

Town of Mills River, North Carolina

Financial Statements

Year Ended June 30, 2025



TOWN OF MILLS RIVER, NORTH CAROLINA



**Town Council
As of June 30, 2025**

Shanon Gonce – Mayor – District Three
Jeff Moore – Mayor Pro Tem – At-large
Sandra Goode – District One
James Cantrell – District Two
Brian Kimball – At-large

**Town Staff
As of June 30, 2025**

Matthew McKirahan
Patty Brown
Julie Osteen
Kristen Rintoul
Nicole Sweat
Michael Malecek

Town Manager
Town Clerk
Finance Director
Tax Collector
Parks & Recreation Director
Planning Director

Town of Mills River, North Carolina
Fiscal Year Ended June 30, 2025

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Town of Mills River, North Carolina
Fiscal Year Ended June 30, 2025

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FINANCIAL SECTION



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Mills River as of June 30, 2025, and the respective changes in financial position and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Mills River 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 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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'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 Governmental Employees' Retirement System's schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards 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 by us and other auditors. In our opinion, based on our audit, the budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of the Town of Mills River'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mills River's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 10, 2025

Management’s Discussion and Analysis

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

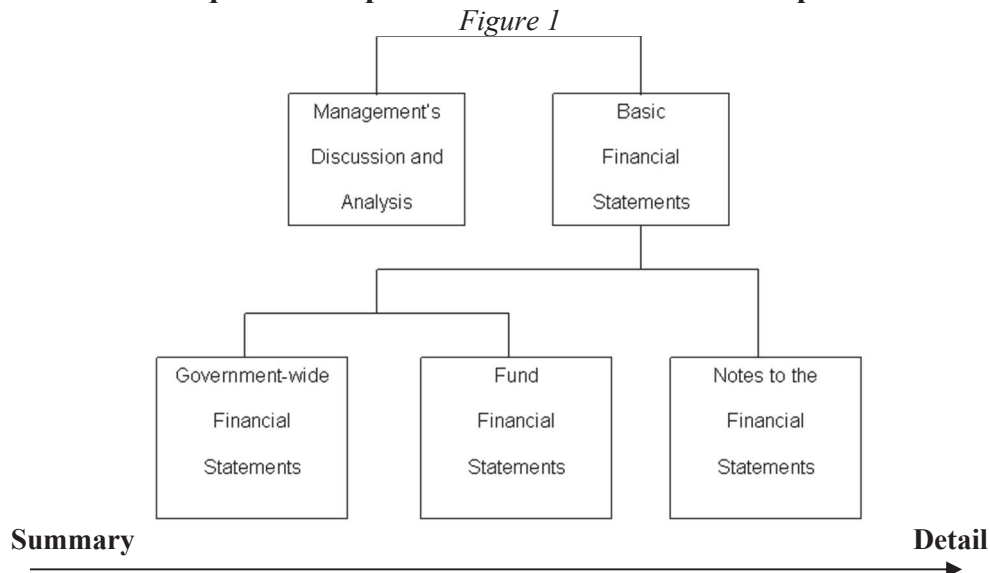
Financial Highlights

- The assets and deferred outflows of the Town of Mills River exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,454,136 (*net position*).
- The Town’s total net position increased by \$1,684,454, which was largely due to the Town’s management of expenditures and the receipt of a \$500,000 PART-F grant.
- As of the close of the current fiscal year, the Town of Mills River’s General Fund reported an ending fund balance of \$9,211,008, with a net increase of \$1,475,395 in the current fiscal year. Approximately 14% of this total amount, or \$1,333,369, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$8,552,313, or 139% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Mills River’s 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 with the government-wide statements and the 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 Mills River.

Required Components of Annual Financial Report



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 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's 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 and 2) the Budgetary Comparison Statement for the General Fund.

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's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements as well as details about the Town's property tax collections.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status 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 financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mills River, 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 Mills River are governmental funds.

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

The Town of Mills River 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 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.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Mills River’s progress in funding its obligation to provide pension benefits to its employees.

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.

Government-Wide Financial Analysis

The Town of Mills River’s Net Position

Figure 2

	Governmental Activities	
	2025	Restated 2024
Current and other assets	\$ 9,651,664	\$ 7,867,185
Capital assets	12,563,712	12,473,666
Total assets	<u>22,215,376</u>	<u>20,340,851</u>
Deferred outflows of resources	<u>288,340</u>	<u>325,112</u>
Current liabilities	450,685	324,347
Long-term liabilities	2,589,375	2,565,323
Total liabilities	<u>3,040,060</u>	<u>2,889,670</u>
Deferred inflows of resources	<u>9,520</u>	<u>6,611</u>
Net position:		
Net investment in capital assets	10,488,430	10,212,538
Restricted	1,333,369	1,095,835
Unrestricted	7,632,337	6,461,309
Total net position	<u>\$ 19,454,136</u>	<u>\$ 17,769,682</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 Mills River exceeded liabilities and deferred inflows by \$19,454,136 as of June 30, 2025. Balances reported at June 30, 2024 have been restated for a change in accounting principle as described in Note 7. The Town's net position increased by \$1,684,454 for the fiscal year ended June 30, 2025. The largest component of net position (54%) reflects the Town's net investment in capital assets (e.g. land and improvements, buildings, and equipment less the debt related to those assets). The Town of Mills River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mills River's net investment in 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 of Mills River's net position (7%), \$1,333,369, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,632,337 (39%) is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes, which resulted in a collection rate of 99.64% plus approximately \$13,000 in prior year taxes collected.
- Fiscally responsible staff related to budget management of expenditures.

