

Town of Mars Hill, North Carolina

Financial Statements

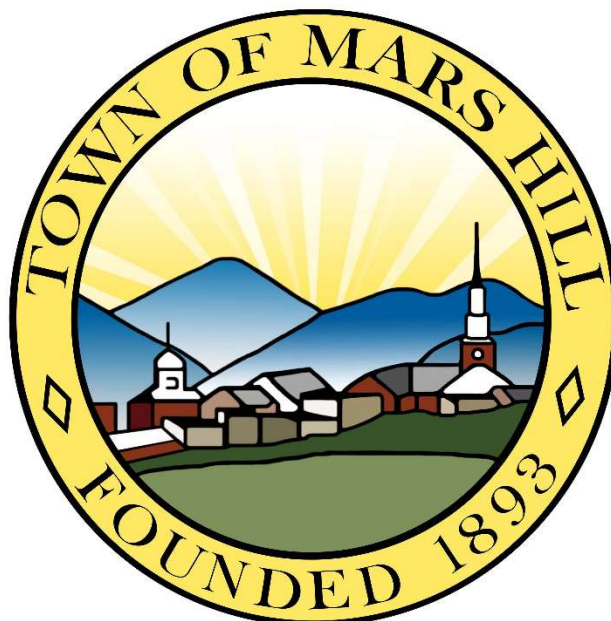
Fiscal Year Ended June 30, 2024

**Board of Aldermen
(As of June 30, 2024)**

John L. Chandler, Mayor
Larry Davis
Stuart Jolley
Nicholas Honeycutt
Robert W. Zink

Town Manager
Nathan Bennett

Finance Officer
Robert W. Zink



Town of Mars Hill, North Carolina
Fiscal Year Ended June 30, 2024

Table of Contents ***Exhibit*** ***Page***

Financial Section

Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-11

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	1	12
Statement of Activities	2	13

Fund Financial Statements:

Balance Sheet – Governmental Funds	3	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6	18
Statement of Net Position – Proprietary Fund	7	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	8	20
Statement of Cash Flows – Proprietary Fund	9	21

Notes to Financial Statements		22-46
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Required Supplemental Information

Local Governmental Employees' Retirement System – Town's Proportionate Share of Net Pension Liability (Asset)		47
Local Governmental Employees' Retirement System – Schedule of Town's Contributions		48
Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll		49

Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund		50-54
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual – American Rescue Plan Fund		55
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual – General Capital Project Fund		56
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund		57-58
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual – Water Capital Project Fund		59

Supplemental Financial Data

Schedule of Ad Valorem Taxes Receivable	60
Analysis of Current Tax Levy	61

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 <i>Government Auditing Standards</i>	62-63
Schedule of Findings	64



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

Independent Auditors' Report

To the Honorable Mayor
and Board of Aldermen
Mars Hill, North Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Mars Hill as of and for the year ended June 30, 2024, 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, the business-type activities, each major fund, and the remaining fund information of the Town of Mars Hill as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Mars Hill 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, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll and the Local Governmental Employees' Retirement System's schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and Contributions, respectively, 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 individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024 on our consideration of the Town of Mars Hill'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 Mars Hill's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2024

Management's Discussion and Analysis

As management of the Town of Mars Hill, we offer readers of the Town of Mars Hill's financial statements this narrative overview and analysis of the financial activities of the Town of Mars Hill for the fiscal year ended June 30, 2024. 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.

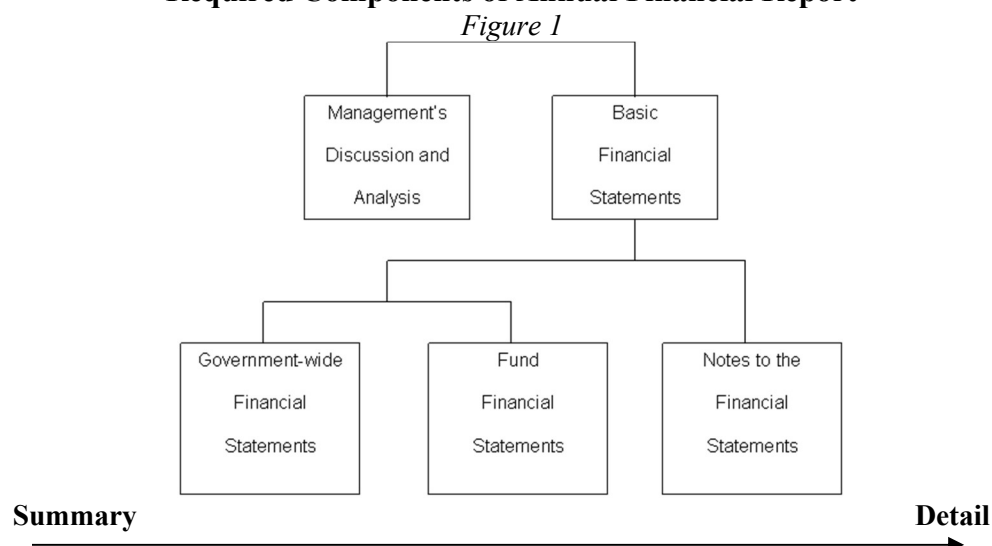
Financial Highlights

- The assets and deferred outflows of the Town of Mars Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,444,019 (*net position*).
- The government's total net position increased by \$882,052 due to an increase in business-type activities. The increase in business-type activities is due to \$169,842 in operating income plus transfers from the general fund for capital projects.
- As of the close of the current fiscal year, the Town of Mars Hill's General Fund reported an ending fund balance of \$5,623,119, with a net decrease of \$455,577 in fund balance. Approximately 11% of this total amount, or \$591,439, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,801,680 or 164% 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 Mars Hill'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 Mars Hill.

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 9) 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; 2) the Budgetary Comparison Statement; and 3) the Proprietary Fund Statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) Governmental activities; 2) Business-type activities; and 3) Component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Mars Hill.

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 Mars Hill, 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 Mars Hill can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 Mars Hill 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.

Proprietary Funds – The Town of Mars Hill has one proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Mars Hill uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 Mars Hill’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 Mars Hill's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2023	2024	2023	2024	2023	
Current and other assets	\$ 5,865,146	\$ 6,439,141	\$ 5,777,428	\$ 4,902,451	\$ 11,642,574	\$ 11,341,592	3%
Capital assets	4,938,951	4,586,742	8,474,078	8,132,668	13,413,029	12,719,410	5%
Total assets	<u>10,804,097</u>	<u>11,025,883</u>	<u>14,251,506</u>	<u>13,035,119</u>	<u>25,055,603</u>	<u>24,061,002</u>	4%
Deferred outflows of resources	645,419	552,474	152,107	130,833	797,526	683,307	
Long-term liabilities	1,107,924	877,722	733,210	691,630	1,841,134	1,569,352	17%
Other liabilities	180,979	386,107	340,073	169,681	521,052	555,788	-6%
Total liabilities	<u>1,288,903</u>	<u>1,263,829</u>	<u>1,073,283</u>	<u>861,311</u>	<u>2,362,186</u>	<u>2,125,140</u>	11%
Deferred inflows of resources	43,585	52,819	3,339	4,383	46,924	57,202	-18%
Net position:							
Net investment in capital assets	4,938,951	4,586,742	7,981,425	7,629,441	12,920,376	12,216,183	6%
Restricted	593,209	1,095,587	-	-	593,209	1,095,587	-46%
Unrestricted	4,584,868	4,579,380	5,345,566	4,670,817	9,930,434	9,250,197	7%
Total net position	<u>\$ 10,117,028</u>	<u>\$ 10,261,709</u>	<u>\$ 13,326,991</u>	<u>\$ 12,300,258</u>	<u>\$ 23,444,019</u>	<u>\$ 22,561,967</u>	4%

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 Mars Hill exceeded liabilities and deferred inflows by \$23,444,019 as of June 30, 2024. The Town's net position increased by \$882,052 for the fiscal year ended June 30, 2024. The largest component of net position (55.1%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment less the debt related to those assets). The Town of Mars Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mars Hill'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 Mars Hill's net position (2.5%), \$593,209, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,930,434 (42.4%) is unrestricted.

