

Town of Forest City, North Carolina

Financial Statements

June 30, 2024



**Forest City Town Council
(As of June 30, 2024)**

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, 2024**

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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, each major fund and the remaining fund information of the Town of Forest City as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the remaining fund information of the Town of Forest City as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Governmental Employees' Retirement System's schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Other Postemployment Benefits Schedules of the Town's Proportionate Share of the Net OPEB Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The 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 October 30, 2024 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
October 30, 2024

TOWN OF FOREST CITY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2024

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, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

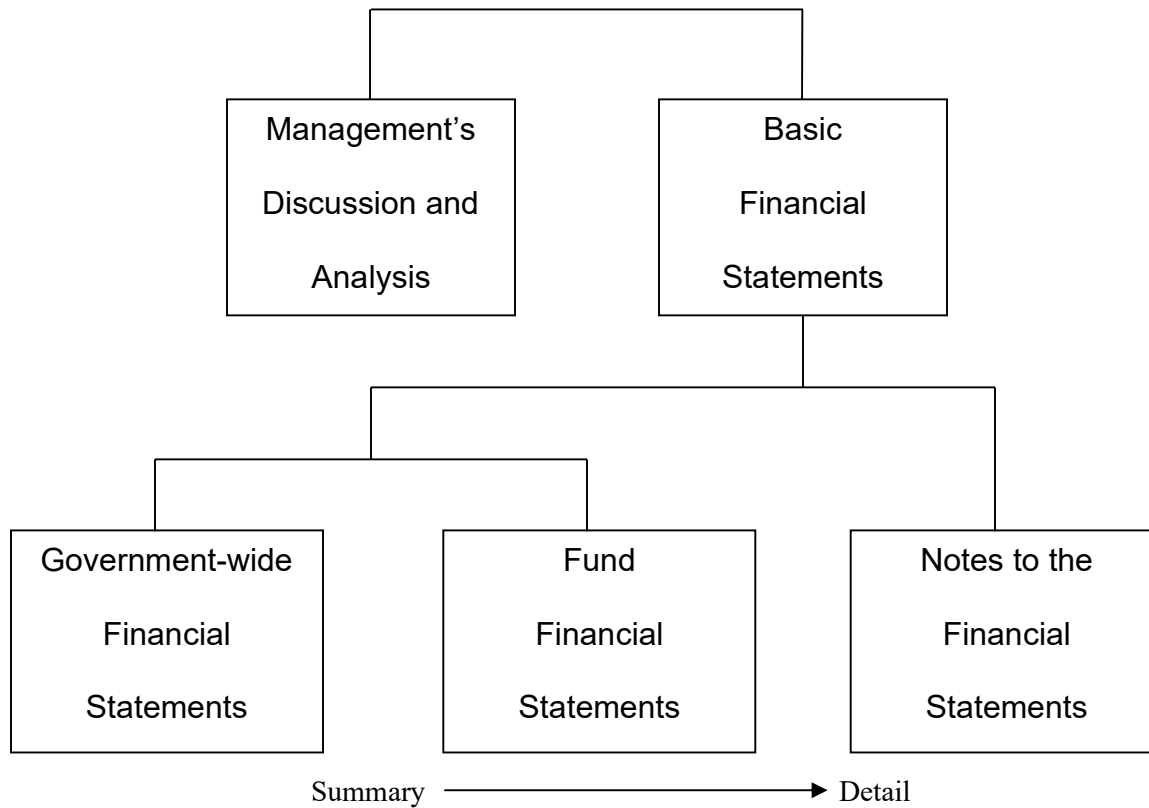
Financial Highlights

- The assets and deferred outflows of resources of the Town of Forest City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$74,611,818 (*net position*).
- The government's total net position increased by \$1,471,013, consisting of an increase in the governmental activities net position of \$1,775,199 and a decrease in the business-type activities net position of \$304,186.
- As of the close of the current fiscal year, the Town of Forest City's general fund reported ending fund balance of \$10,848,192 with a net increase of \$1,923,224 in fund balance. Approximately 25% of this total amount, or \$2,769,489, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$7,970,389, or 44% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$10,848,192 or 60% of net General Fund expenditures.
- The Town of Forest City's long-term installment and revolving loan obligations decreased by \$280,099 or 16% during the current fiscal year due to scheduled principal payments made on new and existing debt.

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 12,562,858	\$ 11,017,092	\$ 18,350,945	\$ 18,958,854	\$ 30,913,803	\$ 29,975,946
Capital assets	21,525,052	21,618,050	41,654,296	42,064,021	63,179,348	63,682,071
Deferred outflows of resources	4,744,480	4,266,252	1,894,633	1,672,058	6,639,113	5,938,310
Total assets and deferred outflows of resources	38,832,390	36,901,394	61,899,874	62,694,933	100,732,264	99,596,327
Current liabilities	1,026,630	1,272,450	940,401	1,261,837	1,967,031	2,534,287
Long-term liabilities	14,453,175	13,072,831	5,912,948	5,556,952	20,366,123	18,629,783
Deferred inflows of resources	2,492,029	3,470,756	1,295,263	1,820,696	3,787,292	5,291,452
Total liabilities and deferred inflows of resources	17,971,834	17,816,037	8,148,612	8,639,485	26,120,446	26,455,522
Net position:						
Net investment in capital assets	20,896,662	20,893,404	40,856,514	41,082,396	61,753,176	61,975,800
Restricted	2,769,489	2,304,656	-	-	2,769,489	2,304,656
Unrestricted (deficit)	(2,805,595)	(4,112,703)	12,894,748	12,973,052	10,089,153	8,860,349
Total net position	\$ 20,860,556	\$ 19,085,357	\$ 53,751,262	\$ 54,055,448	\$ 74,611,818	\$ 73,140,805

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 \$74,611,818 as of June 30, 2024. The Town's net position decreased by \$1,471,013 for the fiscal year ended June 30, 2024. However, the largest portion of net position (83%) 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, \$2,769,489 represents resources that are subject to external restrictions on how they may be used. This leaves unrestricted net position of 10,089,153.

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 98.80%.
- Continued efforts of all departments to minimize costs and efficiently serve citizens.
- Sales taxes continued to exceed projections. Excise taxes also remained strong.

Town of Forest City’s Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 2,219,213	\$ 1,980,385	\$ 16,684,788	\$ 16,483,937	\$ 18,904,001	\$ 18,464,322
Operating grants and contributions	89,516	2,360,762	-	-	89,516	2,360,762
Capital grants and contributions	576,516	1,063,223	-	-	576,516	1,063,223
General revenues:						
Property taxes	10,310,638	9,054,918	-	-	10,310,638	9,054,918
Other taxes	3,629,558	2,232,532	-	-	3,629,558	2,232,532
Grants and other contributions, not restricted to specific programs	2,537,703	1,960,995	-	-	2,537,703	1,960,995
Other	874,896	540,315	390,579	266,582	1,265,475	806,897
Total revenues	20,238,040	19,193,130	17,075,367	16,750,519	37,313,407	35,943,649
Expenses:						
General government	6,522,874	1,618,886	-	-	6,522,874	1,618,886
Public safety	6,078,595	5,483,128	-	-	6,078,595	5,483,128
Transportation	1,826,450	1,884,217	-	-	1,826,450	1,884,217
Environmental protection	1,619,663	1,385,292	-	-	1,619,663	1,385,292
Cultural and recreation	2,395,838	2,326,020	-	-	2,395,838	2,326,020
Interest on long-term debt	19,421	35,325	-	-	19,421	35,325
Water and sewer	-	-	7,355,663	6,535,921	7,355,663	6,535,921
Electric	-	-	10,023,890	9,290,734	10,023,890	9,290,734
Total expenses	18,462,841	12,732,868	17,379,553	15,826,655	35,842,394	28,559,523
Increase (decrease) in net position	1,775,199	6,463,262	(304,186)	923,864	1,471,013	7,387,126
Net position, beginning of year	19,085,357	12,622,095	54,055,448	53,131,584	73,140,805	65,753,679
Net position, end of year	\$ 20,860,556	\$ 19,085,357	\$ 53,751,262	\$ 54,055,448	\$ 74,611,818	\$ 73,140,805

Governmental activities. Governmental activities increased the Town’s net position by \$1,471,013. This increase is largely due to property tax and sales tax revenues.

Business-type activities. Business-type activities decreased the Town of Forest City’s net position by \$304,186. This decrease is due to higher operational costs and nationwide inflation.

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 \$7,970,421, while total fund balance was \$10,848,191. The Town currently has an available fund balance of 44% of net General Fund expenditures, and total fund balance represents 60% 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.

