

TOWN OF FOREST CITY, NORTH CAROLINA

**Financial Statements
(With Supplementary Information)**

June 30, 2018

TOWN OFFICIALS

MAYOR

Steve Holland

COMMISSIONERS

Dee Dee Bright

Justin Conner

David Eaker, Mayor Pro-Tem

Chris Lee

Shawn Moore

OFFICERS

John Condrey, City Manager

Roxanne Stiles, Finance Director

Emily Sain, City Clerk

TOWN OF FOREST CITY, NORTH CAROLINA
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 June 30, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund, of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I 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 me, and my opinion, insofar as it relates to the amounts included for the Town of Forest City ABC Board, is based solely on the report of the other auditor. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Forest City ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Town of Forest City, North Carolina as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pages A-K, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions (Exhibits I and II, respectively), the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability (Exhibit III), Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Pension Liability - LEOSSA (Exhibit IV), Pension Liability - LEOSSA as a Percentage of Covered Payroll, (Exhibit V), Schedule of Proportionate Share of OPEB Liability (Exhibit VI), and Schedule of Town Contributions - Retiree Health Benefit Fund (Exhibit VII) 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Forest City, North Carolina. The individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In my opinion, based on my audit, the procedures performed as described above, the individual fund 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*, I have also issued my report dated November 9, 2018 on my consideration of the Town of Forest City's internal control over financial reporting and on my 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 my 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.

A handwritten signature in blue ink, appearing to read 'D. Smith', is written over the text of the report.

November 9, 2018

TOWN OF FOREST CITY, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Forest City, North Carolina

Management's Discussion and Analysis

As management of the Town of Forest City, we offer readers 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, 2018. 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.

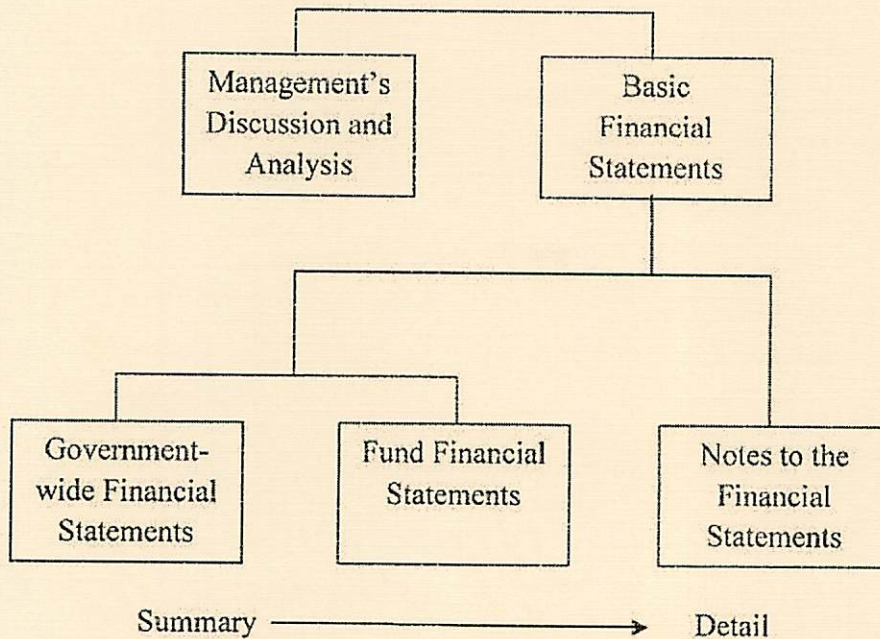
Financial Highlights

- 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 \$61,564,387 (*net position*).
- The government's total net position decreased by \$1,052,861 due to operations and decreased by \$14,989,085 as a result of a prior year adjustment.
- As of the close of the current fiscal year, the Town of Forest City's governmental funds reported combined ending fund balances of \$8,426,632 with a net increase of \$2,195,957 in fund balance. Approximately 15.91 percent of this total amount, or \$1,340,582, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,328,356, or 15.17 percent of the total General Fund expenditures for the year.
- The Town of Forest City's total debt increased by \$11,298,229 during the current fiscal year. The key factors in this increase were (1) pension obligations decreased by \$463,036, (2) payments totaled approximately \$362,406, (3) OPEB liability restatement by \$15,328,314 and OPEB current year decrease of \$3,204,643.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 the 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 four parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and (4) the fiduciary fund statement.

Management's Discussion and Analysis Town of Forest City

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets plus deferred outflows of resources and total liabilities plus 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, sales taxes, utility franchise revenue, and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include 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 because 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 the 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 be readily converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next

Management's Discussion and Analysis
Town of Forest City

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 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 of variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Forest City has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements 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 those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the town. Forest City has one fiduciary fund, which is an agency fund.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements comprise the last section of the basic 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 benefits and other post employment benefits to its employees. Required supplementary information can be found after the notes to the financial statements in this report.

Management's Discussion and Analysis
Town of Forest City

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, Forest City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and/or appropriations.

Government-Wide Financial Analysis

The government-wide financial statements for years ending June 30, 2018 and June 30, 2017 are in compliance with generally accepted accounting principles (GAAP). As appropriate, changes may have been made to prior year amounts to make them comparable to current year amounts. The comparisons between the two years in assets and fund balance are commented on in the Financial Highlights and in Figure 2.

Town of Forest City's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 9,261,990	\$ 6,703,071	\$ 12,597,910	\$ 16,553,338	\$ 21,859,900	\$ 23,256,409
Restricted Assets						
Cash and cash equivalents	425,047	285,709	622,486	606,223	1,047,533	891,932
Capital assets - net	19,176,724	16,444,768	40,307,718	41,980,043	59,484,442	58,424,811
Other assets						
Net pension asset	-	-	-	-	-	-
Due from component unit	-	3,744	-	-	-	3,744
Industrial development loan	-	-	317,778	456,776	317,778	456,776
Deferred outflows of resources	1,581,681	1,295,630	637,071	539,594	2,218,752	1,835,224
Total assets and deferred outflows of resources	30,445,442	24,732,922	54,482,963	60,135,974	84,928,405	84,868,896
Long-term liabilities outstanding	11,116,435	3,362,175	4,585,797	1,374,904	15,702,232	4,737,079
Other liabilities	1,693,544	941,601	1,629,014	1,437,246	3,322,558	2,378,847
Deferred inflows of resources	3,037,533	111,513	1,301,695	35,124	4,339,228	146,637
Total liabilities and deferred inflows of resources	15,847,512	4,415,289	7,516,506	2,847,274	23,364,018	7,262,563
Net position:						
Net investment in capital assets	18,350,313	15,395,579	39,713,600	41,246,297	58,063,913	56,641,876
Restricted	1,318,377	1,057,889	-	-	1,318,377	1,057,889
Unrestricted	(5,070,760)	3,864,165	7,252,857	16,042,403	2,182,097	19,906,568
Total net position	\$ 14,597,930	\$ 20,317,633	\$ 46,966,457	\$ 57,288,700	\$ 61,564,387	\$ 77,606,333

Management's Discussion and Analysis
Town of Forest City

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 \$61,564,387 as of June 30, 2018. The Town's net position decreased by \$16,041,946 for the fiscal year ended June 30, 2018. The largest portion of Net Position (94.31%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery and equipment) which totals \$58,063,913. The Town of Forest City uses its 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's net position, \$1,318,377, represents resources which are subject to external restrictions as to how they may be used. The remaining balance of \$2,182,097 is unrestricted. With the implementation of GASB Statement 75 in current year, the Town has restated net position to record a beginning OPEB liability and the effect on net position of benefit payments during the measurement period (fiscal year ended December 31, 2017). A restatement to record the effects of the new reporting guidance decreased beginning net position by \$14,989,085.

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

- Higher than anticipated property tax collections due to an increase in business personal property values,
- Code enforcement and building permit revenues higher than anticipated due mainly to increased construction and renovation activities,
- The continued cost saving efforts utilized by Town department heads which resulted in actual expenditures being much less than the budget in many areas.

Management's Discussion and Analysis
Town of Forest City

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 1,697,454	\$ 1,598,348	\$ 17,029,867	\$ 16,594,545	\$ 18,727,321	\$ 18,192,893
Operating Grants and Contributions	414,901	673,382	-	-	414,901	673,382
Capital Grants and Contributions	101,200	238,339	-	180,360	101,200	418,339
General Revenue:						
Property Taxes	3,837,416	3,395,426	-	-	3,837,416	3,395,426
Other Taxes	1,151,741	1,124,722	-	-	1,151,741	1,124,722
Unrestricted Intergovernmental	1,581,584	1,426,109	-	-	1,581,584	1,426,109
Unrestricted Investment earnings	47,308	14,616	75,282	40,675	122,590	55,291
Gain (Loss) on Sale of Capital Assets	16,790	21,436	1,406	-	18,196	21,436
Miscellaneous	-	-	-	-	-	-
Total Revenues	8,848,394	8,492,578	17,106,555	16,815,220	25,954,949	25,307,598
Expenses:						
General Government	3,897,902	3,434,541	-	-	3,897,902	3,434,541
Public Safety	4,510,679	4,171,404	-	-	4,510,679	4,171,404
Transportation	1,446,129	1,417,873	-	-	1,446,129	1,417,873
Environmental Protection	1,211,008	1,141,500	-	-	1,211,008	1,141,500
Culture and Recreation	1,670,853	1,595,957	-	-	1,670,853	1,595,957
Cemetery	9,380	5,390	-	-	9,380	5,390
Economic Development	102,297	348,826	-	-	102,297	348,826
Water and Sewer	-	-	5,039,698	4,979,995	5,039,698	4,979,995
Electric	-	-	9,119,864	8,665,678	9,119,864	8,665,678
Total Expenses	12,848,248	12,115,491	14,159,562	13,645,673	27,007,810	25,761,164
Total before transfers	(3,999,854)	(3,623,113)	2,946,993	3,169,547	(1,052,861)	(453,566)
Transfers	8,745,530	3,598,658	(8,745,530)	(3,598,658)	-	-
Increase (Decrease) in Net Position	4,745,676	(24,455)	(5,798,537)	(429,111)	(1,052,861)	(453,566)
Net Position July 1 as previously stated	20,317,633	20,883,859	57,288,700	57,594,124	77,606,333	78,477,983
As Restated	9,852,254	20,342,088	52,764,994	57,717,811	62,617,248	78,059,899
Net Position June 30	\$ 14,597,930	\$ 20,317,633	\$ 46,966,457	\$ 57,288,700	\$ 61,564,387	\$ 77,606,333

Management's Discussion and Analysis
Town of Forest City

Governmental activities: Governmental activities decreased the Town's net position by \$5,719,703, accounting for the total decrease in the net position of the Town of Forest City. The decrease in net position in the governmental activities is attributable (\$10,465,379) to a prior year restatement of costs related to post employment employee benefits as required by GASB statement 75.

