

Town of Forest City, North Carolina

Financial Statements

June 30, 2023



Forest City Town Council
(As of June 30, 2023)

Steve Holland, Mayor

Commissioners:
John Mark Bennett
Dee Dee Bright
Justin Conner
Chris Lee
Shawn Moore

Town Manager:
Janet Mason

**TOWN OF FOREST CITY, NORTH CAROLINA
YEAR ENDED JUNE 30, 2023**

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Independent Auditors' Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the Town of Forest City as of and for the year ended June 30, 2023, 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, the aggregate discretely presented component unit, and each major fund of the Town of Forest City as of June 30, 2023, 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.

We did not audit the financial statements of the Town of Forest City ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Forest City ABC Board, is based solely on the report of another auditor.

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 Forest City 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 on pages 4-11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 59, the Local Governmental Employees' Retirement System's schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 57 and 58, respectively, and the Other Postemployment Benefits Schedules of the Town's Proportionate Share of the Net OPEB Liability and Contributions on pages 55 and 56, 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 7, 2023 on our consideration of the Town of Forest City'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 Forest City's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 7, 2023

TOWN OF FOREST CITY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

As management of the Town of Forest City, we offer readers of the Town of Forest City's financial statements this narrative overview and analysis of the financial activities of the Town of Forest City for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

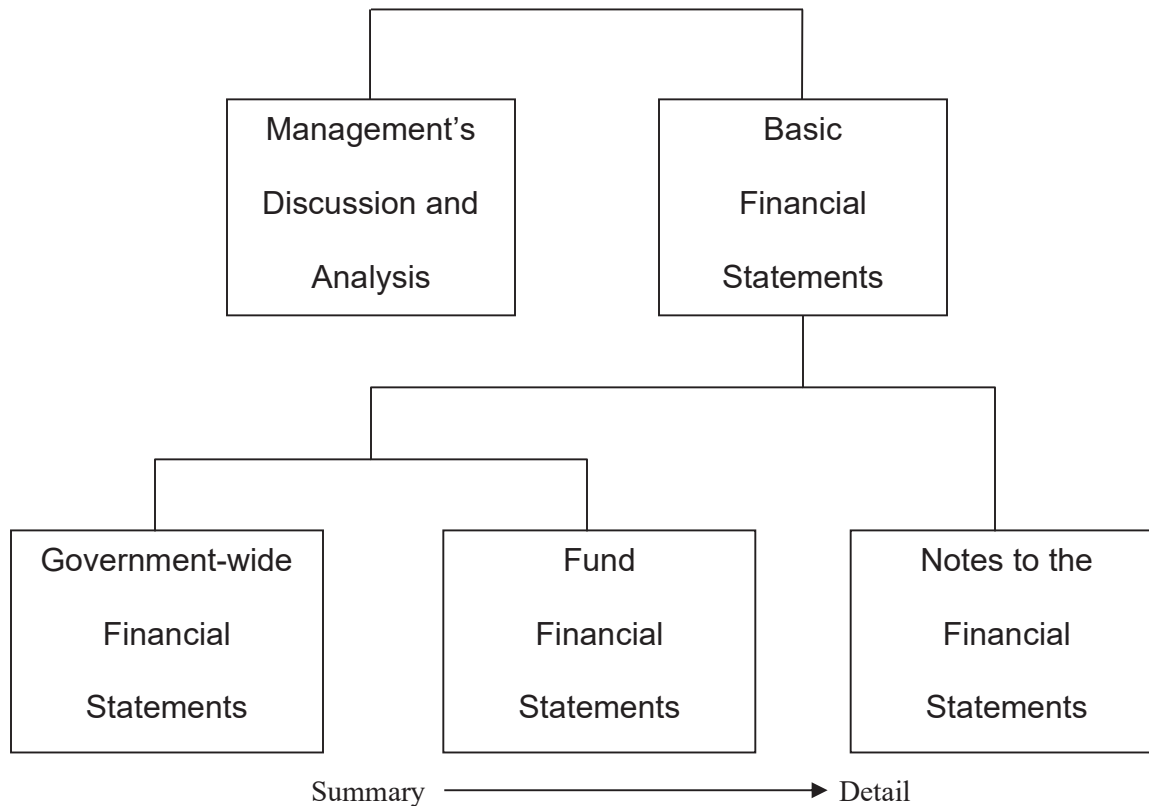
Financial Highlights

- The assets and deferred outflows of resources of the Town of Forest City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$73,140,805 (*net position*).
- The government's total net position increased by \$7,387,126, consisting of an increase in the governmental activities net position of \$6,463,262 and an increase in the business-type activities net position of \$923,864.
- As of the close of the current fiscal year, the Town of Forest City's general fund reported ending fund balance of \$8,924,968 with a net increase of \$5,608,010 in fund balance. Approximately 24% of this total amount, or \$2,304,656, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$6,513,928, or 50% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$8,924,968 or 68% of net General Fund expenditures.
- The Town of Forest City's long-term installment and revolving loan obligations increased by \$486,091 or 40% during the current fiscal year due to scheduled principal payments made on new and existing debt, as well as a new installment note for \$819,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Forest City'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 through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Forest City.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 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 North Carolina 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 and electric services offered by the Town of Forest City. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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 Forest City, 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 Town of Forest City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 Forest City 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 Forest City has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Forest City uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as the 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 Forest City’s progress in funding its obligation to provide pension and OPEB 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

**Town of Forest City’s Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 11,017,092	\$ 5,321,211	\$ 18,958,854	\$ 17,244,654	\$ 29,975,946	\$ 22,565,865
Capital assets	21,618,050	22,118,430	42,064,021	41,802,581	63,682,071	63,921,011
Deferred outflows of resources	4,266,252	3,562,379	1,672,058	1,368,036	5,938,310	4,930,415
Total assets and deferred outflows of resources	36,901,394	31,002,020	62,694,933	60,415,271	99,596,327	91,417,291
Current liabilities	1,272,450	2,261,062	1,261,837	618,672	2,534,287	2,879,734
Long-term liabilities	13,072,831	12,142,539	5,556,952	4,529,949	18,629,783	16,672,488
Deferred inflows of resources	3,470,756	3,976,324	1,820,696	2,135,066	5,291,452	6,111,390
Total liabilities and deferred inflows of resources	17,816,037	18,379,925	8,639,485	7,283,687	26,455,522	25,663,612
Net position:						
Net investment in capital assets	20,893,404	21,188,688	41,082,396	41,512,143	61,975,800	62,700,831
Restricted	2,304,656	1,841,813	-	-	2,304,656	1,841,813
Unrestricted (deficit)	(4,112,703)	(10,408,406)	12,973,052	11,619,441	8,860,349	1,211,035
Total net position	\$ 19,085,357	\$ 12,622,095	\$ 54,055,448	\$ 53,131,584	\$ 73,140,805	\$ 65,753,679

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Forest City exceeded liabilities and deferred inflows by \$73,140,805 as of June 30, 2023. The Town’s net position increased by \$7,387,126 for the fiscal year ended June 30, 2023. However, the largest portion of net position (85%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Forest City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Forest City’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 Forest City’s net position, \$2,304,656 represents resources that are subject to external restrictions on how they may be used. This leaves unrestricted net position of 8,860,349.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.34%. The statewide average in fiscal year 2023 was 98.32%.
- Continued efforts of all departments to minimize costs and efficiently serve citizens.

**Town of Forest City's Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,980,385	\$ 1,877,096	\$ 16,483,937	\$ 16,951,444	\$ 18,464,322	\$ 18,828,540
Operating grants and contributions	2,360,762	92,834	-	-	2,360,762	92,834
Capital grants and contributions	1,063,223	267,930	-	11,686	1,063,223	279,616
General revenues:						
Property taxes	9,054,918	4,796,298	-	-	9,054,918	4,796,298
Other taxes	2,232,532	1,958,525	-	-	2,232,532	1,958,525
Grants and other contributions, not restricted to specific programs	1,960,995	1,798,047	-	-	1,960,995	1,798,047
Other	540,315	191,041	266,582	56,472	806,897	247,513
Total revenues	19,193,130	10,981,771	16,750,519	17,019,602	35,943,649	28,001,373
Expenses:						
General government	1,618,886	4,434,351	-	-	1,618,886	4,434,351
Public safety	5,483,128	4,943,610	-	-	5,483,128	4,943,610
Transportation	1,881,217	2,016,527	-	-	1,881,217	2,016,527
Environmental protection	1,385,292	1,295,639	-	-	1,385,292	1,295,639
Cultural and recreation	2,326,020	2,171,804	-	-	2,326,020	2,171,804
Interest on long-term debt	35,325	25,651	-	-	35,325	25,651
Water and sewer	-	-	6,535,921	5,807,098	6,535,921	5,807,098
Electric	-	-	9,290,734	6,284,593	9,290,734	6,284,593
Total expenses	12,729,868	14,887,582	15,826,655	12,091,691	28,556,523	26,979,273
Increase (decrease) in net position before transfers	6,463,262	(3,905,811)	923,864	4,927,911	7,387,126	1,022,100
Transfers	-	2,425,639	-	(2,425,639)	-	-
Increase (decrease) in net position	6,463,262	(1,480,172)	923,864	2,502,272	7,387,126	1,022,100
Net position, beginning of year, as restated	12,622,095	14,102,267	53,131,584	50,629,312	65,753,679	64,731,579
Net position, end of year	\$ 19,085,357	\$ 12,622,095	\$ 54,055,448	\$ 53,131,584	\$ 73,140,805	\$ 65,753,679

Governmental activities. Governmental activities increased the Town's net position by \$6,463,262. This increase is largely due to property tax revenues and a decrease in general government spending.

Business-type activities. Business-type activities increased the Town of Forest City's net position by \$923,864. This increase is due to less transfers out of the Electric fund.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Forest City'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 Forest City's financing requirements.

The General Fund is the chief operating fund of the Town of Forest City. At the end of the current fiscal year, the Town of Forest City's fund balance available in the General Fund was \$6,513,928, while total fund balance was \$8,924,968. The Town currently has an available fund balance of 50% of net General Fund expenditures, and total fund balance represents 68% of the same amount.

General Fund Budgetary Highlights. 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. Budgetary amendments during the year were to recognize the receipt of grants and for the unexpected repair or replacement of infrastructure and equipment necessary to provide essential services.