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 \$8,702,656 and the total change in net position for the Water and Sewer Fund was a decrease of \$1,458,522. Unrestricted net position of the Electric Fund was \$4,192,092 and the total change in net position for the Electric Fund was an increase \$1,154,336.

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, 2024, totals \$63,179,348 (net of accumulated depreciation/amortization). 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.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 7,711,764	\$ 7,711,764	\$ 299,705	\$ 299,705	\$ 8,011,469	\$ 8,011,469
Construction in progress	107,283	38,875	-	602,557	107,283	641,432
Buildings	16,421,181	16,340,894	-	-	16,421,181	16,340,894
Infrastructure	2,433,994	2,433,994	75,190,344	74,630,987	77,624,338	77,064,981
Equipment	5,733,932	5,759,923	14,081,189	12,656,747	19,815,121	18,416,670
Vehicles	5,646,999	5,301,294	-	-	5,646,999	5,301,294
Right to use assets	590,999	-	64,009	-	655,008	-
	<u>38,646,152</u>	<u>37,586,744</u>	<u>89,635,247</u>	<u>88,189,996</u>	<u>128,281,399</u>	<u>125,776,740</u>
Accumulated depreciation/amortization	<u>(17,121,100)</u>	<u>(15,968,694)</u>	<u>(47,980,951)</u>	<u>(46,125,975)</u>	<u>(65,102,051)</u>	<u>(62,094,669)</u>
Capital assets, net	<u>\$ 21,525,052</u>	<u>\$ 21,618,050</u>	<u>\$ 41,654,296</u>	<u>\$ 42,064,021</u>	<u>\$ 63,179,348</u>	<u>\$ 63,682,071</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, 2024, the Town of Forest City had total installment debt outstanding of \$1,184,140 which is secured with the assets purchased with these funds, and a state revolving loan of \$242,032.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Direct placement installment loans	\$ 628,390	\$ 724,646	\$ 555,750	\$ 715,390	\$ 1,184,140	\$ 1,440,036
Direct placement revolving loan	-	-	242,032	266,235	242,032	266,235
	<u>\$ 628,390</u>	<u>\$ 724,646</u>	<u>\$ 797,782</u>	<u>\$ 981,625</u>	<u>\$ 1,426,172</u>	<u>\$ 1,706,271</u>

The Town of Forest City's total long-term debt decreased by \$280,099, or 16%, during the past fiscal year due scheduled principal payments made against existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Forest City is approximately \$138,000,000.

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 continues to gain economic momentum despite higher inflation and all indications are that this trajectory will continue in the future. New construction and investments inside the Town have continued. 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.

The recent increase in property values yielded an increase in General Fund revenue due to growth in the Town's tax base assessment. As growth in the General Fund revenues continues, transfers from the Enterprise Funds have been decreased and it is anticipated that the FY25 budget will not require transfers to cover operational costs. A reliance on appropriations from fund balance remains for now.

The Enterprise Funds need 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 indicated the need for an increase in rates for the water and sewer system to ensure that revenues continue to cover the increasing costs of water production and distribution. However, 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, 2024

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,834,144	\$ 9,922,059	\$ 23,756,203	\$ 317,280
Taxes receivable, net	114,706	-	114,706	-
Lease receivable	44,968	328,943	373,911	-
Accrued interest receivable	9,100	1,975	11,075	-
Accounts receivable, net	198,615	2,381,253	2,579,868	-
Due from other governments	1,973,836	-	1,973,836	-
Prepaid expenses	67,982	29,660	97,642	22,272
Inventories	34,334	-	34,334	436,670
Restricted cash and cash equivalents	1,551,717	420,511	1,972,228	-
Total current assets	<u>17,829,402</u>	<u>13,084,401</u>	<u>30,913,803</u>	<u>776,222</u>
Noncurrent assets:				
Internal balances	(5,266,544)	5,266,544	-	-
Capital assets:				
Right to use leased asset, net	419,850	49,966	469,816	-
Land and construction in progress	7,819,048	299,705	8,118,753	50,000
Other capital assets, net	13,286,154	41,304,625	54,590,779	154,817
Total capital assets	<u>21,525,052</u>	<u>41,654,296</u>	<u>63,179,348</u>	<u>204,817</u>
Total assets	<u>34,087,910</u>	<u>60,005,241</u>	<u>94,093,151</u>	<u>981,039</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	2,956,786	1,121,895	4,078,681	101,164
OPEB deferrals	<u>1,787,694</u>	<u>772,738</u>	<u>2,560,432</u>	<u>-</u>
Total deferred outflows of resources	<u>4,744,480</u>	<u>1,894,633</u>	<u>6,639,113</u>	<u>101,164</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	602,342	242,235	844,577	289,821
Current portion of long-term liabilities	424,288	277,655	701,943	-
Payable from restricted assets:				
Customer deposits	-	420,511	420,511	-
Total current liabilities	<u>1,026,630</u>	<u>940,401</u>	<u>1,967,031</u>	<u>289,821</u>
Long-term liabilities:				
Net pension liability - LGERS	4,504,168	1,905,854	6,410,022	131,866
Total pension liability - LEOSSA	1,387,344	-	1,387,344	-
Net OPEB liability	7,483,805	3,234,906	10,718,711	-
Due in more than one year	<u>1,077,858</u>	<u>772,188</u>	<u>1,850,046</u>	<u>-</u>
Total long-term liabilities	<u>14,453,175</u>	<u>5,912,948</u>	<u>20,366,123</u>	<u>131,866</u>
Total liabilities	<u>15,479,805</u>	<u>6,853,349</u>	<u>22,333,154</u>	<u>421,687</u>

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

Statement of Net Position
June 30, 2024

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	6,831	-	6,831	-
Leases	38,970	343,571	382,541	-
Pension deferrals	363,284	51,329	414,613	6,113
OPEB deferrals	<u>2,082,944</u>	<u>900,363</u>	<u>2,983,307</u>	-
Total deferred inflows of resources	<u>2,492,029</u>	<u>1,295,263</u>	<u>3,787,292</u>	<u>6,113</u>
NET POSITION				
Net investment in capital assets	20,896,662	40,856,514	61,753,176	204,817
Restricted for:				
Stabilization by State statute	2,172,451	-	2,172,451	-
Streets	597,038	-	597,038	-
Working capital	-	-	-	125,986
Unrestricted (deficit)	<u>(2,805,595)</u>	<u>12,894,748</u>	<u>10,089,153</u>	<u>323,600</u>
Total net position	<u>\$ 20,860,556</u>	<u>\$ 53,751,262</u>	<u>\$ 74,611,818</u>	<u>\$ 654,403</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, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Forest City ABC Board
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 6,522,874	\$ 204,796	\$ -	\$ -	\$ (6,318,078)	\$ -	\$ (6,318,078)	\$ -
Public safety	6,078,595	-	83,794	-	(5,994,801)	-	(5,994,801)	-
Transportation	1,826,450	6,210	-	279,216	(1,541,024)	-	(1,541,024)	-
Environmental protection	1,619,663	1,542,686	5,722	-	(71,255)	-	(71,255)	-
Cultural and recreation	2,395,838	465,521	-	297,300	(1,633,017)	-	(1,633,017)	-
Interest on long-term debt	19,421	-	-	-	(19,421)	-	(19,421)	-
Total governmental activities	<u>18,462,841</u>	<u>2,219,213</u>	<u>89,516</u>	<u>576,516</u>	<u>(15,577,596)</u>	<u>-</u>	<u>(15,577,596)</u>	<u>-</u>
Business-type activities:								
Water and sewer fund	7,355,663	5,637,660	-	-	-	(1,718,003)	(1,718,003)	-
Electric fund	10,023,890	11,047,128	-	-	-	1,023,238	1,023,238	-
Total business-type activities	<u>17,379,553</u>	<u>16,684,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(694,765)</u>	<u>(694,765)</u>	<u>-</u>
Total primary government	<u>\$ 35,842,394</u>	<u>\$ 18,904,001</u>	<u>\$ 89,516</u>	<u>\$ 576,516</u>	<u>(15,577,596)</u>	<u>(694,765)</u>	<u>(16,272,361)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 3,326,102</u>	<u>\$ 3,287,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,961)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					10,310,638	-	10,310,638	-
Other taxes					3,629,558	-	3,629,558	-
Grants and contributions not restricted to specific programs					2,537,703	-	2,537,703	-
Unrestricted investment earnings					659,078	303,336	962,414	713
Gain on sale of fixed assets					39,882	63,243	103,125	-
Miscellaneous					175,936	24,000	199,936	21
Total general revenues					<u>17,352,795</u>	<u>390,579</u>	<u>17,743,374</u>	<u>734</u>
Changes in net position					1,775,199	(304,186)	1,471,013	(38,227)
Net position, beginning of year					<u>19,085,357</u>	<u>54,055,448</u>	<u>73,140,805</u>	<u>692,630</u>
Net position, end of year					<u>\$ 20,860,556</u>	<u>\$ 53,751,262</u>	<u>\$ 74,611,818</u>	<u>\$ 654,403</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2024