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

- The Town continued to benefit from increased property tax base attributable to the build-out occurring in three significant residential subdivisions.
- The Town continued diligence in the collection of property taxes and additional efforts for collection of delinquent taxes of all prior years.
- Sales tax distributions continued to exceed expectations due to changes made at the state level in collecting and distributing those taxes from internet-based sales.
- The Town received increased investment income from interest on reserve accounts due to much higher interest rates paid on those accounts than during the pandemic era.
- Increases in charges for permits, connection, and other fees for service exceeded anticipated amounts, attributable largely to new residential construction in newly established subdivision.

Town of Mars Hill's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
<i>Program revenues:</i>						
Charges for services	\$ 69,194	\$ 42,591	\$ 1,489,699	\$ 1,491,136	\$ 1,558,893	\$ 1,533,727
Operating grants and contributions	284,541	422,300	-	-	284,541	422,300
Capital grants and contributions	29,461	616,305	-	-	29,461	616,305
<i>General revenues:</i>						
Property taxes	905,062	844,964	-	-	905,062	844,964
Local option sales tax	983,616	967,703	-	-	983,616	967,703
Grants and contributions not restricted to specific programs	957,213	945,863	-	-	957,213	945,863
Unrestricted investment earnings	292,958	183,372	237,578	134,282	530,536	317,654
Miscellaneous	64,225	97,151	-	-	64,225	97,151
Gain (loss) on sale of property	-	7,251	-	6,550	-	13,801
<i>Total revenues</i>	<u>3,586,270</u>	<u>4,127,500</u>	<u>1,727,277</u>	<u>1,631,968</u>	<u>5,313,547</u>	<u>5,759,468</u>
Expenses:						
General government	491,132	430,408	-	-	491,132	430,408
Public safety	1,763,659	1,486,316	-	-	1,763,659	1,486,316
Transportation	456,855	383,769	-	-	456,855	383,769
Environmental protection	209,027	200,996	-	-	209,027	200,996
Culture and recreation	174,278	128,032	-	-	174,278	128,032
Water and sewer	-	-	1,319,857	1,230,743	1,319,857	1,230,743
Interest on long-term debt	-	-	16,687	17,041	16,687	17,041
<i>Total expenses</i>	<u>3,094,951</u>	<u>2,629,521</u>	<u>1,336,544</u>	<u>1,247,784</u>	<u>4,431,495</u>	<u>3,877,305</u>
Increase in net position before transfers	491,319	1,497,979	390,733	384,184	882,052	1,882,163
Transfers	(636,000)	-	636,000	-	-	-
Increase (decrease) in net position	(144,681)	1,497,979	1,026,733	384,184	882,052	1,882,163
Net position, beginning	10,261,709	8,763,730	12,300,258	11,916,074	22,561,967	20,679,804
Net position, end of year	<u>\$ 10,117,028</u>	<u>\$ 10,261,709</u>	<u>\$ 13,326,991</u>	<u>\$ 12,300,258</u>	<u>\$ 23,444,019</u>	<u>\$ 22,561,967</u>

Governmental activities. Governmental activities decreased the Town's net position by \$144,681, however prior to a transfer to the Water & Sewer Capital Project Fund it was an increase of \$491,319. The following reasons attributed to this:

- Ad valorem and special fire district taxes increased due to increased property tax base resulting from continued new residential construction and commercial/industrial property investments.
- Sales tax continued to exceed projected amounts.
- Receipt of investment income from interest on reserve accounts greatly exceeded projected amounts.
- Receipt of grant for the development of feasibility Bailey Mountain Preserve and Park/Dr. Otis Duck Greenway Extension plan.
- Receipt of grant for improvements at the Bailey Mountain Preserve and Park.

- Receipt of grants for equipment and facility improvements for the fire department.

Business-type activities: Business-type activities increased the Town of Mars Hill's net position by \$1,026,733. Key elements of this increase are as follows:

- Water rates increased slightly as part of continued Town policy to support improvements to the water and sewer system.
- Water receipts increased due to continuation of new residential construction and commercial property investments.
- Transfers from the general fund for capital projects amounted to \$636,000.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Mars Hill'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 Mars Hill's financing requirements.

The General Fund is the chief operating fund of the Town of Mars Hill. At the end of the current fiscal year, the Town of Mars Hill's fund balance available for appropriation in the General Fund was \$5,297,026, while total fund balance reached \$5,623,119. The Town currently has an available fund balance of 181% of General Fund expenditures, while total fund balance represents 192% of the same amount.

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

Actual revenues were more than the budgeted amounts for Ad Valorem Taxes, Special Fire District Tax and Local Option Sales Tax. Expenditures were also held in check to comply with budgetary requirements.

Proprietary Funds. The Town of Mars Hill's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,345,566. The total change in net position for the Water and Sewer Fund was an increase of \$1,026,733. The change in net position in the Water and Sewer Fund is primarily a result of capital project related transfers, much higher investment earnings and continued efforts in collection of water receipts.

Capital Asset and Debt Administration

Capital assets. The Town of Mars Hill's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$13,413,029 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, furniture, plant and distribution systems, and town infrastructure.

Major capital asset transactions during the year include the following:

- Purchase of a 2023 Portable Light Tower and Kubota Tractor for Public Works operations.

- Purchase of two (2) 2023 Dodge Durango Pursuit Vehicles for \$45,300 and \$42,993, respectively, for Police Department operations.

**Town of Mars Hill’s Capital Assets
(Net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and construction in progress	\$ 2,165,270	\$ 1,670,974	\$ 627,310	\$ 82,273	\$ 2,792,580	\$ 1,753,247
Buildings	1,579,731	1,648,006	431,356	447,830	2,011,087	2,095,836
Vehicles	721,724	786,139	11,637	-	733,361	786,139
Furniture and equipment	231,389	213,661	141,708	123,836	373,097	337,497
Infrastructure	240,837	267,962	7,262,067	7,478,729	7,502,904	7,746,691
Total capital assets	\$ 4,938,951	\$ 4,586,742	\$ 8,474,078	\$ 8,132,668	\$ 13,413,029	\$ 12,719,410

Additional information on the Town’s capital assets can be found in Note 3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2024, the Town of Mars Hill had total debt in the form of installment purchase contracts of \$492,653.

Town of Mars Hill’s Outstanding Debt

General Obligation Bonds and Direct Placement Installment Purchases Payable and Bond Anticipation Note

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Installment purchases payable	\$ -	\$ -	\$ 492,653	\$ 503,227	\$ 492,653	\$ 503,227

Town of Mars Hill’s Outstanding Debt

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Mars Hill is approximately \$14,700,0000.

Additional information regarding the Town of Mars Hill’s long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town will see increase in property tax base as a result of the Madison County mass real property reappraisal, effective January 1, 2024.
- The Town continues to see moderate growth in the residential housing market and that is expected to continue into FY 2025.
- The Madison County unemployment rate as of June 30, 2024 was 3.6%, which was below the state average.
- The Town maintains a strong fund balance which helps the Town avoid any reduction in services and/or implement untenable rate increases.