Town of Mills River's Changes in Net Position

Figure 3

	Governmental Activities	
	2025	2024
Revenues:		
<i>Program revenues:</i>		
Charges for services	\$ 84,662	\$ 65,500
Operating grants and contributions	-	597,675
Capital grants and contributions	692,833	188,151
<i>General revenues:</i>		
Property taxes	4,101,128	3,962,601
Other taxes	2,395,118	2,121,715
Unrestricted investment earnings	332,181	323,799
Miscellaneous	119,472	36,415
Gain (loss) on sale of property	-	1,266,320
Insurance proceeds	13,244	-
<i>Total revenues</i>	7,738,638	8,562,176
Expenses:		
General government	1,510,003	1,455,636
Public safety	3,432,110	3,322,887
Transportation	20,357	15,221
Economic and physical development	104,839	146,163
Culture and recreation	878,775	823,236
Interest on long-term debt	108,100	106,242
<i>Total expenses</i>	6,054,184	5,869,385
Increase in net position	1,684,454	2,692,791
Net position, beginning of year	17,786,901	15,094,110
Restatement (Note 8)	(17,219)	-
Net position, beginning of year, as restated	17,769,682	15,076,891
Net position, end of year	\$ 19,454,136	\$ 17,786,901

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Mills River'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 Mills River's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance available is \$6,213,305, while total fund balance totals \$9,211,008. As a measure of the General Fund's liquidity, it may be useful to compare available fund balance to total fund expenditures. The Governing Body of the Town of Mills River has determined that the Town should maintain an available fund

balance of 65-75% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. Available fund balance represents 139% of annual General Fund expenditures for the year ending June 30, 2025.

On June 30, 2025, governmental funds reported a combined fund balance of \$9,354,965 with a net increase in fund balance of \$1,638,653. Town leadership maintained its focus on fiscal discipline by scaling back non-essential programs and applying cost-saving measures throughout all departments due to the immediate needs to Hurricane Helene repairs. These actions effectively reduced overall spending for the current fiscal year. In combination with \$500,000 in PART-F grant funding, the Town successfully bolstered its fund balance.

General Fund Budgetary Highlights: Historically, the Town revises its budget when it becomes necessary. 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. Budget amendments were made as necessary to account for additional revenues received and to reflect additional property taxes collected on behalf of the Mills River Fire Department.

Revenues were higher than budgeted amounts for intergovernmental revenue because the Town strives to budget with realistic revenue projections. Actual expenditures were below budgeted amounts for all areas. The Town continued to provide required governmental services.

The Town provided more than \$10,000 to support the Henderson County Library branch in Mills River. The residents of Mills River provided volunteer hours in support of the Mills River branch library.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2025 totals \$12,563,712 (net of accumulated depreciation). These assets consist mainly of land, the Town Hall/Library, and Park buildings.

Major capital asset transactions during the year include the following:

- Purchase of Park Utility Trailers totaling \$18,137
- Purchase of an F250 for the park totaling \$50,960
- A new backhoe for \$7,235

**Town of Mills River's Capital Assets
(Net of depreciation)**

Figure 4

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 9,098,422	\$ 8,790,130
Buildings and improvements	1,546,885	1,599,665
Land improvements	1,497,002	1,653,514
Furniture and fixtures	316,166	344,858
Vehicles	60,652	11,391
Computer equipment	44,585	74,108
Total capital assets	\$ 12,563,712	\$ 12,473,666

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

Long-term Debt. As of June 30, 2025, the Town of Mills River had total debt in the form of a direct placement installment purchase contract and a NC Cashflow loan outstanding in the amounts of \$2,075,282 and \$133,954, respectively.

Town of Mills River's Outstanding Debt

Figure 5

	Governmental Activities	
	2025	2024
Direct placement Installment obligation	\$ 2,075,282	\$ 2,261,128
NC CashFlow Loan	133,954	-
	\$ 2,209,236	\$ 2,261,128

Additional information regarding the Town of Mills River's long-term debt can be found in the Notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Mills River continues to experience growth and expansion of the tax base in FY25. Overall permit activity has leveled off somewhat in terms of single-family residential, however, commercial and industrial development remains strong. Interest rate increases and changing national economic policies likely had an impact on residential buying power and in turn, single-family home development activity.

- Old antique store at 5664 Old Haywood Road was revitalized, remodeled, and opened as a new 2,300 SF coffee, food, and wine bar.
- Pepsi completed a 66,000 SF building addition to their existing facility at 200 Fanning Fields Road.
- FedEx Freight is in the process of completing a 5,300 SF loading dock expansion, office renovation and expansion, and an approximately 1.5-acre site expansion to accommodate additional delivery trucks at 209 Fanning Fields Road.
- James River Equipment is in the process of completing a new commercial site at 675 Fanning Fields Road, which includes a 36,000 SF main building, 15,000 SF storage building, and a heavy equipment storage yard.
- An 11,000 SF shop building is being constructed as a new light industrial site at 14 Brandy Branch Road.
- MANNA Food Bank purchased and moved into the existing industrial facility at 99 Broadpointe Drive. They completed an upfit of the existing facility and are planning an office expansion.
- Thorsland Concrete is revitalizing an old agricultural property into a new commercial site for their operations at 80 South Mills River Road. Construction is in progress on a new 2,300 SF office building, a 2,600 SF truck bay building, and a 2,600 SF shop.
- Heartland Dental is in the process of completing a new commercial site with a 4,200 SF dental office building at 2432 Jeffress Road.
- Artisan Living Mills River Townhomes are nearing completion of the 148-unit townhome development at 2253 Jeffress Road, with full completion of the development expected by the end of the 2025 calendar year.

Budget Highlights for the Fiscal Year Ending June 30, 2026

The FY 2026 budget theme focuses on recovery, resilience, and strategic foresight, emphasizing post-Hurricane Helene projects and upcoming park expansions. The Town of Mills River continues its commitment to enhancing transparency by offering more detailed reports and a comprehensive budget document that clearly outlines the Town's goals and future aspirations. Further, the Town of Mills River adopted its first strategic plan beginning in FY 2026, which will guide decision-making for current and future budgetary priorities. Below are a few FY 2026 budgetary highlights:

- The total tax rate for FY 2026 will remain unchanged at \$0.17 per \$100 of valuation, with \$0.07 funding the Town's general fund operating expenditures and \$0.10 funding Mills River Fire and Rescue.
- Expenditures for contractual law enforcement increased from approximately \$1,023,000 to \$1,130,504.
- Sales tax revenue is expected to increase slightly due to continued Hurricane Helene repairs in the current year.
- Continuing the new program activities in the park: fitness classes, movie nights in the park, and children's science education classes.
- New capital projects this year include the following: Refurbishment of Town Hall with paint and carpet; Hydro seeder for the Park; Resurfacing the Basketball Court and Hickory Shelter; a needs assessment study for the new park maintenance facility, and a Subsurface Utility Engineering report for the park expansion property, which will assist with future phase development.