	Major Fund	Non-Major Fund	Total Governmental Funds
	General Fund	General Capital Project Fund	
ASSETS			
Cash and cash equivalents	\$ 13,834,144	\$ -	\$ 13,834,144
Restricted cash and cash equivalents	597,038	954,679	1,551,717
Taxes receivable, net	114,706	-	114,706
Accounts receivable, net	198,615	-	198,615
Due from other governments	1,973,836	-	1,973,836
Lease receivable	44,968	-	44,968
Prepaid expenses	67,982	-	67,982
Inventories	34,334	-	34,334
Total assets	<u>\$ 16,865,623</u>	<u>\$ 954,679</u>	<u>\$ 17,820,302</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 590,380	\$ 11,962	\$ 602,342
Advance from the water and sewer fund	5,266,544	-	5,266,544
Total liabilities	<u>5,856,924</u>	<u>11,962</u>	<u>5,868,886</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable, net	114,706	-	114,706
Prepaid taxes	6,831	-	6,831
Leases	38,970	-	38,970
Total deferred inflows of resources	<u>160,507</u>	<u>-</u>	<u>160,507</u>
FUND BALANCES			
Non-spendable			
Prepaid expenses	67,982	-	67,982
Leases	5,998	-	5,998
Inventory	34,334	-	34,334
Restricted for:			
Stabilization by State statute	2,172,451	-	2,172,451
Streets	597,038	-	597,038
Capital projects	-	942,717	942,717
Unassigned	7,970,389	-	7,970,389
Total fund balances	<u>10,848,192</u>	<u>942,717</u>	<u>11,790,909</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 16,865,623</u>	<u>\$ 954,679</u>	<u>\$ 17,820,302</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2024

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

Fund balances of governmental funds	\$ 11,790,909
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	21,105,202
Right of use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	419,850
Deferred outflows of resources related to pensions are not reported in the funds.	2,956,786
Deferred outflows of resources related to OPEB are not reported in the funds.	1,787,694
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	9,100
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	114,706
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Notes payable	(628,390)
Lease liabilities	(426,901)
Net OPEB liability	(7,483,805)
Total pension liability - LEOSSA	(1,387,344)
Net pension liability - LGERS	(4,504,168)
Compensated absences	(446,855)
Deferred inflows of resources related to pensions are not reported in the funds.	(363,284)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(2,082,944)</u>
Net position of governmental activities	<u>\$ 20,860,556</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, 2024

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Project Fund</u>	
REVENUES			
Ad valorem taxes	\$ 10,249,449	\$ -	\$ 10,249,449
Other taxes and licenses	3,629,558	-	3,629,558
Unrestricted intergovernmental	2,537,703	-	2,537,703
Restricted intergovernmental	377,732	-	377,732
Permits and fees	192,998	-	192,998
Sales and services	2,010,015	-	2,010,015
Investment earnings	659,078	-	659,078
Miscellaneous	230,436	250,000	480,436
Total revenues	<u>19,886,969</u>	<u>250,000</u>	<u>20,136,969</u>
EXPENDITURES			
Current:			
General government	6,464,436	-	6,464,436
Public safety	6,017,347	-	6,017,347
Transportation	1,930,812	-	1,930,812
Environmental protection	1,651,257	-	1,651,257
Cultural and recreation	1,949,918	68,408	2,018,326
Debt service:			
Principal	211,579	-	211,579
Interest	19,421	-	19,421
Total expenditures	<u>18,244,770</u>	<u>68,408</u>	<u>18,313,178</u>
Revenues over expenditures	<u>1,642,199</u>	<u>181,592</u>	<u>1,823,791</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	39,882	-	39,882
Lease liabilities issued	241,143	-	241,143
Total other financing sources (uses)	<u>281,025</u>	<u>-</u>	<u>281,025</u>
Net change in fund balances	1,923,224	181,592	2,104,816
Fund balance, beginning of year	<u>8,924,968</u>	<u>761,125</u>	<u>9,686,093</u>
Fund balances, end of year	<u>\$ 10,848,192</u>	<u>\$ 942,717</u>	<u>\$ 11,790,909</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 4

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2024

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

Net changes in fund balances - total governmental funds	\$	2,104,816
<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/amortization expense. This is the amount by which capital outlays was more than depreciation/amortization in the current period.</p>		
Capital outlay	\$ 876,004	
Depreciation and amortization expense	<u>(1,261,180)</u>	(385,176)
<p>Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.</p>		
		744,615
<p>Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.</p>		
		34,928
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.</p>		
		411,104
<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>		
Change in accrued interest receivable on taxes	3,100	
Change in unavailable tax and sanitation revenues	<u>58,089</u>	61,189
<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		(241,143)
Principal payments on long-term debt		211,579
<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	157,505	
Pension expense - LGERS	(1,222,944)	
Pension expense - LEO	(112,958)	
OPEB benefit	<u>11,684</u>	<u>(1,166,713)</u>
Total changes in net position of governmental activities	\$	<u><u>1,775,199</u></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, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 11,233,856	\$ 11,233,856	\$ 10,249,449	\$ (984,407)
Other taxes	2,111,444	2,111,444	3,629,558	1,518,114
Unrestricted intergovernmental	1,900,243	1,900,243	2,537,703	637,460
Restricted intergovernmental	280,900	305,400	377,732	72,332
Permits and fees	200,000	200,000	192,998	(7,002)
Sales and services	1,945,100	1,980,100	2,010,015	29,915
Investment earnings	95,000	95,000	659,078	564,078
Miscellaneous	159,960	218,781	230,436	11,655
Total revenues	<u>17,926,503</u>	<u>18,044,824</u>	<u>19,886,969</u>	<u>1,842,145</u>
Expenditures:				
Current:				
General government	7,018,902	7,018,902	6,464,436	554,466
Public safety	5,759,473	6,109,059	6,017,347	91,712
Transportation	2,523,739	2,523,739	1,930,812	592,927
Environmental protection	1,656,700	1,691,700	1,651,257	40,443
Cultural and recreation	2,244,506	2,282,806	1,949,918	332,888
Debt service:				
Principal retirement	217,200	217,200	211,579	5,621
Interest and other charges	19,430	19,430	19,421	9
Total expenditures	<u>19,439,950</u>	<u>19,862,836</u>	<u>18,244,770</u>	<u>1,618,066</u>
Revenues over (under) expenditures	<u>(1,513,447)</u>	<u>(1,818,012)</u>	<u>1,642,199</u>	<u>3,460,211</u>
Other financing sources:				
Appropriated fund balance	1,051,124	1,113,689	-	(1,113,689)
Lease liabilities issued	-	242,000	241,143	(857)
Sale of capital assets	-	-	39,882	39,882
Transfer from electric fund	462,323	462,323	-	(462,323)
Total other financing sources	<u>1,513,447</u>	<u>1,818,012</u>	<u>281,025</u>	<u>(1,536,987)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,923,224	<u>\$ 1,923,224</u>
Fund balance, beginning of year			8,924,968	
Fund balance, end of year			<u>\$ 10,848,192</u>	

