436
Total capital assets not being depreciated:	<u>5,436</u>	<u>-</u>	<u>-</u>	<u>5,436</u>
Capital assets being depreciated:				
Water distribution system	2,918,573	80,751	-	2,999,324
Sewer lines	4,430,369	8,267	-	4,438,636
Equipment	1,678,478	89,439	-	1,767,917
Vehicles	191,511	-	12,615	178,896
Total capital assets being depreciated:	<u>9,218,931</u>	<u>178,457</u>	<u>12,615</u>	<u>9,384,773</u>
Less accumulated depreciation for:				
Water distribution system	1,398,739	55,683	-	1,454,422
Sewer lines	1,682,836	89,412	-	1,772,248
Equipment	494,987	116,373	-	611,360
Vehicles	126,333	13,049	12,615	126,767
Total accumulated depreciation	<u>3,702,895</u>	<u>274,517</u>	<u>12,615</u>	<u>3,964,797</u>
Total capital assets being depreciated, net	<u>5,516,036</u>			<u>5,419,976</u>
Water and Sewer Fund capital assets, net	<u>\$ 5,521,472</u>			<u>\$ 5,425,412</u>

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2025 were as follows:

	Salaries and			Total
	Vendors	Benefits	Other	
Governmental activities:				
General	<u>\$ 81,224</u>	<u>\$ 15,556</u>	<u>\$ 20,167</u>	<u>\$ 116,947</u>
Business-type activities:				
Water and sewer	<u>\$ 97,662</u>	<u>\$ 1,071</u>	<u>\$ -</u>	<u>\$ 98,733</u>

Pension Plan and Postemployment Obligations

Local Government Employees' Retirement System

Plan Description. The Town of Sawmills 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, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement, disability, 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. 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 creditable service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters, as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2023, all employers made contributions of 13.60% for general employees. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Sawmills was \$143,313 for the year ended June 30, 2025.

Refunds of Contributions. Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor benefit provided by LGERS.

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

At June 30, 2025, the Town reported a liability of \$676,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the Town's proportion was 0.01004%, which was an increase of 0.00045% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Town recognized pension expense of \$225,070. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 118,597	\$ 797
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	92,007	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	41,014	2,199
Town contributions subsequent to the measurement date	<u>143,313</u>	-
Total	<u>\$ 394,931</u>	<u>\$ 2,996</u>

\$143,313, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2026	\$ 88,677
2027	146,218
2028	24,129
2029	(10,403)
	<u>\$ 248,621</u>

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

Inflation	2.5 percent
Salary increases	3.25 to 8.25 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, 2023 valuation were based on the results of an actuarial experience study for the period from 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 weighing 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, 2024 are summarized in the following table:

Assets Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	4.0%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2025 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 2.50%. 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 1,199,267</u>	<u>\$ 676,776</u>	<u>\$ 246,955</u>

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 (ACFR) for the State of North Carolina.

Other Post-Employment Benefits

The Town has not elected to provide other post-employment benefits to employees.

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 (the "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 month's salary in a row 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 monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

The town has deferred outflows of resources comprised of the following:

Contributions to pension plan in current fiscal year	\$ 143,313
Differences between expected and actual experience	118,597
Changes in assumptions	-
Net difference between projected and actual earning on pension investments	92,007
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	41,014
Total	\$ 394,931

The balance in deferred inflows of resources at year end is as follows:

Net difference between projected and actual earning on	
Differences between expected and actual experience	\$ 797
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	2,199
Taxes receivables (General Fund)	37,349
Total	\$ 40,345

Risk Management

The Town of Sawmills is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance coverage for risks of loss, including property insurance of up to \$11,523,187; liability coverage of up to \$5,000,000; and worker's compensation up to the statutory limits. There have been no significant reductions in insurance coverage from the previous year and settled claims resulting from risks have not exceeded coverage commercial insurance coverage in the last five fiscal years.