- Several large developments in the Town have just begun, with expected positive impacts in future fiscal years. This includes the following:
 - A new industrial site with two warehousing and distribution buildings totaling more than 220,000 SF on land at the northeast corner of the intersection of School House Road and Banner Farm Road.
 - The Legacy at Mills River continuing care retirement community development began site work in summer 2025 and is preparing to begin construction on the Phase 1 single-family homes in early 2026. The Legacy development will ultimately result in more than 400 new residential dwelling units, and once completed will be the largest residential buildings and the largest retirement facility in the Town.
 - A new shopping center is being constructed at 28 Penland Road, which is anchored by a 50,000 SF Publix grocery store, and will also have a 10,800 SF commercial building with 7-9 storefronts for lease. The shopping center also has four outparcels, which may lead to additional development and investment in the site.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager at the Town Hall, located at 124 Town Center Drive, Mills River, North Carolina, 28759, or (828) 890-2901.

TOWN OF MILLS RIVER, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,128,439
Taxes receivable, net	54,747
Due from other governments	657,540
Prepaid expenses	1,155
Restricted cash and equivalents	809,783
Total current assets	<u>9,651,664</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	9,098,422
Other capital assets, net	3,465,290
Total capital assets	<u>12,563,712</u>
Total assets	<u>22,215,376</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	288,340
Total deferred outflows of resources	<u>288,340</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	230,572
Due to other governments	474
Unearned revenues	2,010
Accrued interest payable	7,782
Current portion of long-term liabilities	209,847
Total current liabilities	<u>450,685</u>
Long-term liabilities:	
Net pension liability (LGERS)	498,801
Due in more than one year	2,090,574
Total long-term liabilities	<u>2,589,375</u>
Total liabilities	<u>3,040,060</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	8,896
Pension deferrals	624
Total deferred inflows of resources	<u>9,520</u>
NET POSITION	
Net investment in capital assets	10,488,430
Restricted for:	
Stabilization by State statute	657,540
Streets	675,829
Unrestricted	7,632,337
Total net position	<u>\$ 19,454,136</u>

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

TOWN OF MILLS RIVER, NORTH CAROLINA

STATEMENT OF ACTIVITIES
For the year ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental Activities:					
General government	\$ 1,510,003	\$ 31,177	\$ -	\$ -	\$ (1,478,826)
Public safety	3,432,110	-	-	-	(3,432,110)
Transportation	20,357	-	-	192,833	172,476
Economic and physical development	104,839	-	-	-	(104,839)
Cultural and recreation	878,775	53,485	-	500,000	(325,290)
Interest on long-term debt	108,100	-	-	-	(108,100)
Total governmental activities	<u>\$ 6,054,184</u>	<u>\$ 84,662</u>	<u>\$ -</u>	<u>\$ 692,833</u>	<u>(5,276,689)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,101,128
Local option sales tax					1,810,527
Other taxes					584,591
Insurance proceeds					13,244
Unrestricted investment earnings					332,181
Miscellaneous					119,472
Total general revenues					<u>6,961,143</u>
Change in net position					<u>1,684,454</u>
Net position, beginning of year					17,786,901
Restatement (Note 7)					<u>(17,219)</u>
Net position, beginning of year, as restated					<u>17,769,682</u>
Net position, end of year					<u>\$ 19,454,136</u>

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

TOWN OF MILLS RIVER, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,091,495	\$ 36,944	\$ 8,128,439
Restricted cash and cash equivalents	675,829	133,954	809,783
Taxes receivable, net	44,302	-	44,302
Due from other governments	657,540	-	657,540
Prepays	1,155	-	1,155
Total assets	<u>\$ 9,470,321</u>	<u>\$ 170,898</u>	<u>\$ 9,641,219</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 204,105	\$ 26,467	\$ 230,572
Due to other governments	-	474	474
Unearned revenues	2,010	-	2,010
Total liabilities	<u>206,115</u>	<u>26,941</u>	<u>233,056</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	44,302	-	44,302
Prepaid taxes	8,896	-	8,896
Total deferred inflows of resources	<u>53,198</u>	<u>-</u>	<u>53,198</u>
FUND BALANCES			
Non-Spendable			
Prepays	1,155	-	1,155
Restricted			
Stabilization by State statute	657,540	-	657,540
Unspent debt proceeds	-	133,954	133,954
Streets	675,829	-	675,829
Committed			
Capital projects	1,190,500	-	1,190,500
Disaster recovery	-	10,003	10,003
Assigned			
Subsequent year's expenditures	472,679	-	472,679
Unassigned	6,213,305	-	6,213,305
Total fund balances	<u>9,211,008</u>	<u>143,957</u>	<u>9,354,965</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,470,321</u>	<u>\$ 170,898</u>	<u>\$ 9,641,219</u>

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

TOWN OF MILLS RIVER, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances of governmental funds	\$	9,354,965
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	15,295,000
Accumulated depreciation		<u>(2,731,288)</u>
		12,563,712
Deferred outflows of resources related to pensions are not reported in the funds		288,340
Other long-term assets (accrued interest receivable from taxes is not available to pay for current period expenditures and therefore is not reported in the funds.)		10,445
Earned revenues considered deferred inflows of resources in fund statements.		44,302
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Installment obligations		(2,209,236)
Compensated absences		(91,185)
Net pension liability (LGERS)		<u>(498,801)</u>
		(2,799,222)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(7,782)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(624)</u>
Net position of governmental activities	\$	<u><u>19,454,136</u></u>