- The Town is completing infrastructure improvement projects, including replacement of Woodhaven Wastewater Lift Station and replacement of a Mars Hill University waterline through central campus utilizing funds received from the federal American Rescue Plan Act.
- The Town is completing development project at the Bailey Mountain Preserve and Park utilizing funds received from the N.C. Parks and Recreation Trust Fund and other local sources.
- The Town has planned to repair and replace sections of existing sidewalk.
- The Town plans to purchase a new utility service truck for the public works department.
- The Town plans to purchase a new brush truck for the fire department.
- The Town plans to purchase a new patrol vehicle for the police department.
- While much of the surrounding area experienced devastating impacts from Tropical Storm Helene in September 2024, the Town of Mars Hill was spared significant damage and does not expect to incur excessive budgetary adversity during the recovery.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities: The Town Mayor and Board of Aldermen has adopted a budget for fiscal year 2024-2025 that sets the tax rate at \$0.340 per \$100 of valuation, which is 13 cents less than fiscal year 2023-2024. This rate reduction is due solely in response to the increase in real property valuation for the Town pursuant to the completed Madison County mass real property reappraisal effective January 1, 2024. Budget development for this fiscal year was difficult given the excessive delays of Madison County to complete and deliver the valuation assessment to the Town.

The Town approved a cost of living pay increase for full-time employees across the board in the amount of \$3,000 per year for full-time employees and \$1,500 for part-time employees. In addition, the Board allocated funds for an increase of 2% in health insurance for Town employees and an additional 1.0% increase for the contribution to the Local Government Retirement System for police, and 0.8% for general employees. The budget reflects a substantial increase for general liability insurance by approximately 25% over the current year budget.

The police department was allocated funding for a replacement patrol vehicle. In addition, the Town allocated funding to the street department for a utility service truck, as well as targeted street and sidewalk rehabilitation projects. Most other items were maintained at or near current levels.

Business-type Activities: The Mars Hill Water System is operated as an Enterprise Fund. Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private businesses, where the intent of the governing body is that user charges fund the cost of providing goods and services to the general public on a continuing basis. The Board continued the policy of prior years for a recurring increase of 2.5% in water rates. This will account for an increase in water and sewer revenue combined with an increase in billed water connections. Water and sewer tap fees are anticipated to decrease from the current year as build-out of the new subdivisions is nearing completion. Investment income has significantly increased due to improvement in interest rates. Water revenue continues positive growth within the jurisdiction. Operating and maintenance expenses are expected to be maintained at or near current levels.

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 Nathan Bennett, Manager, Town of Mars Hill, PO Box 368, Mars Hill, NC 28754. You can also call (828) 689-2301.

TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,204,512	\$ 5,441,236	\$ 10,645,748
Taxes receivable, net	67,425	-	67,425
Accounts receivable, net	-	128,222	128,222
Due from other governments	327,863	24,527	352,390
Inventories	-	76,838	76,838
Restricted cash and equivalents	265,346	106,605	371,951
Total current assets	5,865,146	5,777,428	11,642,574
Non-current assets:			
Capital assets:			
Land and construction in progress	2,165,270	627,310	2,792,580
Other capital assets, net	2,773,681	7,846,768	10,620,449
Total capital assets	4,938,951	8,474,078	13,413,029
Total assets	10,804,097	14,251,506	25,055,603
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	645,419	152,107	797,526
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	99,965	175,085	275,050
Payable from restricted cash:			
Customer deposits	-	106,605	106,605
Unearned revenues	-	9,980	9,980
Accrued interest payable	-	13,856	13,856
Current portion of long-term liabilities	81,014	34,547	115,561
Total current liabilities	180,979	340,073	521,052
Long-term liabilities:			
Net pension liability (LGERS)	926,428	251,488	1,177,916
Total pension liability (LEOSSA)	181,496	-	181,496
Due in more than one year	-	481,722	481,722
Total long-term liabilities	1,107,924	733,210	1,841,134
Total liabilities	1,288,903	1,073,283	2,362,186
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	6,901	-	6,901
Pension deferrals	36,684	3,339	40,023
Total deferred inflows of resources	43,585	3,339	46,924
NET POSITION			
Net investment in capital assets	4,938,951	7,981,425	12,920,376
Restricted for:			
Stabilization by State statute	327,863	-	327,863
Streets	265,346	-	265,346
Unrestricted	4,584,868	5,345,566	9,930,434
Total net position	\$ 10,117,028	\$ 13,326,991	\$ 23,444,019

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

TOWN OF MARS HILL, NORTH CAROLINA

Exhibit 2

STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 491,132	\$ 17,389	\$ -	\$ -	\$ (473,743)	\$ -	\$ (473,743)
Public safety	1,763,659	-	213,819	-	(1,549,840)	-	(1,549,840)
Transportation	456,855	-	70,722	-	(386,133)	-	(386,133)
Environmental protection	209,027	-	-	-	(209,027)	-	(209,027)
Cultural and recreation	174,278	51,805	-	29,461	(93,012)	-	(93,012)
Total governmental activities	3,094,951	69,194	284,541	29,461	(2,711,755)	-	(2,711,755)
Business-type activities:							
Water and sewer	1,336,544	1,489,699	-	-	-	153,155	153,155
Total primary government	\$ 4,431,495	\$ 1,558,893	\$ 284,541	\$ 29,461	(2,711,755)	153,155	(2,558,600)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					905,062	-	905,062
Local option sales tax					983,616	-	983,616
Grants and contributions not restricted to specific programs					957,213	-	957,213
Unrestricted investment earnings					292,958	237,578	530,536
Miscellaneous					64,225	-	64,225
Total general revenues before transfers					3,203,074	237,578	3,440,652
Transfers, net					(636,000)	636,000	-
Total general revenues					2,567,074	873,578	3,440,652
Change in net position					(144,681)	1,026,733	882,052
Net position, beginning of year					10,261,709	12,300,258	22,561,967
Net position, end of year					\$ 10,117,028	\$ 13,326,991	\$ 23,444,019

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

TOWN OF MARS HILL, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	<u>Major Fund</u>		<u>Non-Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Project Fund</u>		<u>ARPA Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 5,112,028	\$ 92,484	\$ -	\$ -	\$ 5,204,512
Restricted cash and cash equivalents	265,346	-	-	-	265,346
Taxes receivable, net	60,525	-	-	-	60,525
Due from other governments	326,093	1,770	-	-	327,863
Total assets	<u>\$ 5,763,992</u>	<u>\$ 94,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,858,246</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 73,447	\$ 26,518	\$ -	\$ -	\$ 99,965
Total liabilities	<u>73,447</u>	<u>26,518</u>	<u>-</u>	<u>-</u>	<u>99,965</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	60,525	-	-	-	60,525
Prepaid taxes	6,901	-	-	-	6,901
Total deferred inflows of resources	<u>67,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,426</u>
FUND BALANCES					
Restricted					
Stabilization by State statute	326,093	1,770	-	-	327,863
Streets	265,346	-	-	-	265,346
Assigned					
Subsequent year's expenditures	230,000	-	-	-	230,000
Committed					
Capital projects	-	65,966	-	-	65,966
Unassigned	4,801,680	-	-	-	4,801,680
Total fund balances	<u>5,623,119</u>	<u>67,736</u>	<u>-</u>	<u>-</u>	<u>5,690,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,763,992</u>	<u>\$ 94,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,858,246</u>

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

TOWN OF MARS HILL, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

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

Total fund balances of governmental funds		\$	5,690,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$	11,863,755	
Accumulated depreciation		<u>(6,924,804)</u>	4,938,951
Deferred outflows of resources related to pensions are not reported in the funds			645,419
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.)			6,900
Earned revenues considered deferred inflows of resources in fund statements.			60,525
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			
Compensated absences		(81,014)	
Total pension liability (LEOSSA)		(181,496)	
Net pension liability (LGERS)		<u>(926,428)</u>	(1,188,938)
Deferred inflows of resources related to pensions are not reported in the funds			<u>(36,684)</u>
Net position of governmental activities		\$	<u><u>10,117,028</u></u>