The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more, at any given time, of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded \$700,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Long-Term Obligations

Notes Payable

Notes payable at June 30, 2025 are comprised of the following individual agreements:

Governmental Activities:

\$1,345,500, bank direct installment purchase with annual payments

of \$134,550, plus interest at 4.910%, final payment due

December 2033, secured by parks and recreation equipment

\$ 1,156,531

1,156,531

Less current maturities

134,550

Long-term portion

\$ 1,021,981

Business-type Activities:

Federal revolving direct placement loan for waterline capital project,

annual payments of \$5,881, with no interest, through May 2030,

secured by waterline

\$ 29,403

29,403

Less current maturities

5,881

Long-term portion

\$ 23,522

Annual debt service requirements to maturity for the Town's notes payable are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 134,550	\$ 56,786	\$ 5,881	\$ -
2027	134,550	50,179	5,881	-
2028	134,550	43,573	5,881	-
2029	134,550	36,966	5,881	-
2030	134,550	30,360	5,879	-
2031-2034	483,781	55,376	-	-
	<u>\$ 1,156,531</u>	<u>\$ 273,240</u>	<u>\$ 29,403</u>	<u>\$ -</u>

A summary of changes in long-term obligations follows:

	<u>July 1, 2024</u>	<u>Increase</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Governmental activities:					
Net pension liability	\$ 476,117	\$ 31,465	\$ -	\$ 507,582	\$ -
Direct placement note payable	-	1,345,500	188,969	1,156,531	134,550
Accrued compensated absences	53,160	24,235	-	77,395	-
Total	\$ 529,277	\$ 1,401,200	\$ 188,969	\$ 1,741,508	\$ 134,550
Business-type activities:					
Direct placement notes payable	\$ 119,025	\$ -	\$ 89,622	\$ 29,403	\$ 5,881
Net pension liability	158,706	10,488	-	169,194	-
Accrued compensated absences	22,630	-	952	21,678	-
Total	\$ 300,361	\$ 10,488	\$ 90,574	\$ 220,275	\$ 5,881

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2025, Town of Sawmills had a legal debt margin of \$23,625,106.

Interfund Balances and Transfer Activity

Transfers to/from other funds at June 30, 2025 consist of the following:

From the ARPA Fund to the General Fund to serve as revenue replacement	\$ 1,088
From the General Fund to the FEMA Fund for expenditures	17,054
From the Utility Fund to the FEMA Fund for expenditures	15,573
From the General Fund to the Town Hall Fund for for expenditures	144,854
From the Capital Reserve Fund to the General Fund to purchase a vehicle	200,000
Total transfers	\$ 378,569

Fund Balance

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

Total fund balance-General Fund	\$ 7,968,738
Less:	
Stabilization by State Statute	437,450
Streets-Powell Bill	466,135
Remaining Fund Balance	<u>\$ 7,065,153</u>

The Town of Sawmills 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, 33% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with four counties and twenty-three other municipalities, established the Western Piedmont Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$4,979 for membership fees during the fiscal year ended June 30, 2025.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 6, 2025, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, no circumstances occurred that would require recognition in these financial statements or disclosure in the financial statements.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 1

Schedule of the Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Sawmills' proportion of the net pension liability (asset) (%)	0.01004%	0.00959%	0.00801%	0.00648%	0.00683%	0.00669%	0.00723%	0.00695%	0.00704%	0.00734%
Sawmills' proportion of the net pension liability (asset) (\$)	\$ 676,776	\$ 634,823	\$ 451,878	\$ 99,377	\$ 244,065	\$ 182,699	\$ 171,520	\$ 106,177	\$ 149,412	\$ 32,941
Sawmills' covered payroll	\$ 882,943	\$ 796,203	\$ 684,600	\$ 509,408	\$ 530,639	\$ 521,350	\$ 518,568	\$ 502,251	\$ 460,700	\$ 451,472
Sawmills' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.65%	79.73%	66.00%	19.50%	45.99%	35.04%	33.26%	21.14%	32.43%	7.30%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.45%	98.09%

* 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 SAWMILLS, NORTH CAROLINA

Schedule 2

Schedule of Contributions
Required Supplementary Information
Last Ten Fiscal Years
Local Government Employees' Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 143,313	\$ 113,458	\$ 96,341	\$ 77,710	\$ 51,705	\$ 47,492	\$ 40,405	\$ 38,893	\$ 36,413	\$ 30,729
Contributions in relation to the contractually required contribution	<u>143,313</u>	<u>113,458</u>	<u>96,341</u>	<u>77,710</u>	<u>51,705</u>	<u>47,492</u>	<u>40,405</u>	<u>38,893</u>	<u>36,413</u>	<u>30,729</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 1,053,769</u>	<u>\$ 882,943</u>	<u>\$ 796,203</u>	<u>\$ 684,666</u>	<u>\$ 509,408</u>	<u>\$ 530,639</u>	<u>\$ 521,350</u>	<u>\$ 518,568</u>	<u>\$ 502,251</u>	<u>\$ 460,700</u>
Contributions as a percentage of covered-employee payroll	13.60%	12.85%	12.10%	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 3

**Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025**

	Special Revenue Fund		Capital Project Funds			Town Hall Building Fund	Total Nonmajor Governmental Funds
	ARPA Fund	Capital Project Fund	FEMA Fund				
<u>Assets</u>							
Current assets:							
Cash and investments	\$ -	\$ 210,517	\$ 10,565	\$ -	\$ 221,082		
Due from other governments	-	-	622	-	622		
Total assets	<u>\$ -</u>	<u>\$ 210,517</u>	<u>\$ 11,187</u>	<u>\$ -</u>	<u>\$ 221,704</u>		
<u>Liabilities and Fund Balances</u>							
Accounts payable	\$ -	\$ -	\$ 2,850	\$ -	\$ 2,850		
Total liabilities	-	-	2,850	-	2,850		
Fund balance:							
Restricted:							
Capital projects	-	210,517	8,337	-	218,854		
Total fund balance	-	<u>210,517</u>	<u>8,337</u>	<u>-</u>	<u>218,854</u>		
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 210,517</u>	<u>\$ 11,187</u>	<u>\$ -</u>	<u>\$ 221,704</u>		

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 4

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>			<u>Town Hall Building Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>ARPA Fund</u>	<u>Capital Project Fund</u>	<u>FEMA Fund</u>			
Revenues:						
Restricted intergovernmental revenues:						
Grants	\$ 852	\$ -	\$ 10,565	\$ -	\$ -	\$ 11,417
Investment earnings:						
Interest earned	236	16,744	-	-	-	16,980
Total revenues	<u>1,088</u>	<u>16,744</u>	<u>10,565</u>	<u>-</u>	<u>-</u>	<u>28,397</u>
Expenditures:						
General government	-	-	34,855	144,854	-	179,709
Total expenditures	<u>-</u>	<u>-</u>	<u>34,855</u>	<u>144,854</u>	<u>-</u>	<u>179,709</u>
Revenues over (under) expenditures	1,088	16,744	(24,290)	(144,854)	-	(151,312)
Other Financing Sources (Uses):						
From (to) General Fund	(1,088)	(200,000)	17,054	144,854	-	(39,180)
From (to) Utility Fund	-	-	15,573	-	-	15,573
Total other financing sources (uses)	<u>(1,088)</u>	<u>(200,000)</u>	<u>32,627</u>	<u>144,854</u>	<u>-</u>	<u>(23,607)</u>
Revenues and other sources over (under) expenditures and other uses	-	(183,256)	8,337	-	-	(174,919)
Fund balances (deficit), beginning of year	-	393,773	-	-	-	393,773
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ 210,517</u>	<u>\$ 8,337</u>	<u>\$ -</u>	<u>\$ 218,854</u>	<u>\$ -</u>

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 5
Page 1 of 3

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

With Comparative Actual Amounts For the Year Ended June 30, 2024

	2025		Variance	2024
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 561,050	\$ 615,039		\$ 591,860
Penalties and interest	5,500	7,056		7,223
	<u>566,550</u>	<u>622,096</u>	<u>\$ 55,546</u>	<u>599,084</u>
Other taxes and licenses:				
Local option sales tax	<u>1,665,000</u>	<u>1,815,645</u>	<u>150,645</u>	<u>1,737,556</u>
Unrestricted intergovernmental revenues:				
Franchise tax	<u>175,500</u>	<u>182,195</u>	<u>6,695</u>	<u>180,838</u>
Restricted intergovernmental revenues:				
"State Street-Aid" allocation and other grants	<u>189,500</u>	<u>197,038</u>	<u>7,538</u>	<u>171,535</u>
Permits and fees:				
Zoning permits	<u>1,000</u>	<u>6,205</u>	<u>5,205</u>	<u>4,910</u>
Sales and services:				
Refuse collections	<u>258,672</u>	<u>288,511</u>	<u>29,839</u>	<u>286,148</u>
Investment earnings	<u>200,500</u>	<u>253,306</u>	<u>52,806</u>	<u>277,312</u>
Miscellaneous revenues	<u>79,350</u>	<u>100,000</u>	<u>20,650</u>	<u>57,308</u>
Total revenues	<u>3,136,072</u>	<u>3,464,997</u>	<u>328,925</u>	<u>3,314,690</u>
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	18,850	18,773		18,772
Election cost	-	-		4,143
Other operating expenditures	<u>29,650</u>	<u>20,333</u>		<u>19,727</u>
Total governing body	<u>48,500</u>	<u>39,107</u>	<u>9,393</u>	<u>42,642</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 5, cont.
Page 2 of 3