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

PROPRIETARY FUNDS
Statements of Fund Net Position
June 30, 2024

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,038,153	\$ 3,883,906	\$ 9,922,059
Accounts receivable			
Billed - net	407,411	894,570	1,301,981
Unbilled	284,582	794,690	1,079,272
Lease receivable	328,943	-	328,943
Accrued interest receivable	1,975	-	1,975
Prepaid expenses	20,059	9,601	29,660
Due from General Fund	292,586	-	292,586
Restricted cash and cash equivalents	126,771	293,740	420,511
Total current assets	<u>7,500,480</u>	<u>5,876,507</u>	<u>13,376,987</u>
Noncurrent assets:			
Capital assets:			
Land	183,990	115,715	299,705
Depreciable capital assets, net	37,419,688	3,884,937	41,304,625
Right to use leased asset, net	10,437	39,529	49,966
Total capital assets	<u>37,614,115</u>	<u>4,040,181</u>	<u>41,654,296</u>
Advance to the general fund	4,973,958	-	4,973,958
Total noncurrent assets	<u>42,588,073</u>	<u>4,040,181</u>	<u>46,628,254</u>
Total assets	<u>50,088,553</u>	<u>9,916,688</u>	<u>60,005,241</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	818,656	303,239	1,121,895
OPEB deferrals	558,174	214,564	772,738
Total deferred outflows of resources	<u>1,376,830</u>	<u>517,803</u>	<u>1,894,633</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	116,897	125,338	242,235
Compensated absences, current	40,000	35,000	75,000
Current portion of lease liabilities	2,950	10,645	13,595
Current portion of long-term debt	189,060	-	189,060
Payable from restricted assets:			
Customer deposits	126,771	293,740	420,511
Total current liabilities	<u>475,678</u>	<u>464,723</u>	<u>940,401</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	95,474	30,740	126,214
Net OPEB liability	2,336,678	898,228	3,234,906
Net pension liability - LGERS	1,390,717	515,137	1,905,854
Lease liability, net of current portion	7,737	29,515	37,252
Long-term debt, net of current portion	608,722	-	608,722
Total noncurrent liabilities	<u>4,439,328</u>	<u>1,473,620</u>	<u>5,912,948</u>
Total liabilities	<u>4,915,006</u>	<u>1,938,343</u>	<u>6,853,349</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	37,455	13,874	51,329
OPEB deferrals	650,362	250,001	900,363
Lease	343,571	-	343,571
Total deferred inflows of resources	<u>1,031,388</u>	<u>263,875</u>	<u>1,295,263</u>
NET POSITION			
Net investment in capital assets	36,816,333	4,040,181	40,856,514
Unrestricted	8,702,656	4,192,092	12,894,748
Total net position	<u>\$ 45,518,989</u>	<u>\$ 8,232,273</u>	<u>\$ 53,751,262</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, 2024

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,539,805	\$ 10,730,163	\$ 16,269,968
Late payment fees	-	243,289	243,289
Connection fees	73,597	35,252	108,849
Other operating revenue	24,258	38,424	62,682
Total operating revenues	<u>5,637,660</u>	<u>11,047,128</u>	<u>16,684,788</u>
OPERATING EXPENSES			
Administration	1,257,771	1,104,815	2,362,586
Operations	1,243,532	2,195,022	3,438,554
Water plant	1,038,624	-	1,038,624
Waste treatment	1,392,867	-	1,392,867
Pump station and storage	813,269	-	813,269
Electric power	-	6,353,297	6,353,297
Depreciation and amortization	1,588,030	366,900	1,954,930
Total operating expenses	<u>7,334,093</u>	<u>10,020,034</u>	<u>17,354,127</u>
Operating income (loss)	<u>(1,696,433)</u>	<u>1,027,094</u>	<u>(669,339)</u>
NONOPERATING REVENUE (EXPENSE)			
Interest income	226,673	76,663	303,336
Lease revenue	24,000	-	24,000
Gain on sale of capital assets	8,808	54,435	63,243
Interest expense	(21,570)	(3,856)	(25,426)
Total nonoperating revenue (expense)	<u>237,911</u>	<u>127,242</u>	<u>365,153</u>
Change in net position	(1,458,522)	1,154,336	(304,186)
Net position, beginning of year	<u>46,977,511</u>	<u>7,077,937</u>	<u>54,055,448</u>
Net position, end of year	<u>\$ 45,518,989</u>	<u>\$ 8,232,273</u>	<u>\$ 53,751,262</u>

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

PROPRIETARY FUNDS
Statements of Cash Flows
For the year ended June 30, 2024

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 5,719,881	\$ 10,871,096	\$ 16,590,977
Cash paid for goods and services	(3,225,035)	(8,433,856)	(11,658,891)
Cash paid to employees	(2,745,444)	(1,408,947)	(4,154,391)
Net cash provided (used) by operating activities	<u>(250,598)</u>	<u>1,028,293</u>	<u>777,695</u>
Cash flows from noncapital financing activities:			
Payments received on advance to the general fund	<u>292,585</u>	<u>-</u>	<u>292,585</u>
Cash flows from capital and related financing activities:			
Cash received from sale of capital assets	9,028	69,827	78,855
Cash received from cell tower lease agreement	24,000	-	24,000
Acquisition and construction of capital assets	(1,191,803)	(310,128)	(1,501,931)
Principal paid on leases and installment obligations	(186,286)	(7,698)	(193,984)
Interest paid on long-term debt	(21,570)	(3,856)	(25,426)
Net cash used by capital and related financing activities	<u>(1,366,631)</u>	<u>(251,855)</u>	<u>(1,618,486)</u>
Cash flows from investing activities:			
Interest on investments	<u>226,673</u>	<u>76,662</u>	<u>303,335</u>
Net increase (decrease) in cash and cash equivalents	(1,097,971)	853,100	(244,871)
Cash and cash equivalents, beginning of year	<u>7,262,895</u>	<u>3,324,546</u>	<u>10,587,441</u>
Cash and cash equivalents, end of year	<u>\$ 6,164,924</u>	<u>\$ 4,177,646</u>	<u>\$ 10,342,570</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,696,433)	\$ 1,027,094	\$ (669,339)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,585,730	360,280	1,946,010
Amortization	2,300	6,620	8,920
Lease adjustment	47,954	-	47,954
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	30,699	(184,322)	(153,623)
(Increase) decrease in other prepaid items	4,737	-	4,737
(Increase) decrease in deferred outflows of resources for pensions	(28,730)	(10,642)	(39,372)
(Increase) decrease in deferred outflows of resources for OPEB	(132,334)	(50,869)	(183,203)
Increase (decrease) in accounts payable and accrued liabilities	(207,928)	(162,082)	(370,010)
Increase (decrease) in customer deposits	3,568	8,292	11,860
Increase (decrease) in compensated absences	(36,907)	(31,551)	(68,458)
Increase (decrease) in total OPEB liability	313,016	120,324	433,340
Increase (decrease) in net pension liability - LGERS	161,858	59,954	221,812
Increase (decrease) in deferred inflows of resources - pensions	14,562	5,394	19,956
Increase (decrease) in deferred inflows of resources - OPEB	(312,690)	(120,199)	(432,889)
Total adjustments	<u>1,445,835</u>	<u>1,199</u>	<u>1,447,034</u>
Net cash provided (used) by operating activities	<u>\$ (250,598)</u>	<u>\$ 1,028,293</u>	<u>\$ 777,695</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, 2024

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 fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, 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.

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. A project ordinance is adopted for the Capital Projects 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	\$ 597,038
Capital Project Fund:	
Unspent grant funds	954,679
Total Governmental Activities	<u>\$ 1,551,717</u>
Business-type Activities	
Water and Sewer Fund:	
Customer deposits	\$ 126,771
Electric Fund:	
Customer deposits	293,740
Total Business-type Activities	<u>\$ 420,511</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, 2023. 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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) in accordance with the requirements of GASB 87.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

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. 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.

10. 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.

11. 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, 2024 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.

12. 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.

13. 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.

Leases – Portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource..

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.

14. 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.

15. 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, 2024, the Town's deposits had a carrying amount of \$5,824,203 and a bank balance of \$6,043,711. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2024, the Town's petty cash fund totaled \$3,600.

The carrying amount of the deposits of the ABC Board was \$313,673 and the bank balance was \$415,495. 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, 2024, the ABC Board's petty cash fund totaled \$3,607.

Reconciliation of cash and cash equivalents:

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 5,824,204	Cash and cash equivalents	\$ 23,756,203
Petty cash on hand	3,600	Restricted cash	<u>1,972,228</u>
Investments	<u>19,900,627</u>		<u>\$ 25,728,431</u>
	<u>\$ 25,728,431</u>		

2. Investments

At June 30, 2024, the Town’s investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement</u>		<u>Book Value</u>	<u>Maturity</u>	<u>Rating</u>
	<u>Method</u>				
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$	19,900,627	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, 2024.

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, 2024 are net of the following allowances for doubtful accounts:

Government Activities	
Taxes receivable	<u>\$ 49,000</u>
Business-type Activities	
Electric accounts receivable	\$ 5,800
Water and sewer accounts receivable	<u>1,700</u>
Total	<u>\$ 7,500</u>

4. Due From Other Governments

Due from other governments consisted of the following at June 30, 2024:

Due from Other Governments	
Local option sales tax	\$ 1,201,728
Utility franchise tax	331,836
ABC Distribution	127,578
Sales tax refund	246,627
Property taxes unremitted	63,492
Other	<u>2,575</u>
Total	<u>\$ 1,973,836</u>

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 3.014%, which is management’s estimate of the rate they would charge on comparable note receivable. In fiscal year 2024, the Town recognized \$19,727 of lease revenue and \$4,273 of interest revenue in the Water and Sewer Fund.