Actual revenues are generally higher than the budget due to the use of conservative revenue estimation. Expenditures tend to be lower than the budget. For the fiscal year ended June 30, 2023, revenues were \$529,705 more than the budgeted amounts, due to increased sales tax revenues. Expenditures were \$6,695,886 less than the budgeted amounts, due to the use of ARP funds for public service salaries and cost saving efforts by all departments.

Proprietary Funds. The Town of Forest City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$9,961,311 and the total change in net position for the Water and Sewer Fund was a decrease of \$470,900. Unrestricted net position of the Electric Fund was \$3,011,741 and the total change in net position for the Electric Fund was an increase \$1,394,764. This increase is primarily due to the Electric Fund no longer funding deficit spending in the General Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Forest City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$63,682,071 (net of accumulated depreciation). These assets include land, buildings, water and sewer lines, electric lines machinery and equipment, park facilities, and vehicles.

The major capital asset transactions during the year included heavy equipment for the Water & Sewer Departments, water line, sewer line, and manhole replacements.

**Town of Forest City's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 7,711,764	\$ 7,656,757	\$ 299,705	\$ 293,597	\$ 8,011,469	\$ 7,950,354
Construction in progress	38,875	-	602,557	-	641,432	-
Buildings	16,340,894	16,081,260	-	-	16,340,894	16,081,260
Infrastructure	2,433,994	2,433,994	74,630,987	73,766,755	77,064,981	76,200,749
Equipment	5,759,923	5,557,306	12,656,747	12,048,376	18,416,670	17,605,682
Vehicles	5,301,294	5,258,121	-	-	5,301,294	5,258,121
	37,586,744	36,987,438	88,189,996	86,108,728	125,776,740	123,096,166
Accumulated depreciation	(15,968,694)	(14,869,008)	(46,125,975)	(44,306,147)	(62,094,669)	(59,175,155)
Capital assets, net	<u>\$ 21,618,050</u>	<u>\$ 22,118,430</u>	<u>\$ 42,064,021</u>	<u>\$ 41,802,581</u>	<u>\$ 63,682,071</u>	<u>\$ 63,921,011</u>

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, 2023, the Town of Forest City had total installment debt outstanding of \$724,646 which is secured with the assets purchased with these funds, and a state revolving loan of \$266,235.

**Town of Forest City's Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment loans	\$ 724,646	\$ 929,742	\$ 715,390	\$ -	\$ 1,440,036	\$ 929,742
Direct placement revolving loan	-	-	266,235	290,438	266,235	290,438
	<u>\$ 724,646</u>	<u>\$ 929,742</u>	<u>\$ 981,625</u>	<u>\$ 290,438</u>	<u>\$ 1,706,271</u>	<u>\$ 1,220,180</u>

The Town of Forest City's total long-term debt increased by \$486,091, or 40%, during the past fiscal year due scheduled principal payments made against new and existing debt, as well as a new installment note for \$819,000.

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 Town of Forest City is approximately \$121,000,000.

Additional information regarding the Town of Forest City's long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town has been gaining economic momentum for several years now and all indications are that this trajectory will continue in the future. Retail spaces along Main Street continue to bring visitors downtown and events at the amphitheater have increased those numbers. The Thermal Belt Rail Trail continues to be a major asset to the Town as people seek outdoor activities. The proximity of the future Park Square Depot along the trail and adjacent to Oak Street should enhance that experience.

Property taxes were increased to \$.59/\$100 for FY23. An increase in property valuations will be reflected in FY24 tax revenues.

The Enterprise Fund is stable, which helps the Town to provide sustainable rates to our citizens and businesses. Increases may be needed to plan for necessary capital needs to maintain our aging utility infrastructure. A rate study for the water and sewer system will be finalized during FY24 to ensure that revenues will continue to cover the increasing costs of water production and distribution. This year's budget saw water, sewer, and electric rates remain the same as the previous six years. Rates for electricity may be adjusted during the year to pass on rate changes charged to the Town by our wholesale energy provider, Duke Energy.

Requests for Information

The financial report is designed to provide a general overview of the Town of Forest City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Director of Finance, Town of Forest City, 128 N. Powell Street, Forest City, NC 28043.

BASIC FINANCIAL STATEMENTS

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2023

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,037,299	\$ 9,957,649	\$ 22,994,948	\$ 249,978
Taxes receivable, net	56,617	-	56,617	-
Lease receivable	-	489,397	489,397	-
Accrued interest receivable	6,000	1,975	7,975	-
Accounts receivable, net	118,126	2,227,629	2,345,755	-
Due from other governments	1,681,581	-	1,681,581	-
Prepaid expenses	80,409	34,397	114,806	16,450
Inventories	25,975	-	25,975	407,299
Restricted cash and cash equivalents	1,278,036	629,792	1,907,828	-
Total current assets	<u>16,284,043</u>	<u>13,340,839</u>	<u>29,624,882</u>	<u>673,727</u>
Noncurrent assets:				
Internal balances	(5,559,129)	5,559,129	-	-
Right to use leased asset, net	292,178	58,886	351,064	-
Capital assets:				
Land and construction in progress	7,750,640	902,262	8,652,902	50,000
Other capital assets, net	13,867,410	41,161,759	55,029,169	174,012
Total capital assets	<u>21,618,050</u>	<u>42,064,021</u>	<u>63,682,071</u>	<u>224,012</u>
Total assets	<u>32,635,142</u>	<u>61,022,875</u>	<u>93,658,017</u>	<u>897,739</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	2,902,390	1,082,523	3,984,913	104,489
OPEB deferrals	1,363,862	589,535	1,953,397	-
Total deferred outflows of resources	<u>4,266,252</u>	<u>1,672,058</u>	<u>5,938,310</u>	<u>104,489</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	970,204	612,245	1,582,449	193,775
Current portion of long-term liabilities	302,246	240,941	543,187	-
Payable from restricted assets:				
Customer deposits	-	408,651	408,651	-
Total current liabilities	<u>1,272,450</u>	<u>1,261,837</u>	<u>2,534,287</u>	<u>193,775</u>
Long-term liabilities:				
Net pension liability - LGERS	3,979,952	1,684,042	5,663,994	110,752
Total pension liability - LEOSSA	1,283,746	-	1,283,746	-
Net OPEB liability	6,481,292	2,801,566	9,282,858	-
Due in more than one year	1,327,841	1,071,344	2,399,185	-
Total long-term liabilities	<u>13,072,831</u>	<u>5,556,952</u>	<u>18,629,783</u>	<u>110,752</u>
Total liabilities	<u>14,345,281</u>	<u>6,818,789</u>	<u>21,164,070</u>	<u>304,527</u>

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

Statement of Net Position
June 30, 2023

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	6,000	-	6,000	-
Leases	-	456,071	456,071	-
Pension deferrals	380,343	31,373	411,716	5,071
OPEB deferrals	<u>3,084,413</u>	<u>1,333,252</u>	<u>4,417,665</u>	-
Total deferred inflows of resources	<u>3,470,756</u>	<u>1,820,696</u>	<u>5,291,452</u>	<u>5,071</u>
NET POSITION				
Net investment in capital assets	20,893,404	41,082,396	61,975,800	224,012
Restricted for:				
Stabilization by State statute	1,799,707	-	1,799,707	-
Streets	504,949	-	504,949	-
Working capital	-	-	-	121,019
Unrestricted (deficit)	<u>(4,112,703)</u>	<u>12,973,052</u>	<u>8,860,349</u>	<u>347,599</u>
Total net position	<u>\$ 19,085,357</u>	<u>\$ 54,055,448</u>	<u>\$ 73,140,805</u>	<u>\$ 692,630</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the year ended June 30, 2023

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			Forest City ABC Board
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 1,618,886	\$ 104,281	\$ -	\$ -	\$ (1,514,605)	\$ -	\$ (1,514,605)	\$ -
Public safety	5,483,128	-	2,354,829	-	(3,128,299)	-	(3,128,299)	-
Transportation	1,881,217	11,676	-	254,223	(1,615,318)	-	(1,615,318)	-
Environmental protection	1,385,292	1,450,374	5,933	-	71,015	-	71,015	-
Cultural and recreation	2,326,020	414,054	-	809,000	(1,102,966)	-	(1,102,966)	-
Interest on long-term debt	35,325	-	-	-	(35,325)	-	(35,325)	-
Total governmental activities	<u>12,729,868</u>	<u>1,980,385</u>	<u>2,360,762</u>	<u>1,063,223</u>	<u>(7,325,498)</u>	<u>-</u>	<u>(7,325,498)</u>	<u>-</u>
Business-type activities:								
Water and sewer fund	6,535,921	5,866,337	-	-	-	(669,584)	(669,584)	-
Electric fund	9,290,734	10,617,600	-	-	-	1,326,866	1,326,866	-
Total business-type activities	<u>15,826,655</u>	<u>16,483,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,282</u>	<u>657,282</u>	<u>-</u>
Total primary government	<u>\$ 28,556,523</u>	<u>\$ 18,464,322</u>	<u>\$ 2,360,762</u>	<u>\$ 1,063,223</u>	<u>(7,325,498)</u>	<u>657,282</u>	<u>(6,668,216)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 3,133,599</u>	<u>\$ 3,157,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,579</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					9,054,918	-	9,054,918	-
Other taxes					2,232,532	-	2,232,532	-
Grants and contributions not restricted to specific programs					1,960,995	-	1,960,995	-
Unrestricted investment earnings					308,306	221,296	529,602	214
Gain on sale of fixed assets					10,305	3,019	13,324	-
Miscellaneous					221,704	42,267	263,971	16,088
Total general revenues					<u>13,788,760</u>	<u>266,582</u>	<u>14,055,342</u>	<u>16,302</u>
Changes in net position					6,463,262	923,864	7,387,126	39,881
Net position, beginning of year					<u>12,622,095</u>	<u>53,131,584</u>	<u>65,753,679</u>	<u>652,749</u>
Net position, end of year					<u>\$ 19,085,357</u>	<u>\$ 54,055,448</u>	<u>\$ 73,140,805</u>	<u>\$ 692,630</u>