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

TOWN OF MILLS RIVER, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2025

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 4,111,951	\$ -	\$ 4,111,951
Unrestricted intergovernmental	2,395,118	-	2,395,118
Restricted intergovernmental	692,833	-	692,833
Permits and fees	31,177	-	31,177
Sales and services	53,485	-	53,485
Investment earnings	332,181	-	332,181
Miscellaneous	27,905	91,567	119,472
Total revenues	<u>7,644,650</u>	<u>91,567</u>	<u>7,736,217</u>
EXPENDITURES			
Current:			
General government	1,256,752	94,808	1,351,560
Public safety	3,432,110	-	3,432,110
Transportation	20,357	-	20,357
Economic development	104,839	-	104,839
Cultural and recreation	1,041,253	-	1,041,253
Debt service:			
Principal	185,846	-	185,846
Interest	108,797	-	108,797
Total expenditures	<u>6,149,954</u>	<u>94,808</u>	<u>6,244,762</u>
Revenues over (under) expenditures	<u>1,494,696</u>	<u>(3,241)</u>	<u>1,491,455</u>
OTHER FINANCING SOURCES (USES)			
NC CashFlow loan proceeds	-	133,954	133,954
Insurance proceeds	-	13,244	13,244
Transfer to capital project fund	(19,301)	-	(19,301)
Transfer from general fund	-	19,301	19,301
Total other financing sources (uses)	<u>(19,301)</u>	<u>166,499</u>	<u>147,198</u>
Net change in fund balances	1,475,395	163,258	1,638,653
Fund balances (deficit), beginning	<u>7,735,613</u>	<u>(19,301)</u>	<u>7,716,312</u>
Fund balances, end of year	<u>\$ 9,211,008</u>	<u>\$ 143,957</u>	<u>\$ 9,354,965</u>

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

TOWN OF MILLS RIVER, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2025

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

Net changes in fund balances - total governmental funds \$ 1,638,653

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized.	\$ 384,624	
Depreciation expense for governmental assets.	<u>(294,578)</u>	90,046

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		104,445
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. In addition, some revenues reported in the fund statements are not reported as revenues in the statement of		
Change in accrued interest receivable on taxes	(2,819)	
Change in unavailable revenue for tax revenues	<u>(8,004)</u>	(10,823)

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of debt	(133,954)	
Principal payments on long-term debt	185,846	
Change in accrued interest payable	<u>697</u>	52,589

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences used (accrued)	(26,704)	
Pension expense - LGERS	<u>(163,752)</u>	<u>(190,456)</u>

Total changes in net position of governmental activities		<u>\$ 1,684,454</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILLS RIVER, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2025

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 4,139,167	\$ 4,139,167	\$ 4,111,951	\$ (27,216)
Unrestricted intergovernmental	1,816,500	1,816,500	2,395,118	578,618
Restricted intergovernmental	969,340	969,340	692,833	(276,507)
Permits and fees	9,000	9,000	31,177	22,177
Sales and services	40,000	40,000	53,485	13,485
Investment earnings	145,448	275,000	332,181	57,181
Miscellaneous	16,800	29,648	27,905	(1,743)
Total revenues	7,136,255	7,278,655	7,644,650	365,995
EXPENDITURES				
Current:				
General government	1,445,652	1,438,602	1,256,752	181,850
Public safety	3,311,132	3,453,532	3,432,110	21,422
Transportation	188,000	188,000	20,357	167,643
Economic development	126,000	126,000	104,839	21,161
Cultural and recreation	1,770,827	1,787,877	1,041,253	746,624
Debt service				
Principal and interest	294,644	294,644	294,643	1
Total expenditures	7,136,255	7,288,655	6,149,954	1,138,701
Revenues over (under) expenditures	-	(10,000)	1,494,696	1,504,696
Other financing sources (uses):				
Appropriated fund balance	400,000	429,301	-	(429,301)
Transfer to capital project fund	-	(19,301)	(19,301)	-
Transfer to capital reserve	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	-	10,000	(419,301)	(429,301)
Net change in fund balance	\$ -	\$ -	1,075,395	\$ 1,075,395
Fund balance, beginning			6,945,113	
Fund balance, end of year			8,020,508	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer from general fund			400,000	
Fund balance, beginning (Capital Reserve Fund)			790,500	
Fund balance, ending (Exhibit 4)			\$ 9,211,008	

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

TOWN OF MILLS RIVER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Mills River (the “Town”) 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 Mills River is a municipal corporation, which is governed by 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, however interfund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major funds, with all remaining funds reported as non-major funds.

The Town reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for general government services, public safety, and parks and recreation. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The Town reports the following non-major governmental funds:

Pavilion Capital Project Fund – This fund was established for the construction costs of a second restroom/picnic shelter (pavilion) for the Town’s Park. The pavilion was capitalized during the fiscal year ending June 30, 2023 but remained open during fiscal year 2024 due to some non-capital modifications and repairs that were necessary. This fund was closed as of June 30, 2025.

Hurricane Helene Disaster Recovery Fund – This fund accounts for the transactions related to Hurricane Helene disaster relief and recovery.

Fines and Forfeitures Special Revenue Fund – This fund accounts for various fines and forfeitures that the Town is legally required to remit to the Henderson County Board of Education.

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and 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 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 vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Henderson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town could fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there would be 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, Capital Reserve Fund, and the Fines and Forfeiture Special Revenue Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Hurricane Helene Disaster Recovery Fund and the Pavilion Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. Appropriations are adopted at the department level.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several accounts 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.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Unspent loan proceeds from the NC Department of State Treasurer Cash Flow Loan program are classified as restricted cash because the loan proceeds can only be spent for the purpose for which they were intended.

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the Town 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 cost is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives (in years)</u>
Buildings	39
Land improvements	15
Furniture and equipment	7
Vehicles	5
Computer equipment	5

7. 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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. As of June 30, 2025, the Town one item that meet this criterion, pension deferrals for 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. As of June 30, 2025, the Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable (reported only on the Balance Sheet of the Governmental Funds), and pension deferrals.