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

TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2024

	Major Fund	Major Fund	Non-Major Fund	
	General Fund	General Capital Project Fund	ARPA Fund	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 878,884	\$ -	\$ -	\$ 878,884
Other taxes and licenses	983,616	-	-	983,616
Unrestricted intergovernmental	957,213	-	-	957,213
Restricted intergovernmental	100,183	-	213,819	314,002
Permits and fees	17,389	-	-	17,389
Sales and services	51,805	-	-	51,805
Investment earnings	292,958	-	-	292,958
Miscellaneous	64,225	-	-	64,225
Total revenues	<u>3,346,273</u>	<u>-</u>	<u>213,819</u>	<u>3,560,092</u>
EXPENDITURES				
Current:				
General government	561,706	-	-	561,706
Public safety	1,591,443	-	-	1,591,443
Transportation	463,441	-	-	463,441
Environmental protection	180,219	-	-	180,219
Cultural and recreation	132,086	385,521	-	517,607
Total expenditures	<u>2,928,895</u>	<u>385,521</u>	<u>-</u>	<u>3,314,416</u>
Revenues over (under) expenditures	<u>417,378</u>	<u>(385,521)</u>	<u>213,819</u>	<u>245,676</u>
OTHER FINANCING SOURCES (USES)				
Transfer to general capital project fund	(450,774)	-	-	(450,774)
Transfer from general fund	-	450,774	-	450,774
Transfer to general fund	-	-	(213,819)	(213,819)
Transfer to water capital project fund	(636,000)	-	-	(636,000)
Transfer from ARPA fund	213,819	-	-	213,819
Total other financing sources (uses)	<u>(872,955)</u>	<u>450,774</u>	<u>(213,819)</u>	<u>(636,000)</u>
Net change in fund balances	<u>(455,577)</u>	<u>65,253</u>	<u>-</u>	<u>(390,324)</u>
Fund balances, beginning	<u>6,078,696</u>	<u>2,483</u>	<u>-</u>	<u>6,081,179</u>
Fund balances, end of year	<u>\$ 5,623,119</u>	<u>\$ 67,736</u>	<u>\$ -</u>	<u>\$ 5,690,855</u>

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

TOWN OF MARS HILL, 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, 2024

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

Net changes in fund balances - total governmental funds \$ (390,324)

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.	\$ 688,493	
Depreciation expense for governmental assets.	<u>(336,284)</u>	352,209

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		156,156
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Benefit payments paid for the LEOSSA are not included in the Statement of Activities.		5,628
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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	3,114	
Change in unavailable revenue for tax revenues	<u>23,064</u>	26,178

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)	(8,352)	
Pension expense - LGERS	(267,383)	
Pension expense - LEOSSA	<u>(18,793)</u>	<u>(294,528)</u>

Total changes in net position of governmental activities		<u>\$ (144,681)</u>
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TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2024

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 794,121	\$ 794,121	\$ 878,884	\$ 84,763
Other taxes and licenses	646,000	799,000	983,616	184,616
Unrestricted intergovernmental	906,500	906,500	957,213	50,713
Restricted intergovernmental	65,000	263,383	100,183	(163,200)
Permits and fees	9,600	9,600	17,389	7,789
Sales and services	20,000	20,000	51,805	31,805
Investment earnings	10,000	168,500	292,958	124,458
Miscellaneous	7,100	37,100	64,225	27,125
Total revenues	2,458,321	2,998,204	3,346,273	348,069
EXPENDITURES				
Current:				
General government	460,302	718,685	561,706	156,979
Public safety	1,630,029	1,697,029	1,591,443	105,586
Transportation	569,266	640,766	463,441	177,325
Environmental protection	200,150	199,150	180,219	18,931
Cultural and recreation	129,500	145,500	132,086	13,414
Total expenditures	2,989,247	3,401,130	2,928,895	472,235
Revenues over (under) expenditures	(530,926)	(402,926)	417,378	820,304
Other financing sources (uses):				
Appropriated fund balance	530,926	1,276,671	-	(1,276,671)
Transfer to capital project fund	-	(451,564)	(450,774)	790
Transfer to water capital project fund	-	(636,000)	(636,000)	-
Transfer from ARPA fund	-	213,819	213,819	-
Total other financing sources (uses)	530,926	402,926	(872,955)	(1,275,881)
Net change in fund balance	\$ -	\$ -	(455,577)	\$ (455,577)
Fund balance, beginning			6,078,696	
Fund balance, end of year			\$ 5,623,119	

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

TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,441,236
Accounts receivable, net	128,222
Due from other governments	24,527
Inventory	76,838
Restricted cash and cash equivalents	106,605
Total current assets	<u>5,777,428</u>
Capital assets:	
Land and other non-depreciable assets	627,310
Other capital assets, net of depreciation	7,846,768
Capital assets, net	<u>8,474,078</u>
Total assets	<u>14,251,506</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>152,107</u>
LIABILITIES	
Current liabilities:	
Accounts payable	167,893
Salaries and payroll taxes payable	7,192
Payable from restricted assets:	
Customer deposits	106,605
Accrued interest payable	13,856
Unearned revenue	9,980
Compensated absences, current	23,616
Installment obligations, current	10,931
Total current liabilities	<u>340,073</u>
Noncurrent liabilities:	
Installment obligations, noncurrent	481,722
Net pension liability	251,488
Total noncurrent liabilities	<u>733,210</u>
Total liabilities	<u>1,073,283</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>3,339</u>
NET POSITION	
Net investment in capital assets	7,981,425
Unrestricted	5,345,566
Total net position	<u>\$ 13,326,991</u>

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

TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the year ended June 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,467,406
Other operating revenues	22,293
Total operating revenues	<u>1,489,699</u>
OPERATING EXPENSES	
Water administration	308,996
Water treatment and distribution	669,738
Depreciation	341,123
Total operating expenses	<u>1,319,857</u>
Operating Income	<u>169,842</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	237,578
Interest expense	(16,687)
Total nonoperating income, net	<u>220,891</u>
Income before transfers	390,733
Transfers from general fund	<u>636,000</u>
Change in net position	1,026,733
Net position, beginning of year	<u>12,300,258</u>
Net position, end of year	<u>\$ 13,326,991</u>

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

TOWN OF MARS HILL, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the year ended June 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,534,073
Cash paid for goods and services	(432,877)
Cash paid to or on behalf of employees for services	(340,765)
Net cash provided by operating activities	<u>760,431</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(682,533)
Interest paid on bond maturities	(16,984)
Transfer to capital project fund from other funds	636,000
Principal payments on debt	(10,574)
Net cash used by capital and related financing activities	<u>(74,091)</u>
Cash flows from investing activities:	
Interest earned	<u>237,578</u>
Net increase in cash and cash equivalents	923,918
Cash and cash equivalents, beginning of year	<u>4,623,923</u>
Cash and cash equivalents, end of year	<u>\$ 5,547,841</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 169,842</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	341,123
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in accounts receivable	33,951
Increase in due from other governments	(6,237)
Increase in deferred outflows of resources - pensions	(21,274)
Increase in inventory	21,227
Decrease in deferred inflows of resources - pensions	(1,044)
Increase in accounts payable	156,173
Increase in customer deposits	8,245
Decrease in salaries and payroll taxes payable	(2,069)
Increase in deferred revenue	2,178
Increase in compensated absences	5,805
Increase in net pension liability	52,511
Total adjustments	<u>590,589</u>
Net cash provided by operating activities	<u>\$ 760,431</u>

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

TOWN OF MARS HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Mars Hill 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 Mars Hill is a municipal corporation, which is governed by an elected mayor and a four member Board of Aldermen.

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in

another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Capital Project Fund – The Capital Project Fund accounts for the acquisition and construction of major capital facilities (other than those by the proprietary fund). The Town has one major capital project fund: the Bailey Mountain Park Project.