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

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2023

	Major Fund	Major Fund	Non-Major Fund	Total Governmental Funds
	General Fund	American Rescue Plan Fund	General Capital Project Fund	
ASSETS				
Cash and cash equivalents	\$ 13,037,299	\$ -	\$ -	\$ 13,037,299
Restricted cash and cash equivalents	504,949	-	773,087	1,278,036
Taxes receivable, net	56,617	-	-	56,617
Accounts receivable, net	118,126	-	-	118,126
Due from other governments	1,681,581	-	-	1,681,581
Prepaid expenses	80,409	-	-	80,409
Inventories	25,975	-	-	25,975
Total assets	<u>\$ 15,504,956</u>	<u>\$ -</u>	<u>\$ 773,087</u>	<u>\$ 16,278,043</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 958,242	\$ -	\$ 11,962	\$ 970,204
Advance from the water and sewer fund	5,559,129	-	-	5,559,129
Total liabilities	<u>6,517,371</u>	<u>-</u>	<u>11,962</u>	<u>6,529,333</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>62,617</u>	<u>-</u>	<u>-</u>	<u>62,617</u>
FUND BALANCES				
Non-spendable				
Prepaid expenses	80,409	-	-	80,409
Inventory	25,975	-	-	25,975
Restricted for:				
Stabilization by State statute	1,799,707	-	-	1,799,707
Streets	504,949	-	-	504,949
Capital projects	-	-	761,125	761,125
Assigned - subsequent year expenditures	1,051,124	-	-	1,051,124
Unassigned	5,462,804	-	-	5,462,804
Total fund balances	<u>8,924,968</u>	<u>-</u>	<u>761,125</u>	<u>9,686,093</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 15,504,956</u>	<u>\$ -</u>	<u>\$ 773,087</u>	<u>\$ 16,278,043</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 3

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2023

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

Fund balances of governmental funds	\$ 9,686,093
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	21,618,050
Right of use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	292,178
Deferred outflows of resources related to pensions are not reported in the funds.	2,902,390
Deferred outflows of resources related to OPEB are not reported in the funds.	1,363,862
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	6,000
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	56,617
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Notes payable	(724,646)
Lease liabilities	(301,081)
Net OPEB liability	(6,481,292)
Total pension liability - LEOSSA	(1,283,746)
Net pension liability - LGERS	(3,979,952)
Compensated absences	(604,360)
Deferred inflows of resources related to pensions are not reported in the funds.	(380,343)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(3,084,413)</u>
Net position of governmental activities	<u>\$ 19,085,357</u>

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

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2023

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>American Rescue Plan Fund</u>	<u>General Capital Project Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Ad valorem taxes	\$ 9,050,089	\$ -	\$ -	\$ 9,050,089
Other taxes and licenses	2,232,532	-	-	2,232,532
Unrestricted intergovernmental	1,960,995	-	-	1,960,995
Restricted intergovernmental	341,474	2,282,511	-	2,623,985
Permits and fees	81,464	-	-	81,464
Sales and services	1,898,921	-	-	1,898,921
Investment earnings	308,306	-	-	308,306
Miscellaneous	167,254	-	800,000	967,254
Total revenues	<u>16,041,035</u>	<u>2,282,511</u>	<u>800,000</u>	<u>19,123,546</u>
EXPENDITURES				
Current:				
General government	1,706,917	-	-	1,706,917
Public safety	5,394,585	-	-	5,394,585
Transportation	1,976,714	-	-	1,976,714
Environmental protection	1,558,484	-	-	1,558,484
Cultural and recreation	2,120,112	-	38,875	2,158,987
Debt service:				
Principal	253,307	-	-	253,307
Interest	35,325	-	-	35,325
Total expenditures	<u>13,045,444</u>	<u>-</u>	<u>38,875</u>	<u>13,084,319</u>
Revenues over expenditures	<u>2,995,591</u>	<u>2,282,511</u>	<u>761,125</u>	<u>6,039,227</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,305	-	-	10,305
Transfer from ARPA fund	2,282,511	-	-	2,282,511
Transfer to general fund	-	(2,282,511)	-	(2,282,511)
Lease liabilities issued	319,603	-	-	319,603
Total other financing sources (uses)	<u>2,612,419</u>	<u>(2,282,511)</u>	<u>-</u>	<u>329,908</u>
Net change in fund balances	5,608,010	-	761,125	6,369,135
Fund balance, beginning of year	<u>3,316,958</u>	<u>-</u>	<u>-</u>	<u>3,316,958</u>
Fund balances, end of year	<u>\$ 8,924,968</u>	<u>\$ -</u>	<u>\$ 761,125</u>	<u>\$ 9,686,093</u>

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

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, 2023

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

Net changes in fund balances - total governmental funds		\$ 6,369,135
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 566,435	
Depreciation expense for governmental assets	<u>(1,121,265)</u>	(554,830)
<p>Right to use leased asset capital outlay expenditures which were capitalized</p>		
	319,603	
Amortization expense for intangible assets	<u>(57,182)</u>	262,421
<p>Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.</p>		
		674,341
<p>Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.</p>		
		25,308
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.</p>		
		381,540
<p>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 activities.</p>		
Donated assets (shown in miscellaneous revenue on Exhibit 2)	54,450	
Change in accrued interest receivable on taxes	(2,400)	
Change in unavailable tax and sanitation revenues	<u>7,229</u>	59,279
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Lease liabilities issued		(319,603)
Principal payments on long-term debt		253,307
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These include amounts consolidated from the internal service fund.</p>		
Compensated absences	(95,880)	
Pension expense - LGERS	(1,070,107)	
Pension expense - LEO	(110,038)	
OPEB benefit	<u>588,389</u>	<u>(687,636)</u>
Total changes in net position of governmental activities		<u>\$ 6,463,262</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 8,909,937	\$ 8,909,937	\$ 9,050,089	\$ 140,152
Other taxes	2,083,568	2,083,568	2,232,532	148,964
Unrestricted intergovernmental	1,802,599	1,802,599	1,960,995	158,396
Restricted intergovernmental	729,400	303,900	341,474	37,574
Permits and fees	480,996	480,996	81,464	(399,532)
Sales and services	1,757,130	1,787,630	1,898,921	111,291
Investment earnings	1,200	1,200	308,306	307,106
Miscellaneous	141,500	141,500	167,254	25,754
Total revenues	<u>15,906,330</u>	<u>15,511,330</u>	<u>16,041,035</u>	<u>529,705</u>
Expenditures:				
Current:				
General government	7,423,094	7,423,094	1,706,917	5,716,177
Public safety	5,487,765	5,512,265	5,394,585	117,680
Transportation	2,271,850	2,271,850	1,976,714	295,136
Environmental protection	1,617,600	1,645,600	1,558,484	87,116
Cultural and recreation	2,984,336	2,536,836	2,120,112	416,724
Debt service:				
Principal retirement	328,086	305,206	253,307	51,899
Interest and other charges	293,599	316,479	35,325	281,154
Total expenditures	<u>20,406,330</u>	<u>20,011,330</u>	<u>13,045,444</u>	<u>6,965,886</u>
Revenues over (under) expenditures	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>2,995,591</u>	<u>7,495,591</u>
Other financing sources:				
Appropriated fund balance	1,000,000	1,000,000	-	(1,000,000)
Lease liabilities issued	-	-	319,603	319,603
Sale of capital assets	-	-	10,305	10,305
Transfer from ARPA fund	-	-	2,282,511	2,282,511
Transfer from electric fund	3,500,000	3,500,000	-	(3,500,000)
Total other financing sources	<u>4,500,000</u>	<u>4,500,000</u>	<u>2,612,419</u>	<u>(1,887,581)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,608,010</u>	<u>\$ 5,608,010</u>
Fund balance, beginning of year			<u>3,316,958</u>	
Fund balance, end of year			<u>\$ 8,924,968</u>	

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

PROPRIETARY FUNDS
Statements of Fund Net Position
June 30, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,918,551	\$ 3,039,098	\$ 9,957,649
Accounts receivable			
Billed - net	411,500	819,447	1,230,947
Unbilled	311,192	685,490	996,682
Lease receivable	489,397	-	489,397
Accrued interest receivable	1,975	-	1,975
Prepaid expenses	24,796	9,601	34,397
Due from General Fund	292,586	-	292,586
Restricted cash and cash equivalents	344,344	285,448	629,792
Total current assets	<u>8,794,341</u>	<u>4,839,084</u>	<u>13,633,425</u>
Noncurrent assets:			
Capital assets:			
Land	183,990	115,715	299,705
Construction in progress	602,557	-	602,557
Depreciable capital assets, net	37,211,278	3,950,481	41,161,759
Total capital assets	<u>37,997,825</u>	<u>4,066,196</u>	<u>42,064,021</u>
Right to use leased asset, net	12,737	46,149	58,886
Advance to the general fund	5,266,543	-	5,266,543
Total noncurrent assets	<u>43,277,105</u>	<u>4,112,345</u>	<u>47,389,450</u>
Total assets	<u>52,071,446</u>	<u>8,951,429</u>	<u>61,022,875</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	789,926	292,597	1,082,523
OPEB deferrals	425,840	163,695	589,535
Total deferred outflows of resources	<u>1,215,766</u>	<u>456,292</u>	<u>1,672,058</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	324,825	287,420	612,245
Compensated absences, current	25,000	20,000	45,000
Current portion of lease liabilities	2,725	9,374	12,099
Current portion of long-term debt	183,842	-	183,842
Payable from restricted assets:			
Customer deposits	123,203	285,448	408,651
Total current liabilities	<u>659,595</u>	<u>602,242</u>	<u>1,261,837</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	147,381	77,291	224,672
Net OPEB liability	2,023,662	777,904	2,801,566
Net pension liability - LGERS	1,228,859	455,183	1,684,042
Lease liability, net of current portion	10,405	38,484	48,889
Long-term debt, net of current portion	797,783	-	797,783
Total noncurrent liabilities	<u>4,208,090</u>	<u>1,348,862</u>	<u>5,556,952</u>
Total liabilities	<u>4,867,685</u>	<u>1,951,104</u>	<u>6,818,789</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	22,893	8,480	31,373
OPEB deferrals	963,052	370,200	1,333,252
Lease	456,071	-	456,071
Total deferred inflows of resources	<u>1,442,016</u>	<u>378,680</u>	<u>1,820,696</u>
NET POSITION			
Net investment in capital assets	37,016,200	4,066,196	41,082,396
Unrestricted	9,961,311	3,011,741	12,973,052
Total net position	<u>\$ 46,977,511</u>	<u>\$ 7,077,937</u>	<u>\$ 54,055,448</u>