General Fund

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

With Comparative Actual Amounts For the Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024 Actual
	Budget	Actual		
Expenditures (continued):				
Administrative:				
Salaries and employee benefits	\$ 360,600	\$ 336,981		\$ 296,045
Other operating expenditures	303,940	228,404		198,986
Interlocal agreement	<u>194,000</u>	<u>194,000</u>		<u>194,000</u>
Total administrative	<u>858,540</u>	<u>759,385</u>	<u>\$ 99,155</u>	<u>689,031</u>
Finance:				
Salaries and employee benefits	131,440	128,299		115,897
Other operating expenditures	<u>8,350</u>	<u>5,223</u>		<u>6,588</u>
Total finance	<u>139,790</u>	<u>133,522</u>	<u>6,268</u>	<u>122,485</u>
Total general government	<u>1,046,830</u>	<u>932,014</u>	<u>114,816</u>	<u>854,159</u>
Transportation:				
Salaries and employee benefits	455,900	451,091		410,109
Other operating expenditures	<u>657,100</u>	<u>329,454</u>		<u>258,121</u>
Capital outlay	<u>340,000</u>	<u>302,267</u>		<u>161,021</u>
Total transportation	<u>1,453,000</u>	<u>1,082,812</u>	<u>370,188</u>	<u>829,251</u>
Environmental protection:				
Sanitation:				
Other operating expenditures	35,000	20,295		15,398
Capital outlay	<u>200,000</u>	<u>204,204</u>		<u>143,160</u>
Contracted services	<u>250,000</u>	<u>246,453</u>		<u>234,001</u>
Total sanitation	<u>485,000</u>	<u>470,952</u>	<u>14,048</u>	<u>392,559</u>
Recycling:				
Contracted services	<u>85,000</u>	<u>81,984</u>	<u>3,016</u>	<u>77,952</u>
Total environmental protection	<u>570,000</u>	<u>552,936</u>	<u>17,064</u>	<u>470,511</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 5, cont.
Page 3 of 3

General Fund

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

With Comparative Actual Amounts For the Year Ended June 30, 2024

	2025		Variance	
	Budget	Actual	Positive (Negative)	2024
Expenditures (continued):				
Economic and physical development:				
Planning and zoning:				
Salaries and employee benefits	\$ 104,151	\$ 101,130		\$ -
Capital outlay	50,000	17,370		46,400
Other operating expenditures	<u>255,929</u>	<u>150,395</u>		<u>177,900</u>
Total economic and physical development	<u>410,080</u>	<u>268,896</u>	<u>141,184</u>	<u>224,300</u>
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits	303,200	293,424		260,599
Capital outlay	501,100	473,647		42,990
Other operating expenditures	<u>562,757</u>	<u>506,067</u>		<u>303,342</u>
Total cultural and recreational	<u>1,367,057</u>	<u>1,273,138</u>	<u>93,919</u>	<u>606,932</u>
Total expenditures	<u>4,846,967</u>	<u>4,109,795</u>	<u>737,172</u>	<u>2,985,152</u>
Other Financing Sources (Uses):				
Operating transfers in (out):				
Capital project fund	-	(144,854)	(144,854)	(90,115)
ARP fund	-	1,088	1,088	232,146
FEMA fund	-	(17,054)	(17,054)	-
Capital reserve fund	200,000	200,000	-	-
Fund balance appropriated	<u>1,510,895</u>	<u>-</u>	<u>(1,510,895)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,710,895</u>	<u>39,180</u>	<u>(1,671,715)</u>	<u>142,031</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(605,618)</u>	<u>\$ (605,618)</u>	<u>471,569</u>
Fund balance, beginning of year		<u>8,574,356</u>		<u>8,102,787</u>
Fund balance, end of year		<u>\$ 7,968,738</u>		<u>\$ 8,574,356</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 6**