Business-type activities: Business-type activities decreased the Town of Forest City's net position by \$10,322,243 after funding transfers totaling \$8,745,530. The OPEB restatement of \$4,523,706 contributed to the total decrease.

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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the Town 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 \$2,328,356, and total fund balance was \$8,427,755. As of June 30, 2018, the Town has an available balance of 15% of General Fund expenditures.

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

Actual revenues are generally higher than budget due to the use of conservative revenue estimation. Expenditures tend to be lower than budget. For the fiscal year ended June 30, 2018, revenues were \$26,494 less than the budgeted amounts. Expenditures were \$3,195,273 less than budgeted amounts and the Town was able to comply with its budgetary requirements.

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 decreased \$5,868,104 from the prior year to a total of \$2,067,011 at June 30, 2018. Overall net position of the Water and Sewer Fund decreased \$7,038,991. Unrestricted net position of the Electric Fund decreased \$2,921,442 from the prior year to a total of \$5,185,846 as of June 30, 2018.

Management's Discussion and Analysis
Town of Forest City

Overall net position of the Electric Fund decreased \$3,383,252. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Forest City's business-type activities.

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, 2018 totals \$59,484,442 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- The addition of a large generator and upgrade to electrical panel for IT services.
- The construction of a new downtown park and amphitheater.
- The installation of poles and lighting in public parking areas.
- The purchase of 5 vehicles for the Police Department.
- The inspection and replacement of aging utility poles.

**Town of Forest City Capital Assets
(Net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Non-Depreciable	\$ 10,505,083	\$ 7,533,809	\$ 341,597	\$ 293,597	\$ 10,846,680	\$ 7,827,406
Plant and Lines	-	-	38,556,966	40,142,664	38,556,966	40,142,664
Buildings	5,823,832	5,948,597	-	-	5,823,832	5,948,597
Equipment	1,275,700	1,335,414	1,409,155	1,543,782	2,684,855	2,879,196
Infrastructure	725,585	747,865	-	-	725,585	747,865
Vehicles	846,524	879,083	-	-	846,524	879,083
Total	\$ 19,176,724	\$ 16,444,768	\$ 40,307,718	\$ 41,980,043	\$ 59,484,442	\$ 58,424,811

Management's Discussion and Analysis
Town of Forest City

Additional information on the Town's capital assets can be found in the Capital Assets Note included in the Basic Financial Statements.

Long-term Debt – As of June 30, 2018, the Town of Forest City had no bonded debt outstanding. The Town's outstanding debt consisted of an installment loan incurred in constructing the McNair Field baseball stadium (\$777,778), installment loans for equipment and improvements (\$255,499), an interest free 20 year loan from the North Carolina Department of Environmental and Natural Resources for a sewer line rehabilitation project (\$387,252), net pension obligation (\$2,491,108) and OPEB liability of \$12,123,671 of which \$15,328,314 was restated at July 1, 2017. During the current fiscal year, long-term debt decreased by \$4,030,085 of which \$3,817,946 relates to pension and OPEB deferrals.

Town of Forest City Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment Notes	\$ 826,411	\$ 1,049,189	\$ 206,866	\$ 322,291	\$ 1,033,277	\$ 1,371,480
NCDENR Loan	-	-	387,252	411,455	387,252	411,455
Net Pension Liability	2,030,384	2,312,986	460,724	641,158	2,491,108	2,954,144
OPEB Liability	8,464,747	-	3,658,924	-	12,123,671	-
Total	\$ 11,321,542	\$ 3,362,175	\$ 4,713,766	\$ 1,374,904	\$ 16,035,308	\$ 4,737,079

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less debt outstanding. The legal debt margin for Town of Forest City is approximately \$106,000,000.

Additional information regarding the Town of Forest City's long-term debt can be found in the Long-Term Obligations Note included in the Basic Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities - Property taxes remain at \$.29/\$100 for fiscal year 2018-2019. An increase is expected in property tax revenue mainly due to new construction that has occurred at Facebook. In addition, an increase in sales tax is projected which is largely attributable to the positive impact of Facebook's property value (based on the County's use of ad valorem levy as the method of distributing sales tax). The current revenue is adequate to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decrease approximately 15%, or \$2,200,000, as compared to fiscal year 2017-2018. This decrease is attributable to the elevated construction budget in prior year for the new park and amphitheater in the downtown area as well as the 13 mile Thermal Belt Rail Trail funded by a PARTF grant.

Business-type Activities –Water and sewer revenues in the Town are expected to increase slightly due to increases in commercial sales. 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.

Request for Information

The Town of Forest City ABC Board issued its separately prepared financial statements. Any questions or requests for additional information pertaining to the ABC Board's financial statements should be directed to Town of Forest City ABC Board, 430 Oak Street, Forest City, North Carolina 28043.

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Roxanne Stiles, Finance Director, Town of Forest City, 128 N. Powell Street, Forest City, North Carolina 28043.

TOWN OF FOREST CITY, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 8 119 719	\$ 9 963 637	\$18 083 356	\$384 869
Taxes receivable - net	101 329		101 329	
Accrued interest on taxes receivable	21 500		21 500	
Accounts receivable	105 030	2 605 011	2 710 041	
Due from component unit	111 501		111 501	
Other receivables	1 303	6 987	8 290	
Due from other governments	779 403	22 275	801 678	
Inventories	22 205		22 205	191 459
Prepaid items				9 579
Restricted assets:				
Cash	425 047	622 486	1 047 533	
	<u>9 687 037</u>	<u>13 220 396</u>	<u>22 907 433</u>	<u>585 907</u>
Noncurrent assets:				
Capital assets:				
Land and non-depreciable improvements	10 505 083	341 597	10 846 680	50 000
Other - net of depreciation	8 671 641	39 966 121	48 637 762	178 017
	<u>19 176 724</u>	<u>40 307 718</u>	<u>59 484 442</u>	<u>228 017</u>
Industrial development loan	-	317 778	317 778	-
Total assets	<u>28 863 761</u>	<u>53 845 892</u>	<u>82 709 653</u>	<u>813 924</u>
Deferred Outflows of Resources				
Pension deferrals	896 400	340 855	1 237 255	15 550
OPEB deferrals	685 281	296 216	981 497	
	<u>1 581 681</u>	<u>637 071</u>	<u>2 218 752</u>	<u>15 550</u>
Liabilities				
Current liabilities:				
Accounts payable	1 032 482	972 193	2 004 675	225 217
Due primary government				111 501
Current portion - long term debt	205 107	127 969	333 076	
Compensated absences	455 955	166 627	622 582	
Payable from restricted assets:				
Customer deposits	-	362 225	362 225	
	<u>1 693 544</u>	<u>1 629 014</u>	<u>3 322 558</u>	<u>336 718</u>
Long-term liabilities:				
Pension liability - LGERS	1 088 845	460 724	1 549 569	16 499
Pension liability - LEOSA	941 539		941 539	
OPEB liability	8 464 747	3 658 924	12 123 671	
Long-term debt	621 304	466 149	1 087 453	
Total liabilities	<u>12 809 979</u>	<u>6 214 811</u>	<u>19 024 790</u>	<u>353 217</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Deferred Inflow of Resources				
Prepaid taxes	\$ 64	\$	\$ 64	\$
Pension deferrals	96 232	30 332	126 564	467
OPEB deferrals	2 941 237	1 271 363	4 212 600	
	<u>3 037 533</u>	<u>1 301 695</u>	<u>4 339 228</u>	<u>467</u>
Net Position				
Net invested in capital assets	18 350 313	39 713 600	58 063 913	228 017
Restricted for:				
Stabilization by State Statute	893 330		893 330	
Other	425 047		425 047	67 827
Unrestricted	(5 070 760)	7 252 857	2 182 097	179 946
Total net position	<u>\$14 597 930</u>	<u>\$46 966 457</u>	<u>\$61 564 387</u>	<u>\$475 790</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government								
government	\$ 3 897 902	\$ 176 176	\$	\$	\$(3 721 726)	\$		\$(3 721 726)
Public safety	4 510 679	32 045	68 580		(4 410 054)			(4 410 054)
Transportation	1 446 129		240 230		(1 205 899)			(1 205 899)
Environmental protection	1 211 008	1 181 430	4 917		(24 661)			(24 661)
Cultural and recreation	1 670 853	300 203		101 200	(1 269 450)			(1 269 450)
Cemetery	9 380	7 600			(1 780)			(1 780)
Economic Development	102 297		101 174		(1 123)			(1 123)
Total governmental activities	<u>12 848 248</u>	<u>1 697 454</u>	<u>414 901</u>	<u>101 200</u>	<u>(10 634 693)</u>	<u>-</u>		<u>(10 634 693)</u>
Business-type activities:								
Electric	9 119 864	12 314 612				3 194 748		3 194 748
Water and sewer	<u>5 039 698</u>	<u>4 715 255</u>			<u>-</u>	<u>(324 443)</u>		<u>(324 443)</u>
Total business-type activities	<u>14 159 562</u>	<u>17 029 867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 870 305</u>		<u>2 870 305</u>
Total primary government	<u>\$27 007 810</u>	<u>\$18 727 321</u>	<u>\$414 901</u>	<u>\$ 101 200</u>	<u>(10 634 693)</u>	<u>2 870 305</u>		<u>(7 764 388)</u>
Component Unit:								
ABC Board	<u>\$ 2 421 467</u>	<u>\$ 2 298 809</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$(122 658)</u>
General revenues:								
Taxes:								
Property taxes					3 837 416			3 837 416
Other taxes					1 151 741			1 151 741
Unrestricted intergovernmental					1 581 584			1 581 584
Unrestricted investment earnings					47 308	75 282		122 590
Gain (loss) on sale of capital assets					<u>16 790</u>	<u>1 406</u>		<u>18 196</u>
Total general revenues not including transfers					6 634 839	76 688		6 711 527
								22 658