8. Long-Term Obligations

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

In fund financial statements, governmental fund types recognize the face amount of debt issues as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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. An expense and 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. In accordance with GASB Statement No. 101 for the Town's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the Town.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Unspent debt proceeds – portion of fund balance that is restricted for the purpose for which the debt was issued. This amount represents the balance of the total unexpended debt proceeds.

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

Capital projects – portion of fund balance committed to future capital projects. This amount represents the fund balance in the Town's capital reserve fund.

Disaster recovery – portion of fund balance committed to Hurricane Helene disaster recovery.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first.

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 65-75% of budgeted expenditures. If the fund balance percentage falls below the adopted threshold, the Governing Body will have 36 months to implement a plan to restore the fund balance to at least 65%.

F. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town 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.

G. Estimates

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

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

All of the Town's deposits are insured or collateralized using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amount 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 deposits only in the Pooling Method depositories. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the Town's deposits had a carrying amount of \$260,051 and a bank balance of 283,599. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$500.

2. Investments

At June 30, 2025, the Town had \$8,677,671 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level 1 debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town has no policy regarding custodial credit risk or interest rate risk.

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

3. Taxes Receivables – Allowances for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025 is net of the tax receivable allowance for doubtful accounts of \$11,000.

4. Due From Other Governments

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025 consists primarily of local option sales taxes and utility sales taxes due to the Town at June 30th.

5. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,776,534	\$ -	\$ -	\$ 8,776,534
Construction in progress	13,596	308,292	-	321,888
Total capital assets not being depreciated	<u>8,790,130</u>	<u>308,292</u>	<u>-</u>	<u>9,098,422</u>
Capital assets being depreciated:				
Buildings and improvements	2,058,418	-	-	2,058,418
Land improvements	2,883,540	-	-	2,883,540
Furniture and fixtures	806,835	25,372	-	832,207
Vehicles	57,431	50,960	-	108,391
Computer equipment	314,022	-	-	314,022
Total capital assets being depreciated	<u>6,120,246</u>	<u>76,332</u>	<u>-</u>	<u>6,196,578</u>
Less accumulated depreciation for:				
Buildings and improvements	458,753	52,780	-	511,533
Land improvements	1,230,026	156,512	-	1,386,538
Furniture and fixtures	461,977	54,064	-	516,041
Vehicles	46,040	1,699	-	47,739
Computer equipment	239,914	29,523	-	269,437
Total accumulated depreciation	<u>2,436,710</u>	<u>294,578</u>	<u>-</u>	<u>2,731,288</u>
Total capital assets being depreciated, net	<u>3,683,536</u>			<u>3,465,290</u>
Governmental activities capital assets, net	<u>\$ 12,473,666</u>			<u>\$ 12,563,712</u>

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

General government	\$ 106,906
Cultural and recreational	<u>187,672</u>
Total depreciation expense	<u>\$ 294,578</u>

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Governmental Employees' Retirement System****1. Plan Description**

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

2. Benefits Provided

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

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mills River employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Mills River's contractually required contribution rate for the year ended June 30, 2025 was 13.68%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Mills River were \$104,445 for the year ended June 30, 2025.

4. Refunds of Contributions

Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

5. 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 \$498,801 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 0.00740% (measured at June 30, 2024), which was an increase of .00026% from its proportion reported as of June 30, 2024 (measured at June 30, 2023).

For the year ended June 30, 2025, the Town recognized pension expense of \$163,752. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,409	\$ 588
Changes of assumptions and other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	67,812	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,674	36
Town contributions subsequent to the measurement date	104,445	-
Total	<u>\$ 288,340</u>	<u>\$ 624</u>

\$104,455 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2026	\$ 64,816
2027	106,608
2028	19,515
2029	(7,668)
	<u>\$ 183,271</u>

6. 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 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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 prepared as of 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 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 rate of return for each major asset class as of June 30, 2025 and summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 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.

7. 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.

8. 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 net pension liability (asset)	\$ 883,890	\$ 498,801	\$ 182,012

9. Pension plan fiduciary net position

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

b. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' 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.

Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources on June 30, 2025 is comprised of pension related deferrals, including contributions to the plan in the current fiscal year, totaling \$288,340.

Deferred inflows of resources at year-end comprises the following:

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 8,896	\$ 8,896
Taxes receivable, less penalties (General Fund)	-	44,302
Differences between expected and actual experience	588	-
Changes in proration and differences between employer contributions and proportionate share of contributions (pension)	36	-
	<u>\$ 9,520</u>	<u>\$ 53,198</u>

3. Long-Term Obligations

a. Installment Purchase

In August 2023, the Town entered into a direct placement installment purchase contract for \$2,416,000, with interest at the rate of 5% per annum, for the purchase of 69.5 acres of land adjacent to Town Hall. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly principal payments of \$15,487 plus interest through August 2036. The remaining balance at June 30, 2025 was \$2,075,282.

Annual future debt service requirements of the installment purchase as of June 30, 2025, including \$583,674 of interest, are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2026	\$ 185,846	\$ 99,505
2027	185,846	90,213
2028	185,846	80,921
2029	185,846	71,628
2030	185,846	62,336
2031-2035	929,230	172,295
2036-2037	216,822	6,776
	<u>\$ 2,075,282</u>	<u>\$ 583,674</u>

As of June 30, 2024, the Town of Mills River had a legal debt margin of approximately \$188,000,000.

b. Other Liabilities

In March 2025, the Town of Mills River entered into a cashflow loan agreement with the State of North Carolina through the Department of State Treasurer under the Disaster Recovery Act of 2024. The agreement provides a principal-only loan of \$133,954 to fund

disaster response activities related to Hurricane Helene. The loan bears no interest or administrative fees and is scheduled for repayment as follows: \$1 by the first anniversary of the loan date; 10% on June 30, 2027; 20% on June 30, 2028; 30% on June 30, 2029; and the remaining 40% (less \$1) on the earlier of the fifth anniversary or June 30, 2030. Loan proceeds are to be repaid earlier if the Town receives reimbursement from federal disaster assistance or insurance proceeds.