In September 2023, the Town entered into a lease with the Forest City Owls baseball team for the team’s use of McNair Municipal Park during baseball season. The lease term extends for 3 full baseball seasons beginning with the 2024 season. Under the lease, the Owls are required to make 5 monthly payments of \$3,400 each. This monthly amount increases to \$3,800 and \$4,200 in the second and third year of the lease, respectively. 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 3.014%, which is management’s estimate of the rate they would charge on comparable note receivable. In fiscal year 2024, the Town recognized \$14,988 of lease revenue and \$1,212 of interest revenue in the General Fund.

6. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2024 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 7,711,764	\$ -	\$ -	\$ 7,711,764
Construction in progress	<u>38,875</u>	<u>68,408</u>	<u>-</u>	<u>107,283</u>
Total non-depreciable capital assets	<u>7,750,639</u>	<u>68,408</u>	<u>-</u>	<u>7,819,047</u>
Depreciable Capital Assets:				
Buildings	16,340,894	80,287	-	16,421,181
Equipment	5,759,923	17,961	43,952	5,733,932
Infrastructure	2,433,994	-	-	2,433,994
Vehicles	<u>5,301,294</u>	<u>468,205</u>	<u>122,500</u>	<u>5,646,999</u>
Total depreciable capital assets	<u>29,836,105</u>	<u>566,453</u>	<u>166,452</u>	<u>30,236,106</u>
Less Accumulated Depreciation:				
Buildings	7,407,023	503,421	-	7,910,444
Equipment	4,111,094	284,409	43,952	4,351,551
Infrastructure	519,929	26,902	-	546,831
Vehicles	<u>3,930,648</u>	<u>332,977</u>	<u>122,500</u>	<u>4,141,125</u>
Total accumulated depreciation	<u>15,968,694</u>	<u>1,147,709</u>	<u>166,452</u>	<u>16,949,951</u>
Depreciable capital assets, net	<u>13,867,411</u>			<u>13,286,155</u>
Capital assets being amortized				
Right-to-use lease asset (vehicles)	<u>349,856</u>	<u>241,143</u>	<u>-</u>	<u>590,999</u>
Less Accumulated Amortization:				
Right-to-use lease asset (vehicles)	<u>57,678</u>	<u>113,471</u>	<u>-</u>	<u>171,149</u>
Total capital assets being amortized, net	<u>292,178</u>			<u>419,850</u>
Governmental capital assets, net	<u>\$ 21,910,228</u>			<u>\$ 21,525,052</u>

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

Governmental Activities:	
General government	\$ 73,478
Public safety	362,842
Transportation	218,799
Environmental protection	6,120
Culture and recreation	<u>486,470</u>
Total depreciation expense	<u>\$ 1,147,709</u>
Public safety	\$ 68,082
Transportation	<u>45,389</u>
Total amortization expense	<u>\$ 113,471</u>

Capital asset activity for business-type activities for the year ended June 30, 2024 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 Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 183,990	\$ -	\$ -	\$ 183,990
Construction in progress	<u>602,557</u>	<u>245,988</u>	<u>848,545</u>	<u>-</u>
Total non-depreciable capital assets	<u>786,547</u>	<u>245,988</u>	<u>848,545</u>	<u>183,990</u>
Depreciable Capital Assets:				
Equipment	9,220,756	1,280,974	-	10,501,730
Plant & water lines	<u>62,699,693</u>	<u>513,386</u>	<u>9,580</u>	<u>63,203,499</u>
Total depreciable capital assets	<u>71,920,449</u>	<u>1,794,360</u>	<u>9,580</u>	<u>73,705,229</u>
Less Accumulated Depreciation:				
Equipment	8,482,638	1,270,657	-	9,753,295
Plant & water lines	<u>26,226,533</u>	<u>315,073</u>	<u>9,360</u>	<u>26,532,246</u>
Total accumulated depreciation	<u>34,709,171</u>	<u>1,585,730</u>	<u>9,360</u>	<u>36,285,541</u>
Depreciable capital assets, net	<u>37,211,278</u>			<u>37,419,688</u>
Capital assets being amortized				
Right-to-use lease asset (vehicles)	<u>14,419</u>	<u>-</u>	<u>-</u>	<u>14,419</u>
Less Accumulated Amortization:				
Right-to-use lease asset (vehicles)	<u>1,682</u>	<u>2,300</u>	<u>-</u>	<u>3,982</u>
Total capital assets being amortized, net	<u>12,737</u>			<u>10,437</u>
Water and Sewer Fund capital assets, net	<u>\$ 38,010,562</u>			<u>\$ 37,614,115</u>

Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 115,715	\$ -	\$ -	\$ 115,715
Total non-depreciable capital assets	<u>115,715</u>	<u>-</u>	<u>-</u>	<u>115,715</u>
Depreciable Capital Assets:				
Equipment	3,435,991	143,468	-	3,579,459
Plant & lines	<u>11,931,294</u>	<u>166,660</u>	<u>111,109</u>	<u>11,986,845</u>
Total depreciable capital assets	<u>15,367,285</u>	<u>310,128</u>	<u>111,109</u>	<u>15,566,304</u>
Less Accumulated Depreciation:				
Equipment	2,181,960	253,992	-	2,435,952
Plant & lines	<u>9,234,844</u>	<u>106,288</u>	<u>95,717</u>	<u>9,245,415</u>
Total accumulated depreciation	<u>11,416,804</u>	<u>360,280</u>	<u>95,717</u>	<u>11,681,367</u>
Depreciable capital assets, net	<u>3,950,481</u>			<u>3,884,937</u>
Capital assets being amortized				
Right-to-use lease asset (vehicles)	<u>49,590</u>	<u>-</u>	<u>-</u>	<u>49,590</u>
Less Accumulated Amortization:				
Right-to-use lease asset (vehicles)	<u>3,441</u>	<u>6,620</u>	<u>-</u>	<u>10,061</u>
Total capital assets being amortized, net	<u>46,149</u>			<u>39,529</u>
Electric Fund capital assets, net	<u>\$ 4,112,345</u>			<u>\$ 4,040,181</u>

Construction Commitments

The Town had no construction commitments at June 30, 2024.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable Capital Assets:				
Buildings	326,017	-	-	326,017
Furniture and equipment	<u>176,507</u>	<u>7,591</u>	<u>47,513</u>	<u>136,585</u>
Total depreciable capital assets	<u>502,524</u>	<u>7,591</u>	<u>47,513</u>	<u>462,602</u>
Less Accumulated Depreciation:				
Buildings	206,178	11,871	-	218,049
Furniture and equipment	<u>122,334</u>	<u>14,915</u>	<u>47,513</u>	<u>89,736</u>
Total accumulated depreciation	<u>328,512</u>	<u>26,786</u>	<u>47,513</u>	<u>307,785</u>
Depreciable capital assets, net	<u>174,012</u>			<u>154,817</u>
ABC capital assets, net	<u>\$ 224,012</u>			<u>\$ 204,817</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2024 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	\$ 195,718	\$ 382,700	\$ 590,380
Capital project fund	11,962	-	11,962
Total governmental activities	<u>\$ 207,680</u>	<u>\$ 382,700</u>	<u>\$ 602,342</u>
Business-type Activities:			
Water and Sewer Fund	\$ 77,451	\$ 39,446	\$ 116,897
Electric Fund	106,412	18,926	125,338
Total business-type activities	<u>\$ 183,863</u>	<u>\$ 58,372</u>	<u>\$ 242,235</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, 2024, was 14.1% of compensation for law enforcement officers and 12.85% 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 \$1,059,685 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$6,410,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town's proportion was 0.09678% (measured as of June 30, 2023), which was a decrease of 0.00362% from its proportion as of June 30, 2023 (measured as of June 30, 2022). For the year ended June 30, 2024, the Town recognized pension expense of \$1,740,409.

At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 714,266	\$ 15,377
Changes of assumptions	272,389	-
Net difference between projected and actual earnings on pension plan investments	1,715,603	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,366	157,261
Town contributions subsequent to the measurement date	<u>1,059,685</u>	<u>-</u>
Total	<u>\$ 3,773,309</u>	<u>\$ 172,638</u>

\$1,059,685 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 920,012
2026	440,635
2027	1,107,795
2028	72,544
Thereafter	<u>-</u>
	<u>\$ 2,540,986</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study 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, 2023 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)	\$ 11,105,112	\$ 6,410,022	\$ 2,544,585

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, 2022 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>32</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, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index at December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study as of December 31, 2020.