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

TOWN OF FOREST CITY, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2018

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
Transfers				\$ 8 745 530	\$(8 745 530)	\$ -	\$ -
Total general revenues and transfers				<u>15 380 369</u>	<u>(8 668 842)</u>	<u>6 711 527</u>	<u>22 658</u>
Change in net position				<u>4 745 676</u>	<u>(5 798 537)</u>	<u>(1 052 861)</u>	<u>(100 000)</u>
Net position - beginning:				\$20 317 633	57 288 700	77 606 333	575 790
As previously reported				<u>(10 465 379)</u>	<u>(4 523 706)</u>	<u>(14 989 085)</u>	-
Restated for deferred OPEB costs				<u>9 852 254)</u>	<u>52 764 994</u>	<u>62 617 248</u>	<u>575 790</u>
Net position - ending				<u>\$14 597 930</u>	<u>\$46 966 457</u>	<u>\$61 564 387</u>	<u>\$ 475 790</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$8 119 719	\$	\$ 8 119 719
Restricted cash	425 047		425 047
Receivables:			
Taxes	101 329		101 329
Accounts	105 030		105 030
Other	1 303		1 303
Due from other governments	779 403		779 403
Advance to Capital Project Fund	1 123		1 123
Inventories	22 205		22 205
Component unit: Distributions	<u>111 501</u>		<u>111 501</u>
	<u>9 666 660</u>	<u>-</u>	<u>9 666 660</u>
Liabilities			
Accounts payable and accrued liabilities	1 032 482		1 032 482
Advance from General Fund		<u>1 123</u>	<u>1 123</u>
	<u>1 032 482</u>	<u>1 123</u>	<u>1 033 605</u>
Deferred Inflows of Resources			
Property tax receivable	101 329		101 329
Accounts receivable	105 030		105 030
Prepaid taxes	<u>64</u>		<u>64</u>
	<u>206 423</u>	<u>-</u>	<u>206 423</u>
Fund Balances:			
Non spendable - inventories	22 205		22 205
Restricted:			
Stabilization by State Statute	893 330		893 330
Streets	323 847		323 847
Rail trail improvements	101 200		101 200
Assigned - Subsequent year expenditures	4 758 817		4 758 817
Unassigned	<u>2 328 356</u>	<u>(1 123)</u>	<u>2 327 233</u>
	<u>8 427 755</u>	<u>(1 123)</u>	<u>8 426 632</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position

June 30, 2018

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in fund statements		\$19 176 724
Deferred outflows of resources related to pensions are not reported in the funds		896 400
Deferred outflows of resources related to OPEB are not reported in the funds		685 281
Other long-term assets (accrued interest receivable on taxes) are not available to pay current period expenditures and therefore are deferred		21 500
Liabilities for earned revenues considered deferred inflows of resources in fund statements		206 359
Long-term liabilities in governmental activities are not financial uses and are not reported in the funds:		
Long-term debt	\$ (826 411)	
Pension liability - LGERS	(1 088 845)	
Pension liability - LEOSSA	(941 539)	
OPEB liability	(8 464 747)	
Compensated absences	<u>(455 955)</u>	(11 777 497)
Deferred inflows of resources related to pensions are not reported in the funds		(96 232)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(2 941 237)</u>
Reconciling amount		6 171 298
Fund balance - June 30, 2018		<u>8 426 632</u>
Net position governmental activities - June 30, 2018		<u><u>\$14 597 930</u></u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 3 834 774	\$	\$ 3 834 774
Other taxes and licenses	1 159 484		1 159 484
Unrestricted intergovernmental	1 631 474		1 631 474
Restricted intergovernmental	382 999	101 174	484 173
Permits and fees	86 227		86 227
Sales and services	1 437 893		1 437 893
Investment earnings	49 082		49 082
Miscellaneous	132 806		132 806
	<u>8 714 739</u>	<u>101 174</u>	<u>8 815 913</u>
Expenditures:			
Current:			
General government	3 614 256		3 614 256
Public safety	3 968 004		3 968 004
Transportation	1 285 111		1 285 111
Environmental protection	1 211 008		1 211 008
Cultural and recreation	1 493 212		1 493 212
Cemetery	7 503		7 503
Economic development		102 297	102 297
Capital outlay	3 527 594		3 527 594
Debt service:			
Principal	222 778		222 778
Interest	22 269		22 269
	<u>15 351 735</u>	<u>102 297</u>	<u>15 454 032</u>
Revenues under expenditures	<u>(6 636 996)</u>	<u>(1 123)</u>	<u>(6 638 119)</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	8 745 530		8 745 530
Sale of fixed assets	88 546		88 546
	<u>8 834 076</u>	<u>-</u>	<u>8 834 076</u>
Net changes in fund balance	2 197 080	(1 123)	2 195 957
Fund balance:			
Beginning	<u>6 230 675</u>		<u>6 230 675</u>
Ending	<u>\$ 8 427 755</u>	<u>\$ (1 123)</u>	<u>\$ 8 426 632</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to Statement of Activities

For the Year Ended June 30, 2018

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

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

Capital outlay expenditures capitalized	\$3 527 594	\$
Depreciation for governmental assets	<u>(723 882)</u>	2 803 712
Cost of fixed assets sold is not an expense in the funds		(71 756)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		322 914
Benefit payments and administrative expense for LEOSA are not included in the Statement of Activities		22 346
OPEB benefit payments and administrative cost not included in the Statement of Activities		251 166
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.		
Principal payments on long-term debt		222 778
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenues	2 642	
Environmental protection revenues	15 049	
Other	<u>(2 000)</u>	15 691
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(63 726)	
Pension expense	(446 916)	
OPEB plan expense	<u>(506 490)</u>	(1 017 132)
Reconciling amount		2 549 719
Net changes in fund balance - governmental fund		<u>2 195 957</u>
Total changes in net position of governmental activities		<u>\$4 745 676</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

General Fund	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3 799 770	\$ 3 799 770	\$ 3 834 774	\$ 35 004
Other taxes and licenses	1 098 178	1 098 178	1 159 484	61 306
Unrestricted				
intergovernmental	1 615 500	1 615 500	1 631 474	15 974
Restricted intergovernment	266 400	276 807	382 999	106 192
Permits and fees	60 000	74 050	86 227	12 177
Sales and services	1 803 770	1 807 770	1 437 893	(369 877)
Investment earnings	11 858	11 858	49 082	37 224
Miscellaneous	57 300	57 300	132 806	75 506
	<u>8 712 776</u>	<u>8 741 233</u>	<u>8 714 739</u>	<u>(26 494)</u>
Expenditures:				
General government	4 085 165	4 635 048	4 245 683	389 365
Public safety	4 423 307	4 433 714	4 185 943	247 771
Transportation	1 400 925	1 455 925	1 285 111	170 814
Environmental protection	1 180 185	1 211 185	1 211 008	177
Cultural and recreation	6 266 854	6 740 266	4 416 487	2 323 779
Cemetery	10 350	10 350	7 503	2 847
Contingency	91 520	60 520		60 520
	<u>17 458 306</u>	<u>18 547 008</u>	<u>15 351 735</u>	<u>3 195 273</u>
Revenues under expenditures	<u>(8 745 530)</u>	<u>(9 805 775)</u>	<u>(6 636 996)</u>	<u>3 168 779</u>
Other financing sources:				
Transfers from other funds	8 745 530	8 745 530	8 745 530	
Sale of fixed assets			88 546	88 546
Fund balance appropriated	-	1 060 245		(1 060 245)
	<u>8 745 530</u>	<u>9 805 775</u>	<u>8 834 076</u>	<u>(971 699)</u>
Net change in fund balance \$	<u>-</u>	<u>-</u>	<u>2 197 080</u>	<u>\$2 197 080</u>
Fund balance:				
Beginning of year			<u>6 230 675</u>	
End of year			<u>\$ 8 427 755</u>	
Capital Project Fund				
Building Reuse:				
Revenues:				
Restricted intergovernmental				
Prior year	\$ 600 000	\$ 600 000	\$ 498 826	\$
Current year			101 174	
Total	<u>600 000</u>	<u>600 000</u>	<u>600 000</u>	<u>-</u>
Expenditures:				
Economic development				
Prior year	600 000	600 000	498 826	
Current year			101 174	
Total	<u>600 000</u>	<u>600 000</u>	<u>600 000</u>	<u>-</u>
Revenue over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses) - prior year:				
Subsequent settlement	\$	\$ 150 000	\$ 150 000	\$
Grant repayment		(150 000)	(150 000)	
	-	-	-	-
Project balance - year end	-	-	-	-
Utility improvements:				
Revenues:				
Restricted intergovernmental current year	1 500 000	1 500 000	-	(1 500 000)
Expenditures:				
Economic Development:				
Water improvements	100 000	100 000		100 000
Sewer improvements	1 365 000	1 365 000		1 365 000
Planning and administration	35 000	35 000	1 123	33 877
	1 500 000	1 500 000	1 123	1 498 877
Revenue under expenditures	-	-	(1 123)	(1 123)
Project balance - year-end	-	-	(1 123)	(1 123)
Fund balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ (1 123)	\$ (1 123)