Capital Project Fund
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual
From Inception and For the Year Ended June 30, 2025

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Investment earnings	\$ -	\$ 19,773	\$ 16,744	\$ 36,517	\$ (36,517)
Total revenues	_____ -	19,773	16,744	36,517	(36,517)
Expenditures:					
Vehicle	\$ 408,000	\$ 60,000	\$ -	\$ 60,000	\$ 348,000
Total expenditures	408,000	60,000	-	60,000	348,000
Revenues over (under) expenditures	(408,000)	(40,227)	16,744	(23,483)	384,517
Other Financing Sources (Uses):					
Transfers	408,000	434,000	(200,000)	234,000	(174,000)
Total other financing sources (uses)	408,000	434,000	(200,000)	234,000	(174,000)
Net change in fund balance	\$ -	\$ 393,773	\$ (183,256)	\$ 210,517	\$ 210,517

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 7

Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual
From Inception and For the Year Ended June 30, 2025

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 1,653,721	\$ 1,652,869	\$ 852	\$ 1,653,721	\$ -
Interest	<u>1,088</u>	<u>852</u>	<u>236</u>	<u>\$ 1,088</u>	<u>-</u>
Total revenues	<u>1,654,809</u>	<u>1,653,721</u>	<u>1,088</u>	<u>1,654,809</u>	<u>-</u>
Other financing sources (uses)					
Transfer out - General Fund	\$ 1,279,388	\$ 1,336,988	\$ 1,088	\$ 1,338,076	\$ (58,688)
Transfer out - Water and Sewer Fund	<u>375,421</u>	<u>316,733</u>	<u>-</u>	<u>316,733</u>	<u>58,688</u>
Total other financing sources (uses)	<u>1,654,809</u>	<u>1,653,721</u>	<u>1,088</u>	<u>1,654,809</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fund completed and closed out during the year ending June 30, 2025.

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 8****Town Hall Building Fund****Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual****From Inception and For the Year Ended June 30, 2025**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Expenditures:					
Professional fees - architect	\$ 473,000	\$ 90,115	\$ 144,854	\$ 234,969	\$ 238,031
Construction cost	4,010,000	-	-	-	4,010,000
Furnishings/other	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total expenditures	<u>4,683,000</u>	<u>90,115</u>	<u>144,854</u>	<u>234,969</u>	<u>4,448,031</u>
Revenues over (under) expenditures	<u>(4,683,000)</u>	<u>(90,115)</u>	<u>(144,854)</u>	<u>(234,969)</u>	<u>4,448,031</u>
Other Financing Sources (Uses):					
Transfers	<u>4,683,000</u>	<u>90,115</u>	<u>144,854</u>	<u>234,969</u>	<u>(4,448,031)</u>
Total other financing sources (uses)	<u>4,683,000</u>	<u>90,115</u>	<u>144,854</u>	<u>234,969</u>	<u>(4,448,031)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 9****Park Lighting Project Fund****Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -****Budget and Actual****From Inception and For the Year Ended June 30, 2025**

Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:				
Expenditures:				
Purchase and installation cost	\$ 1,345,500	\$ 739,080	\$ 606,420	\$ 1,345,500 \$ -
Total expenditures	1,345,500	739,080	606,420	1,345,500 -
Revenues over (under) expenditures	(1,345,500)	(739,080)	(606,420)	(1,345,500) -
Other Financing Sources (Uses):				
Loan proceeds	1,345,500	-	1,345,500	1,345,500 -
Total other financing sources (uses)	1,345,500	-	1,345,500	1,345,500 -
Net change in fund balance	\$ -	\$ (739,080)	\$ 739,080	\$ - \$ -