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, 2024, the Town reported a total pension liability of \$1,387,344. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$112,958.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,054	\$ 29,602
Changes of assumptions and other inputs	200,390	212,373
Town benefit payments and plan administrative expense made subsequent to the measurement date	34,928	-
Total	<u>\$ 305,372</u>	<u>\$ 241,975</u>

\$34,928 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 23,205
2026	28,480
2027	13,503
2028	(29,171)
2029	(11,775)
Thereafter	4,227
	<u>\$ 28,469</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 4.00 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 1,513,167	\$ 1,387,344	\$ 1,272,993

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2022	\$ 1,283,746
Changes for the year:	
Service cost at end of year	56,280
Interest	54,165
Change in benefit terms	-
Difference between expected and actual experience	13,030
Changes of assumptions and other inputs	34,157
Benefit payments	(54,034)
Other	-
Net changes	<u>103,598</u>
Total pension liability as of December 31, 2023	<u>\$ 1,387,344</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 \$92,060 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 \$108,550. 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	\$ 6,410,022	N/A	\$ 6,410,022
Proportion of the net pension liability	0.09678%	N/A	N/A
Total pension liability	N/A	\$ 1,387,344	1,387,344
Pension expense	1,704,409	112,958	1,817,367

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 714,266	\$ 70,054	\$ 784,320
Changes of assumptions	272,389	200,390	472,779
Net difference between projected and actual earnings on pension plan investments	1,715,603	-	1,715,603
Town contributions (LGERS) and benefit payments (LEOSSA) made subsequent to the measurement date	<u>1,059,685</u>	<u>34,928</u>	<u>1,094,613</u>
Total	<u>\$ 3,773,309</u>	<u>\$ 305,372</u>	<u>\$ 4,078,681</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 15,377	\$ 29,602	\$ 44,979
Changes of assumptions	-	212,373	212,373
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>157,261</u>	<u>-</u>	<u>157,261</u>
Total	<u>\$ 172,638</u>	<u>\$ 241,975</u>	<u>\$ 414,613</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 7.14% of covered payroll which amounted to \$588,806.

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

At June 30, 2024, Town reported a liability of \$10,718,711 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2024, the Town's proportion was 0.04022% (as measured at June 30, 2023), an increase of .00113% from the prior year (as measured at June 30, 2022).

For the year ended June 30, 2024, the Town recognized an OPEB benefit of \$586,154. At June 30, 2024, 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	\$ 118,034	\$ 10,502
Changes of assumptions and other inputs	1,161,163	2,859,666
Net difference between projected and actual earnings on OPEB plan investments	85,627	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	606,802	113,139
Town benefit payments and plan administrative expense made subsequent to the measurement date	588,806	-
Total	<u>\$ 2,560,432</u>	<u>\$ 2,983,307</u>

\$588,806 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, 2025. 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>	
2025	\$ (400,981)
2026	(593,256)
2027	(270,075)
2028	252,631
2029	-
Thereafter	-
	<u>\$ (1,011,681)</u>

Actuarial Assumptions. Actuarial assumptions for the June, 30, 2024 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, 2022 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, 2023. 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 3.65%. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65 % rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

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 (2.65 percent) or 1-percentage point higher (3.65 percent) than the current discount rate:

	1% Decrease <u>(2.65%)</u>	Current <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Net OPEB Liability	\$ 12,643,442	\$ 10,718,711	\$ 9,149,120

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 (6.5% Medical, 7.5% Prescription, 3.0% Administration)		
	<u>1% Decrease</u>	<u>3.0% Administration</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 8,848,335	\$ 10,718,711	\$ 13,127,966

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:

	Government-wide Deferred Outflows of Resources	Governmental Deferred Inflows of Resources	Government-wide Deferred Inflows of Resources
Contributions to pension plan in the current fiscal year	\$ 1,059,685	\$ -	\$ -
Benefit payments made and admin expenses for LEOSSA	34,928	-	-
Benefit payments made and admin expenses for OPEB	588,806	-	-
Pension and OPEB deferrals	4,955,694	-	3,397,920
Prepaid taxes	-	6,831	6,831
Taxes receivable, net (General Fund)	-	114,706	-
Leases	-	38,970	382,541
Total	<u>\$ 6,639,113</u>	<u>\$ 160,507</u>	<u>\$ 3,787,292</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

At June 30, 2024, the Town had 15 active vehicles leases. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. Twelve leased vehicles serve governmental activities, primarily for its public safety and transportation function. Three leased vehicles serve the business-type activities. Lease terms are for 36-60 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 rates ranging from 2.29% to 3.45%, 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 \$426,901 for governmental activities and \$50,847 for business-type activities. The related right to use assets with a total net book value of \$419,850 for governmental activities and \$49,966 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>
2025	\$ 115,707	\$ 10,728	\$ 13,595	\$ 1,279
2026	119,038	7,397	13,993	881
2027	121,902	3,968	14,403	471
2028	62,468	1,075	8,856	86
2029	7,786	28	-	-
Total	<u>\$426,901</u>	<u>\$23,196</u>	<u>\$50,847</u>	<u>\$ 2,717</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.

\$ 628,390

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.

\$ 555,750

The future minimum payments for installment obligations as of June 30, 2024, including interest are:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	44,841	241
2029	108,460	4,064	-	-
2030	111,081	1,443	-	-
Total	<u>\$ 628,390</u>	<u>\$ 46,756</u>	<u>\$ 555,750</u>	<u>\$ 30,331</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

\$ 242,032

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 24,203	\$ -	\$ 24,203
2026	24,203	-	24,203
2027	24,203	-	24,203
2028	24,203	-	24,203
2029	24,203	-	24,203
2030-2034	121,017	-	121,017
Total	<u>\$ 242,032</u>	<u>\$ -</u>	<u>\$ 242,032</u>

At June 30, 2024, the Town had a legal debt margin of approximately \$138,000,000.

Changes in Long-Term Liabilities

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

	Balance			Current	
	7/1/2023	Increases	Decreases	Balance 6/30/2024	Portion of Balance
<u>Governmental Activities:</u>					
Direct placement					
installment notes	\$ 724,646	\$ -	\$ 96,256	\$ 628,390	\$ 98,581
Lease liabilities	301,081	241,143	115,323	426,901	115,707
Net OPEB liability	6,481,292	1,002,513	-	7,483,805	-
Total pension liability - LEOSSA	1,283,746	103,598	-	1,387,344	-
Net pension liability - LGERS	3,979,952	524,216	-	4,504,168	-
Compensated absences	604,360	54,639	212,144	446,855	210,000
Total	<u>\$ 13,375,077</u>	<u>\$ 1,926,109</u>	<u>\$ 423,723</u>	<u>\$ 14,877,463</u>	<u>\$ 424,288</u>
<u>Business-type Activities:</u>					
Direct placement revolving loan	\$ 266,235	\$ -	\$ 24,203	\$ 242,032	\$ 24,203
Installment notes	715,390	-	159,640	555,750	164,857
Lease liabilities	60,988	-	10,141	50,847	13,595
Net pension liability - LGERS	1,684,042	221,812	-	1,905,854	-
Net OPEB liability	2,801,566	433,340	-	3,234,906	-
Compensated absences	269,672	9,870	78,328	201,214	75,000
Total	<u>\$ 5,797,893</u>	<u>\$ 665,022</u>	<u>\$ 272,312</u>	<u>\$ 6,190,603</u>	<u>\$ 277,655</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:

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, 2024. The remaining long term-balance of \$4,973,958 is presented as an advance to general fund. The general fund presents the consolidated total of \$5,266,544 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, 2024 is calculated as follows:

	Governmental	Business-Type
Capital assets	\$ 21,525,052	\$ 41,654,296
Less: Long-term debt	(628,390)	(797,782)
Net investment in capital assets	<u>\$ 20,896,662</u>	<u>\$ 40,856,514</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	\$ 10,848,192
<u>Less:</u>	
Non-spendable - prepaid	(67,982)
Non-spendable - inventory	(34,334)
Non-spendable - leases	(5,998)
Streets - Powell Bill	(597,038)
Stabilization by State statute	<u>(2,172,451)</u>
Available Fund Balance	<u>\$ 7,970,389</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, 2024.

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, 2024. 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 50% of the Town's tax base for the 2023 tax year. Taxes collected from this taxpayer amounted to approximately \$4,900,000 for the fiscal year ending June 30, 2024. Also, economic development incentive payments were made to this taxpayer in the amount of \$4,963,512 during the fiscal year ended June 30, 2024. Economic development incentive payments equal to 100% of the property taxes paid will continue to be made to this taxpayer until the year 2034.