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

TOWN OF FOREST CITY, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5 203 299	\$ 4 760 338	\$ 9 963 637
accounts receivable:			
Billed - net	1 353 729	201 282	1 555 011
Unbilled	832 600	217 400	1 050 000
Other receivables	1 348	27 914	29 262
Restricted cash/cash equivalents	<u>256 380</u>	<u>366 106</u>	<u>622 486</u>
	<u>7 647 356</u>	<u>5 573 040</u>	<u>13 220 396</u>
Noncurrent assets:			
Capital assets:			
Land and other			
non-depreciable assets	163 715	177 882	341 597
Other capital assets, net of depreciation	<u>2 532 178</u>	<u>37 433 943</u>	<u>39 966 121</u>
	<u>2 695 893</u>	<u>37 611 825</u>	<u>40 307 718</u>
Industrial development loan	-	317 778	317 778
Total assets	<u>10 343 249</u>	<u>43 502 643</u>	<u>53 845 892</u>
Deferred Outflows of Resources:			
Pension deferrals	91 816	249 039	340 855
OPEB deferrals	<u>82 250</u>	<u>213 966</u>	<u>296 216</u>
	<u>174 066</u>	<u>463 005</u>	<u>637 071</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	836 066	136 127	972 193
Current maturities - long-term debt	34 437	93 532	127 969
Compensated absences	42 021	124 606	166 627
Payable from restricted assets:			
Customer deposits	<u>256 380</u>	<u>105 845</u>	<u>362 225</u>
	<u>1 168 904</u>	<u>460 110</u>	<u>1 629 014</u>
Noncurrent liabilities:			
Long-term debt	16 600	449 549	466 149
Net pension liability	124 530	336 194	460 724
Total OPEB liability	<u>1 015 964</u>	<u>2 642 960</u>	<u>3 658 924</u>
	<u>1 157 094</u>	<u>3 428 703</u>	<u>4 585 797</u>
Total liabilities	<u>2 325 998</u>	<u>3 888 813</u>	<u>6 214 811</u>
Deferred Inflows of Resources:			
Pension deferrals	7 599	22 733	30 332
OPEB deferrals	<u>353 016</u>	<u>918 347</u>	<u>1 271 363</u>
	<u>360 615</u>	<u>941 080</u>	<u>1 301 695</u>
Net position:			
Invested in capital assets	2 644 856	37 068 744	39 713 600
Unrestricted	<u>5 185 846</u>	<u>2 067 011</u>	<u>7 252 857</u>
Total net position	<u>\$ 7 830 702</u>	<u>\$39 135 755</u>	<u>\$46 966 457</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Revenues, Expenses, and

Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			+
Charge for services	\$12 030 967	\$ 4 585 579	\$16 616 546
Late payment charges	240 679		240 679
Other operating revenue	42 966	129 676	172 642
	<u>12 314 612</u>	<u>4 715 255</u>	<u>17 029 867</u>
Operating expenses:			
Administration	480 927	623 492	1 104 419
Operations	1 760 594	961 398	2 721 992
Electric power purchased	6 393 845		6 393 845
Water plant		744 977	744 977
Waste treatment plants		808 289	808 289
Pump station and storage		589 826	589 826
Depreciation	483 491	1 307 970	1 791 461
	<u>9 118 857</u>	<u>5 035 952</u>	<u>14 154 809</u>
Operating income (loss)	<u>3 195 755</u>	<u>(320 697)</u>	<u>2 875 058</u>
Nonoperating revenues (expenses):			
Investment earnings	34 834	40 448	75 282
Interest paid	(1 007)	(3 746)	(4 753)
	<u>33 827</u>	<u>(36 702)</u>	<u>70 529</u>
Income (loss) before other financing	<u>3 229 582</u>	<u>(283 995)</u>	<u>2 945 587</u>
Other financing sources (uses):			
Gain on sale of capital assets		1 406	1 406
Transfers to other funds	(5 256 749)	(3 488 781)	(8 745 530)
	<u>(5 256 749)</u>	<u>(3 487 375)</u>	<u>(8 744 124)</u>
Change in net position:	<u>(2 027 167)</u>	<u>(3 771 370)</u>	<u>(5 798 537)</u>
Net position:			
Beginning as previously reported	11 113 954	46 174 746	57 288 700
Restated for deferred OPEB costs	(1 256 085)	(3 267 621)	(4 523 706)
Beginning as restated	<u>9 857 869</u>	<u>42 907 125</u>	<u>52 764 994</u>
Ending	<u>\$ 7 830 702</u>	<u>\$39 135 755</u>	<u>\$46 966 457</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$12 003 993	\$4 627 601	\$16 631 594
Cash paid for goods and services	(7 864 069)	(1 788 980)	(9 653 049)
Cash paid to or on behalf of employees for services	(696 591)	(1 875 447)	(2 572 038)
Other operating revenues	<u>110 316</u>	<u>64 214</u>	<u>174 530</u>
	<u>3 553 649</u>	<u>1 027 388</u>	<u>4 581 037</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(5 256 749)	(3 488 781)	(8 745 530)
Note principal collected		<u>138 998</u>	<u>138 998</u>
	<u>(5 256 749)</u>	<u>(3 349 783)</u>	<u>(8 606 532)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(48 000)	(27 396)	(75 396)
Proceeds from sale of capital assets		1 406	1 406
Principal paid on installment contracts	(33 941)	(105 687)	(139 628)
Interest paid on installment contracts	<u>(1 007)</u>	<u>(3 746)</u>	<u>(4 753)</u>
	<u>(82 948)</u>	<u>(135 423)</u>	<u>(218 371)</u>
Cash flows from investing activities:			
Interest on investments	<u>34 834</u>	<u>40 448</u>	<u>75 282</u>
Net increase in cash and cash equivalents	(1 751 214)	(2 417 370)	(4 168 584)
Cash and cash equivalents:			
Beginning of year - July 1	<u>7 210 893</u>	<u>7 543 814</u>	<u>14 754 707</u>
End of year - June 30	<u>\$ 5 459 679</u>	<u>\$5 126 444</u>	<u>\$10 586 123</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 3 195 755	\$ (320 697)	\$ 2 875 058
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	483 491	1 307 970	1 791 461
Decrease (increase) in assets and deferred outflows:			
Accounts receivable	(213 688)	(19 900)	(233 588)
Other receivables	12 284	(8 115)	4 169
Decrease in deferred outflows of resources - pensions	55 190	143 549	198 739
Decrease in deferred outflows of resources - OPEB	(90 885)	(236 429)	(327 314)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	24 866	(41 071)	(16 205)
Customer deposits	11 290	4 948	16 238
Compensated absences	5 254	14 773	20 027
Decrease in net pension liability	(50 107)	(130 327)	(180 434)
Decrease in deferred inflows of resources - pensions	(1 331)	(3 461)	(4 792)
Decrease in deferred inflows of resources - OPEB	390 079	1 014 760	1 404 839
Decrease in OPEB liability	(268 549)	(698 612)	(967 161)
Total adjustments	<u>357 894</u>	<u>1 348 085</u>	<u>1 705 979</u>
Net cash provided by operating activities	<u>\$ 3 553 649</u>	<u>\$1 027 388</u>	<u>\$ 4 581 037</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Statement of Fiduciary Net Position

Fiduciary Fund - Agency Fund

June 30, 2018

Assets

Cash and cash equivalents	\$18 723
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Liabilities

Intergovernmental payable	\$18 723
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The notes to the financial statements are an integral part of this statement.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Forest City 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 and its component unit. 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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

a particular function. 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, including the fiduciary fund. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town has no nonmajor funds.

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

The Town reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental, and various service fees. The primary expenditures are for public safety, street maintenance and construction, and recreation. The Town also maintains a Parks and Recreation Fund and a Florence Mill Fund for accounting purposes. These funds have been consolidated into the General Fund for reporting purposes.

Capital Projects Fund - This fund is used to account for capital projects which extend beyond a single fiscal year.

The Town reports the following enterprise funds:

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.

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Capital Projects Fund - The fund, when appropriate, is used to account for enterprise capital projects which extend beyond a single fiscal year. Capital Projects Funds are consolidated into their related enterprise fund for financial reporting purposes.

Agency Fund - Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the intergovernmental rail trail construction funds for a project conducted jointly by several local municipalities.

(C) **Measurement Focus and Basis of Accounting**

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements

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

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

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Governmental Fund Financial Statements

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when 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 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on-behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Forest City 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

(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 funds and the enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances, either annual or multi-year as appropriate, are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional or department level, as appropriate, for all annually budgeted funds and at the functional level for the multi-year funds. The Town Manager is authorized to transfer appropriations 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**

Deposits and Investments

All deposits of the Town of Forest City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the 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 the 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 nonguaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools money from all funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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.

Restricted Assets

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

Town of Forest City Restricted Cash

Governmental Activities:

General Fund:

Streets	\$323 847	
Rail trail improvements	<u>101 200</u>	\$ 425 047

Business-type Activities:

Electric Fund:

Customer deposits	\$256 380	
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Water Sewer Fund:

Customer deposits	105 845	
Escrowed loan proceeds	<u>260 261</u>	<u>622 486</u>

Total restricted cash		<u>\$1 047 533</u>
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Ad Valorem Taxes Receivable

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

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on amounts written off in prior years.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Inventory

The inventories of the Town of Forest City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists primarily of gasoline which will be expensed as consumed by the various departments.

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 furniture, equipment, buildings and land; \$100,000 for infrastructure. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historic cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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
Building	30
Building improvements	10-29

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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. The non-current portion of accumulated vacation pay which will be taken rather than converted to sick-leave is not considered to be material; therefore, the accrued liability is 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, 2018 amounted to \$16,163. The current portion of accumulated vacation pay is not considered to be material.

Both the Town's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2018 fiscal year and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category -prepaid property taxes, property taxes receivable, and pension and OPEB deferrals.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

Nonspendable Fund Balance - This classification includes amounts which cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. An example would be inventories which are not in spendable form.

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

Restricted for Stabilization by State Statute - This portion of fund balance is restricted by State Statute [GS 159-8(a)];

Restricted for Streets - The Powell Bill portion of fund balance is restricted by revenue source for street construction and maintenance expenditures. This amount represents the unexpended balance of Powell Bill funds.

Committed Fund Balance - This portion of fund balance can only be used for specific purposes, imposed by majority vote by quorum of the Town of Forest City's Town Council (highest level of decision-making authority). Any changes or removal of specific purpose requires a majority action by the Town Council.

Assigned Fund Balance - This is the portion of Fund balance which the Town of Forest City intends to use for specific purposes.

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 - This portion of fund balance has not been restricted, committed, or assigned to specific purposes or other funds.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Forest City's employer contributions are recognized when due and the Town of Forest City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (the Fund) and additions to/deductions from the Fund's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Detail Notes on All Funds

(A) Assets

Deposits

All the deposits of the Town and the 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 Unit's agents in the Unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization. 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, 2018, the Town's deposits had a carrying amount of \$9,065,020 and a bank balance of \$10,376,514. Of the bank balance \$500,000 was covered by federal depository insurance and the balance was collateralized under the Pooling Method. The carrying amount of deposits of the ABC Board was \$381,314 and the bank balance was \$368,184; all of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2018, the Town's drawer funds totaled \$3,600 and the ABC Board's totaled \$3,555. The Town's Agency Fund has \$18,723 in its checking account which is included in the balances stated above.