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

PROPRIETARY FUNDS
Statements of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,550,734	\$ 10,292,254	\$ 15,842,988
Late payment fees	-	261,111	261,111
Connection fees	72,350	26,695	99,045
Other operating revenue	243,253	37,540	280,793
Total operating revenues	<u>5,866,337</u>	<u>10,617,600</u>	<u>16,483,937</u>
OPERATING EXPENSES			
Administration	1,029,450	1,015,988	2,045,438
Operations	895,936	2,095,166	2,991,102
Water plant	1,050,569	-	1,050,569
Waste treatment	1,301,142	-	1,301,142
Pump station and storage	731,642	-	731,642
Electric power	-	5,808,592	5,808,592
Depreciation and amortization	1,509,107	365,810	1,874,917
Total operating expenses	<u>6,517,846</u>	<u>9,285,556</u>	<u>15,803,402</u>
Operating income (loss)	<u>(651,509)</u>	<u>1,332,044</u>	<u>680,535</u>
NONOPERATING REVENUE (EXPENSE)			
Interest income	153,398	67,898	221,296
Lease revenue	42,267	-	42,267
Gain on sale of capital assets	3,019	-	3,019
Interest expense	(18,075)	(5,178)	(23,253)
Total nonoperating revenue (expense)	<u>180,609</u>	<u>62,720</u>	<u>243,329</u>
Change in net position	(470,900)	1,394,764	923,864
Net position, beginning of year	<u>47,448,411</u>	<u>5,683,173</u>	<u>53,131,584</u>
Net position, end of year	<u>\$ 46,977,511</u>	<u>\$ 7,077,937</u>	<u>\$ 54,055,448</u>

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

PROPRIETARY FUNDS
Statements of Cash Flows
For the year ended June 30, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 5,893,266	\$ 10,830,732	\$ 16,723,998
Cash paid for goods and services	(2,349,855)	(853,030)	(3,202,885)
Cash paid to employees	(2,507,478)	(7,902,382)	(10,409,860)
Net cash provided by operating activities	<u>1,035,933</u>	<u>2,075,320</u>	<u>3,111,253</u>
Cash flows from noncapital financing activities:			
Payments received on advance to the general fund	<u>292,586</u>	<u>-</u>	<u>292,586</u>
Cash flows from capital and related financing activities:			
Cash received from sale of capital assets	3,019	-	3,019
Cash received from cell tower lease agreement	25,202	-	25,202
Proceeds from installment obligations issued	819,000	-	819,000
Acquisition and construction of capital assets	(1,925,943)	(205,291)	(2,131,234)
Principal paid on leases and installment obligations	(129,102)	(1,732)	(130,834)
Interest paid on long-term debt	(18,075)	(5,178)	(23,253)
Net cash used by capital and related financing activities	<u>(1,225,899)</u>	<u>(212,201)</u>	<u>(1,438,100)</u>
Cash flows from investing activities:			
Interest on investments	<u>153,398</u>	<u>67,897</u>	<u>221,295</u>
Net increase in cash and cash equivalents	256,018	1,931,016	2,187,034
Cash and cash equivalents, beginning of year	<u>7,006,877</u>	<u>1,393,530</u>	<u>8,400,407</u>
Cash and cash equivalents, end of year	<u>\$ 7,262,895</u>	<u>\$ 3,324,546</u>	<u>\$ 10,587,441</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (651,509)</u>	<u>\$ 1,332,044</u>	<u>\$ 680,535</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,507,425	362,369	1,869,794
Amortization	1,682	3,441	5,123
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	24,006	207,435	231,441
(Increase) decrease in other prepaid items	(5)	-	(5)
(Increase) decrease in deferred outflows of resources for pensions	(304,855)	(112,922)	(417,777)
(Increase) decrease in deferred outflows of resources for OPEB	82,170	31,585	113,755
Increase (decrease) in accounts payable and accrued liabilities	273,549	189,257	462,806
Increase (decrease) in customer deposits	2,923	5,698	8,621
Increase (decrease) in compensated absences	58,506	46,228	104,734
Increase (decrease) in total OPEB liability	(642,133)	(246,838)	(888,971)
Increase (decrease) in net pension liability - LGERS	898,127	332,676	1,230,803
Increase (decrease) in deferred inflows of resources - pensions	(471,074)	(174,491)	(645,565)
Increase (decrease) in deferred inflows of resources - OPEB	257,121	98,838	355,959
Total adjustments	<u>1,687,442</u>	<u>743,276</u>	<u>2,430,718</u>
Net cash provided by operating activities	<u>\$ 1,035,933</u>	<u>\$ 2,075,320</u>	<u>\$ 3,111,253</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies and Reporting Entity:

The accounting policies of the Town of Forest City (the “Town”) and its discretely presented component unit 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 Forest City is a municipal corporation which is governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit identified below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the town.

Town of Forest City ABC Board

The members of the ABC Board’s governing board are appointed by the Forest City Town Council. In addition, the ABC Board is required by state statute to distribute its surpluses to the Town’s General Fund. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at Forest City ABC Board, 430 Oak Street, Forest City, N.C., 28043.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities 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 and investment earnings, result from non-exchange transactions or ancillary activities.

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, sanitation services, recreation, and general governmental activities.

American Rescue Plan Fund. This fund is used to account for transactions related to the American Rescue Plan funds.

The Town reports the following non-major governmental funds:

General Capital Project Fund. This fund is used to account for capital projects ongoing in the Town.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The non-GAAP budgetary comparison for this fund is included in the supplemental information.

Electric Fund. This fund is used to account for the Town's electric operations. An Electric Rate Stabilization Fund has been consolidated into the Electric Fund for financial reporting purposes. The non-GAAP budgetary comparisons for these funds are included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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 shared revenue for the Town because the tax is levied by Rutherford 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the American Rescue Plan Special Revenue Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the functional level for the multi-year funds. The Town Manager is authorized to transfer appropriation within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were made by the governing board.

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

1. Deposits and Investments

All deposits of the Town and ABC Board are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government 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 and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Governmental Activities	
General Fund:	
Streets	\$ 504,949
Capital Project Fund:	
Unspent grant funds	<u>773,087</u>
Total Governmental Activities	<u>\$ 1,278,036</u>
Business-type Activities	
Water and Sewer Fund:	
Customer deposits	\$ 123,203
Loan proceeds	221,141
Electric Fund:	
Customer deposits	<u>285,448</u>
Total Business-type Activities	<u>\$ 629,792</u>

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, 2022. As allowed by state law, the Town periodically establishes a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

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 written off in prior years.

6. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventory and Prepaid Items

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

The inventories of the Town's general fund consists of materials and supplies held for subsequent use. The inventories of the ABC Board consists of products held for subsequent resale. The cost of these inventories is expensed when consumed or sold, respectively, rather than when purchased.

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

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all assets. 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 streets and water and sewer system assets that were acquired or that received substantial improvements subsequent 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 on a straight-line basis over the following useful lives to the cost of the assets:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Streets, highways, curbing, and sidewalks	50 years
Water and sewer systems	50 years
Buildings	40 years
Electric distribution system	25 years
Tractors, backhoes	15 years
Furniture	10 years
Vehicles	10 years
Vehicles – police	5 years
Equipment	5 years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10 years
Building	30 years
Building improvements	10-29 years

9. Right to Use Assets

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: contributions made to pension and OPEB plans in the current year and other pension and OPEB deferrals.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet this criterion: property taxes receivable, prepaid property taxes, leases, and pension and OPEB deferrals.

11. 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. In the fund financial statements for governmental fund types, the face amount of debt issued is reported in other financing sources.

12. Compensated Absences

The Town's vacation policy provides that an employee can carry-over one-half of the vacation hours earned in any calendar year; vacation hours can be accumulated up to 240 hours per employee; vacation hours in excess of 240 at December 31, are converted to sick-leave hours for consideration at retirement. 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 and 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.

ABC Board employees may accumulate earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2023 is not considered to be material.

Both the Town's and ABC Board 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 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.

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The town was allocated \$2,282,511 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,141,256 was received in July 2021. The second installment was received in July 2022. The Town elected to use the funds for revenue replacement in Fiscal Year 2023. Revenue replacement funds were transferred to the General Fund in the amount of \$2,282,511, see Note 2.8.

14. Net Position

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

15. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepays – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

Inventory – Portion of fund balance that is not an available resource because it represents the year-end balance of inventory, which are not spendable resources.

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

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

Restricted for Capital Project – Portion of fund balance representing unspent grant funds that is restricted to use on the capital project for which the grant was awarded.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority of vote by quorum of the Town of Forest City'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. Any changes or removal of specific purpose requires a majority action by the Town Council.

Assigned Fund Balance – portion of fund balance that the Town of Forest City intends to use for specific purposes. The Town Council has the authority to assign fund balance.

Subsequent year's expenditures – This portion of fund balance is appropriated in next year's budget that is not already classified in restricted or committed.

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

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

16. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the Statement of Net Position date and reported

amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and allowance for doubtful accounts. Actual results may differ from those estimates.

17. Defined Benefit Pension and OPEB Plans

The Town participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Law Enforcement Officers' Special Separation Allowance (LEOSSA), and the Retiree Health Benefits Fund (OPEB). For purposes of measuring the net pension or OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to defined benefit plans, and pension or OPEB expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state administered defined benefit pension plans. 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 the state-administered defined benefit pension plans.

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2023, the Town's deposits had a carrying amount of \$8,666,600 and a bank balance of \$8,854,710. Of the bank balance, \$25,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Town's petty cash fund totaled \$3,600.

The carrying amount of the deposits of the ABC Board was \$246,370 and the bank balance was \$413,826. Of the ABC Board’s 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, 2023, the ABC Board’s petty cash fund totaled \$3,608.

Reconciliation of cash and cash equivalents:

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 8,666,600	Cash and cash equivalents	\$ 22,994,948
Petty cash on hand	3,600	Restricted cash	<u>1,907,828</u>
Investments	<u>16,232,576</u>		<u>\$ 24,902,776</u>
	<u>\$ 24,902,776</u>		

2. Investments

At June 30, 2023, the Town’s investments were as follows:

Investment Type	Valuation	Book Value	Maturity	Rating
	Measurement Method			
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 16,232,576	N/A	AAAm

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

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

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

Credit Risk. The Town has no formal policy regarding credit risk. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s as of June 30, 2023.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

Government Activities	
Taxes receivable	\$ 40,000
Business-type Activities	
Electric accounts receivable	\$ 9,700
Water and sewer accounts receivable	1,900
Total	\$ 11,600

4. Due From Other Governments

Due from other governments consisted of the following at June 30, 2023:

Due from Other Governments	
Local option sales tax	\$ 970,808
Utility franchise tax	275,331
ABC Distribution	124,446
Solid waste tax	1,476
Property taxes unremitted	50,737
Sales tax refund	258,783
Total	\$ 1,681,581

5. Lease Receivable

In December 2016, the Town entered into a lease with Verizon Wireless. Under the lease, Verizon is required to pay the Town \$2,575 per month for sixty months in exchange use of the cell tower atop a water tank. The lease contains an option to renew with four additional five year renewal periods. Under the lease, on the anniversary of the Commencement Date, the rent increases 3% from the preceding twelve month period. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5%, which is management’s estimate of the rate they would charge on comparable note receivable.