Future minimum payments are as follows:

Year ending June 30	Principal
2026	\$ 1
2027	13,395
2028	26,791
2029	40,186
2030	53,581
	<u>\$ 133,954</u>

The Town borrowed an additional \$88,390 under this program in July 2025. See Note 8 for additional details.

c. Changes in Long-Term Liabilities

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

	Restated Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Current Portion
Governmental Activities:					
Direct placement installment obligation	\$ 2,261,128	\$ -	\$ 185,846	2,075,282	\$ 185,846
NC DST Cash Flow Loan	-	133,954	-	133,954	1
Net pension liability (LGERS)	472,822	25,979	-	498,801	-
Compensated absences	64,481	26,704	-	91,185	24,000
Governmental activity long-term liabilities	<u>\$ 2,798,431</u>	<u>\$ 186,637</u>	<u>\$ 185,846</u>	<u>\$ 2,799,222</u>	<u>\$ 209,847</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

Note 3 - Net Investment in Capital Assets

The following schedule provides a calculation of net investment in capital assets:

	<u>Governmental</u>
Capital assets	\$ 12,563,712
Less: Direct placement installment obligation	<u>2,075,282</u>
Net investment in capital assets	<u><u>\$ 10,488,430</u></u>

Note 4 - Interfund Balances and Transfers

During the year ending June 30, 2025, \$400,000 was transferred from the General Fund to the capital reserve fund to fund future projects for the Town. Also, there was a transfer of \$19,301 from the General Fund to the General Capital Project fund, which was used to alleviate the deficit fund balance and close out the fund.

Note 5 - Fund Balance

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

Total fund balance - General Fund	\$ 9,211,008
Less:	
Nonspendable items:	
Prepays	1,155
Restricted for:	
Stabilization by State statute	<u>657,540</u>
Fund balance available for appropriation	<u><u>\$ 8,552,313</u></u>

Note 6 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$5 million and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage in the prior year. 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 individually bonded for \$900,000. The tax collector is individually bonded for \$600,000. The remaining employees are covered under a blanket employee crime policy in the amount of \$100,000 per occurrence.

Note 7 - Restatement of Beginning Balances – Change in Accounting Principle

The Town implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement required a prior period adjustment to reduce government-wide net position by \$17,219 to record the estimated liability for sick leave at June 30, 2024.

Note 8 - Subsequent Event – NC Cash Flow Loan

In June 2025, the Town of Mills River entered into a cashflow loan agreement with the State of North Carolina through the Department of State Treasurer under the Disaster Recovery Act of 2024. The Town did not receive the funds until July 2025. The agreement provides a principal-only loan of \$88,390 to fund disaster response activities related to Hurricane Helene. The loan bears no interest or administrative fees and is scheduled for repayment as follows: \$1 by the first anniversary of the loan date; 10% on June 30, 2027; 20% on June 30, 2028; 30% on June 30, 2029; and the remaining 40% (less \$1) on the earlier of the fifth anniversary or June 30, 2030. Loan proceeds are to be repaid earlier if the Town receives reimbursement from federal disaster assistance or insurance proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MILLS RIVER, NORTH CAROLINA

TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS *

Local Governmental Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportionate share of the net pension liability (asset) (%)	0.00740%	0.00714%	0.00647%	0.00508%	0.00582%	0.00530%	0.00492%	0.00419%	0.00459%	0.00306%
Town's proportion of the net pension liability (asset) (\$)	\$ 498,801	\$ 472,822	\$ 365,002	\$ 77,908	\$ 207,975	\$ 144,739	\$ 116,719	\$ 64,013	\$ 97,416	\$ 13,733
Town's covered payroll	770,648	619,524	517,559	426,299	403,814	361,163	343,362	312,393	298,753	270,115
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.72%	76.32%	70.52%	18.28%	51.50%	40.08%	33.99%	20.49%	32.61%	5.08%
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%	91.47%	98.09%

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

TOWN OF MILLS RIVER, NORTH CAROLINA

SCHEDULE OF TOWN'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental 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	\$ 104,445	\$ 94,005	\$ 76,325	\$ 59,209	\$ 43,611	\$ 37,393	\$ 29,110	\$ 26,748	\$ 26,335	\$ 23,034
Contribution in relation to the contractually required contribution	<u>104,445</u>	<u>94,005</u>	<u>76,325</u>	<u>59,209</u>	<u>43,611</u>	<u>37,393</u>	<u>29,110</u>	<u>26,748</u>	<u>26,335</u>	<u>23,034</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 payroll	\$ 763,489	\$ 770,648	\$ 619,524	\$ 517,559	\$ 426,299	\$ 403,814	\$ 361,163	\$ 343,362	\$ 312,393	\$ 298,753
Contributions as a percentage of covered payroll	13.68%	12.20%	12.32%	11.44%	10.23%	9.26%	8.06%	7.79%	8.43%	7.71%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF MILLS RIVER, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the year ended June 30, 2025

	<u>2025</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes		\$ 4,100,405	
Penalties and interest		11,546	
	\$ 4,139,167	4,111,951	\$ (27,216)
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax		1,810,527	
Utilities sales tax		511,938	
Telecommunications tax		26,815	
Video programming tax		16,213	
Excise tax - beer and wine		29,625	
	1,816,500	2,395,118	582,465
Restricted:			
Powell Bill		192,833	
N.C Parks and Recreation Trust Fund grant		500,000	
	969,340	692,833	(276,507)
Permits and fees:			
Permits and code enforcement	9,000	31,177	22,177
Sales and services			
Parks and recreation fees	40,000	53,485	13,485
Investment earnings	275,000	332,181	57,181
Other:			
Miscellaneous		10,255	
Contributions		17,650	
	29,648	27,905	(1,743)
Total revenues	7,278,655	7,644,650	369,842
EXPENDITURES			
General government:			
Governing board:			
Salaries and wages		32,131	
Miscellaneous		3,496	
	35,220	35,627	(407)

TOWN OF MILLS RIVER, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the year ended June 30, 2025