Investments

At June 30, 2018, the Town of Forest City had \$10,080,992 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2018 were as follows:

	<u>Taxes & Accrued Interest</u>	<u>Accounts</u>	<u>Due From Other Governments</u>	<u>Other</u>
Governmental Activities:				
General	\$192 929	\$ 115 630	\$779 403	\$ 1 303
Allowance for doubtful accounts	<u>70 100</u>	<u>10 600</u>		
	<u>\$122 829</u>	<u>\$ 105 030</u>	<u>\$779 403</u>	<u>\$ 1 303</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	Taxes & Accrued <u>Interest</u>	<u>Accounts</u>	Due From Other <u>Governments</u>	<u>Other</u>
Business-Type Activities:				
Electric	\$ -	\$2 223 929	\$ 1 348	\$ -
Water and sewer	<u>-</u>	<u>419 482</u>	<u>20 927</u>	<u>6 987</u>
	-	2 643 411	22 275	6 987
Allowance for doubtful accounts		<u>38 400</u>		
	<u>\$ -</u>	<u>\$2 605 011</u>	<u>\$ 22 275</u>	<u>\$ 6 987</u>

The "Due From Other Governments" that is owed to the Town consists of the following:

	<u>Governmental</u>	<u>Proprietary</u>
Sales tax refund	\$154 311	\$
Property taxes unremitted	25 346	
State taxes collected	549 780	
Cost reimbursements	33 588	226
Services rendered	2 738	22 049
Payments in lieu	<u>13 640</u>	
	<u>\$779 403</u>	<u>\$ 22 275</u>

Industrial Development Loan Receivable

In accordance with an "Economic Development Agreement" dated September 19, 2011, the Town of Forest City agreed to advance \$950,000 to an industry as part of an incentive package to locate a manufacturing facility within Rutherford County. In accordance with a "Water Supply Agreement" as dated October 3, 2012 (supercedes Raw Water Supply Agreement as dated September 19, 2011), the industry will pay a fee "... for the various payments and services provided by the Town in connection with the construction of the Facilities (the Construction Contributions)..." in the amount of \$11,905 for 84 equal payments. This fee shall be in addition to the monthly billing for actual water usage and shall commence when the Town initially supplies water to the site.

Twelve payments were received during the year ended June 30, 2018. The \$50,000 premium generated by the payments is being recognized as inputed interest at the annual rate of .981%. Interest for the current year was \$3,859.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7 380 709	\$ 327 508	\$ 54 000	\$ 7 654 217
Construction in process	<u>153 100</u>	<u>2 697 766</u>		<u>2 850 866</u>
	<u>7 533 809</u>	<u>\$3 025 274</u>	<u>\$ 54 000</u>	<u>10 505 083</u>
Capital assets being depreciated:				
equipment	\$ 4 333 594	\$ 159 320	\$	\$ 4 492 914
Vehicles	3 862 021	168 000	122 889	3 907 132
Buildings	10 921 062	175 000		11 096 062
Infrastructure	<u>1 114 000</u>			<u>1 114 000</u>
	<u>20 230 677</u>	<u>\$ 502 320</u>	<u>\$122 889</u>	<u>20 610 108</u>
Less accumulated depreciation:				
Equipment	\$ 2 998 180	\$ 219 034	\$	\$ 3 217 214
Vehicles	2 982 938	182 803	105 133	3 060 608
Buildings	4 972 465	299 765		5 272 230
Infrastructure	<u>366 135</u>	<u>22 280</u>		<u>388 415</u>
	<u>11 319 718</u>	<u>\$ 723 882</u>	<u>\$105 133</u>	<u>11 938 467</u>
Governmental activities capital assets - net	<u>\$16 444 768</u>			<u>\$19 176 724</u>

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

General government	\$234 218
Public safety	256 579
Transportation	112 478
Cultural and recreation	118 730
Cemetery	<u>1 877</u>
	<u>\$723 882</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
Business-Type Activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 115 715	\$ -	\$ -	\$ 115 715
Construction in progress		<u>48 000</u>		<u>\$ 48 000</u>
	<u>115 715</u>	<u>\$ 48 000</u>	<u>\$ -</u>	<u>163 715</u>
Capital assets being depreciated:				
Equipment	\$ 1 402 716	\$ 39 740	\$ -	\$ 1 442 456
Plant and lines	<u>11 021 512</u>			<u>11 021 512</u>
	<u>12 424 228</u>	<u>\$ 39 740</u>	<u>\$ -</u>	<u>12 463 968</u>
Less accumulated depreciation:				
Equipment	1 006 728	\$ 66 244	\$ -	1 072 972
Plant and lines	<u>8 441 571</u>	<u>417 247</u>		<u>8 858 818</u>
	<u>9 448 299</u>	<u>\$ 483 491</u>	<u>\$ -</u>	<u>9 931 790</u>
Electric Fund capital assets- net	<u>3 091 644</u>			<u>2 695 893</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 177 882	\$ -	\$ -	\$ 177 882
Capital assets being depreciated:				
Equipment	\$ 4 557 327	\$ 31 396	\$ 20 601	\$ 4 568 122
Plant and lines	<u>60 783 518</u>			<u>60 783 518</u>
	<u>65 340 845</u>	<u>\$ 31 396</u>	<u>\$ 20 601</u>	<u>65 351 640</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
Less accumulated depreciation:				
Equipment	\$ 3 409 533	\$ 139 519	\$ 20 601	\$ 3 528 451
Plant and lines	<u>23 220 795</u>	<u>1 168 451</u>		<u>24 389 246</u>
	<u>26 630 328</u>	<u>\$1 307 970</u>	<u>\$ 20 601</u>	<u>27 917 697</u>
 Water and Sewer Fund capital assets - net	 <u>38 888 399</u>			 <u>37 611 825</u>
 Business-type activities capital assets net	 <u>\$41 980 043</u>			 <u>\$40 307 718</u>

Construction Commitments

The Primary Government has three active construction projects as of June 30, 2018 as follows:

<u>Project</u>	<u>Spent To 6-30-18</u>	<u>Remaining Commitment</u>
Recreational facilities	\$2 390 562	\$1 463 142
Recreational improvements	94 005	85 445
Sewer treatment improvements	<u>4 000</u>	<u>4 000</u>
	<u>\$2 488 567</u>	<u>\$1 552 587</u>

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 50 000	\$ -	\$ -	\$ 50 000
Capital asset being depreciated:				
Equipment	\$117 378	\$ 9 135	\$ -	126 512
Building and improvements	<u>300 000</u>	<u>14 605</u>		<u>314 605</u>
	<u>417 378</u>	<u>\$23 740</u>	<u>\$ -</u>	<u>441 117</u>

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Notes to the Financial Statements

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balances</u>
Less accumulated depreciation:				
Equipment	\$104 961	\$ 5 804	\$ -	\$110 764
Building and improvements	<u>141 667</u>	<u>10 669</u>	<u> </u>	<u>152 336</u>
	<u>246 628</u>	<u>\$16 473</u>	<u>\$ -</u>	<u>263 100</u>
 Forest City ABC capital assets - net	 <u>\$220 750</u>			 <u>\$228 017</u>

(B) Liabilities

Payables

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and</u> <u>Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$854 414</u>	<u>\$178 068</u>	<u>\$1 032 482</u>
Business-Type Activities:			
Enterprise	<u>\$901 061</u>	<u>\$ 71 132</u>	<u>\$ 972 193</u>

Pension Plan Obligation and Post-Employment Obligations:

a) Local Governmental Employees' Retirement System

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 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 5 years of creditable service as a LEO and have reached age 55, or have completed 15 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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Forest City were \$457,501 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$1,549,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was .101% which was a decrease of .001% from its proportion measured as of June 30, 2016 .

For the year ended June 30, 2018, the Town recognized pension expense of \$503,434. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89 270	\$ 43 863
Changes of assumptions	221 300	-
Net difference between projected and actual earnings on pension plan investments	376 238	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	66 610
Contributions to pension plan in current year LGERS	<u>457 501</u>	<u>-</u>
	<u>\$1 144 309</u>	<u>\$110 473</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

The \$457,501 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 60 940
2020	429 183
2021	209 115
2022	(122 905)
2023	<u>-</u>
	<u>\$576 333</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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, 2017 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	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the pension liability (LGERS) was 7.20%. 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 (LGERS) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 lower (6.20 percent) or one percentage higher (8.20 percent) than the current rate:

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	1% Decrease <u>(6.20%)</u>	Discount Rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$4 651 843	\$1 549 569	\$(1 039 849)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. **Law Enforcement Officers Special Separation Allowance (LEOSSA)**

Plan Description: The Town of Forest City 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 age 55 and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>30</u>
Total	<u>31</u>

Summary of Significant Accounting Policies:

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

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Notes to the Financial Statements

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

Actuarial Assumptions: The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town paid \$13,912 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, 2018, the Town reported a pension liability - LEOSSA of \$941,539. The pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$69,236.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experiences	\$34 026	\$ -
Changes of assumptions	51 964	16 091
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>6 956</u>	<u>-</u>
Total	<u>\$92 946</u>	<u>\$16 091</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

The \$6,956 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, 2019. Amounts reported as deferred inflows/outflows of resources related to pensions will be recognized/deducted in pension expense as follows:

Year Ended June 30:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$22 016	\$ 3 475
2020	15 060	3 475
2021	15 060	3 475
2022	15 060	3 475
2023	15 060	2 191
Thereafter	<u>10 690</u>	<u>2 191</u>
	<u>\$92 946</u>	<u>\$16 091</u>

Sensitivity of the Town's pension liability - LEOSSA to changes in the discount rate. The following presents the Town's pension liability calculated using the discount rate of 3.16 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 lower (2.16 percent) or 1-percentage higher (4.16 percent) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Pension liability - LEOSSA	\$1 034 288	\$ 941 539	\$857 177

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

Beginning balance	\$791 272
Service Cost	41 451
Interest on the total pension liability	30 112
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	39 985
Changes of assumptions or other inputs	61 065
Benefit payments	(22 346)
Other changes	-
Ending balance of the pension liability - LEOSSA	<u>\$941 539</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

In preparing the report, the actuary relied on data provided by Town (inactive data) and the Local Government Employees' Retirement System (active date).