In fiscal year 2023, the City recognized \$17,581 of lease revenue and \$24,686 of interest revenue under the lease.

6. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2023 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 7,656,757	\$ 55,007	\$ -	\$ 7,711,764
Construction in progress	-	38,875	-	38,875
Total non-depreciable capital assets	7,656,757	93,882	-	7,750,639
Depreciable Capital Assets:				
Buildings	16,081,260	259,634	-	16,340,894
Equipment	5,557,306	224,196	21,579	5,759,923
Infrastructure	2,433,994	-	-	2,433,994
Vehicles	5,258,121	43,173	-	5,301,294
Total depreciable capital assets	29,330,681	527,003	21,579	29,836,105
Less Accumulated Depreciation:				
Buildings	6,916,655	490,368	-	7,407,023
Equipment	3,845,794	286,879	21,579	4,111,094
Infrastructure	490,111	29,818	-	519,929
Vehicles	3,616,448	314,200	-	3,930,648
Total accumulated depreciation	14,869,008	1,121,265	21,579	15,968,694
Depreciable capital assets, net	14,461,673			13,867,411
Governmental capital assets, net	\$22,118,430			\$21,618,050

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

Governmental Activities:	
General government	\$ 72,378
Public safety	365,968
Transportation	207,697
Environmental protection	4,047
Culture and recreation	471,175
Total depreciation expense	\$ 1,121,265

Capital asset activity for business-type activities for the year ended June 30, 2023 was as follows:

<u>Business-type activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water and Sewer:				
Non-Depreciable Capital Assets:				
Land	\$ 177,882	\$ 6,108	\$ -	\$ 183,990
Construction in progress	-	602,557	-	602,557
Total non-depreciable capital assets	<u>177,882</u>	<u>608,665</u>	<u>-</u>	<u>786,547</u>
Depreciable Capital Assets:				
Equipment	8,807,942	412,814	-	9,220,756
Plant & water lines	<u>61,845,195</u>	<u>904,464</u>	<u>49,966</u>	<u>62,699,693</u>
Total depreciable capital assets	<u>70,653,137</u>	<u>1,317,278</u>	<u>49,966</u>	<u>71,920,449</u>
Less Accumulated Depreciation:				
Equipment	7,240,996	1,241,642	-	8,482,638
Plant & water lines	<u>26,010,716</u>	<u>265,783</u>	<u>49,966</u>	<u>26,226,533</u>
Total accumulated depreciation	<u>33,251,712</u>	<u>1,507,425</u>	<u>49,966</u>	<u>34,709,171</u>
Depreciable capital assets, net	<u>37,401,425</u>			<u>37,211,278</u>
Water and Sewer capital assets, net	<u>\$37,579,307</u>			<u>\$37,997,825</u>
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 115,715	\$ -	\$ -	\$ 115,715
Depreciable Capital Assets:				
Equipment	3,240,434	195,557	-	3,435,991
Plant & lines	<u>11,921,560</u>	<u>9,734</u>	<u>-</u>	<u>11,931,294</u>
Total depreciable capital assets	<u>15,161,994</u>	<u>205,291</u>	<u>-</u>	<u>15,367,285</u>
Less Accumulated Depreciation:				
Equipment	1,920,478	261,482	-	2,181,960
Plant & lines	<u>9,133,957</u>	<u>100,887</u>	<u>-</u>	<u>9,234,844</u>
Total accumulated depreciation	<u>11,054,435</u>	<u>362,369</u>	<u>-</u>	<u>11,416,804</u>
Depreciable capital assets, net	<u>4,107,559</u>			<u>3,950,481</u>
Electric Fund capital assets, net	<u>\$ 4,223,274</u>			<u>\$ 4,066,196</u>

Construction Commitments

The Town had no construction commitments at June 30, 2023.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Non-Depreciable Capital Assets:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable Capital Assets:				
Buildings	314,605	11,412	-	326,017
Furniture and equipment	164,342	12,165	-	176,507
Total depreciable capital assets	<u>478,947</u>	<u>23,577</u>	<u>-</u>	<u>502,524</u>
Less Accumulated Depreciation:				
Buildings	195,257	10,921	-	206,178
Furniture and equipment	114,423	7,911	-	122,334
Total accumulated depreciation	<u>309,680</u>	<u>18,832</u>	<u>-</u>	<u>328,512</u>
Depreciable capital assets, net	<u>169,267</u>			<u>174,012</u>
ABC capital assets, net	<u>\$ 219,267</u>			<u>\$ 224,012</u>

7. Right to Use Leased Asset

The Town has recorded right to use lease assets, comprised of 11 vehicles. The related leases are discussed in the leases subsection of the long term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right to use assets				
Leased vehicles	\$ 30,253	\$ 319,603	\$ -	\$ 349,856
Less accumulated amortiation for:				
Leased vehicles	496	57,182	-	57,678
Right to use assets, net	<u>\$ 29,757</u>	<u>\$ 262,421</u>	<u>\$ -</u>	<u>\$ 292,178</u>

Right to use asset activity for the business-type activities for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased vehicles	\$ -	\$ 64,009	\$ -	\$ 64,009
Less accumulated amortiation for:				
Leased vehicles	-	5,123	-	5,123
Right to use assets, net	<u>\$ -</u>	<u>\$ 58,886</u>	<u>\$ -</u>	<u>\$ 58,886</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	<u>\$ 863,444</u>	<u>\$ 106,760</u>	<u>\$ 970,204</u>
Business-type Activities:			
Water and Sewer Fund	\$ 287,704	\$ 37,121	\$ 324,825
Electric Fund	<u>267,679</u>	<u>19,741</u>	<u>287,420</u>
Total business-type activities	<u>\$ 555,383</u>	<u>\$ 56,862</u>	<u>\$ 612,245</u>

2. Pension Plan Obligations

a. Local Governmental Employees’ Retirement System

Plan Description. The Town is a participating employer in the State-wide 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 the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Forest City 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 Forest City's contractually required contribution rate for the year ended June 30, 2023, was 12.1% of compensation for law enforcement officers and 13.1% for general employees and 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 Forest City were \$959,680 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Town reported a liability of \$5,663,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the Town’s proportion was 0.10040% (measured as of June 30, 2022), which was an increase of 0.00100% from its proportion as of June 30, 2022 (measured as of June 30, 2021). For the year ended June 30, 2023, the Town recognized pension expense of \$1,552,907.

At June 30, 2023, 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	\$ 244,056	\$ 23,928
Changes of assumptions	565,140	-
Net difference between projected and actual earnings on pension plan investments	1,872,009	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	81,589
Town contributions subsequent to the measurement date	959,680	-
Total	\$ 3,640,885	\$ 105,517

\$959,680 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 785,887
2025	697,779
2026	200,162
2027	891,860
Thereafter	-
	<u>\$ 2,575,688</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2021 valuation were based on the results of an actuarial experience study 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 and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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	100.0%	

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 2.5%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 10,222,779	\$ 5,663,994	\$ 1,907,290

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 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 .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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>31</u>
Total	<u><u>34</u></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 and refunds 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 meet the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index at December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019.

Mortality rates use Pub-2010 amount weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

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. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$54,376 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$1,283,476. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$110,038.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,354	\$ 42,000
Changes of assumptions and other inputs	240,366	264,199
Town benefit payments and plan administrative expense made subsequent to the measurement date	25,308	-
Total	<u>\$ 344,028</u>	<u>\$ 306,199</u>

\$25,308 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 24,079
2025	16,045
2026	21,320
2027	6,343
2028	(36,331)
Thereafter	(18,935)
	<u>\$ 12,521</u>

Sensitivity of the Town’s total pension liability to changes in the discount rate. The following presents the Town’s total pension liability calculated using the discount rate of 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 1,405,007	\$ 1,283,476	\$ 1,173,966

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2021	\$ 1,416,089
Changes for the year:	
Service cost at end of year	79,290
Interest	31,250
Change in benefit terms	-
Difference between expected and actual experience	74,679
Changes of assumptions and other inputs	(263,186)
Benefit payments	(54,376)
Other	-
Net changes	<u>(132,343)</u>
Total pension liability as of December 31, 2022	<u>\$ 1,283,746</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan 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 the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699, or by calling (919)981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The Town made contributions of \$94,247 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. Effective October of 1992, all non-law enforcement employees of the Town participate in the 401(k) Supplemental Retirement Income Plan of North Carolina. Participation begins when the employee becomes eligible for participation in the Local Governmental Employees Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan 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 the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699, or by calling (919)981-5454.

Funding Policy. Effective July 1, 2016, the Town elected to match up to \$40.00 per pay period the contributions of all non-law officer employees. The Town's contributions for the current fiscal year were \$107,060. No amounts were forfeited.

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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Proportionate share of net pension liability	\$ 5,663,994	N/A	\$ 5,663,994
Proportion of the net pension liability	0.10040%	N/A	N/A
Total pension liability	N/A	\$ 1,283,746	1,283,746
Pension expense	1,522,907	110,038	1,632,945
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 244,056	\$ 78,354	\$ 322,410
Changes of assumptions	565,140	240,366	805,506
Net difference between projected and actual earnings on pension plan investments	1,872,009	-	1,872,009
Town contributions (LGERS) and benefit payments (LEOSSA) made subsequent to the measurement date	<u>959,680</u>	<u>25,308</u>	<u>984,988</u>
Total	<u>\$ 3,640,885</u>	<u>\$ 344,028</u>	<u>\$ 3,984,913</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 23,928	\$ 42,000	\$ 65,928
Changes of assumptions	-	264,199	264,199
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>81,589</u>	<u>-</u>	<u>81,589</u>
Total	<u>\$ 105,517</u>	<u>\$ 306,199</u>	<u>\$ 411,716</u>

3. Post-Employment Healthcare Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of

the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Town of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Town of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's Annual Comprehensive Financial Report, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2022. RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to

administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.89% of covered payroll which amounted to \$546,463.

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

At June 30, 2023, Town reported a liability of \$9,282,858 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s present value of future salary, actuarially determined. At June 30, 2023, the Town’s proportion was 0.03909% (as measured at June 30, 2022), a decrease of .00046% from the prior year (as measured at June 30, 2021).