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

TOWN OF SAWMILLS, NORTH CAROLINA**Schedule 10****FEMA Fund****Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -
Budget and Actual
From Inception and For the Year Ended June 30, 2025**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
FEMA Grant	\$ 3,125,000	\$ -	\$ 10,565	\$ 10,565	\$3,114,435
Total revenues	3,125,000	-	10,565	10,565	3,114,435
Expenditures:					
Storm - Helen	\$ 3,125,000	\$ -	\$ 34,855	\$ 34,855	\$3,090,145
Total expenditures	3,125,000	-	(34,855)	34,855	3,090,145
Revenues over (under) expenditures	-	-	(24,290)	(24,290)	(24,290)
Other Financing Sources (Uses):					
Transfers	-	-	32,627	32,627	32,627
Total other financing sources (uses)	-	-	32,627	32,627	32,627
Net change in fund balance	\$ -	\$ -	\$ 8,337	\$ 8,337	\$ 8,337

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 11
Page 1 of 2

Water and Sewer Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2025

With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025		Variance	
	Budget	Actual	Positive (Negative)	2024
Revenues:				
Operating revenues:				
Charges for services	\$ 1,131,174			\$ 1,092,591
Taps and connections	9,726			14,500
Other operating revenues	<u>24,439</u>			<u>23,112</u>
Total operating revenues	<u>\$ 1,099,500</u>	<u>1,165,339</u>	<u>\$ 65,839</u>	<u>1,130,203</u>
Non-operating revenues:				
Interest on investments	153,065			166,770
Other income	<u>31,444</u>			<u>30,604</u>
Total non-operating revenues	<u>145,250</u>	<u>184,508</u>	<u>39,258</u>	<u>197,374</u>
Total revenues	<u>1,244,750</u>	<u>1,349,847</u>	<u>105,097</u>	<u>1,327,577</u>
Expenditures:				
Water distribution:				
Water purchases	248,203			244,988
Salaries and employee benefits	222,361			203,801
Other operating expenditures	177,821			102,537
Capital outlay	104,760			292,468
Principal retirement	<u>89,617</u>			<u>87,772</u>
Total water distribution	<u>1,735,160</u>	<u>842,762</u>	<u>892,398</u>	<u>931,566</u>
Sewer collection:				
Sewer charges	99,124			105,526
Salaries and employee benefits	46,315			83,515
Other operating expenditures	29,697			37,102
Capital outlay	<u>73,697</u>			<u>33,903</u>
Total sewer collection	<u>362,269</u>	<u>248,833</u>	<u>113,436</u>	<u>260,045</u>
Total expenditures	<u>2,097,429</u>	<u>1,091,594</u>	<u>1,005,835</u>	<u>1,191,611</u>

cont.

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 11, cont.
Page 2 of 2

Water and Sewer Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2025

With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025		Variance	2024
	Budget	Actual		
			Positive	
			(Negative)	
Revenues over (under) expenditures	\$ (852,679)	\$ 258,253	\$ 1,110,932	\$ 135,966
Other Financing Sources:				
Transfer to other funds	-	(15,573)	(15,573)	-
Transfer from ARP fund	-	-	-	43,932
Appropriated net assets	<u>852,679</u>	<u>-</u>	<u>(852,679)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 242,680</u>	<u>\$ 242,680</u>	<u>\$ 179,898</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues over (under) expenditures	\$ 242,680			\$ 179,898
Reconciling items:				
Payment on debt principal	89,617			87,772
(Increase) decrease in accrued compensated absences	953			3,575
Increase (decrease) in deferred outflows of resources - pensions	(9,838)			(22,644)
(Increase) decrease in net pension liability	(10,488)			45,736
(Increase) decrease in deferred inflows of resources - pensions	(134)			(368)
Capital outlay	178,457			326,371
Capital projects	(12,692)			-
Depreciation	<u>(274,517)</u>			<u>(265,155)</u>
Net income (loss)	<u>\$ 204,038</u>			<u>\$ 355,185</u>