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>
Pension Expense	\$ 503 434	\$ 69 236	\$ 572 670
Pension Liability	1 549 569	941 539	2 491 108
Proportionate share net pension liability	.10143%	N/A	
 Deferred of Outflows of Resources:			
Differences between expected/actual experience	89 270	34 026	123 296
Changes of assumptions	221 300	51 964	273 264
Net difference projected/actual earnings on plan investments	376 238	-	376 238
Benefit payments/administrative costs paid after measurement date	457 501	6 956	464 457
 Deferred of Inflows of Resources:			
Differences between expected/ actual experience	43 863	-	43 863
Changes of assumptions	-	16 091	16 091
Changes in proportion/ differences between contributions/proportionate share of contributions	66 610	-	66 610

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

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provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

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. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$83,713 which consisted of \$77,271 from the Town and \$6,442 from the law enforcement officers. Effective July 1, 2016, the Town elected to match up to \$40.00 per pay period the contributions of all non-law officer employees. Non-law officer contributions for the current fiscal year were \$182,888 which consisted of \$84,280 from the Town and \$98,608 from the regular employees.

d) **Firefighters' Pension Fund**

Plan Description: The State of North Carolina contributes, on behalf of the Town of Forest City to the Firefighters' and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firemen who have elected to become members of the Fund. Article 86 of G.S. Chapter 58 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 Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919)981-5454, or at www.osc.nc.gov.

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Benefits Provided: The Fund provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the members and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions: Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The Town of Forest City's proportionate share of the State's contribution is \$5,806.

Refunds of Contributions: Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by the Fund.

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

At June 30, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the Fund. The total portion of the net pension liability that was associated with the Town and supported by the State was \$16,001. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

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Notes to the Financial Statements

For the year ended June 30, 2018, the Town recognized pension expense of \$3,501 and revenue of \$3,501 for support provided by the State. At June 30, 2018, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount Rate: The discount rate used to measure the total liability was 7.20%. 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.

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

e) **Other Postemployment Benefits (OPEB)**

Forest City is one of the state municipal units which has elected to come under the state retirement system as administered for school systems in regards to postemployment benefits.

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Notes to the Financial Statements

Health Care 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's, charter schools, and some select local governments (including Forest City) also participate.

Management of the plan is vested in the State Health Plan Board 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 Board 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 CAFR, 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.

These 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'

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 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, 2021. The new legislature amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local unit), CJRS, or LRS prior to January 2021 and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on or after January 1, 2021 will not be eligible to receive retiree medical benefits.

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 dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries 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 7.85% of covered payroll in the amount of \$359,732.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

At June 30, 2018, the Town reported a liability of \$12,123,671 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was .0369%.

\$359,732 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, 2019. Other amounts reported as deferred inflows of resources (\$4,212,600) net of other amount reported as deferred inflows (\$621,765) as related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (718 392)
2020	(718 392)
2021	(718 392)
2022	(718 392)
2023	(717 266)
Thereafter	-
	<u>\$ (3 590 834)</u>

Actuarial Assumptions: Common actuarial assumptions for both OPEB plans are as follows:

Inflation	2.75%
	3.50-8.10%, include 3.5% inflation and productivity factor
Salary increases	
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate - Medicare advantage	4.00-5.00%
Healthcare cost trend rate - Administrative	3.00%

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Discount Rate: The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. 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 3.58% was used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability, would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or higher (4.58 percent) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Net OPEB liability	\$14 462 844	\$12 123 671	\$10 268 376

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rates: The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58 percent) or higher (4.58 percent) than the current discount rate:

	Healthcare Trend Rates		
	1% Decrease (Medical- 4.00-5.50%, Pharmacy- 4.00-6.25%, Medicare Advantage-3.00-4.00%, Administrative-2.00%)	(Medical-5.00-6.50%, Pharmacy-5.00-7.25%, Medicare Advantage- 4.00 - 5.00, Administrative-3.00%)	1% increase (Medical- 6.00-7.50%, Pharmacy-6.00-8.25%, Medicare Advantage- 5.00-6.00% <u>Administrative-4.00%</u>)
Net OPEB Liability	\$9,903,923	\$12,123,671	\$15,074,001

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

f) Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Since all death benefit payments are made from the 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 annually 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.

Deferred Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes	\$	\$ 64
Taxes receivable	-	101 329
Accounts receivable	-	105 030
Changes in assumptions (LEOSSA)	16 091	
Differences between expected and actual experience	43 863	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>66 610</u>	<u>-</u>
Total	<u>\$126 564</u>	<u>\$206 423</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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 employers' liability limit of \$1 million. All of these coverages, except for workers compensation which is purchased through the North Carolina Interlocal Risk Management Agency, are secured through commercial insurance companies.

There have 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 at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance director is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Long-Term Obligations

The Town of Forest City has incurred the following long-term obligations:

	<u>Total Due</u>
Commercial note issued February 15, 2008 in the amount of \$2,500,000; collateral is the Municipal Baseball Facility as partially funded by proceeds; 3.66% annual rate (reduced to 2.43% effective February 21, 2013); \$13,889 plus interest due monthly	
Due within 12 months	\$166 666
Due after 12 months	<u>611 112</u>
	\$777 778
Installment purchase obligation issued January 22, 2015 in accordance with G.S. 159-8 and 160A-20 to finance the purchase of a specific motor vehicle; original amount of \$25,000 at 1.32% annual rate for a term of 3 years; paid in full at June 30, 2018	

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

		<u>Total Due</u>
Installment purchase obligation issued January 22, 2015 in accordance with G.S. 159-8 and 160A-20 to finance the purchase specified equipment in the General Fund and the Electric Fund; original amount of \$255,000 at 1.45% annual rate for a term of 59 months; collateral is equipment purchased with proceeds; due \$4,481 monthly including interest		
Due within 12 months	\$52 940	
Due after 12 months	<u>26 792</u>	\$ 79 732
Installment purchase obligation issued February 16, 2016 in accordance with G.S. 160A-20 to finance Sewer plant improvement; original amount \$260,200 at 1.93% annual rate for a term of 59 months; collateral is property purchased or improved; due \$4,626 monthly including interest		
Due within 12 months	\$53 287	
Due after 12 months	<u>86 501</u>	139 788
Installment purchase obligation issued February 16, 2016 in accordance with G.S. 160A-20 to finance the purchase specified equipment in the General Fund and the Water Sewer Fund; original amount of \$185,155; 1.57% annual rate for a term of 36 months; collateral is equipment purchased with proceeds; due \$5,268 monthly including interest		
Due within 12 months	\$35 980	
Due after 12 months	<u>-</u>	35 980
On May 3, 2013 the Town was approved for a loan/grant through the N.C. Department of Environmental and Natural Resources in the amount of \$974,197 to finance a sewer rehabilitation project. At the conclusion of the project (June 30, 2014), \$451,350 in principal was forgiven and the balance of \$492,847 was to be amortized by 20 annual payments starting May 30, 2015 each in the amount of \$24,642 interest free. Prior to the initial payment, an additional forgiveness in the amount of \$8,783 was granted to reduce the annual payments to \$24,203 each year for 20 years and interest free.		
Due within 12 months	\$ 24 203	
Due after 12 months	<u>363 048</u>	\$ 387 251
Total due June 30, 2018		1 420 529
Due within 12 months		<u>333 076</u>
Due after 12 months		<u>\$1 087 453</u>

TOWN OF FOREST CITY, NORTH CAROLINA
Notes to the Financial Statements

The Town's debt service payments for the above long-term obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>\$ Total</u>
2019	\$ 333 076	20 263	353 339
2020	271 986	14 298	286 284
2021	223 046	9 151	232 197
2022	190 870	4 894	195 764
Next 5 years	232 128	1 012	233 140
Next 5 years	121 016		121 016
Next 1 year	48 407		48 407
	<u>\$1 420 529</u>	<u>\$ 49 618</u>	<u>\$1 470 147</u>

During the year ended June 30, 2018, the following changes occurred in long-term debt obligations:

	<u>Balance</u>		<u>Balance</u>	<u>Current</u>
	<u>06/30/17</u>	<u>Increase</u>	<u>06/30/18</u>	<u>Portion</u>
Governmental:				
Commercial				
note-'08	\$ 944 445	\$	\$ 777 778	\$166 666
Installment				
notes	104 744		48 633	38 441
Pension				
liability				
(LEOSSA)	791 272	150 267	941 539	
Pension				
liability				
(LGERS)	1 521 714		1 088 845	
Total OPEB				
liability	<u>10 702 229</u>	<u>2 237 482</u>	<u>8 464 747</u>	
	<u>\$14 064 404</u>	<u>\$ 150 267</u>	<u>\$11 321 542</u>	<u>\$205 107</u>
Business-				
type:				
State				
loan	\$ 411 455	\$	\$ 387 252	\$ 24 203
Installment				
note	322 291		206 866	103 766
Net pension				
obligation				
(LGERS)	641 158		460 724	
Total OPEB				
liability	<u>4 626 085</u>	<u>967 161</u>	<u>3 658 924</u>	
	<u>\$ 6 000 989</u>	<u>\$ -</u>	<u>\$4 713 766</u>	<u>\$127 969</u>
Component				
unit:				
Due Town	\$ 3 744	\$ -	\$ 3 744	\$ -

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

The ABC Board's long-term debt as summarized above was paid-off at June 30, 2018.

At June 30, 2018, the Town of Forest City had no bonds which were authorized as outstanding; the Town's legal debt margin was approximately \$106,000,000.

(C) Interfund Activity

Transfers to/from other funds for the year ended June 30, 2018 consist of the following:

Electric Fund to General Fund	\$3 064 235
Electric Fund to Parks and Recreation Fund	2 167 514
Electric Fund to Florence Mill Fund	25 000
Water Sewer Fund to Parks and Recreation	<u>3 488 781</u>
	<u>\$8 745 530</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs. The current year transfers were to supplement funding and to provide funding of a five million dollar recreational facility.