The Town reports the following non-major governmental fund:

American Rescue Plan Fund – This fund accounts for the transactions related to the American Rescue Plan Funds.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general

long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Mars Hill because the tax is levied by Madison County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the ARPA Fund and the General 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 funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. 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.

Restricted Cash

Governmental activities:

General Fund - Streets	\$ 265,346
Total governmental activities	<u>265,346</u>

Business-type activities:

Water & Sewer Fund - customer deposits	<u>106,605</u>
Total business-type activities	<u>106,605</u>

Total Restricted Cash	<u>\$ 371,951</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2023.

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. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise fund consist of material and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: all land, regardless of value; improvements other than buildings, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$20,000; furniture and equipment, \$5,000; vehicles, \$5,000; and infrastructure, \$100,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired prior to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure (plant and distribution)	30 - 50
Buildings	30 - 50
Improvements	15 - 25
Vehicles and motorized equipment	3 - 10
Furniture and equipment	5 - 10
Equipment	3 - 5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. As of June 30, 2024, the Town one item that meet this criterion, pension deferrals for the pension plan in the 2024 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, 2024, 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.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

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

11. Reimbursement for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$617,954 of fiscal recovery funds to be paid in two equal installments. The first installment of \$308,977 was received in August 2021, and the second installment was received in August 2022. The Town used \$404,135 in fiscal year 2023 as revenue replacement and transferred the funds to the General Fund. The Town used the remaining \$213,819 in fiscal year 2024 as revenue replacement and transferred the funds to the General Fund.

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for stabilization by State statute – North Carolina G.S. 159-8 prohibits units of 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.

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 Mars Hill's governing body (highest level of decision-making authority.) The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for capital projects – portion of fund balance that is committed to capital projects by way of a capital project ordinance.

Assigned fund balance – portion of fund balance that the Town of Mars Hill 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.

The Town has not adopted a formal revenue spending policy that provides guidance for programs with multiple revenue sources; however, the Finance Officer will use resources in the following hierarchy: bond proceeds; federal funds; State funds; local non-town funds; town funds. For purposes of fund balance classification, expenditures are typically spent from restricted fund balance first, followed, in order, by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this if it is in the best interest of the Town.

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, 2024, the Town's deposits had a carrying amount of \$863,067 and a bank balance of \$845,549. 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, 2024, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2024, the Town had \$10,154,601 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2024.

3. Receivables – Allowances for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 is net of the following allowances for doubtful accounts:

<u>Funds</u>	
General Fund - Taxes Receivable	\$ 11,181
Enterprise Fund - Uncollectible Accounts	<u>1,438</u>
Total	<u><u>\$ 12,619</u></u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,626,169	\$ -	\$ -	\$ 1,626,169
Construction in progress	44,805	494,296	-	539,101
Total capital assets not being depreciated	<u>1,670,974</u>	<u>494,296</u>	<u>-</u>	<u>2,165,270</u>
Capital assets being depreciated:				
Buildings and improvements	2,863,068	-	-	2,863,068
Furniture and fixtures	20,845	-	-	20,845
Equipment	840,612	62,622	-	903,234
Vehicles and motorized equipment	2,187,787	131,575	-	2,319,362
Infrastructure	3,591,976	-	-	3,591,976
Total capital assets being depreciated	<u>9,504,288</u>	<u>194,197</u>	<u>-</u>	<u>9,698,485</u>
Less accumulated depreciation for:				
Buildings and improvements	1,215,062	68,275	-	1,283,337
Furniture and fixtures	11,912	2,978	-	14,890
Equipment	635,884	41,916	-	677,800
Vehicles and motorized equipment	1,401,648	195,990	-	1,597,638
Infrastructure	3,324,014	27,125	-	3,351,139
Total accumulated depreciation	<u>6,588,520</u>	<u>336,284</u>	<u>-</u>	<u>6,924,804</u>
Total capital assets being depreciated, net	<u>2,915,768</u>			<u>2,773,681</u>
Governmental activities capital assets, net	<u>\$ 4,586,742</u>			<u>\$ 4,938,951</u>

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

General government	\$ 24,633
Public safety	196,900
Transportation	54,424
Environmental protection	18,135
Cultural and recreational	42,192
Total depreciation expense	<u>\$ 336,284</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 82,273	\$ -	\$ -	\$ 82,273
Construction in Progress	-	545,037	-	545,037
Total capital assets not being depreciated	<u>82,273</u>	<u>545,037</u>	<u>-</u>	<u>627,310</u>
Capital assets being depreciated:				
Buildings	689,860	-	-	689,860
Plant and distribution systems	15,564,246	80,581	-	15,644,827
Vehicles and motorized equipment	36,277	14,250	-	50,527
Equipment	540,234	42,665	-	582,899
Total capital assets being depreciated	<u>16,830,617</u>	<u>137,496</u>	<u>-</u>	<u>16,968,113</u>
Less accumulated depreciation for:				
Buildings	242,030	16,474	-	258,504
Plant and distribution systems	8,085,517	297,243	-	8,382,760
Vehicles and motorized equipment	36,277	2,613	-	38,890
Equipment	416,398	24,793	-	441,191
Total accumulated depreciation	<u>8,780,222</u>	<u>341,123</u>	<u>-</u>	<u>9,121,345</u>
Total capital assets being depreciated, net	<u>8,050,395</u>			<u>7,846,768</u>
Business-type activities capital assets, net	<u>\$ 8,132,668</u>			<u>\$ 8,474,078</u>

Construction Commitments

As of June 30, 2024, the Town had the following commitments with contractors for construction projects:

Project	Spent-to-date	Remaining Commitment
Woodhaven Lift Station	\$ 443,040	\$ 122,860
Bailey Mountain Park Project	359,706	78,579
	<u>\$ 802,746</u>	<u>\$ 201,439</u>

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

The Town of Mars Hill 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.

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

3. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mars Hill 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 Mars Hill's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers, 12.90% for general employees, and 12.90% for firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Mars Hill were \$198,546 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$1,177,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024, the Town's proportion was 0.01779%, which was an increase of .00127% from its proportion reported as of June 30, 2023.

For the year ended June 30, 2024, the Town recognized pension expense of \$339,967. At June 30, 2024, 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	\$ 131,255	\$ 2,826
Changes of assumptions and other inputs	50,055	-
Net difference between projected and actual earnings on pension plan investments	315,264	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,308	12,812
Town contributions subsequent to the measurement date	198,546	-
Total	<u>\$ 712,428</u>	<u>\$ 15,638</u>

\$198,546 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, 2025. 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>	
2025	\$ 182,275
2026	88,554
2027	214,082
2028	13,333
2029	-
Thereafter	-
	<u>\$ 498,244</u>

6. Actuarial Assumptions

The total pension liability in the December 31, 2022 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, 2022 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, 2024 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 2021 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)	\$ 2,040,693	\$ 1,177,916	\$ 467,597

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. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town of Mars Hill administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed

at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At the valuation date of December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>5</u>
Total	<u>6</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town did not pay any benefits during the reporting period.