	2025		
	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and wages		460,270	
Other operating expenditures		259,261	
Capital outlay		9,471	
	858,726	729,002	129,724
Tax collections:			
Salaries and wages		137,171	
Other operating expenditures		17,087	
	162,945	154,258	8,687
Legal			
Contracted services	12,000	6,468	5,532
Information technology:			
Other operating expenditures	99,950	91,666	8,284
Planning and zoning:			
Salaries and wages		224,666	
Other operating expenditures		15,065	
	269,761	239,731	30,030
Total general government	1,438,602	1,256,752	181,850
Public safety:			
Payments to Henderson County Sheriff	1,023,132	1,023,132	-
Payments to Mills River Fire and Rescue	2,430,400	2,408,978	21,422
Total public safety	3,453,532	3,432,110	21,422
Transportation:			
Streets:			
Other operating expenditures	188,000	20,357	167,643
Economic development:			
Other operating expenditures	126,000	104,839	21,161
Cultural and recreational:			
Recreation:			
Salaries and wages		459,492	
Other operating expenditures		186,898	
Capital outlay		384,624	
	1,777,327	1,031,014	746,313

TOWN OF MILLS RIVER, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the year ended June 30, 2025

	2025		
	Budget	Actual	Variance Positive (Negative)
Library:			
Other operating expenditures	10,550	10,239	311
Total cultural and recreational	1,787,877	1,041,253	746,624
Debt service:			
Principal		185,846	
Interest		108,797	
Total debt service	294,644	294,643	1
Total expenditures	7,288,655	6,149,954	1,138,701
Revenues over (under) expenditures	(10,000)	1,494,696	1,504,696
Other financing sources (uses):			
Appropriated fund balance	429,301	-	(429,301)
Transfer to capital project fund	(19,301)	(19,301)	-
Transfer to capital reserve	(400,000)	(400,000)	-
Total other financing sources (uses)	10,000	(419,301)	(429,301)
Net change in fund balance	\$ -	1,075,395	\$ 1,075,395
Fund balance, beginning		6,945,113	
Fund balance, end of year		\$ 8,020,508	

TOWN OF MILLS RIVER, NORTH CAROLINA

CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the year ended June 30, 2025

	2025		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Other revenue	\$ -	\$ -	\$ -
EXPENDITURES			
General government:			
Capital Outlay	400,000	-	400,000
Revenues under expenditures	(400,000)	-	400,000
Other financing sources:			
Transfer from general fund	400,000	400,000	-
Net change in fund balance	\$ -	400,000	\$ 400,000
Fund balance, beginning of year		790,500	
Fund balance, end of year		\$ 1,190,500	

TOWN OF MILLS RIVER, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Fines and Forefeitures Fund	Hurricane Helene Disaster Recovery Fund	Pavilion Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 474	\$ 36,470	\$ -	\$ 36,944
Restricted cash and cash equivalents	-	133,954	-	133,954
Total assets	<u>\$ 474</u>	<u>\$ 170,424</u>	<u>\$ -</u>	<u>\$ 170,898</u>
LIABILITIES				
Accounts payable	\$ -	\$ 26,467	\$ -	\$ 26,467
Due to other governments	474	-	-	474
Total liabilities	<u>474</u>	<u>26,467</u>	<u>-</u>	<u>26,941</u>
FUND BALANCES				
Restricted				
Unspent debt proceeds	-	133,954	-	133,954
Committed - disaster recovery	-	10,003	-	10,003
Total fund balances	<u>-</u>	<u>143,957</u>	<u>-</u>	<u>143,957</u>
Total liabilities and fund balances	<u>\$ 474</u>	<u>\$ 170,424</u>	<u>\$ -</u>	<u>\$ 170,898</u>

TOWN OF MILLS RIVER, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2025

	Fines and Forefeitures Fund	Hurricane Helene Disaster Recovery Fund	Pavilion Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Miscellaneous	\$ 7,567	\$ 84,000	\$ -	\$ 91,567
EXPENDITURES				
Current:				
General government	<u>7,567</u>	<u>87,241</u>	<u>-</u>	<u>94,808</u>
Revenues under expenditures	<u>-</u>	<u>(3,241)</u>	<u>-</u>	<u>(3,241)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	133,954	-	133,954
Insurance proceeds	-	13,244	-	13,244
Transfer from general fund	<u>-</u>	<u>-</u>	<u>19,301</u>	<u>19,301</u>
Total other financing sources (uses)	<u>-</u>	<u>147,198</u>	<u>19,301</u>	<u>166,499</u>
Net change in fund balances	-	143,957	19,301	163,258
Fund balances (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(19,301)</u>	<u>(19,301)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 143,957</u>	<u>\$ -</u>	<u>\$ 143,957</u>

TOWN OF MILLS RIVER, NORTH CAROLINA
SPECIAL REVENUE FUND
FINES AND FORFEITURES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2025

	2025		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales and services			
Penalties, fines and forfeitures	\$ 10,000	\$ 7,567	\$ (2,433)
 EXPENDITURES			
Education			
Payments of penalties, fines and forfeitures to the Henderson County Board of Education	10,000	7,567	2,433
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

TOWN OF MILLS RIVER, NORTH CAROLINA

HURRICANE HELENE DISASTER RECOVERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

From inception and for the year ended June 30, 2025

	Project Authorization	Prior Years	Current Year	Total	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
FEMA Funds	\$ 255,500	\$ -	\$ -	\$ -	\$ (255,500)
Miscellaneous					
Henderson County lease	<u>94,500</u>	<u>-</u>	<u>84,000</u>	<u>84,000</u>	<u>(10,500)</u>
	<u>350,000</u>	<u>-</u>	<u>84,000</u>	<u>84,000</u>	<u>(266,000)</u>
Expenditures:					
General government					
Debris Removal and Facility Repairs	304,300	-	77,858	77,858	226,442
Administrative costs	55,000	-	9,383	9,383	45,617
Debt Service					
Cashflow loan repayment	222,346	-	-	-	222,346
Contingency	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total expenditures	<u>585,646</u>	<u>-</u>	<u>87,241</u>	<u>87,241</u>	<u>498,405</u>
Revenues under expenditures	<u>(235,646)</u>	<u>-</u>	<u>(3,241)</u>	<u>(3,241)</u>	<u>232,405</u>
Other Financing Sources (Uses):					
Insurance proceeds	13,300	-	13,244	13,244	(56)
Loan proceeds - NC DST Cashflow loan	<u>222,346</u>	<u>-</u>	<u>133,954</u>	<u>133,954</u>	<u>(88,392)</u>
Total other financing sources	<u>235,646</u>	<u>-</u>	<u>147,198</u>	<u>147,198</u>	<u>(88,448)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	143,957	<u>\$ 143,957</u>	<u>\$ 143,957</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 143,957</u>		