For the year ended June 30, 2023, the Town recognized an OPEB benefit of \$772,161. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,124	\$ 25,687
Changes of assumptions and other inputs	743,213	4,224,847
Net difference between projected and actual earnings on OPEB plan investments	80,386	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	493,211	167,131
Town benefit payments and plan administrative expense made subsequent to the measurement date	546,463	-
Total	<u>\$ 1,953,397</u>	<u>\$ 4,417,665</u>

\$546,463 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2024	\$ (1,051,319)
2025	(631,367)
2026	(820,373)
2027	(507,672)
2028	-
Thereafter	-
	<u>\$ (3,010,731)</u>

Actuarial Assumptions. Actuarial assumptions for the June, 30, 2022 measurement were as follows

Inflation	2.50%
Salary increases	3.25% to 8.05%
Investment rate of return	6.5%, net of OPEB plan investment expense, including inflation
Health care cost trends:	medical 6.0% decreasing to 5.0% by 2027 prescription drug 9.5% decreasing to 5.0% administrative 3.00%

The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review as of December 31, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	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>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.54%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage point higher (3.54 percent) than the current discount rate:

	1% Decrease <u>(2.54%)</u>	Current <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Net OPEB Liability	\$ 10,934,137	\$ 9,282,858	\$ 7,934,211

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

	Current Trend Rates (6.0% Medical, 9.5% Prescription, 3.0% Administration)		
	1% Decrease		1% Increase
Net OPEB Liability	\$ 7,641,277	\$ 9,282,858	\$ 11,404,836

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

4. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employee’s Retirement System (Death Benefit Plan), a multi-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 benefits payments to beneficiaries are equal to the employees 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. Since all death benefit payments are made from Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annual by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers post-employment contributions to be immaterial.

5. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Governmental Deferred Inflows of Resources	Government-wide Deferred Inflows of Resources
Contributions to pension plan in the current fiscal year	\$ 959,680	\$ -	\$ -
Benefit payments made and admin expenses for LEOSSA	25,308	-	-
Benefit payments made and admin expenses for OPEB	546,463	-	-
Pension and OPEB deferrals	4,406,859	-	4,829,381
Prepaid taxes	-	6,000	6,000
Taxes receivable, net (General Fund)	-	56,617	-
Leases	-	-	456,071
Total	<u>\$ 5,938,310</u>	<u>\$ 62,617</u>	<u>\$ 5,291,452</u>

6. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town secures insurance coverage for these risks from several commercial insurance companies. The Town's insurance coverage includes: (1) general liability, \$13 million; (2) fire coverage on buildings at estimated replacement costs and up to \$5 million for flood and earthquake; (3) errors and omissions liability, \$13 million; (4) auto liability, \$13 million and (5) public officials liability, \$13 million. Various deductibles apply to coverage amounts. In addition, the Town secures workers' compensation coverage up to the statutory limits and an employer' liability limit of \$1 million. All of these coverages, except for worker's compensation which is purchased through the North Carolina Interlocal Risk Management Agency, are secured through commercial insurance companies.

There has been no significant reductions in the Town's insurance coverage in the prior year; settled claims have not exceeded coverage in the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket employee dishonesty bond for \$25,000.

7. Long-Term Obligations

Leases

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

The Town has entered into 11 vehicles leases, primarily for its public safety. Three leased vehicles serve the business-type activities. Lease terms are for 60 months per vehicle and monthly lease payments range from \$497 to \$1,528. There are no variable components of the leases. The related lease liabilities are measured at a discount rate of 5%, which is management’s estimate of the incremental borrowing rate of the Town. As a result of the leases, the Town has recorded a discounted liability of \$301,081 for governmental activities and \$60,988 for business-type activities. The related right to use assets with a total net book value of \$292,178 for governmental activities and \$58,886 for business-type activities. The right to use assets are discussed in more detail in the right to use asset section of this note.

The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 65,990	\$ 8,013	\$ 12,099	\$ 2,775
2025	69,366	10,179	12,719	2,155
2026	72,915	6,630	13,369	1,505
2027	76,396	2,900	14,053	821
2028	16,414	241	8,748	185
Total	<u>\$ 301,081</u>	<u>\$ 27,963</u>	<u>\$ 60,988</u>	<u>\$ 7,441</u>

Installment Purchases

The Town has incurred installment debt to finance various pieces of equipment. Notes payable in the General Fund and are secured by the equipment and vehicles. Principal and interest requirements are appropriated when due. Details of the Town’s installment debt are as follows:

Direct Placement Installment Notes Payable

Governmental Activities

\$1,000,000; direct placement installment note issued June 3, 2020 to finance the purchase of a Ladder Truck; 2.39% annual rate for a term of 120 months; collateral is property purchased; \$9,377 due monthly including interest through June 2030. \$ 724,646

Business- Type Activities

\$819,000; direct placement installment note issued October 20, 2022 to finance the Dogwood Pump Station Replacement; 3.22% annual rate for a term of 60 months; \$15,027 due monthly including interest through June 2028. \$ 715,390

The future minimum payments for installment obligations as of June 30, 2023, including interest are:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 96,256	\$ 16,269	\$ 159,639	\$ 20,693
2025	98,581	13,943	164,857	15,476
2026	100,963	11,561	170,244	10,089
2027	103,403	9,122	175,808	4,525
2028	105,902	6,623	44,842	241
2029-2033	219,541	5,507	-	-
Total	<u>\$ 724,646</u>	<u>\$ 63,025</u>	<u>\$ 715,390</u>	<u>\$ 51,024</u>

Direct Placement Revolving Loan:

Environmental and Natural Resources, issued May 3, 2013, to fund sewer rehabilitation; loan forgiveness of \$451,350 through the NC Clean Water State Revolving Fund at the conclusion of the project (June 30, 2014); collateral is property purchased or improved; 0.0% annual interest for a term of 20 years with annual payments of \$24,203 through May 2034

\$ 266,235

Annual debt service requirements for the revolving loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 24,203	\$ -	\$ 24,203
2025	24,203	-	24,203
2026	24,203	-	24,203
2027	24,203	-	24,203
2028	24,203	-	24,203
2029-2033	121,015	-	121,015
2034-2038	24,205	-	24,205
Total	<u>\$ 266,235</u>	<u>\$ -</u>	<u>\$ 266,235</u>

At June 30, 2023, the Town had a legal debt margin of approximately \$121,000,000.

Changes in Long-Term Liabilities

A summary of all long-term obligations presented in the government-wide Statement of Activities is as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023	Current Portion of Balance
<u>Governmental Activities:</u>					
Direct placement					
installment notes	\$ 929,742	\$ -	\$ 205,096	\$ 724,646	\$ 96,256
Lease liabilities	29,689	319,603	48,211	301,081	65,990
Net OPEB liability	8,537,885	-	2,056,593	6,481,292	-
Total pension liability - LEOSSA	1,416,089	-	132,343	1,283,746	-
Net pension liability - LGERS	1,071,155	2,908,797	-	3,979,952	-
Compensated absences	508,480	284,089	188,209	604,360	140,000
Total	<u>\$ 12,493,040</u>	<u>\$ 3,512,489</u>	<u>\$ 2,630,452</u>	<u>\$ 13,375,077</u>	<u>\$ 302,246</u>
<u>Business-type Activities:</u>					
Direct placement revolving loan	\$ 290,438	\$ -	\$ 24,203	\$ 266,235	\$ 24,203
Installment notes	-	819,000	103,610	715,390	159,639
Lease liabilities	-	64,009	3,021	60,988	12,099
Net pension liability - LGERS	453,239	1,230,803	-	1,684,042	-
Net OPEB liability	3,690,537	-	888,971	2,801,566	-
Compensated absences	164,938	163,904	59,170	269,672	45,000
Total	<u>\$ 4,599,152</u>	<u>\$ 2,277,716</u>	<u>\$ 1,078,975</u>	<u>\$ 5,797,893</u>	<u>\$ 240,941</u>

Compensated absences are accounted for on a FIFO basis and have historically been liquidated in the general fund. Pension and OPEB liabilities have historically been liquidated in the general fund.

8. Interfund Balances and Activity:

Transfer between funds at June 30, 2023 consisted of:

	Purpose	Amount
To the General Fund		
from the ARPA Fund	Revenue replacement	<u>\$ 2,282,511</u>

Interfund loan – On April 25, 2022, the general fund borrowed \$5,851,715 from the water and sewer fund for the purpose of repaying past transfers made from the water and sewer fund to the general fund. The terms of the arrangement require that the general fund repay the water fund by making twenty annual payments in the amount of \$292,586. In the water and sewer fund, \$292,586 that will be due within the next year is presented as due to the general fund as of June 30, 2023. The remaining long term-balance of \$5,266,543 is presented as an advance to general fund. The general fund presents the consolidated total of \$5,559,129 as an advance from the water and sewer fund on exhibit 3.

9. Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2023 is calculated as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 21,618,050	\$ 42,064,021
Less: Long-term debt	<u>(724,646)</u>	<u>(981,625)</u>
Net investment in capital assets	<u>\$ 20,893,404</u>	<u>\$ 41,082,396</u>

Note 3 – Summary Disclosure of Significant Contingencies

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

Note 4 – Fund Balance

The Town does not have a minimum fund balance policy. 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	\$ 8,924,968
<u>Less:</u>	
Non-spendable - prepaid	(80,409)
Non-spendable - inventory	(25,975)
Stabilization by State statute	<u>(1,799,707)</u>
Available Fund Balance	<u>\$ 7,018,877</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no encumbrances in the General Fund at June 30, 2023.

Note 5 – Related Organization

The five-member board of the Forest City Housing Authority is appointed by the Board of Commissioners of Forest City. The Town appoints the governing board of the Housing Authority; however, the Town is not financially accountable for the Housing Authority. The Town of Forest City is also disclosed as a related organization in the notes to the financial statements for the Forest City Housing Authority. Complete financial statements for the Housing Authority can be obtained from its office at 147 East Spruce Street, Forest City, North Carolina 28043.