(D) Fund Balance

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

Total fund balance - General Fund		\$8 427 755
Less: Inventories	\$ 22 205	
Stabilization by State Statute	893 330	
Streets - Powell Bill	323 847	
Appropriated fund balance in 2018 budget	4 758 817	
Rail trail improvements	<u>101 200</u>	<u>6 099 399</u>
Unassigned - available for appropriation		<u>\$2 328 356</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

III. Related Organization

The five-member board of the Forest City Housing Authority is appointed by the Board of Commissioners of Forest City. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of 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.

IV. 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. The State Insurance Commissioner appoints one additional member to the local board of trustees. 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, 2018. 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.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$10,465,379 and \$4,523,706 for the business-type activities.

TOWN OF FOREST CITY, NORTH CAROLINA

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

Town of Forest City's Proportionate Share

of Net Pension Liability (Asset) -

Local Government Employees' Retirement System

Last Five Fiscal Years

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
Forest City's proportion of the net pension liability (asset)	.1014%	.1019%	.1044%	.1018%	.0996%
Forest City's proportion of the net pension liability (asset)	\$1 549 569	\$2 162 872	\$ 468 676	\$(600 302)	\$1 200 562
Forest City's covered-employee payroll	\$5 844 823	\$5 634 708	\$5 523 798	\$5 205 002	\$5 093 077
Forest City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.51%	38.38%	8.48%	(11.53%)	23.57%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF FOREST CITY, NORTH CAROLINA

Town of Forest City's Contributions -

Local Government Employees' Retirement System

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 457 501	\$ 435 264	\$ 382 838	\$ 698 720	\$ 651 941
Contributions in relation to the contractually required contribution	<u>457 501</u>	<u>435 264</u>	<u>382 838</u>	<u>698 720</u>	<u>651 941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Forest City's covered-employee payroll	\$5 945 988	\$5 844 823	\$5 634 708	\$5 523 798	\$5 205 002
Contributions as a percentage of covered-employee payroll	7.69%	7.45%	6.79%	12.65%	12.53%

TOWN OF FOREST CITY, NORTH CAROLINA

Town of Forest City's Proportionate Share

of Net Pension Liability

Firefighters' and Rescue Squad Workers' Pension

Last Four Fiscal Years

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Forest City's proportionate share of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%
Forest City's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Forest City	<u>16 001</u>	<u>11 887</u>	<u>12 644</u>	<u>3 904</u>
Total	<u>\$ 16 001</u>	<u>\$ 11 887</u>	<u>\$ 12 644</u>	<u>\$ 3 904</u>
Forest City's covered-employee payroll	\$351 916	\$357 586	\$360 194	\$720 000
Forest City's proportionate share of pension liability as a percentage of its covered-employee payroll	4.55%	3.32%	3.51%	.54%
Plan fiduciary net position as a percentage of the total pension liability	89.35%	84.94%	91.40%	93.42%

*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 Changes in Pension Liability

Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Last Two Years

	<u>2018</u>	<u>2017</u>
Beginning balance	\$791 272	\$780 051
Service Cost	41 451	45 100
Interest on the total pension liability	30 112	27 169
Changes of benefit terms	0	0
Differences between expected and actual experience in the measurement of the total pension liability	39 985	0
Changes of assumptions or other inputs	61 065	(23 041)
Benefit payments	(22 346)	(38 007)
Other changes	<u>0</u>	<u>0</u>
	<u>\$941 539</u>	<u>\$791 272</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Last Two Years

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 941 539	\$ 791 272
Covered payroll	\$1 533 432	\$1 569 111
Total pension liability as a percentage of covered payroll	61.40%	50.43%

Notes to the schedules:

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

TOWN OF FOREST CITY, NORTH CAROLINA

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY -

Town's Retiree Health Benefit Fund

Current Year*

	<u>2018</u> *
Town's proportion of the net OPEB liability (asset)	.03524%
Town's proportionate share of the net OPEB liability (asset)	\$15 328 314
Town's covered payroll	\$ 5 844 823
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	262.25%
Town's Plan Fiduciary net position as a percentage of the total OPEB liability	3.52%

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

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Town Contributions -

Retiree Health Benefit Fund

Current Fiscal Year

	<u>2018</u>
Contractually required contribution	\$ 359 732
Contributions in relation to the contractually required contribution	<u>359 732</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered payroll	\$5 945 988
Contributions as a percentage of the covered payroll	6.05%

TOWN OF FOREST CITY, NORTH CAROLINA

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 3 757 770	\$ 3 780 224	\$ 22 454
Prior years	30 000	40 110	10 110
Interest and late charges	12 000	14 440	2 440
	<u>3 799 770</u>	<u>3 834 774</u>	<u>35 004</u>
Other taxes and licenses:			
Local option sales taxes	1 091 000	1 150 831	59 831
Privilege licenses		910	910
Fire district tax	7 178	7 743	565
	<u>1 098 178</u>	<u>1 159 484</u>	<u>61 306</u>
Unrestricted intergovernmental:			
Utility franchise tax	734 000	699 640	(34 360)
Telecommunications sales tax	108 000	103 305	(4 695)
Piped natural gas tax	32 000	29 111	(2 889)
Video programming sales tax	38 000	37 087	(913)
Court costs and fees	3 000	3 461	461
Beer and wine tax	33 000	32 060	(940)
Hold harmless revenue	343 000	344 930	1 930
Policing subsidies and fees	32 000	34 018	2 018
ABC profit distributions	255 000	295 689	40 689
Payments-in-lieu	13 000	13 640	640
Sales tax refund		19 887	19 887
Governor's Crime Commission Grant	24 500	12 411	(12 089)
Other		6 235	6 235
	<u>1 615 500</u>	<u>1 631 474</u>	<u>15 974</u>
Restricted intergovernmental:			
Powell Bill allocation	245 000	238 456	(6 544)
Unauthorized substance tax	10 407	9 493	(914)
Police grant - vests		1 780	1 780
On-behalf of payments-fire retirement	10 000	3 501	(6 499)
ABC allocations		17 600	17 600
State Fire Fund	6 000	6 052	52
Solid waste disposal	5 400	4 917	(483)
Contributions - Rail Trail Head	-	101 200	101 200
	<u>276 807</u>	<u>382 999</u>	<u>106 192</u>
Permits and fees:			
Building permits	50 000	65 132	15 132
Code enforcement fees	24 050	21 095	(2 955)
	<u>74 050</u>	<u>86 227</u>	<u>12 177</u>
Sales and services:			
Recreation department	609 600	234 255	(375 345)
Waste collection fees	1 168 170	1 166 381	(1 789)
Cemetery lots	5 000	9 600	4 600

TOWN OF FOREST CITY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Fire protection fees	\$ 5 000	\$ 4 566	\$ (434)
Other sales and services	<u>20 000</u>	<u>23 091</u>	<u>3 091</u>
	<u>1 807 770</u>	<u>1 437 893</u>	<u>(369 877)</u>
Investment earnings	<u>11 858</u>	<u>49 082</u>	<u>37 224</u>
Miscellaneous:			
Rents	56 000	90 148	34 148
Other	<u>1 300</u>	<u>42 658</u>	<u>41 358</u>
	<u>57 300</u>	<u>132 806</u>	<u>75 506</u>
Total revenues	<u>8 741 233</u>	<u>8 714 739</u>	<u>(26 494)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		53 853	
Materials and supplies		2 634	
Repairs and maintenance		893	
Insurance		7 730	
Economic Development incentive		2 205 483	
Election		4 189	
Other		<u>24 076</u>	
	2 306 237	<u>2 298 858</u>	7 379
Administration:			
Salaries and benefits		395 611	
Materials and supplies		68 640	
Repairs and maintenance		130 421	
Capital outlay		584 465	
Other		<u>89 260</u>	
	1 381 625	<u>1 268 397</u>	113 228
Finance and legal:			
Salaries and benefits		212 323	
Professional fees		36 639	
Materials and supplies		9 358	
Repairs and maintenance		36 956	
Capital outlay		1 055	
Other		<u>16 940</u>	
	391 204	<u>313 271</u>	77 933

TOWN OF FOREST CITY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Planning and code enforcement:			
Salaries and benefits	\$	\$ 336 441	\$
Materials and supplies		3 775	
Repairs and maintenance		21 319	
Other		157 669	
	685 171	519 204	165 967
Public buildings:			
Repairs and maintenance		25 578	
Utilities		3 095	
Insurance		3 350	
Other		7 348	
	64 229	39 371	24 858
Debt service:			
Principal		44 933	
Interest		974	
	45 907	45 907	
Administrative expense reimbursement	(239 325)	(239 325)	
Total general government	4 635 048	4 245 683	389 365
Public safety:			
Police:			
Salaries and benefits		2 317 875	
Automotive supplies and repair		74 983	
Insurance		38 651	
Uniforms		22 156	
Repairs and maintenance		81 973	
Capital outlay		192 822	
Other		167 092	
	3 047 484	2 895 552	151 932
Fire:			
Salaries and benefits		1 067 438	
Insurance		40 961	
Materials and supplies		32 174	
On-behalf payments		3 501	
Repairs and maintenance		37 113	
Capital outlay		25 117	
Other		84 087	
	1 386 230	1 290 391	95 839
Total public safety	4 433 714	4 185 943	247 771

TOWN OF FOREST CITY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Transportation:			
Streets and highways:			
Salaries and benefits	\$	\$ 745 806	\$
Utilities		87 070	
Materials and supplies		60 709	
Repairs and maintenance		244 936	
Other		<u>25 901</u>	
	1 315 927	<u>1 164 422</u>	151 505
Warehouse and garage:			
Salaries and benefits		214 710	
Repairs and maintenance		35 423	
Supplies		24 479	
Other		31 845	
Administrative expense reimbursement		<u>(185 768)</u>	
	<u>139 998</u>	<u>120 689</u>	<u>19 309</u>
Total transportation	<u>1 455 925</u>	<u>1 285 111</u>	<u>170 814</u>
Environmental protection:			
Supplies		7 757	
Contract services		1 188 326	
Landfill fee		<u>14 925</u>	
Total environmental protection	<u>1 211 185</u>	<u>1 211 008</u>	<u>177</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and benefits		895 801	
Supplies		140 103	
Repairs and maintenance		142 398	
Capital outlay		2 724 135	
Other		164 544	
Debt service:			
Principal		177 845	
Interest		<u>21 295</u>	
	6 582 127	<u>4 266 121</u>	2 316 006