TOWN OF MILLS RIVER, NORTH CAROLINA

PAVILION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP)

From inception and for the year ended June 30, 2025

	Project Authorization	Prior Years	Current Year	Total	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay					
Construction, building, and renovations	484,812	463,299	-	463,299	21,513
Design, administration, and engineering	29,434	15,614	-	15,614	13,820
Contingency	50,000	40,388	-	40,388	9,612
Total expenditures	564,246	519,301	-	519,301	44,945
Revenues under expenditures	(564,246)	(519,301)	-	(519,301)	44,945
Other Financing Sources:					
Transfers from the general fund	564,246	500,000	19,301	519,301	(44,945)
Revenues and other sources over (under) expenditures	\$ -	\$ (19,301)	19,301	\$ -	\$ -
Fund balance (deficit), beginning			(19,301)		
Fund balance, ending			\$ -		

SUPPLEMENTAL FINANCIAL DATA

TOWN OF MILLS RIVER, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2025

Fiscal Year	Uncollected Balance 6/30/2024	Additions	Collections And Credits	Uncollected Balance 6/30/2025
2024-2025	\$ -	\$ 4,096,863	\$ 4,082,278	\$ 14,585
2023-2024	17,439	-	8,403	9,036
2022-2023	9,194	-	1,038	8,156
2021-2022	6,956	-	799	6,157
2020-2021	4,885	-	374	4,511
2019-2020	5,120	-	1,346	3,774
2018-2019	4,592	-	965	3,627
2017-2018	2,749	-	(11)	2,760
2016-2017	1,492	-	(507)	1,999
2015-2016	1,220	-	523	697
2014-2015	459	-	459	-
	\$ 54,106	\$ 4,096,863	\$ 4,095,667	55,302
Less allowance for uncollectible ad valorem taxes receivable				(11,000)
Ad valorem taxes receivable, net				\$ 44,302
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				\$ 4,111,951
Reconciling items:				
Amount written off for fiscal year 2014-2015				(459)
Interest collected				(11,546)
Releases and other adjustments, net				(4,279)
Total collections and credits				\$ 4,095,667

TOWN OF MILLS RIVER, NORTH CAROLINA

GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
For the year ended June 30, 2025

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Original levy	\$ 2,374,182,941	0.00170	\$ 4,036,111	\$ 3,746,938	\$ 289,173
Total			<u>4,036,111</u>	<u>3,746,938</u>	<u>289,173</u>
Discoveries:					
Current year taxes and penalties	36,691,766		62,376	62,376	-
Abatements	<u>(955,294)</u>		<u>(1,624)</u>	<u>(1,624)</u>	-
Total property valuation	<u>\$ 2,409,919,413</u>				
Net levy			4,096,863	3,807,690	289,173
Uncollected taxes at June 30, 2025			<u>14,585</u>	<u>14,585</u>	-
Current year's taxes collected			<u>\$ 4,082,278</u>	<u>\$ 3,793,105</u>	<u>\$ 289,173</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.62%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Mills River, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Town of Mills River's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mills River's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mills River's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mills River, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 10, 2025



**Report On Compliance For Each Major State Program; Report on Internal
Control Over Compliance; In accordance with OMB Uniform Guidance; and
the State Single Audit Implementation Act**

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Mills River, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Town of Mill's River's major State programs for the year ended June 30, 2025. The Town of Mills River's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 10, 2025

TOWN OF MILLS RIVER, NORTH CAROLINA

SCHEDULE OF FINDINGS
For the year ended June 30, 2025

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported
- Noncompliance material to financial statements noted _____yes X no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State

- Single Audit Implementation Act _____yes X no

Major State programs for the Town of Mills River for the fiscal year ended June 30, 2025 are:

Program Name
NC Parks and Recreation Trust Fund

TOWN OF MILLS RIVER, NORTH CAROLINA

SCHEDULE OF FINDINGS
For the year ended June 30, 2025

II. Financial Statement Findings

None reported.

III. State Award Findings and Questioned Costs

None reported.

TOWN OF MILLS RIVER, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025

	Federal Assistance Listing	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures
State Awards				
<u>N. C. Department of Transportation:</u>				
Powell Bill		DOT-4; 32570	\$ -	\$ 28,458
Total N.C. Department of Transportation			<u>-</u>	<u>28,458</u>
<u>N. C. Department of Natural and Cultural Resources:</u>				
Division of Parks and Recreation				
Parks and Recreation Trust Fund (PARTF)		2023-1055	-	263,397
Parks and Recreation Trust Fund (PARTF)		2024-1094	-	500,000
Total N.C. Department of Natural and Cultural Resources			<u>-</u>	<u>763,397</u>
<u>N. C. Department of State Treasurer:</u>				
State CashFlow Loans for Disaster Response		HELENE50562R1000000000	-	133,954
Total N.C. Department of State Treasurer			<u>-</u>	<u>133,954</u>
Total State awards			<u>-</u>	<u>925,809</u>
Total Federal and State awards			<u>\$ -</u>	<u>\$ 925,809</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- Basis of Presentation
The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of Mills River under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Mills River, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Mills River.
- Summary of Significant Accounting Policies
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Mills River has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- Loans Outstanding
The Town of Mills River had the following loan balances outstanding at June 30, 2025 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2025 consist of:

<u>Program Title</u>	<u>Assistance Listing No.</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Statewide Cashflow Loan Program	n/a	DST-1	\$ 133,954