Note 6 – Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town of Forest city receives no financial benefit and has no equity interest in the joint venture, so no equity has been reflected in these financial statements at June 30, 2023. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 7 – Concentration of Tax Base

One taxpayer represented approximately 55% of the Town's tax base for the 2022 tax year. Taxes collected from this taxpayer amounted to approximately \$4,900,000 for the fiscal year ending June 30, 2023. No economic development incentive payments were made to this taxpayer during the fiscal year. Economic development incentive payments equal to 100% of the property taxes paid will resume during the fiscal year ending June 30, 2024 and will continue to be made to this taxpayer until the year 2034.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS *

Retiree Health Benefit Fund

	2023	2022	2021	2020	2019	2018	2017
Town's proportionate share of the net OPEB liability (asset) (%)	0.03909%	0.03955%	0.03871%	0.03791%	0.03679%	0.03698%	0.00000%
Town's proportion of the net OPEB liability (asset) (\$)	\$ 9,282,858	\$ 12,228,422	\$ 10,737,851	\$ 11,995,749	\$ 10,480,910	\$ 12,123,671	\$ 15,328,314
Town's covered payroll	7,140,159	6,663,745	6,439,430	6,311,245	5,495,988	5,844,823	5,523,798
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	130.01%	183.51%	166.75%	190.07%	190.70%	207.43%	277.50%
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%	2.41%

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

TOWN OF FOREST CITY, NORTH CAROLINA

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

Retiree Health Benefit Fund

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 546,463	\$ 466,769	\$ 447,648	\$ 419,399	\$ 395,715	\$ 359,732	\$ 339,230
Contribution in relation to the contractually required contribution	<u>546,463</u>	<u>466,769</u>	<u>447,648</u>	<u>419,399</u>	<u>395,715</u>	<u>359,732</u>	<u>339,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 7,926,443	\$ 7,140,159	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823
Contributions as a percentage of covered payroll	6.89%	6.54%	6.72%	6.51%	6.27%	6.05%	5.80%

TOWN OF FOREST CITY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportionate share of the net pension liability (asset) (%)	0.10040%	0.09940%	0.09854%	0.10232%	0.10207%	0.10143%	0.10191%	0.10440%	0.10180%	0.09960%
Town's proportion of the net pension liability (asset) (\$)	\$ 5,663,994	\$ 1,524,394	\$ 3,521,254	\$ 2,794,278	\$ 2,421,449	\$ 1,549,569	\$ 2,162,872	\$ 468,676	\$ (600,302)	\$ 1,200,562
Town's covered payroll	7,140,159	6,663,745	6,439,430	6,311,245	5,945,988	5,844,823	5,634,708	5,523,798	5,205,002	5,093,077
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	79.33%	22.88%	54.68%	44.27%	40.72%	26.51%	38.38%	8.48%	(11.53%)	23.57%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.08%	102.64%	94.35%

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

TOWN OF FOREST CITY, NORTH CAROLINA

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental Employees' Retirement System

	<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>	<u>2014</u>
Contractually required contribution	\$ 959,680	\$ 793,087	\$ 680,184	\$ 580,158	\$ 502,657	\$ 457,501	\$ 435,264	\$ 382,838	\$ 698,720	\$ 651,941
Contribution in relation to the contractually required contribution	<u>959,680</u>	<u>793,087</u>	<u>680,184</u>	<u>580,158</u>	<u>502,657</u>	<u>457,501</u>	<u>435,264</u>	<u>382,838</u>	<u>698,720</u>	<u>651,941</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	\$ 7,926,443	\$ 7,140,159	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823	\$ 5,634,708	\$ 5,523,798	\$ 5,205,002
Contributions as a percentage of covered payroll	12.11%	11.11%	10.21%	9.01%	7.96%	7.69%	7.45%	6.79%	12.65%	12.53%

TOWN OF FOREST CITY, NORTH CAROLINA

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

Schedule of Changes in Total Pension Liability

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,416,089	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272	\$ 780,051
Changes for the year:							
Service cost at end of year	79,290	75,142	47,697	45,553	49,500	41,451	45,100
Interest	31,250	27,124	33,202	33,350	29,459	30,112	27,169
Change in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	74,679	(22,844)	(32,558)	26,344	(29,078)	39,985	-
Changes of assumptions and other inputs	(263,186)	(41,529)	390,767	35,974	(42,620)	61,065	(23,041)
Benefit payments	(54,376)	(54,376)	(49,976)	(27,980)	(18,601)	(22,346)	(38,007)
Other	-	-	-	-	-	-	-
Net changes	<u>(132,343)</u>	<u>(16,483)</u>	<u>389,132</u>	<u>113,241</u>	<u>(11,340)</u>	<u>150,267</u>	<u>11,221</u>
Ending balance of the total pension liability	<u>\$ 1,283,746</u>	<u>\$ 1,416,089</u>	<u>\$ 1,432,572</u>	<u>\$ 1,043,440</u>	<u>\$ 930,199</u>	<u>\$ 941,539</u>	<u>\$ 791,272</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total pension liability	\$ 1,283,746	\$ 1,416,089	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272
Covered payroll	1,738,054	1,596,007	1,567,246	1,627,185	1,569,246	1,533,432	1,569,111
Total pension liability as a percentage of covered payroll	73.86%	88.73%	91.41%	64.13%	59.28%	61.40%	50.43%

Notes to the schedule:

The Town of Forest City has no assets accumulated in a trust that meet 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 ended December 31.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 9,017,952	
Penalties and interest		32,137	
Total	\$ 8,909,937	9,050,089	\$ 140,152
Other Taxes and Licenses:			
Local option sales tax		2,189,456	
ABC privilege licenses		1,040	
Fire district tax		9,960	
Vehicle rental tax		32,076	
Total	2,083,568	2,232,532	148,964
Unrestricted Intergovernmental Revenues:			
Utility sales tax		759,344	
Telecommunications sales tax		57,362	
Piped natural gas tax		39,345	
Video programming tax		29,261	
Court costs and fees		2,871	
Beer and wine tax		33,358	
Hold harmless revenue		620,325	
Policing subsidies and fees		39,802	
ABC profit distributions		357,043	
Payments-in-lieu		22,284	
Total	1,802,599	1,960,995	158,396
Restricted Intergovernmental Revenues:			
Powell Bill allocation		254,223	
Unauthorized substance tax		25,145	
Police federally forfeited funds		5,828	
ABC allocations		35,185	
Police grant - vests		6,160	
Solid waste disposal		5,933	
Culture and recreation grants		9,000	
Total	303,900	341,474	37,574
Permits and fees:			
Building permits		71,268	
Code enforcement fees		10,196	
Total	480,996	81,464	(399,532)

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services:			
Recreation department		414,054	
Waste collection fees		1,440,584	
Cemetery lots		9,790	
Fire protection fees		11,676	
Other sales and services		22,817	
Total	1,787,630	1,898,921	111,291
Investment Earnings	1,200	308,306	307,106
Miscellaneous:			
Rents		137,568	
Other		29,686	
Total	141,500	167,254	25,754
Total revenues	15,511,330	16,041,035	529,705
Expenditures:			
General Government:			
Governing board:			
Salaries and employee benefits		61,187	
Operating expenditures		32,647	
Total	117,288	93,834	23,454
Administration:			
Salaries and employee benefits		571,048	
Operating expenses		355,515	
Capital outlay		77,090	
Economic development incentive		-	
Total	6,136,903	1,003,653	5,133,250
Finance and Legal:			
Salaries and employee benefits		368,932	
Operating expenditures		74,593	
Total	540,246	443,525	96,721
Planning and Zoning:			
Salaries and employee benefits		520,363	
Operating expenditures		117,056	
Total	834,458	637,419	197,039
Downtown Activities:			
Salaries and employee benefits		176,437	
Operating expenditures		177,766	
Total	619,918	354,203	265,715
Administrative expense reimbursement	(825,719)	(825,717)	(2)
Total general government	7,423,094	1,706,917	5,716,177

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police department:			
Salaries and employee benefits		3,044,801	
Operating expenditures		481,631	
Capital outlay		147,260	
Total	3,728,764	3,673,692	55,072
Fire department:			
Salaries and employee benefits		1,392,227	
Operating expenditures		267,612	
Capital outlay		61,054	
Total	1,783,501	1,720,893	62,608
Total public safety	5,512,265	5,394,585	117,680
Transportation:			
Streets and highways:			
Salaries and employee benefits		1,010,995	
Operating expenditures		429,776	
Capital outlay		264,543	
Total	1,878,149	1,705,314	172,835
Warehouse and garage			
Salaries and employee benefits		350,581	
Operating expenditures		177,333	
Total	633,814	527,914	105,900
Powell bill			
Salaries and employee benefits		13,840	
Operating expenditures		192,469	
Total	222,711	206,309	16,402
Administrative expense reimbursement	(462,824)	(462,823)	(1)
Total transportation	2,271,850	1,976,714	295,136
Environmental Protection:			
Sanitation:			
Operating expenditures		1,498,359	
Total	1,506,900	1,498,359	8,541
Cemetery:			
Operating expenditures		6,205	
Capital outlay		53,920	
Total	138,700	60,125	78,575
Total environmental protection	1,645,600	1,558,484	87,116

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Cultural and Recreation:			
Parks and recreation:			
Salaries and employee benefits		1,165,121	
Other operating expenditures		542,522	
Capital outlay		171,456	
Total	2,278,568	1,879,099	399,469
Library:			
Salaries and employee benefits		131,767	
Other operating expenditures		48,425	
Capital outlay		60,821	
Total	258,268	241,013	17,255
Total cultural and recreation	2,536,836	2,120,112	416,724
Debt Service:			
Principal retirement		253,307	
Interest and fees		35,325	
Total	621,685	288,632	333,053
Total expenditures	20,011,330	13,045,444	6,965,886
Revenues over (under) expenditures	(4,500,000)	2,995,591	7,495,591
Other Financing Sources:			
Appropriated fund balance	1,000,000	-	(1,000,000)
Lease liabilities issued	-	319,603	319,603
Sale of capital assets	-	10,305	10,305
Transfer from ARPA Fund	-	2,282,511	2,282,511
Transfer from Electric Fund	3,500,000	-	(3,500,000)
Total other financing sources	4,500,000	2,612,419	(1,887,581)
Net change in fund balance	\$ -	5,608,010	\$ 5,608,010
Fund balance, beginning of year		3,316,958	
Fund balance, end of year		\$ 8,924,968	

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL CAPITAL PROJECT FUND

PARK SQUARE DEPOT PROJECT

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

From inception and for the year ended June 30, 2023

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
NC PARTF Grant	\$ 450,000	\$ -	\$ -	\$ -
RHI Legacy Foundation Grant	500,000	-	500,000	500,000
Meta Grant (BARN)	300,000	-	300,000	300,000
Rutherford County TDA	125,000	-	-	-
TDA Community Funds	100,000	-	-	-
TDA Community Funds (prior years)	300,000	-	-	-
Total revenues	<u>1,775,000</u>	<u>-</u>	<u>800,000</u>	<u>800,000</u>
Expenditures:				
Professional services	98,500	-	38,875	38,875
Construction	1,508,850	-	-	-
Contingency	167,650	-	-	-
Total expenditures	<u>1,775,000</u>	<u>-</u>	<u>38,875</u>	<u>38,875</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	761,125	<u>\$ 761,125</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 761,125</u>	