Note 8 – Subsequent Event – Hurricane Helene

In September 2024, Western North Carolina was severely impacted by Hurricane Helene leading to a Federal disaster area declaration which included the Town of Forest City, as well as all surrounding counties and municipalities. As of the date of issuance of these financial statements, management estimates known damages in the amount of \$1,200,000 as an assessment of all facilities and infrastructure continues. Damages include significant impacts to the electric system. The storm brought down large trees town-wide that caused broken utility poles, downed transformers, and lines. Crews were brought in from three other municipalities to assist in repairing the damage to the electric infrastructure. Additional necessary repairs include debris removal from streets and water and sewer right-of-ways, an electric rebuild at one of the town's pump stations at the Riverstone Wastewater Treatment Plant, erosion of the side of the canal and the dam for the raw water Intake for the Water Treatment Plant, and significant streambank stabilization. There was also minor damage to vehicles and equipment during the storm, as well as fences at town parks.

As of the issuance date of these financial statements, management is unable to determine the full extent of these costs, but believe they intend to pursue any Federal or State grant or emergency relief funding that is available.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

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

Retiree Health Benefit Fund

	2024	2023	2022	2021	2020	2019	2018	2017
Town's proportionate share of the net OPEB liability (asset) (%)	0.04022%	0.03909%	0.03955%	0.03871%	0.03791%	0.03679%	0.03698%	0.00000%
Town's proportion of the net OPEB liability (asset) (\$)	\$ 10,718,711	\$ 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	7,926,443	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	135.23%	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	10.73%	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 EIGHT FISCAL YEARS

Retiree Health Benefit Fund

	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 588,806	\$ 546,463	\$ 466,769	\$ 447,648	\$ 419,399	\$ 395,715	\$ 359,732	\$ 339,230
Contribution in relation to the contractually required contribution	<u>588,806</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 8,268,519	\$ 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	7.12%	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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportionate share of the net pension liability (asset) (%)	0.09678%	0.10040%	0.09940%	0.09854%	0.10232%	0.10207%	0.10143%	0.10191%	0.10440%	0.10180%
Town's proportion of the net pension liability (asset) (\$)	\$ 6,410,022	\$ 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)
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
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	80.87%	79.33%	22.88%	54.68%	44.27%	40.72%	26.51%	38.38%	8.48%	(11.53%)
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.08%	102.64%

* 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,059,685	\$ 959,680	\$ 793,087	\$ 680,184	\$ 580,158	\$ 502,657	\$ 457,501	\$ 435,264	\$ 382,838	\$ 698,720
Contribution in relation to the contractually required contribution	<u>1,059,685</u>	<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>
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	\$ 8,268,519	\$ 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
Contributions as a percentage of covered payroll	12.82%	12.11%	11.11%	10.21%	9.01%	7.96%	7.69%	7.45%	6.79%	12.65%

TOWN OF FOREST CITY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS*

Schedule of Changes in Total Pension Liability

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,283,746	\$ 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	56,280	79,290	75,142	47,697	45,553	49,500	41,451	45,100
Interest	54,165	31,250	27,124	33,202	33,350	29,459	30,112	27,169
Change in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	13,030	74,679	(22,844)	(32,558)	26,344	(29,078)	39,985	-
Changes of assumptions and other inputs	34,157	(263,186)	(41,529)	390,767	35,974	(42,620)	61,065	(23,041)
Benefit payments	(54,034)	(54,376)	(54,376)	(49,976)	(27,980)	(18,601)	(22,346)	(38,007)
Other	-	-	-	-	-	-	-	-
Net changes	<u>103,598</u>	<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>\$ 1,387,344</u>	<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	\$ 1,387,344	\$ 1,283,746	\$ 1,416,089	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272
Covered payroll	1,883,939	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	73.64%	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, 2024

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 10,200,084	
Penalties and interest		49,365	
Total	\$ 11,233,856	10,249,449	\$ (984,407)
Other Taxes and Licenses:			
Local option sales tax		3,571,951	
ABC privilege licenses		980	
Fire district tax		23,594	
Vehicle rental tax		33,033	
Total	2,111,444	3,629,558	1,518,114
Unrestricted Intergovernmental Revenues:			
Utility sales tax		998,105	
Telecommunications sales tax		54,177	
Piped natural gas tax		34,517	
Video programming tax		26,351	
Court costs and fees		2,556	
Beer and wine tax		35,726	
Hold harmless revenue		951,333	
Policing subsidies and fees		36,345	
ABC profit distributions		374,313	
Payments-in-lieu		24,280	
Total	1,900,243	2,537,703	637,460
Restricted Intergovernmental Revenues:			
Powell Bill allocation		279,216	
Unauthorized substance tax		11,994	
Police federally forfeited funds		6,291	
State fire fund		5,538	
ABC allocations		34,000	
Police grant - vests		25,971	
Solid waste disposal		5,722	
Culture and recreation grants		9,000	
Total	305,400	377,732	72,332
Permits and fees:			
Building permits		154,738	
Code enforcement fees		38,260	
Total	200,000	192,998	(7,002)

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, 2024

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services:			
Recreation department		449,321	
Waste collection fees		1,538,836	
Cemetery lots		3,850	
Fire protection fees		6,210	
Other sales and services		11,798	
Total	1,980,100	2,010,015	29,915
Investment Earnings	95,000	659,078	564,078
Miscellaneous:			
Foothills grant		38,300	
Lease revenue		16,200	
Rents		119,549	
Other		56,387	
Total	218,781	230,436	11,655
Total revenues	18,044,824	19,886,969	1,842,145
Expenditures:			
General Government:			
Governing board:			
Salaries and employee benefits		63,493	
Operating expenditures		23,316	
Total	107,094	86,809	20,285
Administration:			
Salaries and employee benefits		577,460	
Operating expenses		300,649	
Capital outlay		167,663	
Economic development incentive		4,963,512	
Total	6,247,015	6,009,284	237,731
Finance and Legal:			
Salaries and employee benefits		410,640	
Operating expenditures		94,353	
Total	545,458	504,993	40,465
Planning and Zoning:			
Salaries and employee benefits		486,099	
Operating expenditures		97,331	
Total	710,630	583,430	127,200
Downtown Activities:			
Salaries and employee benefits		186,881	
Operating expenditures		175,189	
Total	490,855	362,070	128,785
Administrative expense reimbursement	(1,082,150)	(1,082,150)	-

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, 2024

	Final Budget	Actual	Variance Positive (Negative)
Total general government	7,018,902	6,464,436	554,466
Public Safety:			
Police department:			
Salaries and employee benefits		3,131,210	
Operating expenditures		619,346	
Capital outlay		421,816	
Total	4,187,049	4,172,372	14,677
Fire department:			
Salaries and employee benefits		1,520,628	
Operating expenditures		306,386	
Capital outlay		17,961	
Total	1,922,010	1,844,975	77,035
Total public safety	6,109,059	6,017,347	91,712
Transportation:			
Streets and highways:			
Salaries and employee benefits		1,083,530	
Operating expenditures		308,381	
Capital outlay		321,001	
Total	2,200,764	1,712,912	487,852
Warehouse and garage			
Salaries and employee benefits		301,171	
Operating expenditures		151,717	
Total	545,530	452,888	92,642
Powell bill			
Salaries and employee benefits		14,227	
Operating expenditures		196,571	
Total	223,229	210,798	12,431
Administrative expense reimbursement	(445,784)	(445,786)	2
Total transportation	2,523,739	1,930,812	592,927
Environmental Protection:			
Sanitation:			
Operating expenditures		1,593,775	
Total	1,614,900	1,593,775	21,125
Cemetery:			
Operating expenditures		7,457	
Capital outlay		50,025	
Total	76,800	57,482	19,318
Total environmental protection	1,691,700	1,651,257	40,443

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, 2024

	Final Budget	Actual	Variance Positive (Negative)
Cultural and Recreation:			
Parks and recreation:			
Salaries and employee benefits		1,141,061	
Other operating expenditures		625,850	
Total	2,081,341	1,766,911	314,430
Library:			
Salaries and employee benefits		131,530	
Other operating expenditures		51,477	
Total	201,465	183,007	18,458
Total cultural and recreation	2,282,806	1,949,918	332,888
Debt Service:			
Principal retirement		211,579	
Interest and fees		19,421	
Total	236,630	231,000	5,630
Total expenditures	19,862,836	18,244,770	1,618,066
Revenues over (under) expenditures	(1,818,012)	1,642,199	3,460,211
Other Financing Sources:			
Appropriated fund balance	1,113,689	-	(1,113,689)
Lease liabilities issued	242,000	241,143	(857)
Sale of capital assets	-	39,882	39,882
Transfer from Electric Fund	462,323	-	(462,323)
Total other financing sources	1,818,012	281,025	(1,536,987)
Net change in fund balance	\$ -	1,923,224	\$ 1,923,224
Fund balance, beginning of year		8,924,968	
Fund balance, end of year		\$ 10,848,192	