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

At June 30, 2024, the Town reported a total pension liability of \$181,496. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$18,793.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,764	\$ 218
Changes of assumptions and other inputs	24,706	24,167
Town benefit payments and plan administrative expense made subsequent to the measurement date	5,628	-
Total	<u>\$ 85,098</u>	<u>\$ 24,385</u>

\$5,628 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ 13,774
2026	13,689
2027	12,945
2028	5,770
2023	4,857
Thereafter	4,050
	<u>\$ 55,085</u>

6. Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 4.00 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 199,505	\$ 181,496	\$ 165,144

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

	2024
Beginning balance	\$ 144,735
Service cost	7,575
Interest on the total pension liability	5,996
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	29,599
Change of assumptions or other inputs	4,847
Benefit payments	(11,256)
Other changes	-
Ending balance of the total pension liability	<u>\$ 181,496</u>

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

The actuarial assumptions used in the December 31, 2022, valuation was based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 339,967	\$ 18,793	\$ 358,760
Pension liability	1,177,916	181,496	1,359,412
Proportionate share of the net pension liability	0.01779%	n/a	

Deferred outflows of resources:

Differences between expected and actual experience	\$ 131,255	\$ 54,764	\$ 186,019
Changes of assumptions and other inputs	50,055	24,706	74,761
Net difference between projected and actual earnings on plan investments	315,264	-	315,264
Changes in proportion and differences between contributions and proportionate share of contributions	17,308	-	17,308
Benefit payments paid subsequent to the measurement date	198,546	5,628	204,174
	<u>\$ 712,428</u>	<u>\$ 85,098</u>	<u>\$ 797,526</u>

Deferred inflows of resources:

Differences between expected and actual experience	\$ 2,826	\$ 218	\$ 3,044
Changes of assumptions	-	24,167	24,167
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,812	-	12,812
	<u>\$ 15,638</u>	<u>\$ 24,385</u>	<u>\$ 40,023</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers**1. Plan Description**

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

2. Funding Policy

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$18,149, which consisted of \$18,149 from the Town and \$0 from the law enforcement officers. No amounts were forfeited.

d. 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

The Town has several deferred outflows of resources. Deferred outflows of resources comprises the following:

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 198,546
Benefit payments made for LEOSSA subsequent to measurement date	5,628
Differences between expected and actual experience	186,019
Changes in assumptions or other inputs	74,761
Net differences between projected and actual earnings	315,264
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,308
	<u>\$ 797,526</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 6,901	\$ 6,901
Taxes receivable, less penalties (General Fund)	-	60,525
Changes in assumptions or other inputs	24,167	-
Differences between expected and actual experience	3,044	-
Changes in proration and differences between employer contributions and proportionate share of contributions (pension)	12,812	-
	\$ 46,924	\$ 67,426

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 has general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property and workers' compensation coverage up to statutory limits.

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 \$400,000. Remaining finance department employees (tax collector, billing clerk, and accounts payable clerk) are individually bonded for \$50,000 each. The remaining employees are covered under a blanket employee crime policy in the amount of \$100,000 per occurrence.

3. Long-Term Obligations**a. Installment Purchase**

The Town entered into a direct placement installment purchase contract to build an interconnector between Mars Hill and the water treatment facilities of the Town of Weaverville. A security interest in the facilities constructed is collateral for the debt while the debt is outstanding. This agreement was executed in September 2011 between the Town and the United States Department of Agriculture (USDA), and requires 40 annual installments of \$27,558 with interest at 3.375% per annum. The total principal borrowed was \$600,000. The agreement contains a provision that in an event of default, the entire outstanding balance becomes immediately due and payable. The balance of this direct placement installment purchase as of June 30, 2024 was \$492,653.

Future annual debt service requirements of the installment purchase, including \$271,344 of interest, are as follows:

Year ending June 30	Business-type Activities	
	Principal	Interest
2025	\$ 10,931	\$ 16,627
2026	11,300	16,258
2027	11,681	15,877
2028	12,075	15,483
2029	12,483	15,075
2030-2034	69,026	68,764
2035-2039	81,488	56,302
2040-2044	96,199	38,591
2045-2049	113,565	24,224
2050-2054	73,905	4,143
	<u>\$ 492,653</u>	<u>\$ 271,344</u>

As of June 30, 2024, the Town of Mars Hill had a legal debt margin of approximately \$14,700,000.

b. 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, 2024:

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024	Current Portion
Governmental Activities:					
Net pension liability (LGERS)	\$ 732,987	\$ 193,441	\$ -	\$ 926,428	\$ -
Total pension liability (LEOSSA)	144,735	36,761	-	181,496	-
Compensated absences	72,662	108,158	99,806	81,014	81,014
Governmental activity long-term liabilities	<u>\$ 950,384</u>	<u>\$ 338,360</u>	<u>\$ 99,806</u>	<u>\$ 1,188,938</u>	<u>\$ 81,014</u>
By purpose:					
General government	\$ 361,043	\$ 45,350	\$ 14,862	\$ 391,531	\$ 10,820
Public safety	470,638	232,896	64,277	639,257	46,795
Sanitation	39,932	20,259	6,639	53,552	4,834
Transportation	78,771	42,806	14,028	107,549	10,213
Total	<u>\$ 950,384</u>	<u>\$ 341,311</u>	<u>\$ 99,806</u>	<u>\$ 1,191,889</u>	<u>\$ 72,662</u>
Business-type Activities:					
Direct placement					
installment obligations	\$ 503,227	\$ -	\$ 10,574	\$ 492,653	\$ 10,931
Net pension liability (LGERS)	198,977	52,511	-	251,488	-
Compensated absences	17,811	31,897	26,092	23,616	23,616
Business-type activity long-term liabilities	<u>\$ 720,015</u>	<u>\$ 84,408</u>	<u>\$ 36,666</u>	<u>\$ 767,757</u>	<u>\$ 34,547</u>

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

C. Net Investment in Capital Assets

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

	Governmental	Business-type
Capital assets	\$ 4,938,951	\$ 8,474,078
Less: Long-term debt	-	492,653
Net investment in capital assets	<u>\$ 4,938,951</u>	<u>\$ 7,981,425</u>

D. Interfund Balances and Transfers

During the year ending June 30, 2024, \$492,341 was transferred from the general fund to the general capital projects fund for the Bailey Mountain Park project that started in FY23 but is not yet completed.

Also, there was a transfer of \$213,819 from the ARPA fund to the general fund. The Town used this money for revenue replacement in the general fund.

Additionally, there was a transfer of \$636,000 from the general fund to the water capital project fund to fund a capital project.

E. 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	\$ 5,623,119
Less:	
Restricted for:	
Stabilization by state statute	326,093
Streets - Powell Bill	265,346
Assigned:	
Appropriated fund balance in 2025 budget	<u>230,000</u>
Remaining/unassigned fund balance	<u>\$ 4,801,680</u>

F. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$10,182 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief fund during the fiscal year ended June 30, 2024. Under State law, the local board of trustees for the Fund receives and amount each year, which the board may use at its own discretion for eligible firemen or their departments.

Note 3 – Related Organizations

The five member board of the Mars Hill Housing Authority is appointed by the Mayor of the Town of Mars Hill. The Town is accountable for the Housing Authority because it appoints the governing board; however, The Town is not financially accountable for the Housing Authority. The Town of Mars Hill is also disclosed as a related organization in the notes to the financial statements for the Mars Hill Housing Authority.

Note 4 – Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2024, the Town reported no revenues and expenditures made through the Fireman's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2024. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 5 – ContingenciesFederal and State Assisted Programs

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

Note 6 – Concentration of Water Revenue

Amounts billed to Mars Hill College for water and sewer services in the amount of approximately \$260,000 represented approximately 21% of revenue reported in the Water and Sewer Fund during the fiscal year ending June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

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

Local Governmental Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportionate share of the net pension liability (asset) (%)	0.01779%	0.01652%	0.01625%	0.01489%	0.14320%	0.01435%	0.01394%	0.13820%	0.01284%	-0.01110%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,177,916	\$ 931,964	\$ 249,209	\$ 532,083	\$ 391,068	\$ 340,431	\$ 212,962	\$ 293,307	\$ 57,625	\$ (65,462)
Town's covered payroll	1,325,506	1,039,136	1,019,106	904,268	851,622	793,352	755,266	762,844	714,116	694,667
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	88.87%	89.69%	24.45%	58.84%	45.92%	42.91%	28.20%	38.45%	8.07%	(9.42%)
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