TOWN OF FOREST CITY, NORTH CAROLINA

AMERICAN RESCUE PLAN FUND
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
ARP Funds	\$ 2,282,511	\$ -	\$ 2,282,511	\$ 2,282,511
Expenditures:				
Unassigned ARP expenditures	-	-	-	-
Revenues over expenditures	2,282,511	-	2,282,511	2,282,511
Other Financing Uses:				
Transfer to general fund	(2,282,511)	-	(2,282,511)	(2,282,511)
Revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

TOWN OF FOREST CITY, NORTH CAROLINA

WATER AND SEWER FUND
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 For the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 3,570,000	\$ 3,628,052	\$ 58,052
Sewer charges	1,890,000	1,922,682	32,682
Tap and connection fees	55,000	72,350	17,350
Other	64,000	243,253	179,253
Total operating revenues	5,579,000	5,866,337	287,337
Non-operating revenues:			
Water tank lease revenue	24,000	17,581	(6,419)
Interest on lease receivable	-	24,686	24,686
Interest earnings	1,000	153,398	152,398
Total non-operating income	25,000	195,665	170,665
Total revenues	5,604,000	6,062,002	458,002
Expenditures:			
Administration:			
Salaries and employee benefits		413,261	
Operating expenditures		675,181	
Total administration	1,106,313	1,088,442	17,871
Water Operations:			
Salaries and employee benefits		556,406	
Operating expenditures		344,666	
Capital outlay		421,194	
Total water operations	2,284,281	1,322,266	962,015
Water Plant:			
Salaries and employee benefits		506,330	
Operating expenditures		459,343	
Capital outlay		148,851	
Total water plant	1,308,351	1,114,524	193,827
Sewer Operations:			
Salaries and employee benefits		246,519	
Operating expenditures		118,078	
Capital outlay		367,471	
Total sewer operations	825,639	732,068	93,571
Waste Treatment Plants:			
Salaries and employee benefits		488,286	
Operating expenditures		508,730	
Capital outlay		343,152	
Total water treatment plants	2,026,642	1,340,168	686,474

TOWN OF FOREST CITY, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Pump Station and Storage:			
Salaries and employee benefits		306,354	
Operating expenditures		433,652	
Capital outlay		733,765	
Total pump station and storage	2,329,991	1,473,771	856,220
Debt service:			
Principal		129,102	
Interest		18,075	
	235,371	147,177	88,194
 Total expenditures	 10,116,588	 7,218,416	 2,898,172
Revenues under expenditures	(4,512,588)	(1,156,414)	3,356,174
Other Financing Sources:			
Installment obligations issued	819,000	819,000	-
Transfer from general fund	292,586	-	(292,586)
Lease liabilities issued	-	14,419	14,419
Sale of capital assets	-	3,019	3,019
Appropriated fund balance	3,401,002	-	(3,401,002)
Total other financing sources	4,512,588	836,438	(3,676,150)
Revenues and other sources under expenditures	\$ -	(319,976)	\$ (319,976)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		129,102	
Capital outlay		1,940,362	
Proceeds from issuance of installment obligations		(819,000)	
Increase in deferred outflows of resources - LGERS		304,855	
Increase in net pension liability - LGERS		(898,127)	
Decrease in deferred inflows of resources - LGERS		471,074	
Decrease in deferred outflows of resources - OPEB		(82,170)	
Decrease in net OPEB liability		642,133	
Increase in deferred inflows of resources - OPEB		(257,121)	
Increase in compensated absences		(58,506)	
Lease liabilities issued		(14,419)	
Amortization		(1,682)	
Depreciation		(1,507,425)	
Total reconciling items		(150,924)	
Change in net position		\$ (470,900)	

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

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

For the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electricity sales	\$ 11,463,000	\$ 10,292,254	\$ (1,170,746)
Late payment penalties	240,000	261,111	21,111
Connection fees	31,000	26,695	(4,305)
Other operating revenue	35,000	37,540	2,540
Total operating revenues	11,769,000	10,617,600	(1,151,400)
Non-operating revenues:			
Interest earnings	1,000	67,897	66,897
Total revenues	11,770,000	10,685,497	(1,084,503)
Expenditures:			
Administration:			
Salaries and employee benefits		190,080	
Operating expenditures		811,093	
Total administration	1,109,359	1,001,173	108,186
Operations:			
Salaries and employee benefits		852,206	
Operating expenditures		818,310	
Repairs and maintenance		464,388	
Capital outlay		254,880	
Total operations	3,353,997	2,389,784	964,213
Electric power purchased:	6,500,000	5,808,592	691,408
Debt service:			
Principal		1,732	
Interest		5,178	
Total debt service	12,465	6,910	5,555
Total expenditures	10,975,821	9,206,459	1,769,362
Revenues over expenditures	794,179	1,479,038	684,859

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

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

For the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to General Fund	(3,500,000)	-	3,500,000
Lease liabilities issued	-	49,590	49,590
Appropriated fund balance	2,705,821	-	(2,705,821)
Total other financing sources (uses)	(794,179)	49,590	843,769
 Revenues and other sources over expenditures and other uses	 \$ -	 1,528,628	 \$ 1,528,628
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		1,732	
Capital outlay		254,880	
Increase in deferred outflows of resources - LGERS		112,922	
Increase in net pension liability - LGERS		(332,676)	
Decrease in deferred inflows of resources - LGERS		174,491	
Decrease in deferred outflows of resources - OPEB		(31,585)	
Decrease in net OPEB liability		246,838	
Increase in deferred inflows of resources - OPEB		(98,838)	
Increase in compensated absences		(46,228)	
Lease liabilities issued		(49,590)	
Amortization		(3,441)	
Depreciation		(362,369)	
Total reconciling items		(133,864)	
Change in net position		\$ 1,394,764	

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC RATE STABILIZATION FUND

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

From inception and for the year ended June 30, 2023

		Actual		
Project Authorization	Prior Years	Current Year	Total	
Other Financing Sources:				
Transfers from Electric Fund	\$ 1,394,493	\$ 1,394,493	\$ -	\$ 1,394,493
Transfer to Electric Fund	(1,394,493)	(252,218)	-	(252,218)
 Total other financing sources	 \$ -	 \$ 1,142,275	 \$ -	 \$ 1,142,275

OTHER SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable
For the year ended June 30, 2023

Fiscal Year	Uncollected Balance 6/30/2022	Additions	Collections And Credits	Uncollected Balance 6/30/2023
2022-2023	\$ -	\$ 9,034,860	\$ 8,975,260	\$ 59,600
2021-2022	25,379	-	16,557	8,822
2020-2021	13,803	-	7,109	6,694
2019-2020	12,250	-	6,371	5,879
2018-2019	5,549	-	1,953	3,596
2017-2018	6,666	-	3,144	3,522
2016-2017	5,140	-	2,264	2,876
2015-2016	11,703	-	9,830	1,873
2014-2015	1,866	-	77	1,789
2013-2014	3,597	-	1,631	1,966
2012-2013	3,435	-	3,435	-
	<u>\$ 89,388</u>	<u>\$ 9,034,860</u>	<u>\$ 9,027,631</u>	<u>96,617</u>

Less: allowance for uncollectible accounts:

General Fund (40,000)

Ad valorem taxes receivable, net \$ 56,617

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 9,050,089

Reconciling items:

Interest and penalties collected (32,137)

Taxes written off 3,435

Adjustments and releases, net 6,244

Total collections and credits \$ 9,027,631

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2023

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,508,298,644	0.590	\$ 8,898,962	\$ 8,596,414	\$ 302,548
Discoveries	38,414,407	0.590	226,645	226,645	-
Abatements	<u>(15,380,847)</u>	0.590	<u>(90,747)</u>	<u>(90,747)</u>	<u>-</u>
Total property valuation	<u>\$ 1,531,332,203</u>				
Net levy			9,034,860	8,732,312	302,548
Uncollected taxes at June 30, 2023			<u>(59,600)</u>	<u>(59,600)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 8,975,260</u>	<u>\$ 8,672,712</u>	<u>\$ 302,548</u>
Current levy collection percentage			99.34%	99.32%	100.00%

COMPLIANCE SECTION



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

To the Honorable Mayor
and Members of the Town Council
Town of Forest City
Forest City, 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 Forest City, North Carolina, as of and for the year ended June 30, 2023, which collectively comprise the Town of Forest City's basic financial statements, and have issued our report thereon dated November 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Forest City'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 Forest City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Forest City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Forest City, 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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 7, 2023



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Forest City, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Forest City's major federal programs for the year ended June 30, 2023. The Town of Forest City's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Forest City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Forest City's federal program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 7, 2023

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
Significant deficiency(s) identified that are not considered to be material weaknesses?

Noncompliance material to financial statements noted

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified?
Significant deficiency(s) identified that are not considered to be material weaknesses?

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

Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)?

The following was audited as a major federal program for the fiscal year ended June 30, 2023:

Table with 2 columns: Program Name, AL #. Row: Coronavirus State & Local Fiscal Recovery, 21.027

Federal Awards

The threshold for determining between Type A programs for the Town of Forest City, North Carolina is \$750,000.

The Town of Forest City, North Carolina does not qualify as a low risk auditee.

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

TOWN OF FOREST CITY, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

No findings reported for the fiscal year ending June 30, 2022.

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

	Federal Assistance Listing	State/Pass-Through Grantor's Number	Federal Expenditures		State Expenditures
Federal Grants:					
<u>U.S. Department of Treasury</u>					
Coronavirus State and Local Fiscal Recovery Funds	21.027		2,282,511		-
Total U.S. Department of Treasury			2,282,511		-
Total Federal awards			2,282,511		-
State Awards					
<u>N. C. Department of Transportation:</u>					
Powell Bill		DOT-4; 32570	-		206,266
Total N.C. Department of Transportation			-		206,266
Total State awards			-		206,266
Total Federal and State awards			\$ 2,282,511		\$ 206,266

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

1. Basis of Presentation
The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of Forest City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Forest City, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Forest City.

2. Summary of Significant Accounting Policies
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Forest City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.