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, 2024

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total	
Revenues:					
NC PARTF Grant	\$ 450,000	\$ -	\$ -	\$ -	\$ (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	-	-	-	(125,000)
Carolina Foothills Foundation Grant	250,000	-	250,000	250,000	-
TDA Community Funds	100,000	-	-	-	(100,000)
TDA Community Funds (prior years)	300,000	-	-	-	(300,000)
Total revenues	<u>2,025,000</u>	<u>800,000</u>	<u>250,000</u>	<u>1,050,000</u>	<u>(975,000)</u>
Expenditures:					
Professional services	98,500	38,875	68,408	107,283	(8,783)
Construction	1,758,850	-	-	-	1,758,850
Contingency	167,650	-	-	-	167,650
Total expenditures	<u>2,025,000</u>	<u>38,875</u>	<u>68,408</u>	<u>107,283</u>	<u>1,917,717</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 761,125</u>	181,592	<u>\$ 942,717</u>	<u>\$ 942,717</u>
Fund balance, beginning of year			<u>761,125</u>		
Fund balance, end of year			<u>\$ 942,717</u>		

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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 3,570,000	\$ 3,633,516	\$ 63,516
Sewer charges	1,910,000	1,906,289	(3,711)
Tap and connection fees	35,000	73,597	38,597
Other	64,000	24,258	(39,742)
Total operating revenues	5,579,000	5,637,660	58,660
Non-operating revenues:			
Water tank lease revenue	24,000	24,000	-
Interest earnings	75,000	226,673	151,673
Total non-operating income	99,000	250,673	151,673
Total revenues	5,678,000	5,888,333	210,333
Expenditures:			
Administration:			
Salaries and employee benefits		423,202	
Operating expenditures		828,774	
Total administration	1,325,829	1,251,976	73,853
Water Operations:			
Salaries and employee benefits		726,418	
Operating expenditures		518,082	
Capital outlay		178,285	
Total water operations	2,389,413	1,422,785	966,628
Water Plant:			
Salaries and employee benefits		539,737	
Operating expenditures		506,740	
Capital outlay		19,321	
Total water plant	1,095,510	1,065,798	29,712
Sewer Operations:			
Salaries and employee benefits		243,909	
Operating expenditures		58,086	
Capital outlay		155,280	
Total sewer operations	1,017,217	457,275	559,942
Waste Treatment Plants:			
Salaries and employee benefits		499,641	
Operating expenditures		603,465	
Capital outlay		409,838	
Total water treatment plants	1,732,792	1,512,944	219,848

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, 2024

	Budget	Actual	Variance Positive (Negative)
Pump Station and Storage:			
Salaries and employee benefits		314,862	
Operating expenditures		496,104	
Capital outlay		437,347	
Total pump station and storage	1,812,395	1,248,313	564,082
Debt service:			
Principal		186,286	
Interest		21,570	
	270,484	207,856	62,628
 Total expenditures	 9,643,640	 7,166,947	 2,476,693
Revenues under expenditures	(3,965,640)	(1,278,614)	2,687,026
Other Financing Sources:			
Sale of capital assets	-	8,808	8,808
Appropriated fund balance	3,965,640	-	(3,965,640)
Total other financing sources	3,965,640	8,808	(3,956,832)
Revenues and other sources under expenditures	\$ -	(1,269,806)	\$ (1,269,806)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		186,286	
Capital outlay		1,191,803	
Increase in deferred outflows of resources - LGERS		28,730	
Increase in net pension liability - LGERS		(161,858)	
Increase in deferred inflows of resources - LGERS		(14,562)	
Increase in deferred outflows of resources - OPEB		132,334	
Increase in net OPEB liability		(313,016)	
Decrease in deferred inflows of resources - OPEB		312,690	
Decrease in compensated absences		36,907	
Amortization		(2,300)	
Depreciation		(1,585,730)	
Total reconciling items		(188,716)	
 Change in net position		 \$ (1,458,522)	

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

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

For the year ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electricity sales	\$ 11,464,000	\$ 10,730,163	\$ (733,837)
Late payment penalties	250,000	243,289	(6,711)
Connection fees	44,500	35,252	(9,248)
Other operating revenue	50,000	38,424	(11,576)
Total operating revenues	11,808,500	11,047,128	(761,372)
Non-operating revenues:			
Interest earnings	50,000	76,662	26,662
Total revenues	11,858,500	11,123,790	(734,710)
Expenditures:			
Administration:			
Salaries and employee benefits		239,857	
Operating expenditures		864,139	
Total administration	1,167,012	1,103,996	63,016
Operations:			
Salaries and employee benefits		1,007,007	
Operating expenditures		748,978	
Repairs and maintenance		467,444	
Capital outlay		310,128	
Total operations	3,717,610	2,533,557	1,184,053
Electric power purchased:	6,500,000	6,353,297	146,703
Debt service:			
Principal		7,698	
Interest		3,856	
	11,555	11,554	1
Total expenditures	11,396,177	10,002,404	1,393,773
Revenues over expenditures	462,323	1,121,386	659,063

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

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

For the year ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to General Fund	(462,323)	-	462,323
Sale of capital assets	-	69,827	69,827
Total other financing sources (uses)	(462,323)	69,827	532,150
 Revenues and other sources over expenditures and other uses	\$ -	1,191,213	\$ 1,191,213
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		7,698	
Capital outlay		310,128	
Increase in deferred outflows of resources - LGERS		10,642	
Increase in net pension liability - LGERS		(59,954)	
Increase in deferred inflows of resources - LGERS		(5,394)	
Increase in deferred outflows of resources - OPEB		50,869	
Increase in net OPEB liability		(120,324)	
Decrease in deferred inflows of resources - OPEB		120,199	
Decrease in compensated absences		31,551	
Remaining basis in disposed capital assets		(15,392)	
Amortization		(6,620)	
Depreciation		(360,280)	
Total reconciling items		(36,877)	
Change in net position		\$ 1,154,336	

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, 2024

		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, 2024

Fiscal Year	Uncollected Balance 6/30/2023	Additions	Collections And Credits	Uncollected Balance 6/30/2024
2023-2024	\$ -	\$ 10,269,127	\$ 10,146,354	\$ 122,773
2022-2023	59,600	-	37,367	22,233
2021-2022	8,822	-	4,190	4,632
2020-2021	6,694	-	3,048	3,646
2019-2020	5,879	-	2,995	2,884
2018-2019	3,596	-	1,534	2,062
2017-2018	3,522	-	1,683	1,839
2016-2017	2,876	-	1,094	1,782
2015-2016	1,873	-	985	888
2014-2015	1,789	-	822	967
2013-2014	1,966	-	1,966	-
	<u>\$ 96,617</u>	<u>\$ 10,269,127</u>	<u>\$ 10,202,038</u>	<u>163,706</u>

Less: allowance for uncollectible accounts:

General Fund (49,000)

Ad valorem taxes receivable, net \$ 114,706

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 10,249,449

Reconciling items:

Interest and penalties collected (49,365)

Taxes written off 1,966

Adjustments and releases, net (12)

Total collections and credits \$ 10,202,038

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND
 Analysis of Current Tax Levy
 For the year ended June 30, 2024

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,747,528,136	0.590	\$ 10,310,416	\$ 9,956,801	\$ 353,615
Discoveries	3,518,305	0.590	20,758	20,758	-
Abatements	<u>(10,516,441)</u>	0.590	<u>(62,047)</u>	<u>(62,047)</u>	<u>-</u>
Total property valuation	<u>\$ 1,740,530,000</u>				
Net levy			10,269,127	9,915,512	353,615
Uncollected taxes at June 30, 2024			<u>(122,773)</u>	<u>(122,773)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 10,146,354</u>	<u>\$ 9,792,739</u>	<u>\$ 353,615</u>
Current levy collection percentage			98.80%	98.76%	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, each major fund and remaining fund information of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2024, which collectively comprise the Town of Forest City's basic financial statements, and have issued our report thereon dated October 30, 2024.

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
October 30, 2024

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Findings
For the Year Ended June 30, 2024

I. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no

- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted _____yes X no

TOWN OF FOREST CITY, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024

No findings reported for the fiscal year ending June 30, 2023.