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 12

Water and Sewer Fund Capital Project

South Caldwell Sewer Pump Station Elevation

Schedule of Revenues, Expenditures and Other Financing Sources (Uses) -

Budget and Actual

From Inception and For the Year Ended June 30, 2025

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grant revenue	\$ 189,000	\$ -	\$ 6,947	\$ 6,947	\$ 182,053
Total revenues	<u>189,000</u>	<u>-</u>	<u>6,947</u>	<u>6,947</u>	<u>182,053</u>
Expenditures:					
Professional fees - engineer	\$ 70,000	\$ -	\$ 12,354	\$ 12,354	\$ 57,646
Contract services	<u>308,000</u>	<u>-</u>	<u>7,285</u>	<u>7,285</u>	<u>300,715</u>
Total expenditures	<u>378,000</u>	<u>-</u>	<u>(19,639)</u>	<u>19,639</u>	<u>358,361</u>
Revenues over (under) expenditures	<u>(189,000)</u>	<u>-</u>	<u>(12,692)</u>	<u>(12,692)</u>	<u>176,308</u>
Other Financing Sources (Uses):					
Transfers	<u>189,000</u>	<u>-</u>	<u>35,000</u>	<u>32,627</u>	<u>(156,373)</u>
Total other financing sources (uses)	<u>189,000</u>	<u>-</u>	<u>35,000</u>	<u>32,627</u>	<u>(156,373)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,308</u>	<u>\$ 19,935</u>	<u>\$ 19,935</u>

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 13

Schedule of Ad Valorem Taxes Receivable
June 30, 2025

<u>Fiscal Year</u>	Uncollected		Collections And Credits	Uncollected	
	Balance July 1, 2024	Additions		Balance June 30, 2025	
2024 - 2025	\$ -	\$ 620,276	\$ 606,844	\$ 13,432	
2023 - 2024	15,847	-	7,652	8,195	
2022 - 2023	9,866	-	3,991	5,875	
2021 - 2022	4,169	-	1,135	3,034	
2020 - 2021	3,732	-	639	3,093	
2019 - 2020	3,445	-	632	2,813	
2018 - 2019	2,696	-	670	2,026	
2017 - 2018	2,077	-	747	1,330	
2016 - 2017	2,224	-	650	1,574	
2015 - 2016	2,021	-	1,001	1,020	
2014 - 2015	1,391	-	1,375	16	
2013 - 2014	1,072	-	-	1,072	
2012 - 2013	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>	
	<u>\$ 50,409</u>	<u>\$ 620,276</u>	<u>\$ 625,336</u>		<u>45,349</u>
Less allowance for uncollectible accounts:					
General fund					<u>8,000</u>
Ad valorem taxes receivable - net				<u>\$ 37,349</u>	
Reconcilement with revenues:					
Taxes - Ad Valorem, General				<u>\$ 622,096</u>	
Penalties and interest collected				<u>(7,056)</u>	
Collection fees				<u>13,263</u>	
Discounts and miscellaneous adjustments				<u>(3,698)</u>	
Amount written off				<u>732</u>	
				<u>\$ 625,336</u>	

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule 14

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

	Total Levy				
	Town Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxes at current year rate	\$ 299,438,000	0.20	\$ 598,876	\$ 505,103	\$ 93,773
Total	299,438,000		598,876	505,103	93,773
Discoveries	10,700,000		21,400	21,400	-
Abatements	-		-	-	-
Total property valuation	<u>\$ 310,138,000</u>				
Net levy			620,276	526,503	93,773
Uncollected taxes at June 30, 2025			<u>13,432</u>	<u>13,432</u>	-
Current year's tax collected			<u>\$ 606,844</u>	<u>\$ 513,071</u>	<u>\$ 93,773</u>
Current levy collection percentage			<u>97.83%</u>	<u>97.44%</u>	<u>100.00%</u>

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Certified Public Accountants

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

To the Honorable Mayor and
Members of the Town Council of
Town of Sawmills, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Sawmills, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Sawmills, North Carolina's basic financial statements and have issued our report thereon dated November 6, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Sawmills, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Sawmills, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sawmills, North Carolina'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Sawmills, North Carolina'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*.

Town of Sawmills, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Sawmills, North Carolina's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town of Sawmills, North Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
November 6, 2025

TOWN OF SAWMILLS, NORTH CAROLINA

Schedule of Findings and Responses For the Year Ended June 30, 2025

Section I. Financial Statement Findings:

Significant Deficiencies:

Finding: 2025-001 Segregation of Duties

Criteria:	The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.
Condition:	The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Mayor and the Town Council should be engaged in the ongoing review of the financial affairs of the Town to provide oversight.
Effect:	Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.
Cause:	There are a limited number of personnel for certain functions and lack of board oversight.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2024-001
Recommendation:	The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. However, the risk of not segregating certain duties are not worth the additional costs. Nonfinancial employees will be trained and provide some assistance.