TOWN OF MARS HILL, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	<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>	<u>2015</u>
Contractually required contribution	\$ 198,546	\$ 163,542	\$ 119,987	\$ 105,654	\$ 84,366	\$ 70,298	\$ 61,382	\$ 56,688	\$ 52,346	\$ 51,939
Contribution in relation to the contractually required contribution	<u>198,546</u>	<u>163,542</u>	<u>119,987</u>	<u>105,654</u>	<u>84,366</u>	<u>70,298</u>	<u>61,382</u>	<u>56,688</u>	<u>52,346</u>	<u>51,939</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	\$ 1,507,495	\$ 1,325,506	\$ 1,039,136	\$ 1,019,106	\$ 904,268	\$ 851,622	\$ 793,352	\$ 755,266	\$ 762,844	\$ 714,116
Contributions as a percentage of covered payroll	13.17%	12.34%	11.55%	10.37%	9.33%	8.25%	7.76%	7.48%	6.86%	7.15%

TOWN OF MARS HILL, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS

Schedule of Changes in Total Pension Liability

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 144,735	\$ 145,332	\$ 129,987	\$ 73,272	\$ 57,618	\$ 57,227	\$ 78,410	\$ 72,105
Service cost	7,575	11,469	12,475	5,855	5,289	4,084	3,930	5,288
Interest on the total pension liability	5,996	3,143	2,409	2,389	2,097	1,808	3,027	2,574
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	29,599	27,233	15,488	2,136	5,631	(2,804)	(32,627)	-
Change of assumptions or other inputs	4,847	(31,186)	(4,709)	46,335	2,637	(2,697)	4,487	(1,557)
Benefit payments	(11,256)	(11,256)	(10,318)	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 181,496</u>	<u>\$ 144,735</u>	<u>\$ 145,332</u>	<u>\$ 129,987</u>	<u>\$ 73,272</u>	<u>\$ 57,618</u>	<u>\$ 57,227</u>	<u>\$ 78,410</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total pension liability	\$ 181,496	\$ 144,735	\$ 145,332	\$ 129,987	\$ 73,272	\$ 57,618	\$ 57,227	\$ 78,410
Covered payroll	267,330	251,812	285,616	224,849	219,219	179,351	195,610	253,023
Total pension liability as a percentage of covered payroll	67.89%	57.48%	50.88%	57.81%	33.42%	32.13%	29.26%	30.99%

Notes to the schedules:

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

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the year ended June 30, 2024

	2024		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Current year		\$ 842,293	
Prior years		29,474	
Penalties and interest		7,117	
	\$ 794,121	878,884	\$ 84,763
Other taxes and licenses:			
Payments in lieu of taxes		1,937	
Excise tax - beer and wine		10,628	
Local option sales tax		971,051	
	799,000	983,616	184,616
Intergovernmental revenues:			
Unrestricted:			
Utilities sales tax		149,154	
Tax refunds		9,488	
Special fire district tax		798,571	
	906,500	957,213	50,713
Restricted:			
Powell Bill		70,722	
State grants		29,461	
	263,383	100,183	(163,200)
Permits and fees:			
Court cost, fees, etc.		993	
Parking revenues		13,296	
Zoning permits		3,100	
	9,600	17,389	7,789
Sales and services			
Recreation revenue		51,805	
	20,000	51,805	31,805
Investment earnings	168,500	292,958	124,458
Other:			
Miscellaneous		10,500	
Contributions		45,052	
Fire department revenues		8,673	
	37,100	64,225	27,125
Total revenues	2,998,204	3,346,273	348,069

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the year ended June 30, 2024

	2024		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
EXPENDITURES			
General government:			
Governing board:			
Board honorarium		26,000	
Professional services		33,284	
Dues and subscriptions		1,554	
Leadership project		16,375	
Insurance and bonds		9,226	
Miscellaneous		10,181	
	<u>111,000</u>	<u>96,620</u>	14,380
Administration:			
Salaries and wages		143,129	
FICA tax expense		10,354	
Group insurance		16,426	
Retirement expense		18,269	
Telephone and postage		13,619	
Maintenance - equipment		6,988	
Contracted services		35,102	
Professional services		645	
Supplies and materials		2,572	
Dues and subscriptions		5,962	
Insurance and bonds		16,457	
Miscellaneous		5,922	
Non-capital equipment		1,209	
	<u>327,502</u>	<u>276,654</u>	50,848
Tax collections:			
Telephone and postage		607	
Miscellaneous		1,450	
Printing and advertising		250	
	<u>5,300</u>	<u>2,307</u>	2,993
Elections:			
Professional services		4,994	
	<u>5,000</u>	<u>4,994</u>	6
Public buildings:			
Utilities		10,418	
Maintenance - buildings/grounds		51,487	
Capital outlay - building		110,497	
Supplies and materials		3,000	
Insurance and bonds		5,729	
	<u>269,883</u>	<u>181,131</u>	88,752
Total general government	<u>718,685</u>	<u>561,706</u>	156,979

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the year ended June 30, 2024

	2024		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and wages		384,147	
FICA tax expense		28,094	
Group insurance		46,137	
Retirement expense		50,243	
Retirement - supplemental		18,149	
Telephone and postage		7,777	
Contract labor		2,426	
Maintenance - auto		23,631	
Automotive supplies		29,125	
Supplies and materials		9,423	
Training and physicals		617	
Uniforms		7,503	
Maintenance - equipment		3,883	
Insurance and bonds		17,578	
Dues and subscriptions		9,210	
Miscellaneous		288	
Capital outlay - equipment		117,325	
Non-capital equipment		1,745	
	<u>819,203</u>	<u>757,301</u>	61,902
Fire:			
Salaries and wages		471,960	
FICA tax expense		35,291	
Group insurance		60,674	
Retirement expense		57,851	
Telephone and postage		1,927	
Utilities		6,929	
Maintenance - buildings/grounds		4,834	
Maintenance - equipment		10,662	
Maintenance - auto		32,294	
Supplies and materials		24,284	
Training and physicals		10,659	
Uniforms		6,988	
Fire prevention		715	
Contracted labor		950	
Dues and subscriptions		7,681	
Insurance and bonds		46,417	
Christmas dinner		3,640	
Miscellaneous		1,278	
Non-capital equipment		49,108	
	<u>877,826</u>	<u>834,142</u>	43,684
Total public safety	<u>1,697,029</u>	<u>1,591,443</u>	105,586

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the year ended June 30, 2024

	2024		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries and wages		162,963	
FICA tax expense		12,059	
Group insurance		24,611	
Retirement expense		20,730	
Utilities		22,332	
Maintenance - equipment		2,967	
Maintenance - auto		5,697	
Automotive supplies		6,887	
Supplies and materials		7,417	
Uniforms		6,219	
Contracted labor		63,101	
Insurance and bonds		8,228	
Miscellaneous		774	
Capital outlay		82,689	
Noncapital equipment		3,225	
Christmas lights and parade		14,286	
	<u>444,766</u>	<u>444,185</u>	581
Powell Bill:			
Sidewalk construction and repairs		2,655	
Supplies and materials		171	
Contracted services		16,430	
	<u>196,000</u>	<u>19,256</u>	176,744
Total transportation	<u>640,766</u>	<u>463,441</u>	177,325
Environmental protection:			
Sanitation:			
Salaries and wages		111,452	
FICA tax expense		8,296	
Group insurance		16,426	
Retirement expense		11,994	
Maintenance - auto		3,934	
Maintenance - equipment		219	
Automotive supplies		9,891	
Contract labor		2,058	
Uniforms		6,566	
Insurance and bonds		8,550	
Miscellaneous		833	
Total environmental protection	<u>199,150</u>	<u>180,219</u>	18,931

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the year ended June 30, 2024