TOWN OF FOREST CITY, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Library:			
Salaries and benefits	\$	\$ 105 937	\$
Supplies		15 506	
Repairs and maintenance		14 193	
Other		14 730	
	158 139	150 366	7 773
Total cultural and recreational	6 740 266	4 416 487	2 323 779
Cemetery:			
Supplies		4 847	
Repairs and maintenance		1 552	
Other		1 104	
Total cemetery	10 350	7 503	2 847
Contingency	60 520		60 520
Total expenditures	18 547 008	15 351 735	3 195 273
Revenues under expenditures	(9 805 775)	(6 636 996)	3 168 779
Other financing sources:			
Transfers from other funds:			
Enterprise Funds	8 745 530	8 745 530	
Sale of fixed assets		88 546	88 546
Fund balance appropriated	1 060 245		(1 060 245)
	9 805 775	8 834 076	(971 699)
Revenues and other financing sources over expenditures	\$ -	2 197 080	\$2 197 080
Fund balance:			
Beginning of year		6 230 675	
End of year		\$ 8 427 755	

TOWN OF FOREST CITY, NORTH CAROLINA

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	2018		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Electricity sales	\$12 045 000	\$12 030 967	\$ (14 033)
Late payment penalties	245 000	240 679	(4 321)
Tap and connection fees	1 500	1 396	(104)
Reconnection and transfer fees	5 000	4 950	(50)
Cable pole fees	13 280	12 475	(805)
Other operating revenue	20 000	24 145	4 145
	<u>12 329 780</u>	<u>12 314 612</u>	<u>(15 168)</u>
Nonoperating revenue:			
Interest earnings	7 000	34 834	27 834
	<u>12 336 780</u>	<u>12 349 446</u>	<u>12 666</u>
Expenditures:			
Administration:			
Salaries and benefits		173 305	
Credit card fees		94 997	
General administration allocation		172 261	
Other		<u>32 093</u>	
	678 240	<u>472 656</u>	205 584
Operations:			
Salaries and benefits		532 849	
Supplies		244 537	
Generator fuel		76 811	
Repairs and maintenance		327 824	
Other		<u>552 447</u>	
	2 356 489	<u>1 734 468</u>	622 021
Electric power purchased	7 100 000	<u>6 393 845</u>	706 155
Debt service:			
Principal retirement		33 941	
Interest		<u>1 007</u>	
	34 949	<u>34 948</u>	1
Capital outlay:			
Equipment	88 000	<u>87 740</u>	260

TOWN OF FOREST CITY, NORTH CAROLINA

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	<u>2018</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Contingency	\$ 11 511	\$ -	\$ 11 511
Total expenditures	<u>10 269 189</u>	<u>8 723 657</u>	<u>1 545 532</u>
Revenues over expenditures	<u>2 067 591</u>	<u>3 625 789</u>	<u>1 558 198</u>
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(5 256 749)	(5 256 749)	
Fund balance appropriated	<u>3 189 158</u>		<u>(3 189 158)</u>
	<u>(2 067 591)</u>	<u>(5 256 749)</u>	<u>(3 189 158)</u>
Revenue under expenditures and other financing uses	<u>\$ -</u>	<u>(1 630 960)</u>	<u>\$(1 630 960)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		87 740	
Depreciation		(483 491)	
Principal retirement		33 941	
Pension deferrals		(3 752)	
OPEB deferrals		<u>(30 645)</u>	
		<u>(396 207)</u>	
Change in net position		<u>\$(2 027 167)</u>	

TOWN OF FOREST CITY, NORTH CAROLINA

Electric Rate Stabilization Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):					
Transfers from Electric Fund	\$1 394 493	\$1 394 493	\$ -	\$1 394 493	\$ -
Transfers to Electric Fund	<u>(1 394 493)</u>	<u>(252 218)</u>		<u>(252 218)</u>	<u>1 142 275</u>
Other financing sources (uses)	<u>\$ -</u>	<u>\$1 142 275</u>	-	<u>\$1 142 275</u>	<u>\$1 142 275</u>
Fund balance:					
Beginning			<u>1 142 275</u>		
Ending			<u>\$1 142 275</u>		

TOWN OF FOREST CITY, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water sales	\$3 405 000	\$3 175 659	\$ (229 341)
Sewer charges	1 610 500	1 409 920	(200 580)
Tap and connection fees	35 000	45 365	10 365
Other	40 000	84 311	44 311
	<u>5 090 500</u>	<u>4 715 255</u>	<u>(375 245)</u>
Nonoperating revenues:			
Interest	13 859	40 448	26 589
	<u>5 104 359</u>	<u>4 755 703</u>	<u>(348 656)</u>
Expenditures:			
Administration:			
Salaries and benefits		287 037	
Supplies		43 231	
Repairs and maintenance		13 555	
General administration allocation		252 832	
Other		13 453	
	670 765	<u>610 108</u>	60 657
Water operations:			
Salaries and benefits		378 315	
Supplies		140 551	
Repairs and maintenance		41 793	
Other		102 122	
	749 870	<u>662 781</u>	87 089
Water plant:			
Salaries and benefits		404 740	
Supplies		133 795	
Repairs and maintenance		54 345	
Utilities		85 499	
Other		47 650	
	827 129	<u>726 029</u>	101 100

TOWN OF FOREST CITY, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
Sewer Operations:			
Salaries and benefits	\$	\$ 179 505	\$
Supplies		14 982	
Repairs and maintenance		64 325	
Other		<u>13 741</u>	
	379 000	<u>272 553</u>	106 447
Waste treatment plants:			
Salaries and benefits		417 623	
Supplies		85 788	
Utilities		134 344	
Repairs and maintenance		106 391	
Other		<u>44 221</u>	
	1 195 153	<u>788 367</u>	406 786
Pump station and storage:			
Salaries and benefits		229 133	
Supplies		20 738	
Utilities		94 183	
Repairs and maintenance		171 991	
Other		<u>62 618</u>	
	794 221	<u>578 663</u>	215 558
Debt service:			
Principal		105 687	
Interest		<u>3 746</u>	
	109 433	<u>109 433</u>	
Capital outlay:			
Waste treatment plants		<u>31 396</u>	
	31 400	<u>31 396</u>	4
Contingency	<u>32 606</u>	<u></u>	<u>32 606</u>
Total expenditures	<u>4 789 577</u>	<u>3 779 330</u>	<u>1 010 247</u>
Revenues over expenditures	<u>314 782</u>	<u>976 373</u>	<u>661 591</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	<u>2018</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
To General Fund	\$(3 488 781)	\$(3 488 781)	\$
Gain on sale of capital assets		1 406	1 406
Economic development loan			
principal payments received	138 999	138 998	(1)
Fund balance appropriated	<u>3 035 000</u>		<u>(3 035 000)</u>
	<u>(314 782)</u>	<u>(3 348 377)</u>	<u>(3 033 595)</u>
Revenue and other			
sources over expenditures	\$ -	<u>(2 372 004)</u>	<u>\$(2 372 004)</u>
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		31 396	
Depreciation		(1 307 970)	
Pension deferrals		(9 761)	
Principal retirement		105 687	
Loan principal received		(138 998)	
OPEB deferrals		<u>(79 720)</u>	
		<u>(1 399 366)</u>	
Change in net position		<u>\$(3 771 370)</u>	

TOWN OF FOREST CITY, NORTH CAROLINA
Agency Fund - Thermal Belt Rail Trail
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets:				
Cash and cash equivalents	\$ (39 100)	\$403 970	\$346 147	\$18 723
Grant receivable	<u>39 100</u>		<u>39 100</u>	<u>-</u>
	<u>\$ -</u>	<u>\$403 970</u>	<u>\$385 247</u>	<u>\$18 723</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$403 970</u>	<u>\$385 247</u>	<u>\$18 723</u>

TOWN OF FOREST CITY, NORTH CAROLINA

OTHER SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

Year of Levy	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017	\$	\$3 842 452	\$3 804 081	\$ 38 371
2016	45 864		19 156	26 708
2015	35 945		7 674	28 271
2014	20 325		5 463	14 862
2013	21 906		3 243	18 663
2012	14 795		1 967	12 828
2011	13 552		1 516	12 036
2010	10 171		720	9 451
2009	5 712		1 054	4 658
2008	6 575		994	5 581
2007	5 242		5 242	
	<u>\$180 087</u>	<u>\$3 842 452</u>	<u>\$3 851 110</u>	<u>171 429</u>

Less allowance for doubtful accounts 70 100

Ad Valorem Taxes receivable - net \$101 329

Reconciliation with revenue:

Ad valorem taxes - General Fund		\$3 834 774
Releases	\$ 25 678	
Interest and late charges collected	(14 440)	
Taxes written off	<u>5 098</u>	<u>16 336</u>
		<u>\$3 851 110</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

For the Fiscal Year Ended June 30, 2018

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Levy</u>	
				<u>Other Property</u>	<u>Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$1 324 983 448	.29	\$3 842 452	\$3 702 362	\$140 090
Uncollected taxes at June 30, 2018			<u>38 371</u>	<u>38 371</u>	-
Current year's taxes collected and credited			<u>\$3 804 081</u>	<u>\$3 663 991</u>	<u>\$140 090</u>
Current levy collection percentage			<u>99.00</u>	<u>98.96</u>	<u>100.00</u>

TOWN OF FOREST CITY, NORTH CAROLINA

COMPLIANCE SECTION

Don L. Heath
Certified Public Accountant

Forest City, North Carolina 28043 • Telephone 828-245-4841

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

Independent Auditor's Report

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

I 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Town of Forest City's basic financial statements, and have issued my report thereon dated November 9, 2018. My report includes a reference to other auditors who audited the financial statements of the Town of Forest City ABC Board, as described in my report on the Town of Forest City's financial statements. This report does not include the results of the other auditors' testing in internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Forest City ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

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

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Town of Forest City's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



November 9, 2018