	2024		
	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and wages		36,818	
FICA tax expense		2,817	
Utilities		8,370	
Maintenance - building and grounds		7,467	
Maintenance - equipment		6,359	
Supplies and materials		6,367	
Contract labor		30,562	
Insurance and bonds		4,714	
Miscellaneous		1,230	
Capital outlay		6,500	
	122,500	111,204	11,296
Library:			
Utilities		6,677	
Supplies and materials		313	
Insurance and bonds		2,540	
Maintenance - equipment		67	
Maintenance - buildings and grounds		11,285	
	23,000	20,882	2,118
Total cultural and recreational	145,500	132,086	13,414
Total expenditures	3,401,130	2,928,895	472,235
Revenues over (under) expenditures	(402,926)	417,378	820,304
Other financing sources (uses):			
Appropriated fund balance	1,276,671	-	(1,276,671)
Transfer to capital project fund	(451,564)	(450,774)	790
Transfer from ARPA fund	213,819	213,819	-
Transfer to water capital project fund	(636,000)	(636,000)	-
Total other financing sources (uses)	402,926	(872,955)	(1,275,881)
Net change in fund balance	\$ -	(455,577)	\$ (455,577)
Fund balance, beginning of year		6,078,696	
Fund balance, end of year		\$ 5,623,119	

TOWN OF MARS HILL, NORTH CAROLINA

AMERICAN RESCUE PLAN FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

From inception and for the year ended June 30, 2024

	Project Authorization	Prior Years	Current Year	Total	Variance Favorable (Unfavorable)
Revenues:					
ARP Funds	\$ 617,954	\$ 404,135	\$ 213,819	\$ 617,954	\$ -
Expenditures:	-	-	-	-	-
Revenues over expenditures	617,954	404,135	213,819	617,954	-
Other Financing Uses:					
Transfers to the general fund	(617,954)	(404,135)	(213,819)	(617,954)	-
Revenues over expenditures and other uses	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL CAPITAL PROJECT FUND

BAILEY MTN PARK PROJECT

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

From inception and for the year ended June 30, 2024

	Project Authorization	Prior Years	Current Year	Total	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 268,536	\$ -	\$ -	\$ -	\$ (268,536)
Expenditures:					
Capital outlay					
Construction, building, and renovations	520,100	-	365,835	365,835	154,265
Design, administration, and engineering	55,000	44,805	19,686	64,491	(9,491)
Contingency	15,000	-	-	-	15,000
Total expenditures	590,100	44,805	385,521	430,326	159,774
Revenues under expenditures	(321,564)	(44,805)	(385,521)	(430,326)	(108,762)
Other Financing Sources:					
Transfers from the general fund	321,564	47,288	450,774	498,062	176,498
Revenues and other sources over expenditures	\$ -	\$ 2,483	65,253	\$ 67,736	\$ 67,736
Fund balance, beginning			2,483		
Fund balance, ending			\$ 67,736		

TOWN OF MARS HILL, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2024

	2024		
	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services		\$ 1,467,406	
Other operating revenues		22,293	
Total operating revenues	\$ 1,155,000	1,489,699	\$ 334,699
NON-OPERATING REVENUES			
Investment earnings	152,500	237,578	85,078
Total revenues	1,307,500	1,727,277	419,777
OPERATING EXPENDITURES			
Water and sewer administration:			
Salaries and employee benefits		136,636	
Professional services		33,661	
Supplies and materials		3,912	
Insurance		43,332	
Other operating expenses		81,886	
Total water and sewer administration	317,074	299,427	17,647
Treatment and distribution:			
Salaries and employee benefits		294,172	
Supplies and materials		167,805	
Utilities		87,104	
Repairs and maintenance		15,500	
Non-capital equipment		6,262	
Capital outlay		232,431	
Miscellaneous		72,466	
Total treatment and distribution	917,326	875,740	41,586
Debt service:			
Principal retirement		10,229	
Interest		16,985	
Total debt service	113,100	27,214	85,886
Total expenditures	1,347,500	1,202,381	145,119

TOWN OF MARS HILL, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2024

	2024		Variance Positive (Negative)
	Budget	Actual	(Negative)
Revenues over (under) expenditures	(40,000)	524,896	564,896
OTHER FINANCING SOURCES			
Appropriated fund balance	40,000	-	(40,000)
Revenues and other sources under expenditures and other uses	\$ -	524,896	\$ 524,896
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Payment of debt principal		10,229	
Capital project fund transfer from general fund		636,000	
Capital outlay		232,431	
Decrease in accrued interest		298	
Increase in compensated absence liability		(5,805)	
Increase in deferred outflows of resources - pensions		21,274	
Increase in net pension liability		(52,511)	
Decrease in deferred inflows of resources - pensions		1,044	
Depreciation		(341,123)	
Change in net position		\$ 1,026,733	

TOWN OF MARS HILL, NORTH CAROLINA

WATER CAPITAL PROJECT FUND
WOODHAVEN WASTEWATER LIFT STATION IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP)

From inception and for the year ended June 30, 2024

	Project Authorization	Prior Years	Current Year	Total	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital outlay					
Construction, building, and renovations	561,000	-	444,762	444,762	116,238
Design, administration, and engineering	60,000	-	5,340	5,340	54,660
Contingency	15,000	-	-	-	15,000
Total expenditures	636,000	-	450,102	450,102	185,898
Revenues under expenditures	(636,000)	-	(450,102)	(450,102)	185,898
Other Financing Sources:					
Transfers from the general fund	636,000	-	636,000	636,000	-
Revenues and other sources over expenditures	\$ -	\$ -	\$ 185,898	\$ 185,898	\$ 185,898

SUPPLEMENTAL FINANCIAL DATA

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2024

Fiscal Year	Uncollected Balance 6/30/2023	Additions	Collections And Credits	Uncollected Balance 6/30/2024
2023-2024	\$ -	\$ 892,439	\$ 845,289	\$ 47,150
2022-2023	24,875	-	18,231	6,644
2021-2022	9,216	-	5,184	4,032
2020-2021	2,902	-	1,273	1,629
2019-2020	1,649	-	-	1,649
2018-2019	1,886	-	-	1,886
2017-2018	1,940	-	-	1,940
2016-2017	2,611	-	-	2,611
2015-2016	2,120	-	-	2,120
2014-2015	2,045	-	-	2,045
2013-2014	2,121	-	2,121	-
	\$ 51,365	\$ 892,439	\$ 872,098	71,706
Less allowance for uncollectible ad valorem taxes receivable				(11,181)
Ad valorem taxes receivable, net				\$ 60,525
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				\$ 878,884
Reconciling items:				
Amount written off for fiscal year 2013-2014				2,121
Interest collected				(7,117)
Other adjustments				(1,790)
Total collections and credits				\$ 872,098

TOWN OF MARS HILL, NORTH CAROLINA

GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
For the year ended June 30, 2024

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Original levy	\$ 190,208,085	0.00470	\$ 893,978	\$ 813,791	\$ 80,187
Total			<u>893,978</u>	<u>813,791</u>	<u>80,187</u>
Discoveries:					
Current year taxes and penalties	1,043,192		4,903	4,903	-
Abatements	<u>(1,370,638)</u>		<u>(6,442)</u>	<u>(6,442)</u>	<u>-</u>
Total property valuation	<u>\$ 189,880,639</u>				
Net levy			892,439	812,252	80,187
Uncollected taxes at June 30, 2024			<u>47,150</u>	<u>47,150</u>	<u>-</u>
Current year's taxes collected			<u>\$ 845,289</u>	<u>\$ 765,102</u>	<u>\$ 80,187</u>
Current levy collection percentage			<u>94.72%</u>	<u>94.20%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mars Hill, North Carolina, as of and for the year ended June 30, 2024, which collectively comprise the Town of Mars Hill's basic financial statements, and have issued our report thereon dated November 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mars Hill, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of the 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.

David Killian CPA Group, P.A.

Asheville, North Carolina
November 25, 2024

TOWN OF MARS HILL, NORTH CAROLINA

Schedule of Findings
For the Year Ended June 30, 2024

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 no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted yes no